European Journal of Economics, Finance and Business Development
ISSN (E): 2938-3633
Volume 3, Issue 11, November - 2025

THE IMPACT OF ACCOUNTING INFORMATION ON INVESTORS' DECISION-MAKING

Rakhmatova Shakhnoza Shukurovna,
Basic Doctoral Student of TSEU
ORCID: 0009-0002-7378-8575
shaxnozrahmatova1991@gmail.com

Abstract

This article provides a comprehensive analysis of the theoretical and practical significance of accounting information for investors. From a scientific perspective, it substantiates that accounting information serves as a primary source in making investment decisions, playing a crucial role in risk assessment and strategic planning. From a practical perspective, the article illustrates the importance of accounting information in selecting investment objects, shaping dividend policies, mitigating financial risks, and monitoring corporate performance. At the same time, it emphasizes that in periods of recession and economic uncertainty, blindly relying on standard indicators may prove ineffective; therefore, when interpreting published financial statements, it is essential to take into account the specific features of the reporting period. The article argues for the necessity of adopting a comprehensive approach to the qualitative analysis and utilization of accounting information. The conclusions presented highlight the opportunities for investors to purposefully use accounting information in developing risk-averse and efficient investment strategies.

Keywords: Accounting information, investors, financial reporting, investment risks, dividend policy, International Financial Reporting Standards (IFRS), recession, analysis of information quality.

Introduction

In the global economy, the role of accounting information in shaping investors' decisions is steadily increasing. For investors, the accuracy, transparency, and comparability of financial reporting serve as a key source for assessing both the risks and efficiency of investments. In Uzbekistan, the procedures for maintaining accounting records and preparing financial statements are regulated by a number of legal acts. In particular, the Law "On Accounting" (2020, No. 25), the Presidential Decree No. PF–4611 "On Measures to Implement International Financial Reporting Standards" (2019), Cabinet of Ministers Resolution No. 666 (2019) [1], as well as the guidelines developed by the State Tax Committee, the Ministry of Economy and Finance of the Republic of Uzbekistan, and the Chamber of Auditors, provide the legal framework in this field.

These regulatory foundations ensure the reliability of financial reporting and its compliance with international standards, thereby facilitating the decision-making process for investors. Consequently, assessing the quality of accounting information and studying its impact on the investment environment holds both theoretical and practical significance.

Literature Review

The impact of accounting information on investors' decision-making has been extensively studied by both local and international scholars. Their research is based on practical analyses across various companies and markets. For the purpose of illustration, some of these studies are presented in Table 1.

Table 1 Scholars Investigating Accounting Information in Research Studies

Author(s)	Year	Method / Context	Main Findings
Ball, Brown	1968	Event-study, U.S. stock market	Earnings announcements convey significant information to investors; accounting data has value relevance.
Beaver	1966	Ratio analysis, U.S. firms	Accounting numbers predict financial distress; financial reports provide early warning signals.
Leuz, Verrecchia	2000	Analytical review	Greater disclosure reduces information asymmetry and cost of capital, effects depend on institutions.
Bushman, Smith	2001	Literature review	High-quality reporting strengthens corporate governance and improves investor decision-making.
Daske	2008	Cross-country, IFRS adoption	IFRS adoption improves liquidity and lowers cost of capital where enforcement is strong.
Christensen, Lee, Walker	2007	Firm-level, Germany	Reporting quality improvements stem more from incentives than standards alone.
Various dividend studies (Russia)	2000s–2020s	Event-studies, Moscow Exchange	Dividend announcements trigger significant market reactions, depending on expectations and transparency.
Rödl and Partner	2023	Policy/analytical report, Uzbekistan	IFRS reforms enhance transparency and investor trust, but challenges remain in implementation.
Uzbek scholars (various)	2015–2023	Analytical studies	Emphasize legal reforms and IFRS convergence; empirical evidence on investor responses remains limited.

The studies summarized in the table above provide significant insights into the relevance of accounting information for investors and capital markets. Ball and Brown (1968) demonstrated through an event-study on the U.S. stock market that earnings announcements convey critical information, establishing the strong value relevance of accounting data. Similarly, Beaver (1966) showed that financial ratios derived from accounting reports can predict financial

distress, highlighting the role of accounting information in assessing financial stability and credit risk.
Leuz and Verrecchia (2000) emphasized that greater disclosure reduces information asymmetry and lowers the cost of capital, although the magnitude of these effects depends on the institutional environment. Bushman and Smith (2001) argued that high-quality reporting strengthens corporate governance and enhances investor decision-making, underscoring the strategic role of accounting beyond mere compliance.
Daske (2008) analyzed the cross-country adoption of IFRS, finding that it improves liquidity and reduces the cost of capital in jurisdictions with strong enforcement mechanisms. Christensen, Lee, and Walker (2007) highlighted that improvements in reporting quality are often driven more by managerial incentives than by accounting standards alone, suggesting that governance and motivation play a crucial role.
Empirical evidence from various dividend studies in Russia (2000s–2020s) indicates that dividend announcements trigger significant market reactions, which depend on investor expectations and transparency levels. In the context of Uzbekistan, Rödl and Partner (2023) reported that IFRS reforms enhance transparency and investor trust, although implementation challenges remain, while local scholars (2015–2023) focused on legal reforms and IFRS convergence, noting that empirical evidence on investor responses is still limited.
Overall, these studies collectively highlight that accounting information is central to investor decision-making, corporate governance, and capital market efficiency, with the effectiveness of standards like IFRS being contingent on enforcement, disclosure quality, and managerial incentives.

Research Methodology

This study utilized observation, inductive and deductive reasoning, as well as comparative analysis to facilitate the efficient application of accounting information in evaluating an enterprise's financial position.

Analysis and Discussion of Results

As mentioned above, accounting information serves as a primary source for investors to assess a company's financial position. Through financial statements, investors obtain precise information about the company's assets, liabilities, revenues, and expenses. Based on this information, the following key decisions can be made:

Allocation of Investment Funds: Accounting information reflects the company's profitability and financial stability. For instance, a high profit margin and profitability above the industry average provide a valuable signal to investors, prompting them to consider potential investment opportunities (Abryutina, 2000).

Risk Assessment: Data presented in financial statements, including liquidity ratios, capital structure, debt levels, and stability of cash flows, enables the identification of potential risks. If the company's debt is high, investors may conduct additional analyses or reduce the amount of investment (Adashaliev, 2024).

European Journal of Economics, Finance and Business Development
ISSN (E): 2938-3633
Volume 3, Issue 11, November - 2025

Informed and Timely Decision-Making: The timely and accurate presentation of information allows investors to make strategic and well-founded decisions. Periodic reports and audit opinions serve as important signals for revising investment strategies.

The analysis indicates that accounting information does not merely provide numerical indicators; it also plays a critical role in shaping investors' strategic decisions. The transparency and accuracy of information enhance corporate governance efficiency and contribute to a stable investment environment.

For example, if a company exhibits a high profit margin and strong liquidity, investors may be encouraged to purchase shares or increase their investments. Conversely, if financial indicators are low or the information is incomplete, investors tend to exercise caution and may limit their investments.

Overall, accounting information and financial statements have strategic significance in investors' decision-making processes, supporting them in risk assessment and identifying profitable investment opportunities (Abryutina, 2000; Adashaliev, 2024).

As an illustrative case, in 2023, "Navoi azot" JSC published its financial statements. According to the report, the company's total assets amounted to 120 billion UZS, total liabilities were 40 billion UZS, and the profit margin reached 18%. Additionally, the current ratio was assessed at 2.1, indicating the company's ability to easily cover its short-term obligations.

Based on these data, investors evaluated the company as financially stable and profitable, leading them to purchase shares or make additional investments.

Conversely, if the report had shown low profitability, weak liquidity, and high debt levels, investors would have exercised caution, limiting investments or preferring long-term monitoring (Table 2).

Table 2 Financial Stability Indicators of economic entity

Indicator	**Value**	**Formula / Explanation**
Total Assets	120,000 million UZS	Total value of all company assets
Total Liabilities	40,000 million UZS	Sum of short-term and long-term debts
Debt-to-Asset Ratio	0.33	40,000 / 120,000 = 0.33; 0.33 UZS of debt per 1 UZS of assets
Current Ratio	2.1	Current assets / Current liabilities; >1 indicates sufficient liquidity
Return on Assets (ROA)	18%	Net income / Total assets = 21,600 / 120,000 = 0.18

The table data reveal that the **Debt-to-Asset Ratio** is a crucial indicator for evaluating a company's financial stability. A value of 0.33 indicates that 33% of the company's assets are financed through debt. This relatively low ratio suggests that the company's leverage is well-managed and financial risk is limited.

Similarly, the **Current Ratio** of 2.1 demonstrates the company's ability to comfortably meet its short-term obligations. Importantly, a ratio above 1 indicates that the company is capable of fulfilling its liabilities on time without liquidity constraints.

Furthermore, the **Return on Assets (ROA)** of 18% reflects efficient profit generation from the company's assets. This serves as a significant signal to investors, confirming that the company maintains a high level of profitability.

Conclusions and Recommendations

The present study demonstrates that accounting information plays a critical role in investors' decision-making processes. Financial statements provide comprehensive and precise data on assets, liabilities, revenues, and expenses, enabling investors to make informed decisions regarding the allocation of capital, assessment of financial risks, and timely, well-grounded strategic choices.

Moreover, the analysis indicates that accounting information goes beyond merely presenting numerical indicators; it also contributes to enhancing corporate governance effectiveness and stabilizing the investment environment. Based on empirical examples and tabular data, investors can rely on accounting information as a fundamental tool for shaping their investment strategies.

The following recommendations can be made to ensure that accounting information has a positive impact on investors' decision-making:

- **Ensure Transparency and Accuracy of Financial Reporting:** Companies should provide financial statements that are both timely and comprehensive. This practice minimizes uncertainty and enhances the reliability of investor decision-making.
- **Regular Analysis of Key Financial Metrics:** Metrics such as liquidity ratios, profitability, and the debt-to-asset ratio should be systematically monitored. These indicators allow investors to quickly evaluate a company's financial stability and performance.
- **Utilize Visual Aids for Effective Communication:** Presenting financial data using tables, charts, and diagrams improves interpretability and supports more informed investment decisions.
- **Integrate Accounting Information into Strategic Planning:** Companies should align accounting data with broader corporate strategies and investment objectives. This alignment fosters investor confidence and enhances overall financial performance.

References

1. Ball, R., & Brown, P. (1968). An Empirical Evaluation of Accounting Income Numbers. Journal of Accounting Research, 6(2), 159–178.
2. Beaver, W. H. (1966). Financial Ratios as Predictors of Failure. Journal of Accounting Research, 4, 71–111.
3. Leuz, C., & Verrecchia, R. E. (2000). The Economic Consequences of Increased Disclosure. Journal of Accounting Research, 38(Supplement), 91–124.
4. Bushman, R., & Smith, A. (2001). Financial Accounting Information and Corporate Governance. Journal of Accounting and Economics, 32(1–3), 237–333.
5. Daske, H. (2008). Economic Benefits of Adopting IFRS or US-GAAP – Have the Expected Costs of Equity Capital Really Decreased? Journal of Business Finance & Accounting, 35(3–4), 329–373.

6. Christensen, H. B., Lee, E., & Walker, M. (2007). Incentives or Standards: What Determines Accounting Quality Changes around IFRS Adoption? European Accounting Review, 16(3), 447–481.
7. Rödl & Partner. (2023). IFRS Reforms and Their Impact on Transparency and Investor Trust in Uzbekistan. Policy and Analytical Report. Tashkent, Uzbekistan.
8. Arziboeva, R. S. (2021). Impact of the Implementation of International Financial Reporting Standards (IFRS) in Banks on the Quality of Accounting. Journal of Accounting and Finance in Emerging Economies. Retrieved from https://ojs.qmii.uz/index.php/ej/article/view/986
9. Menglikulov, B. Y. (2020). Improving the Accounting Policy of Uzbekistan Based on IFRS. International Journal of Business and Development Economics. Retrieved from https://inter-publishing.com/index.php/ijbde/article/view/2101
10. Ibragimova, I. R. (2019). Formation Trends of the Accounting System in Uzbekistan. Scientific Journal of Accounting and Finance. Retrieved from https://scientific-jl.com/wsrj/article/view/25312.