CHARACTERISTICS OF DECISION-USEFUL FINANCIAL REPORTING INFORMATION: AN EMPIRICAL VALIDATION OF THE PROPOSED INTERNATIONAL ACCOUNTING MODEL
(Research-in-Progress)
(IQ Concepts, Tools, Metrics, Measures, Models, and Methodologies), or
(IQ Policies and Standards)

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ABSTRACT. Poor quality information costs businesses trillions of dollars. Yet a foundational model influencing the quality of financial reporting information – the United States’ accounting model of information usefulness - is still not empirically validated. In the near future this model is set to be incorporated into an international standard, globally affecting professional decisions about the characteristics of useful financial reporting information and thus its quality for a multitude of business users. Validated information quality models exist in Information Systems as potential substitutes, but these have not been fully reconciled with descriptive models of information usefulness in accounting. Using survey data from business information users as defined by the accounting standards, and partial least squares analyses, we empirically test and compare the proposed model for the international standard and a pre-existing empirically validated Information Quality model from Information Systems.

INTRODUCTION

“Although those characteristics are expected to be stable, they are not immutable.”
“Indeed, they ought to change if new knowledge shows present judgments to be outdated.”[20, pg. 11]

Twenty-first century decision making demands information, yet problems with information quality are pervasive, costly and potentially destructive. High profile cases continue to occur in diverse contexts, [3, 7, 12, 16, 17, 21, 24, 26, 28, 33, 35, 40]. With increased access to information through the Internet and other channels, and more users across multiple domains, the scope of the problem is expanding [34, 39, 66]. The business costs of poor quality information due to lost productivity [6, 14, 26, 40, 41] and business failures [28, 44] are estimated in the trillions of dollars [6, 14, 15, 26, 42].

In the business context accounting standards guide professionals in the production of useful financial reporting information (hereinafter “financial information”) by specifying its characteristics and their relationships [e.g. 20; 30]. These characteristics and relationships derive largely from those modeled in the first such standard, published by the Financial Accounting Standards Board (FASB) of the United States [20]. However, though it contained certain theoretically appealing features, the FASB model was derived by expert committee discussion and consensus and is deductive and descriptive. Little has been done to empirically validate the characteristics it models, their individual relationships [e.g. 29, 36, 37], the overall model structure, or to validate it from the information user’s perspective.

While this by itself is enough to warrant empirical validation of the FASB model, the scope of this problem is due to expand. Using the same committee-driven process used almost three decades ago, the FASB and the International Accounting Standards Board of the United Kingdom (IASB) are developing an international standard – a ‘common framework’ of accounting for international reporting purposes [31]. This Framework specifies the characteristics of useful financial information and their interrelationships. Thus the FASB and IASB appear set to produce another deductive, descriptive information usefulness model. When complete it can be expected to influence global professional decision making about what constitutes useful or high quality information. This far-reaching guidance is in danger of being adopted without prior empirical validation of its proposed model of useful information, or validation from the perspective of information users. This may adversely affect everything from the allocation of resources by professionals preparing financial information products to the quality of the financial information used by business decision makers. Therefore, the primary purpose of this study is to empirically validate the international model for ‘useful’ financial information as proposed and described by the FASB and IASB in their recent Exposure Draft [31].

Accounting professionals and financial information users could perhaps look to the information systems discipline (IS) for an empirically validated model of information quality characteristics to guide production or assessment of useful financial information. Theoretically and nomographically, information usefulness and information quality may be the same construct, and an empirically validated IS model of information quality that draws on the FASB model does exist [4, 5, 6]. However, despite attention from academia [19] accounting models of information usefulness have not been fully reconciled with any IS information quality model. Whether separate domain-specific models are warranted is still unclear. Therefore, a secondary purpose of the study is to compare the characteristics of the proposed FASB/IASB model and of a validated IS information quality model [6], and the ability of each model to explain users’ perceptions of information quality and of information usefulness.

To accomplish these purposes we will test each model using partial least squares and survey data from financial information users. The following sections provide relevant background, explain the models being evaluated, develop the hypotheses being tested, describe the methodology to be used, and discuss the anticipated results and limitations of the study.
BACKGROUND

‘INFORMATION USEFULNESS’ IN ACCOUNTING
The American Accounting Association (AAA) defines ‘usefulness’, as determined by the user, as an overarching criterion for evaluating financial information [1]. A model summarizing the characteristics of useful financial information and their relationships was published as part of a project by the Financial Accounting Standards Board (FASB) to develop a United States framework of the underlying concepts of accounting [20]. Although intended to be a normative, inductive framework, the result was the product of expert committee consensus and therefore descriptive and deductive [24]. Nonetheless, the information usefulness model it contained has been widely taught to students and professionals for decades as a guide to the production of high quality financial information [23, 27].

The FASB model strongly influenced subsequent international accounting standards and models of useful financial information [24]. The standard adopted by the IASB of the United Kingdom, for example, specifies or implies many of the same characteristics, and similar relationships [30]. Despite the time since the publication of the FASB model, and limited examination of its individual or paired characteristics [29, 36, 37], little has been done to validate the model characteristics, their relationships, or the overall model structure.

In 2004 the FASB and IASB began collaboration on the production of an international accounting standard – an international Conceptual Framework. At the end of May 2008 the FASB and the IASB released an updated Exposure Draft of the first parts of this framework, including the characteristics and constraints of decision-useful information for general purpose financial reporting [31]. We delineate these in the Rational & Purpose section, below. As with the original FASB model, this model of the characteristics of useful information is the result of committee discussion and consensus and not empirically validated. While the FASB and IASB have considered comments from nearly 180 interested parties in creating this Exposure Draft, these comments are primarily from professional preparers of financial information. Consequently, the model has also not been validated from the perspective of the business information user. Also, even within just accounting there is ambiguity in how the described model characteristics are related, highlighting the need for empirical validation of the model. We provide a brief example of this in the Rationale & Purpose section, below.

‘INFORMATION QUALITY’ IN INFORMATION SYSTEMS
Rather than empirically validating a descriptive model from accounting, individuals seeking a validated model for evaluating information usefulness might turn to an information systems (IS) model of information quality. Studies of information quality within the IS profession date back at least as far as the late 1970’s [e.g. 46], a commonly used definition for quality of information is fitness for use according to the user [32, 44], and the literature and theory underpinning information usefulness in accounting and information quality in the IS domain share common roots [6].

Several empirically derived IS information quality models do exist [5, 6, 8, 38, 44]. Of these, one [4, 5, 6] has theoretical grounding in the FASB model, addressing its logical and theoretical associations with information quality and its sub-attributes. Consequently, several of its constructs share similarities with the information usefulness characteristics of the FASB model [6]. Unlike several other validated IS information quality models [8, 44], it has been structurally validated with partial least squares analysis, a
methodology consistent with the formative nature of information quality models. We discuss this model in more detail in the Rationale & Purposes section, where we specify our secondary hypotheses.

**RATIONALE AND PURPOSE**

Nearly 30 years after the first publication of the FASB model the stage is set for the production of another deductive, descriptive and empirically unvalidated model of financial information usefulness; one with global impact. This model will influence resource allocation when corporations and individual accounting and business professionals are creating financial information products. The characteristics of useful information they focus on will impact the financial information available to business decision makers around the world. Finally, as with the original FASB model [23, 25], this new international model will be taught to students of accounting, finance, and general business, extending its impact across subsequent generations.

If only because of its pervasive potential influence, this model warrants empirical validation. More specifically, validation of the model will help assure appropriate allocation of resources when producing financial information products, and assure these products truly are useful according to the users. This is the primary purpose of our study.

Additionally, despite the strengths of the IS information quality models, their similarities to accounting models, and calls to address the different domain-specific models [19], a need still exists to reconcile the accounting model of financial information usefulness with an IS information quality model, or establish that two different domain-specific models are warranted. Therefore the secondary purpose of our study is to reconcile the FASB/IASB model with a validated IS information quality model [6]. We detail the models and our hypotheses below.

**FASB/IASB MODEL AND PRIMARY STUDY HYPOTHESES.**

Ambiguity exists in how the characteristics from the FASB/IASB model are used elsewhere in accounting standards and guidelines, suggesting a need for clarification and validation. For example, while the proposed model differentiates “Completeness” from “Materially Error Free” and treats both as characteristics of “Faithfully Represented” financial information, in other instances these are not separate characteristics or attributes. A fairly-stated (e.g. materially error free) balance must satisfy conditions of completeness (all transactions that occurred are included), must meet tests of existence (i.e. the transactions are not fictitious or redundant), of accuracy, and more (e.g. see [2]).

This highlights a broader need to ensure consistency in the meaning, use of, and relationships between terms in accounting. However, within that our primary study purpose is solely to evaluate whether the proposed international model is empirically valid from the perspective of financial information users. Therefore, for purposes of testing the model we follow the terms and definitions for information characteristics used, and the relationships specified, by the FASB and IASB in their recent Exposure Draft (Figure 1) [31]. We next detail the underlying qualitative characteristics of useful financial information, and their relationships (model paths), in the new FASB/IASB model. The model categorizes the characteristics of useful financial information into two categories – fundamental and enhancing.

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1 In formative models the observable measures determine latent constructs that together constitute or form a higher order latent construct related to them [9]. In a reflective model a core latent construct is responsible for co-variation in other underlying latent constructs and observables. Covariance-based structural equation modeling, such as LISREL, assumes a reflective model and is thus inappropriate for formative model validation.
Figure 1. Proposed FASB & IASB Model of Information Usefulness Characteristics [31]. Though a model is deliberately not depicted in the Exposure Draft [31] we diagram the characteristics and relationships it describes. $P_n$ numbers correspond to the paths detailed in the paper; $H_n$ numbers correspond to hypotheses.

### Fundamental Characteristics

*Relevance* and *faithful representation* are now considered by FASB and IASB to be fundamental characteristics of decision-useful financial reporting information; the absence of either results in information that is not useful to decision-making [31]. This specifies that:

- Path1: ‘Relevance’ will be positively related to ‘Information Usefulness’, and
- Path2: ‘Faithfully Representative’ will be positively related to ‘Information Usefulness’

Relevant information is capable of making a difference in decision-making by the user and must therefore have *predictive* or *confirmatory* value. Predictive information helps evaluate future events or evaluations, while confirmatory information helps evaluate past or present events or evaluations [31]. Thus:

- Path3: ‘Confirmatory Value’ will be positively related to ‘Relevance’
- Path4: ‘Predictive Value’ will be positively related to ‘Relevance’

Faithfully represented information is *complete*, *neutral*, and *free from material error* [31]. According to the FASB/IASB Exposure Draft, complete information contains all that is necessary to faithfully represent that which it purports to. Neutral information is unbiased towards a predetermined result or behavior. Information free from material error meets a minimum of accuracy necessary for faithful representation. Therefore:

- Path5: ‘Complete’ will be positively related to ‘Faithfully Representative’
- Path6: ‘Neutral’ will be positively related to ‘Faithfully Representative’
- Path7: ‘Materially Error Free’ will be positively related to ‘Faithfully Representative’
Enhancing Characteristics
According to the FASB/IASB Exposure Draft, comparability, verifiability, timeliness, and understandability are now called enhancing characteristics of information [31]. These are considered complimentary to relevant and faithfully represented information. ‘Enhancing’ characteristics distinguish more useful information from less useful information; individually or collectively they cannot make irrelevant or unfaithfully represented information useful [31].

Comparable information allows users to identify similarities and differences between it and other information. Consistent application of procedures and policies facilitates comparability. Verifiable information allows knowledgeable independent observers to reach consensus on whether the information faithfully represents that which it purports to, or on the faithful application of an appropriate recognition or measurement method. Timely information is available while it still retains the capacity to influence decision-making. Understandable information enables user comprehension of its meaning.

Paths: ‘Comparability’ will be positively related to ‘Information Usefulness’
Path9: ‘Verifiability’ will be positively related to ‘Information Usefulness’
Path10: ‘Timeliness’ will be positively related to ‘Information Usefulness’
Path11: ‘Understandability’ will be positively related to ‘Information Usefulness’

The FASB and IASB assert that the fundamental characteristics of information are required for it to be useful, and that the enhancing characteristics increase the usefulness of information [31]. Consistent with our main study goal, therefore, our primary hypothesis is

\[ H_1: \text{The new model dictated by FASB and IASB, described above, adequately predicts perceived usefulness of information.} \]

To explore the possibility that ‘information usefulness’ and ‘information quality’ are the same construct, we propose the following additional hypothesis:

\[ H_2: \text{‘Relevance’, ‘Faithfully Representative’, Comparability, Verifiability, Timeliness, and ‘Understandability’ will adequately predict ‘Information Quality’ when it is substituted for ‘Information Usefulness’ in the FASB/IASB model.} \]

IS Model and Secondary Study Hypotheses
To address the secondary needs of this study, to compare and potentially reconcile the FASB/IASB and an empirically validated IS model, we review the model by Bovee, et al [6] (Figure 2) and the parallel constructs from the accounting model that will be substituted to facilitate our secondary hypothesis. We detail the model paths below and number them so as to distinguish them from the FASB/IASB model. According to this model, quality information must be interpretable, relevant, and accurate (Figure 2). Users can understand and derive meaning from interpretable information, making this closely similar to ‘understandability’ in accounting. Relevant information is applicable to the domain and purpose of interest for the user. This more general requirement encompasses the need for financial information to be confirmatory or predictive. Accurate information “conforms to the real-world or conceptual items of interest” and is “true or error” free according to some standard [6, pp. 14-15], which parallels the FASB/IASB requirement that information be faithfully representative and free from material defects. Therefore:

\[ \text{Even though the FASB and IASB qualify understandability by stating that it “depends largely on the users” who are assumed to “have a reasonable knowledge of business and economic activities” [31, pg. 40], ‘Understandability’ has been relocated as a characteristic of the accounting information, not solely a user characteristic as with the original FASB model [19].} \]
Path14: ‘Understandability’ will be positively related to ‘Information Quality’
Path15: ‘Relevance’ will be positively related to ‘Information Quality’
Path16: ‘Faithfully Representative’ will be positively related to ‘Information Quality’

Among the many possible individually-, domain- and purpose-specific requirements for relevancy, the IS model asserts that for all domains information must be recent enough to be applicable [6]. It distinguishes between this and receiving information in time to make a decision (an aspect of ‘timeliness’), treating the latter as synonymous with information accessibility, a system attribute [6, 45]. Thus ‘currency’ in the IS model is related to ‘timeliness’ in the FASB/IASB model. Consequently:

Path17: ‘Timeliness will be positively related to ‘Relevance’

In the IS model, accurate information must also be sufficiently complete, consistent, and meet tests of existence [6]. Complete information is sufficient for the user’s decision-making purpose. In the FASB/IASB model completeness enhances faithful representation [31]; sufficiency for decision making is not mentioned. Consistent information in the IS model is not materially different across multiple records of the same value, which implies comparability as defined by the FASB/IASB model. In the FASB/IASB model model information usefulness is enhanced by verifiability. The IS model does not address this characteristic (in fact no validated IS model does) – the ability to verify information is assumed. The IS model does include the importance to users of information existence (non-fictitiousness and non-redundancy), for which information must be verifiable. However, the reverse is not necessarily true; information that is verifiable may not meet tests of existence, and verifiability of other characteristics (such as Relevance) is important to information users of all types. Therefore ‘Existence’ and ‘Verifiability’ are not parallels. Nonetheless, Existence has been shown to be predictive of perceived Accuracy [6]. To test the IS model with as many characteristics as possible from the FASB/IASB, it follows that:

Path18: ‘Complete’ will be positively related to ‘Faithfully Representative’
Path19: ‘Consistency’ will be positively related to ‘Faithfully Representative’
Path20: ‘Existence will be positively related to ‘Faithfully Representative’

For our secondary study goal we therefore make the following substitutions from the accounting model concepts into the IS model: ‘Understandability’ = ‘Interpretability’; ‘Faithfully Representative’ = ‘Accuracy’; ‘Timeliness’ = ‘Currency’. Following the structure of the IS model (Figure 2), we hypothesize:

H3: ‘Understandability’, ‘Relevance’, and ‘Faithfully Representative’ will adequately predict ‘Information Quality’

As with hypothesis 2 (above), to explore the possibility that ‘information usefulness’ and ‘information quality’ are the same construct, we propose the following additional hypothesis:

H4: ‘Interpretability, ‘Relevance’, and ‘Accuracy’ will adequately predict ‘Information Usefulness’ when it is substituted for ‘Information Quality’.
Table 1 (below) lists the characteristics of decision-useful financial information proposed by the FASB and IASB, with cross-references to the characteristics of the validated IS information quality model tested [6]. For reader convenience the existing FASB [20] and IASB [30] characteristics of information usefulness (detailed elsewhere) are also tabulated.

**METHODS**

**SAMPLE**

To validate the accounting financial information usefulness model characteristics and structure and to compare it to the IS information quality model, we will use partial least squares (PLS) [9, 10, 18, 22] to analyze survey data from business decision makers matching the Exposure Draft description of financial information users. This will include present and potential providers of capital for the reporting entity, equity investors, lenders, employees, suppliers or customers [31]. Recommended sample sizes for PLS analyses range from 10 cases per item in the most complex latent construct [22] to 5 cases for each indicator in the model [18]. Since in our study the accounting model is the largest (12 constructs) and each PLS construct should have at least three indicator items [18], our sample size should be between 60 to 180 subjects. The upper limit of this range should be sufficient since it also provides more than 10 cases per latent variable in the most complex model, and more than 10 cases per indicator variable in the most complex latent variable block [22].

**SURVEY DESIGN**

Our data set will consist of business decision maker responses to survey questions regarding their perceptions of the usefulness, quality and characteristics of the financial information they routinely use. To create indicator items for each construct, we screened the FASB Concepts 2 Statement [20], the IASB Conceptual Framework [30], and the most recent FASB/IASB Exposure Draft [31]. Concepts and statements that applied to the proposed FASB/IASB model were extracted and carefully reworded to create grammatically correct survey items for each model characteristic. A 9-point Likert scale anchored on Very Strongly Agree (1) to Very Strongly Disagree (7) was used for each item. At least one item for each characteristic of information usefulness or information quality was reverse coded. The draft survey items were reviewed for content validity by two experts in IS and five experts in accounting. Based on
their comments and suggestions the items were refined and consolidated. The final survey was then converted to a Web-based document to facilitate distribution, data capture, and anonymity [43]. The final instrument consisted of 100 randomized items regarding characteristics of decision-useful or good-quality information from the two models, plus questions of basic and investor demographics.

<table>
<thead>
<tr>
<th>Information Characteristic</th>
<th>FASB/IASB</th>
<th>IS</th>
<th>FASB</th>
<th>IASB</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Quality</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Top-level criterion for information systems models</td>
</tr>
<tr>
<td>Information Usefulness</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Top-level criterion for accounting models</td>
</tr>
<tr>
<td>Understandability</td>
<td>X</td>
<td>I¹</td>
<td>X</td>
<td>X</td>
<td>User can read, make sense of, and derive meaning from it</td>
</tr>
<tr>
<td>Relevance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Provides timely feedback or predictive value</td>
</tr>
<tr>
<td>Predictive Value</td>
<td>X</td>
<td>X</td>
<td></td>
<td>*</td>
<td>Helps evaluate future events</td>
</tr>
<tr>
<td>Feedback Value</td>
<td>X</td>
<td>X</td>
<td></td>
<td>*</td>
<td>Helps evaluate past or present events or evaluations</td>
</tr>
<tr>
<td>Timeliness</td>
<td>X</td>
<td>C²</td>
<td>X</td>
<td>X</td>
<td>Received in time to impact decision making; still retains the capacity to influence decision making</td>
</tr>
<tr>
<td>Comparable</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Identifiably similar to/different from other information about economic phenomena</td>
</tr>
<tr>
<td>Consistent</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>*</td>
<td>Created using the same policies and procedures for two or more periods or entities</td>
</tr>
<tr>
<td>Reliable</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Verifiable, neutral, faithfully representative</td>
</tr>
<tr>
<td>Verifiable</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Independent observers using the same measurement methods could reach a high degree of consensus about the information</td>
</tr>
<tr>
<td>Neutral</td>
<td>X</td>
<td>X</td>
<td>U³</td>
<td></td>
<td>Does not favor a particular outcome</td>
</tr>
<tr>
<td>Existence</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Meets tests of non-fictionalness and non-redundancy</td>
</tr>
<tr>
<td>Faithfully Representative</td>
<td>X</td>
<td>A³</td>
<td></td>
<td>*</td>
<td>Without material error or bias, complete, consistent, verifiable; in conformity with the thing of interest</td>
</tr>
<tr>
<td>Complete</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>All that is necessary for faithful representation is present</td>
</tr>
<tr>
<td>Accurate</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Without material error or bias, complete, consistent, verifiable (IASB), or meets tests of existence (IS)</td>
</tr>
</tbody>
</table>

Table 1. Accounting and Information System Models and Information Characteristics. In the IS model Interpretability (1) parallels Understandability, and Currency (2), is associated with Timeliness, and Accuracy parallels Representational Faithfulness (3). In the IASB model Unbiased (4) parallels Neutral.

* Indicates that although not formally defined, the construct is implied in model descriptions

**Structural Analyses and Model Comparisons**
Partial least squares (PLS) analyses [10, 18, 22] of the FASB/IASB model as a formative structure [9] will be performed using PLS Graph 3.0, Build 1130.v3 [11]. Each latent construct in the FASB/IASB model will be modeled as formed from perceptions of its sub-attributes (e.g. ‘Faithfully Representative’ is formed by perceptions of ‘Complete’, ‘Neutral’, and ‘Materially Error Free’; Figure 1). Item loading t-values, produced by bootstrap resampling of the original data set will be used to evaluate the convergent validity of each block (the loading of each survey item on its related latent construct) [10, 18, 22]. Discriminant validity of item loadings on their intended constructs will be tested with inter-item correlations and average variance explained [22].
Paths with significant t-statistics will be considered sufficiently precise to have contributed to the model. The explanatory power of the model will be assessed by the total variance explained (R²) in perceived ‘Information Usefulness’. The analyses will be repeated with perceived ‘Information Quality’ substituted for ‘Information Usefulness’. The entire analysis process will be repeated to validate the IS model (convergent and discriminant validity of items, t-statistics of model paths, and R² values for each higher order latent construct, including both ‘Information Usefulness’ and ‘Information Quality’).

RESULTS & DISCUSSION
Because this is submitted as a work-in-progress paper, results are not available at this time. In addition to describing and explaining the background and underlying theory for the financial information usefulness model(s), and theoretical comparisons with the IS information quality model, preliminary empirical results will be presented and discussed at conference. These may include: individual model convergent and discriminant validity results, path values and their associated t-statistics, and higher-order construct variance explained (e.g. relevance, faithful representation, information usefulness, information quality, etc.); comparison of the results for information usefulness versus information quality; and, comparison of overall model results.

LIMITATIONS
This study will use data from a sample that reflects the definition of ‘users’ found in the proposed international accounting model [31]. This includes a variety of potential users, and it may be that their perceptions of information usefulness, information quality, or any of the proposed characteristics thereof are grossly dissimilar between sample subgroups. Rather than increasing the power of the results to generalize to a variety of professional and lay users, this may limit the power of the analyses. Since the survey will be online, it may introduce difficulty with control of sample demographics, or in preventing unsolicited participation in the study. However, we feel the low costs and ease of administration of the survey online, plus the ability to quickly disseminate it to geographically dispersed, representative sample outweighs these limitations. The survey data collected will be based on subject’s perceptions of the information they routinely use and its characteristics. Results based on evaluations of actual examples of information (real or hypothetical) might yield different results. Nonetheless, survey methods allow us to approach a larger sample in a shorter period of time, and we feel this outweighs the limitations of not directly evaluating (or having subjects evaluate) specific information. Also, the survey items for the financial information usefulness items were derived directly from the related accounting standards and reviewed by professionals from both accounting and from information systems. In addition, the number of items per construct (5) and evaluation of the measurement model for partial least squares will allow removing items that load weakly on their intended constructs, enhancing validity. Partial least squares (PLS) analysis is limited in that it is less well known method of path analysis, and less amenable to explicating causal relationships in models. In addition, there are no convenient ‘fit’ statistics for PLS results – the primary measure of model fit is the amount of variance explained in the target constructs. However, the PLS method is robust to data deviations from assumptions of multivariate normality and to small sample sizes. Also, the assumptions of the method have a good theoretical fit with the theory and formative assumptions of information usefulness and information quality, making PLS an appropriate method of analysis. Finally, the study scope is limited to 1) validating the accounting model of decision-useful information characteristics proposed by FASB/IASB, and 2) reconciling the accounting model with a validated information systems information quality model. Further work is required to integrate the results into the larger nomographic net of systems success [13] and technology acceptance [e.g. 45].
CONCLUSIONS

Despite extensive investigation from the information systems domain into various aspects of information quality, a related model (information usefulness) in a critical area – financial information – remains unvalidated. This model is in process of being merged with one of its children as part of an international accounting standard that will have far reaching impact in the near future. Existing validated models of information quality developed in the information systems domain might be used as substitutes, but they have not been fully reconciled with the descriptive financial information usefulness models. We have explicated the model logic underlying the hypotheses to validate the proposed international accounting model for financial information usefulness, to compare it to a validated IS model of information quality, and to explore parallels between similar constructs from each domain model.

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