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The effects of presentation of unrealized gain or loss of equity instruments on investing decision of investors

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Abstract

Unrealised gain or loss of equity instruments are one of the most important component of statement of comprehensive income for insurance companies. However, IFRS 9 financial instruments standard allows an option on presenting unrealised gain or loss of equity instruments in either statement of profit or loss or statement of other comprehensive income if the equity investment is invested for strategic purpose. This has caused confusion as many users incorporate only total for profit or loss in their analysis, and overlook items presented in other comprehensive income statement. Besides, the volatilities of unrealised gain or loss of equity instruments make statement of comprehensive income volatile and affect investors' decision making. The objective of this study is to examine how presentation of unrealised gain or loss of equity instruments affect investors' decision making, and the interactive effect among presentation of unrealised gain or loss of equity instruments and volatility of unrealised gain or loss of equity instruments on investors' decision making. This is a study which incorporates the behavioural aspects of investors on effects of IFRS 9 adoption of financial reporting. The finding is useful to IASB to improve the content of statement of financial performance ensuring its relevancy and reliability.

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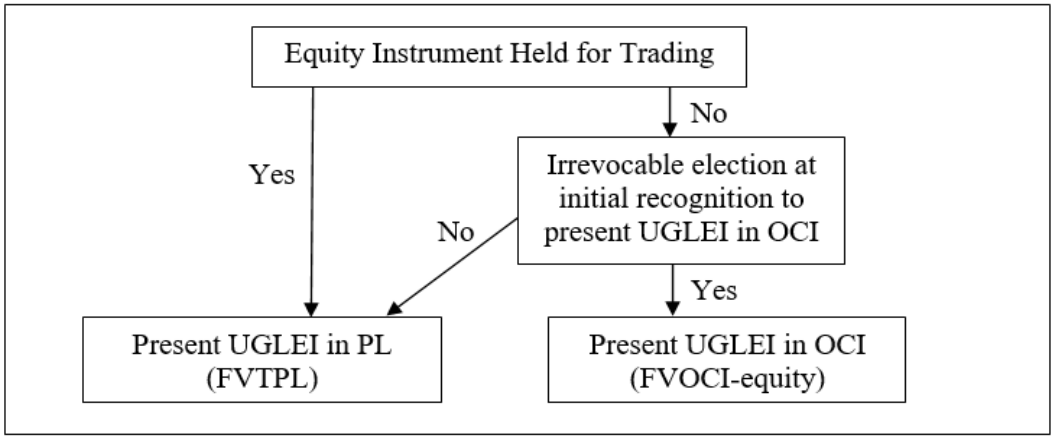
1. Introduction

Financial reporting is an important agenda in the accounting profession for companies to disclose their financial information and performance. The accounting standard setter sets the rules and principles on how financial information is to be presented in the financial statement. Basically, the presentation format of financial information in a financial statement is material as the financial statement shows the main characteristics of financial reporting. The financial statement is a communication tool for a company's performance to outsiders. Its presentation format will directly or indirectly affect how a company communicates the financial information to users of the financial statement for their decision making. As such, the financial statement's presentation format has attracted more research attention recently and more studies have been made on the significance of the financial statement's presentation format on the decision-making behaviour of investors (see also Elkins and Entwistle, 2021; Lachmann, Stefani and Wohrmann, 2015; Maines and McDaniel, 2000; Proell *et al*., 2010; Reimsbach, Hahn, and Gürtürk, 2018;). It is believed that the alternative presentation formats of financial statement's items might affect investors' information processing and thus indirectly affect investors' decision-making behaviour (see also Black, 2016; Hirst and Hopkins, 1998; Lachmann, Stefani and Wohrmann, 2015; Maines and McDaniel, 2000). As decision-making procedures include relying on the how, the way, the nature and substance of information being inputted and presented, there is a probability that decision-makers would not have the ability to get information due to the information processing constraints (Cloyd, 1995). Hence, when standard setters propose an accounting standard with an option given on the financial statement presentation format, the practice may affect users' information processing and decision-making behaviour.

The International Financial Reporting Standard 9 (IFRS 9) is a standard of financial reporting for financial instruments which comes into effect for annual periods starting on or after 1 January 2018 with early application allowed. However, the standard setter, International Accounting Standard Board (IASB) has agreed to defer the temporary exemption for insurance companies to apply the IFRS 9 to the year 2023 (PWC, April 2020). Since IFRS 9 is a financial instruments standard, it affects financial institutions like banks and insurance companies, as they have the most financial instruments among existing industries. As banks are subject to the Financial Service Act 2013 which significantly influence their financial reporting, this study only focuses on insurance companies as speculation of equity instruments is one of the principal investment activities of these companies (Maines and McDaniel, 2000).

IFRS 9 sets out the requirements for recognizing and measuring financial instruments. Under IFRS 9, the financial assets are initially measured at fair value. After initial recognition, all financial assets are measured at either amortized cost or fair value through profit or loss or fair value through other comprehensive incomes. Besides, there is an irrevocable option given under IFRS 9 that the effects of fair value changes i.e., the unrealised gain or loss of equity instruments (UGLEI) not held for trading but for strategic purposes, to be presented in either the statement of profit or loss (PL), or the statement of other comprehensive income (OCI). Figure 1 demonstrates the classification of fair value changes of equity investments under IFRS 9.

Figure 1: Classification of equity investment under IFRS 9



(Source: IFRS 9, J.P. Morgan Asset Management; as of February 2016)

This irrevocable option of the presentation format of the UGLEI with strategic purpose would be a disadvantage to investors for investment decisions, especially on the long-term equity investment decisions (Lloyd, 2018). If a UGLEI is reported in a PL statement, it may not be able to reveal the business model of long-term investors as these investors hold these investments for non-contractual benefits rather than for value growth, therefore, value fluctuations do not represent investor's performance (Lloyd, 2018). On the other hand, if the UGLEI is presented in OCI statement, the fair value changes cannot be eventually removed from the OCI statement and reported in the PL statement when the investments are sold (Lloyd, 2018). Hence, optional treatment of UGLEI has brought implications to investors especially the long-term investors. They may be discouraged from holding equity investments on a long-term basis if no improvement can be made on the accounting treatment of equity instruments in IFRS 9 (Lloyd, 2018). As such, there were some suggestions to the standard setters to consider changing the prerequisites in IFRS 9 for equity investment.

Generally, investors are the primary users of financial statements, and their decision-making is a process of selecting an alternative course of action to produce a financial decision as its outcome. Since decision-making relies on information presentation, investors may not be able to obtain information due to information processing limitations. This is noticeable under the new IFRS 9 as the UGLEI with strategic purpose are to be presented in either the PL statement or the OCI statement. Besides, previous studies have supported the capital market's inefficiency concept and have demonstrated how a person's behaviour on accounting-related decisions affects market pricing (Libby *et al*., 2002). We can argue that individual behaviour is a vital driver in deciding market behaviour, even with the existence of market competitive forces. As such, this study focuses on human behaviour, investing decision-making of investors; to examine how the presentation format of the UGLEI affects them as any action by them would influence the equilibrium of capital market efficiency.

The comprehensive income statement (CI Statement) is a performance statement that discloses the results of a company's performance over a specific time-period. It comprises the PL and the OCI statement. One of the most controversial arguments against companies in reporting OCI items in a CI statement is that the OCI item is more unstable and volatile, hence increasing

investors' judgment on a company's risk and the effect on their investing decision (Hirst and Hopkins, 1998). PL, OCI and CI represent the major performance of companies and the large swing in their values for items under them represent a higher risk as the volatility of the CI and the perceived risk of companies are negatively correlated. (see also Hodder *et al*., 2006; Huang, Lin and Raghunandan, 2016; Khan and Bradbury, 2014). Investors may be misled and may incorrectly evaluate a company's performance due to differences in the volatility of the PL, OCI, and CI (Khan and Bradbury, 2016). Prior studies have provided evidence that it is possible to determine the OCI's volatility and the risk of a company by examining the volatility of specific OCI items as well as the correlation with investor's equity return volatility (Black, 2014). This information is useful to the standard setters who always seek to set an accounting standard which are rigorous and bring right information to the public at large.

The UGLEI is priced by the market forces' fair value, which could result in the measure being volatile. The volatility of the UGLEI then makes the CI statement volatile. Since the volatility of the CI is an essential measurement of financial performance that demonstrates vulnerability and risk, foreseeing the volatility of the UGLEI is relatively important to investors. However, preceding literature in this area is uncommon. A number of earlier studies have confirmed that companies regulate their UGL on Available-For-Sale (AFS) instruments to avoid a volatile profit, as a volatile profit will, in general, be evaluated adversely by investors (see also Hirst and Hopkins, 1998; Koonce and Lipe, 2010; Lee *et al*., 2006; Maines and McDaniel, 2000).

As the UGLEI represent one of the most important and volatile components of the CI statement for insurance companies (Maines and McDaniel, 2000), it is relevant information for making decisions on a company's performance. Moreover, it's the volatility of the UGLEI that makes the CI volatile and may confuse investors and affect their investing decisions. As IFRS 9 granted a presentation option for the UGLEI with strategic purpose, this study further analyses the moderating effect of the volatility of the UGLEI and the presentation of the UGLEI under the new IFRS 9 for insurance companies, on the investing decision of investors.

Due to its short history, similar studies on the IFRS 9 are limited and the actual effect of IFRS 9 adoption on the irrevocable option of the UGLEI with strategic purpose is uncertain. This study is believed to be one of the few that provided evidence on the impacts of the new IFRS 9 implementation. This study is different from the others as many prior studies focus on the UGL of AFS instruments which include not only the UGLEI with specific purpose, but also include the UGLEI with trading purpose and the UGL of debt instruments. Additionally, this study adds to the current literature by examining a comprehensive experiential examination on the impact of the IFRS 9 adoption in financial reporting. The IASB is currently embarking on a project to improve the structure and content of the statements of financial performance (IASB, 2018) and the finding of this study would be useful to them as references.

2. Literature review

Various literatures suggested that using the presentation format can reduce the imperfections of human information processing (see also Brown and Eining, 1996; Ghani *et al*., 2009; 2011; Hodge *et al*., 2004; Libby and Lewis, 1982; Maines, 1995). These literatures recommended that the presentation format could solve the problem of expanded information and

enhance the method of thinking (see also Roberts, 2002; Schick *et al*., 1990). Besides, the presentation format could further assist investors in identifying irrelevant information (Hodge *et al*., 2004). Few prior studies have examined how the presentation format affect decision-making behaviours by using the experiment methods (see also Elkins and Entwistle, 2021; Gaynor *et al*., 2011; Hirst and Hopkin, 1998; Lachmann *et al*., 2015; Maines and McDanie 2000; Ragland and Reck, 2016; Reimsbach, *et al*., 2018). This is because the experimenters can directly manipulate variables to measure which financial accounting features, including the presentation format, are affecting users' behaviour, judgments and decision making.

When the CI item is presented in the CI statement, investors are able to properly recognize the company's performance (Hirst and Hopkins, 1998). In their study, they investigate whether the CI disclosure and its components can help buy-side financial analysts to recognize earnings management and affected their share price judgments. Meanwhile, Maines and McDaniel (2000) investigate in what way the presentation format of the CI statement influences the nonprofessional investors' evaluations of the comprehensive information. They provide evidence that nonprofessional investors are capable of acquiring and evaluating the UGL of AFS but have more weight when it is presented in the statement of CI for an insurance company. Hence, the presentation format influences how investors weight information.

Clor-Proell, Proell, and Warfield (2010) investigate how the proposed changes in the disclosure requirements of financial instruments on the presentation format of financial statements affect nonprofessional investors' judgments in relation to fair value information. They provide evidence that investors using the enhanced format of financial presentation present a greater difference in price earning judgments than investors in the current format of financial presentation.

Reimsbach, Hahn, and Gürtürk (2018) examined how the presentation format's option collaborates with the voluntariness of assurance of sustainability information. The results show that presenting the financial information with its sustainability information in one report improves the access to sustainability information but does not enhance the acquisition of sustainability information. Nevertheless, the option of presentation formats collaborates with the voluntariness of assurances of sustainability information.

Recent experimental research by Elkins and Entwistle (2021) examined how the disclosure requirements of a specified capital structure under IAS 1 influenced nonprofessional investors' judgment on valuation and their investment decisions. IAS 1 enabled the preparers of financial statements to practice professional judgment in the presentation format and details of specified capital structure, if it is the company's basic capital structure. Consequently, it is accessible to management's prejudice and misuse. Their findings confirm that in nonprofessional investors' opinions, although the disclosure of capital structure is prejudiced, the disclosure is not problematic.

From the above literature, it is noted that these experimental studies provide evidence that the presentation format of information may have impacted on investors' decision-making behaviour. However, these studies do not consider the presentation of the UGLEI with strategic purpose under the new IFRS 9 and the associated risk of the CI volatility information i.e., the volatility of the UGLEI. Hence, this study intends to fill up this gap by utilizing experimental

research, drawing on the basics of Maines *et al*. (2000) model and other more recent advancements (see also Lachmann, *et al*., 2015; Reimsbach, *et al*., 2018) that split information into acquiring, weighting and evaluation, to examine how the presentation of the UGLEI of an insurance company to be presented either in the PL statement, or the OCI statement under the new IFRS 9, together with the volatility of the UGLEI as moderators, affect investor's investing decision.

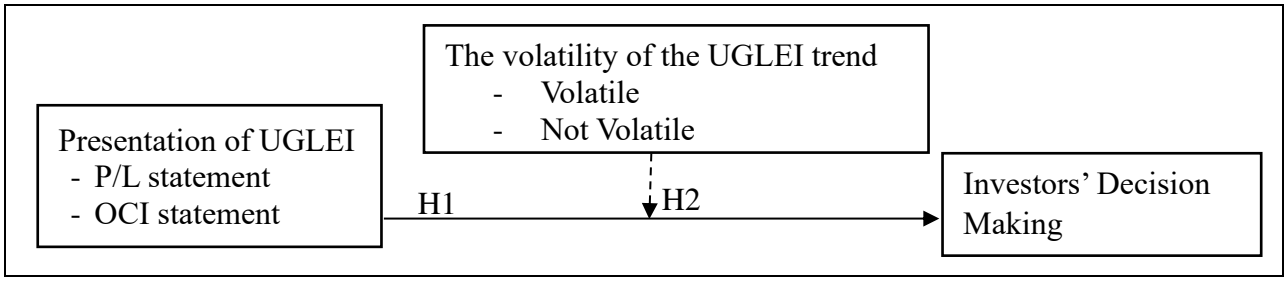
According to the efficient market hypothesis theory, as long as the information is being provided, the way the information is being presented within the financial statements should not be relevant. However, Skinner (1999) provided evidence that investors tend to process information on reported financial statement items diversely depending upon where these items are accounted for. Hence, a different presentation format of financial statement items may influence investing decisions of investors differently. Therefore, the first hypothesis is:

H1: Presenting the UGLEI in either the OCI statement or the PL statement affect investors' investing decision.

One of the main items revealed in the CI statement for insurance companies is the UGLEI (Maines *et al*., 2000). Generally, volatility of the UGLEI represents a consistent pattern and thus investors will normally name it as useful information and use it to make investing decisions (Maines *et al*., 2000). A company may experience a volatile or non-volatile trend of the UGLEI. Different volatility trends of the UGLEI will create different investing decision. Thus, the volatility of the UGLEI can be addressed as one of the significant and unpredictable part of the CI item for insurance companies (Maines *et al*., 2000). Given the circumstances where the presentation of the UGLEI was moderated by different reported volatile trends of the UGLEI may have an effect on investors' investing decisions, the second hypothesis is posited that:

H2: Under a different presentation format of the UGLEI, investing decisions of investors are moderated differently by different reported volatility trends of the UGLEI.

Research Framework



3. Experimental Method

Design

To test the two hypotheses, this study employs a 2 x 2 full factorial between subject design experimental method to identify the variables and enhance the understanding of how different combinations of variables influence the behaviour of investors. All participants are randomly assigned to one of the experimental groups. The financial information content is set the same for

all experimental conditions. Thus, every participant had accessed to the same general introduction of the company, similar consolidated PL, OCI statements and consolidated statements of financial positions, as well as notes to financial statements except for the manipulated variables.

The first independent variable was the presentation format of the UGLEI. The UGLEI was either presented in the PL statement or the OCI statement as required by IFRS 9. The background information of the case scenario informed participants regarding the irrevocable election of the company on presenting the UGLEI in either statement of OCI or statement of PL. Moreover, presentation of the UGLEI was again stated in Note 2 on whether the company has elected to present it in the statement of OCI or in the statement of PL. The second independent moderating variable was volatility of the UGLEI. The volatility was either in volatile trend or non-volatile trend over the three years. For the non-volatile trend, the UGLEI reported over the three years were RM426.1, RM434.8, and RM430.4 million, respectively. In comparison, the UGLEI over the three years for volatile trend were RM1,736.7, (RM1,156.5), and RM711.1 million, respectively. Similar to Maines and McDaniel's (2000) research setting, the variance of these UGLEI over the three-year period is 18.92 and 2,151,732 in the least and most fluctuation variations, respectively, and total UGLEI over the three years for both versions was the same at RM1,291.3 million. The investors' investing decision was the dependent variable of this study. To measure the dependent variables, participants were requested to rate the extent to which the presentation format would affect their investing decision by using a 10-point Likert scale. A rating closer to 1 suggested the investor has lower intention to invest in the company whereas a rating closer to 10 indicated the opposite.

Instruments and Task

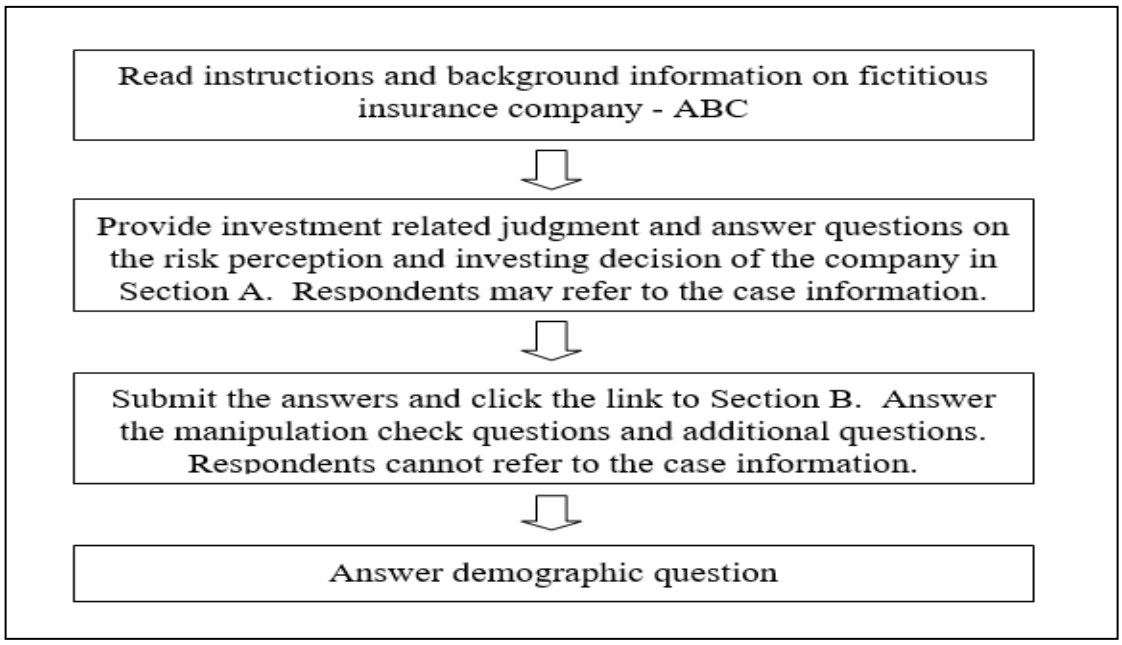
The research instruments are based on case scenario, which was developed based on the actual annual report of a current IFRS compliant insurance company. Industry expert was consulted to validate the content of instruments while the academic was invited to review the settings and research design. Since this research instrument is a self-completion instrument, a pilot test with a panel of qualified accountants was performed to ensure the experimental materials, manipulations, and questions included in the study as well as the function of the instruments were well designed as intended.

There are four sections in the instruments. The first section provides a case scenario centred on the background information including the audited financial statement of a fictitious insurance company which has an option of presenting the UGLEI in either the PL statement or the OCI statements. Indicated second section consists of questions pertaining to participants on their investing decision regarding the fictitious insurance company. The third section consists of two parts: the manipulation check questions to validate the manipulation of the experimental research design, and the extended questions related to those in the second section on the issue of the study. The last section includes questions on the participants' demographic information. Additionally, an explanation pertaining to a brief description of accounting rules is also provided to the participants before the experiment begins.

Due to the COVID-19 pandemic, the experiment was carried online using Google Form in early 2021. The participants had received an email inviting them to participate in the case

instruments. The participants in the experiment were required to complete several steps (Figure 2). The participants were initially asked to read the general instructions and a short background information on the fictitious insurance company, XYZ, after which they were asked to make investment decisions on the company. Proceeding submission, a link was provided, and participants were required to answer manipulation check questions as well as some additional questions regarding the variables of this study. Participants were not allowed to return to the previous section to refer to the case materials while answering these questions and neither were they allowed to proceed until all the questions were completed. Eventually, the participants complied to engage with the demographic queries.

Figure 2 Flow of the experiment



Participants

Since qualified accountants have a sensible level of financial knowledge, which is required by the standard setters to understand the financial statements, this study follows Gaynor *et al*. (2011) and Lachmann *et al*. (2015) to use accountants as the targeted participants to represent proficient nonprofessional investors. The final sample consists of 134 qualified accountants with 50.7% male accountants and 49.3% female accountants. 37.4% of them are below age 39, 26.9% are from age 40 to 49 and 35.8% are more than age 50 years old. More than half of the accountants (64.2%) are not a regular investor, and with less than 5 years investing experience (56%). Given independent variables are categorical variables and the dependent variables are continuous variable, the analysis of variance (ANOVA) was applied in this study for analyzing the results.

4. Empirical Results

As many of the participants fail the manipulation check questions, an independent sample t-test was performed to check whether there were any significant differences in responses between the right and wrong to decide whether to retain or remove the incorrect data. Since there were no

significant difference in decision scores for right and wrong on manipulation questions and there was only a small or slight moderate effect based on the Cohen criteria, no data has been removed and all data were used for further analysis.

From Table I, the findings showed that the p-value is greater than 0.05 (p = 0.766). This suggests that there were no statistically significant differences between different presentation formats of the UGLEI on investing decisions, F (1, 126) = 0.089, p = 0.766. This generally denotes that the presentation format of the UGLEI alone will not likely affect investors' investing decisions. As a result, Hypothesis 1 is not supported. This result was aligned with the expectation of standard setters who expected that for a company with only a limited investment to be invested in equity instruments with strategic purpose, the presentation format of the UGLEI solely did not affect the investing decisions of investors (Lloyd, 2018). Besides, the experimental outcome was also aligned with prior studies as the literature provided evidence that the presentation format alone did not significantly affect how investors interpret information (see also Ghani *et al*., 2011; Maines *et al*., 2000; Reimsbach *et al*., 2018).

The results presented in Table I shows that the reported p-value is less than 0.05 (p = 0.018) for the interaction between the presentation format of the UGLEI and its volatility. This denotes that there is a two-way interaction between the presentation of the UGLEI and the volatility of the UGLEI on investing decisions. The p-value of the test was 0.018, F (1,126) = 5.729, which is significant at the 5% level, leading to the support to Hypothesis 2. This finding was consistent with the expectation of the study that volatility of UGLEI is important to investors on decision making when it moderates with the relationship between the presentation of the UGLEI and the investing decisions. Besides, the findings are also consistent with prior literatures that the presentation of the UGLEI and volatility of the UGLEI contributed to investors' judgment and investing decisions (see also Hirst *et al*., 1998; Maines *et al*., 2000).

Table I: Results of ANOVA on Investing Decision

Source of Variance	Df	F	p-value
Presentation	1	0.089	0.766
Volatility	1	1.586	0.210
presentation*volatility	1	5.729	0.018**
Error	126		

**Significant at the 5% level

As there was a two-way interaction between presentation and volatility, there is a need to follow up with simple main effects. From Table II Panel B, the results show that there is no statistical significance of p-value when presenting the UGLEI in the statement of PL as the p-value is greater than 0.05 (p = 0.433). The mean decision is equal for the two different volatilities of the UGLEI when presenting the UGLEI in the statement of PL. This can be seen in Table II (panel A) that the mean of volatility and presentation in the statement of PL was very similar, being 5.329 and 5.725 respectively. However, when the UGLEI was presented in the statement of OCI, the p-value of simple main effect for volatility is 0.009 (p = 0.009) which is statistically significant at the 5% level. This means that there is a statistically significant difference in the mean of the investing decision score between volatile and non-volatile UGLEI when presenting the UGLEI in the statement of OCI.

Table II: Results of Simple Main Effects on Investing Decision

Panel A: Means and Standard Deviation (Investing Decision over a 10-point scale)

Presentation of UGL	Volatility of UGL	Mean	Std. Error
Statement of OCI	Volatile	6.060	0.361
	Not volatile	4.786	0.322
Statement of PL	Volatile	5.329	0.349
	Not volatile	5.725	0.362

Panel B: Simple Main Effects – Volatility at Presentation

Presentation of UGL	Df	F	p-value
Statement of OCI	1 126	6.948	0.009**
Statement of PL	1 126	0.619	0.433

**Significant at the 5% level

With further analysis by comparing volatile and non-volatile UGLEI with the UGLEI presented in the statement of OCI (Table III), the difference in the mean value for investing decision is statistically significant (p = 0.009) at 5% level with a mean difference of 1.1275 with 95% confidence interval of 0.318 to 2.232.This suggests that the mean difference between these two groups is statistically significant. The simple main effect of volatility on the mean value of investing decision for the UGLEI presented in the statement of OCI was statistically significant (F (1,126) = 6.948, p = 0.009), but not for presentation in the statement of PL (F (1,126) = 0.619, p = 0.433). All pair wise comparisons were made for presentation in the OCI statement with a Bonferroni adjustment. The decision was 6.060 +/- 0.361 in the volatile group and 4.786 +/- 0.322 in the not volatile group, a statistically significance difference of 1.275 (95% CI, 0.318 to 2.232), p = 0.009.

Table III: Results of Simple Comparison on Investing Decision

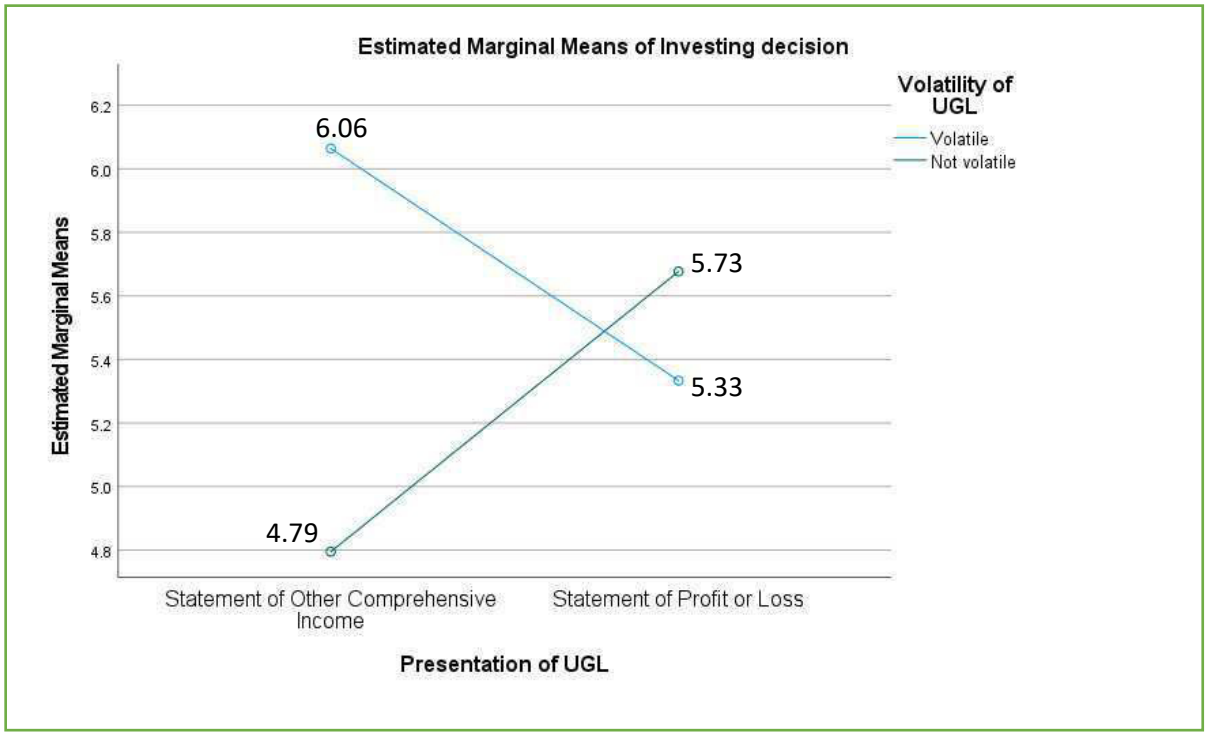
Pairwise Comparisons

Presentation of UGL	(I) Volatility of UGL	(J) Volatility of UGL	Mean Difference (I-J)	Sig.[b]	95% Confidence Interval for Difference[b] Lower Bound	Upper Bound
Statement of OCI	Volatile	Not volatile	1.275	0.009**	0.318	2.232
	Not volatile	Volatile	-1.275	0.009**	-2.232	0.318
Statement of PL	Volatile	Not volatile	-0.396	0.433	-1.392	0.600
	Not volatile	Volatile	0.396	0.433	-0.600	1.392

**Significant at the 5% level

Line charts can also be used to interpret the findings. From Figure 3, it appears to be a simple two-way interaction between the volatility of the UGLEI and the presentation of the UGLEI as the lines do not appear to be parallel. That is, the effect of UCLEI volatility on investment decisions would appear to be different depending on whether the UGLEI is presented in the statement of PL, or the statement of OCI. When presenting the UGLEI in the statement of OCI, the effect of the volatility of the UGLEI on investing decision of investors is not the same and the decision-making means scores increased from 4.79 to 6.06. However, there is a very minimal change for the effect of volatility of the UGLEI on decisions when the UGLEI was presented in the statement of PL (the mean increase slightly from 5.33 to 5.73). This interaction line chart explained the above discussion on two-way interaction, simple main effects, and pair wise comparison for the presentation of the UGLEI and volatility of UGLEI on investing decisions.

Figure 3: A Two-Way Interaction Graph



5. Conclusion

With a 2 x 2 full factorial between-subject design experiment, our findings suggest that the presentation format of UGLEI alone will not likely affect investors' investing decision. This is in contrast with the belief of alternative presentation formats of financial statement items which might affect investors' information processing. However, our findings support the expectation of the standard setters who limits the choice of presentation of equity investment held for strategic purposes and believed that the presentation format of UGLEI alone would not influence investing decisions. Nevertheless, there was a two-way interaction between the presentation of the UGLEI and the volatility of UGLEI. Our findings further suggested that the volatility trend of the UGLEI moderates the relationship between different presentation formats of the UGLEI and the decision-making behaviour of investors. Further analysis revealed that when presenting the UGLEI in the

statement of PL, there was not much difference on investment decision behavior of investors between volatile and non-volatile trend of the UGLEI. However, when the UGLEI is presented in the statement of OCI, there is an impact on investing decisions between volatile and non-volatile trend of theUGLEI. Investors were more likely to invest when the UGLEI was presented in the OCI with a volatile trend of the UGLEI than when the UGLEI was presented in OCI with a non-volatile trend of the UGLEI. This implies that when making investing decisions, investors are concerned about volatility when the UGLEI is presented in the OCI statement rather than PL statement. As the participants in this study are qualified accountants, their market timing skills may be better.

This study gives timely and relevant insights into the potential consequences of IFRS 9 adoption. By investigating this issue, it extends the literature by examining the impact of the presentation format on the UGLEI with strategic purpose under the new IFRS 9 on investing decisions of investors. The result of this study suggests that the option given under IFRS 9 on the presentation of the UGLEI in either the statement of PL, or statement of OCI alone may not affect investors' investing decision behaviour. However, when the UGLEI was presented in OCI statement and moderated with the volatility of the UGLEI, there was an impact on the investing decision making behaviour of investors. This might suggest to standard setters to revisit the current practice of IFRS 9 and consider reporting the UGLEI with strategic purpose in the statement of OCI rather than the statement of PL as the UGLEI is related to the market value, not the core business items for insurance companies. Hence, it should be presented in the OCI statements.

The findings of this study should be considered with limitations. This study was conducted using an online experiment. Although detailed general instruction guidance has been provided in the case instruments, participants might have overlooked the key objective of the study. Hence, future research may perform a physical face to face experiment with a detailed introduction to an overview of IFRS 9. Major differences between the old and new standards may be highlighted with emphasis on the research objectives before starting the experiment.

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