CHAPTER-2

REVIEW OF LITERATURE

This chapter focuses on the analysis of earlier studies related to value added reporting and its usefulness among the stakeholders.

Morley (1979) examined the Value Added Statement is especially interesting, as it represents a new direction in which financial reporting in theory and practice can go. The main thrust of financial accounting development in recent decades has been in the area of how we measure income, especially in the fact of changing prices. The question of whose income we measure has been largely ignored, though Hen Driksen’s text (1977) is an exception. We accountants ignore the question because we are aware of only one answer. When asked, “whose income?” many accountants reply that net income or profit is the reward of the proprietors, i.e., the shareholders in the case of a company. Proponents of Value Added reply that there are advantages in defining “income” in such a way as to include the rewards of a much wider group than just the shareholders. One can include shareholders and all suppliers of long and short-term loan capital, together with employees and the government. The “income” of this team is called Value Added, and equals net profit with tax, interest and wages costs all added back.

In many ways, the Value Added Statement is an unsatisfactory innovation to encounter. It is easy enough to understand and to prepare. Much is claimed for it, but the claims are hard to pin down and to verify. The benefits claimed are principally improvement in attitude, motivation and behavior, and these are remarkably difficult to research. The present status of the Value Added Statement is that it has achieved sudden popularity in Britain and will probably soon appear in the corporate reports of
all major British companies. It is likely that the dangers inherent in the wide selection of accounting treatments will lead the Accounting Standards Committee to issue a standard definition for each major heading in the Value Added Statement. Standard-setting committees have in the past often operated by discovering the most widespread practice, pronouncing it good, and making it compulsory. This will work well enough for the Value Added Statement except for the question of depreciation, where, for the reasons given earlier, the prevailing practice should be changed.

Meek and Gray (1988) examined a European innovation which may “added value” to U.S. company annual reports is the value added statement, which aims to show the wealth created and attributable to all “stakeholders” rather than just shareholders. In 1975, the Accounting Standards (Steering) Committee (ASSC) – the name at that time of the accounting standards setting body in the United Kingdom-published The Corporate Report, which recommended expanded reporting by British companies on a number of fronts. One of the proposals contained in The Corporate Report was the publication of a Value Added Statement. The reason for the suggestion was as follows: The simplest and most immediate way of putting profit into proper perspective vis-à-vis the whole enterprise as a collective effort by capital, management and employees is by presentation of a statement of value added (that is, sales income less materials and services purchased). Value added is the wealth the reporting entity has been able to create by its own and its employee’s efforts. This statement would show how value added has been used to pay those contributing to its creation. It usefully elaborates on the profit and loss account and in time may come to be regarded as a preferable way of describing performance.
We accept the proposition that profits are an essential part of any market economy, and that in consequence their positive and creative function should be clearly recognized and presented. But profit as a part only of value added. From value added includes wages, dividends, interest, taxes and funds for the new investment. The interdependence of each is made more apparent by a statement of value added.

The ASSC intended that the value added statement would supplement, rather than supplant, the income (“profit and loss”) statement. Since 1975, the value added statement has been researched and discussed by British accountants in both practice and academia, and sizable minorities of U.K. companies have published value added statements in their annual reports. Four of the professional accounting institutes in the U.K. commissioned and issued research reports on value added.

According to Statement of Financial Accounting Concepts relevance and reliability are the two primary qualities that make accounting information useful for decision making. The relevance of the value added statement for certain groups of users was discussed earlier in this paper. The information in the value added statement will be just as reliable as that in the other financial statement, given that it is determined on the same basis of accounting. Financial accounting concept also stresses that financial reporting should provide information about performance which is understandable to those who use it. The Value added statement is about performance – albeit more broadly defined than has heretofore been customary in U.S. financial reporting. It also seems straight forward and easy to comprehend. Finally the cost of producing and presenting a Value Added Statement is unlikely to be significant since it requires no new information from the accounting system. Moreover, consistent with the requirements of Statement of Financial Accounting
Concepts, the Value Added Statement articulates with the other financial statements and is derived from the same underlying data. For these same reasons, the Value Added Statement raises no new problems for auditors.

**Burchell, Clubb, and Hopwood (1985)** explores the significant interest in the Value Added Statement in late 1970s and early 1980s witnessed by British accountants. Recently, however, interest has waned. In part this was due to the debate over accounting for inflation and changing prices preoccupying the profession and dissipating much of its energy during the same period. Burchell, Clubb, and Hopwood also suggest that the election of the Conservative government in 1979 significantly altered relationships in and among business, labor, and government. The Value Added Statement was perceived to be less relevant in the new atmosphere of competition, free markets, and shedding excess labor.

It might be argued that if the British are losing interest in the Value Added Statement then why should accountants in the U.S. show any interest? First of all, the British industrial experience is not the same as that of the U.S. Despite a common accounting heritage, the business conditions contributing to the “rise and fall” of the Value Added Statement in the U.K. are not consistent with those in the U.S., as a reading of Burchell, Clubb, and Hopwood reveals. However, it is a mistake to think of the Value Added Statement only in the context of reporting about social responsibility. The activities of a business affect more than the owners. Business creates wealth, employs people, rewards investors and creditors for risking their funds, and pays taxes. It is this view of business performance that the Value Added Statement portrays. Statement of Financial Accounting Concept notes that supplementary financial statements can be useful for introducing or gaining
experience with new kinds of information. This paper proposes that as a supplemental disclosure the value added statement can redirect attention to certain wider implications of corporate activity.

Karpik and Belkaoui (1990) the study is to determine whether value added variable possess incremental information beyond both accrual earnings and cash flows in the context of explaining market risk. The evidence points to the superior explanatory power of value added variable in explaining the variability in the market betas. A case can be made for the disclosure of value added reports.

Value added, a measure of wealth created and attributable to all stakeholders, is advocated as an important European innovation worthy of inclusion in U.S. company annual reports (Meek and Gray, 1988). Being utilitarian in nature, the ultimate test of any accounting innovation is its usefulness (Lev and Ohlson, 1983). One test of utility is the connection of the information to its function in capital markets. This is the spirit of early works by Beaver et al. (1980), Hamada (1972), Beaver and Manegold (1975), and more recently by Bowman (1979, 1980), Beaver and Landsman (1983) and Ismail and Kim (1989), establishing the empirical/theoretical relationship between accounting variables and market risk. Accordingly, the main objective of this paper is to test the incremental abilities of value added measures to explain cross-sectional variations in the market betas beyond that provided by earning based and cash flow based risk measures. In what follows, a background section illustrates the nature and functions associated with value added information.

Value added represents the wealth, an organization creates by its own and its employee’s efforts. Aspects of this wealth creation are disclosed in a value added
statement. The value added statement can be traced back to the U.S. Treasury in the eighteenth century (Cox, 1978). It remains a subject of debate; various suggestions have been made for including it in accounting practice.

It assesses the explanatory power of value added accounting variables relative to, and beyond accrual earnings and cashflow variable explanations of market risk (beta). At an individual firm level, both value added betas had much greater association with market beta than did either earnings or cashflow betas. This was true regardless of whether individual or multi-variables are used. Thus value added information does provide incremental information relative to earnings or cashflow information in explaining market beta at the individual firm level. The net version appears marginally expense variations may better be ignored. The important policy implication of the study is that value added accounting information can supply considerable explanatory power of market risk beyond that provided by earnings or cashflow measures, especially at the individual firm level.

**Bannister and Belkaoui (1991)** examined the ability of value added to assess the differences between target firms and their industries and to explain target firms abnormal returns during the takeover period. In a sample of 234 completed takeovers over the period 1977 to 1989, takeover targets have lower value added to total assets ratios than other firms in their industries in the year proceeding the year in which the takeover is completed. Target firm abnormal returns observed during the takeover period are positively related to the difference between target firm and average industry value added to total assets. This suggests that while acquired firms are on average underperformers, acquiring firms value the access to, and possibly the ability to redistribute, the resources of targets firms.
Value added, an accounting measure of total return attributable to all of the firm’s stakeholders (equity holders, creditors, employees and governmental taxing units), is advocated as an important European innovation worthy of inclusion in U.S. annual reports (Morley 1979), Meek and Gray (1988). While the value added statement is not currently required in the U.S. the American Accounting Association Committee on Accounting and Auditing Measurement (1991) has recommended that value added be considered for mandatory disclosure. Although value added is not generally included in firms financial statements on a voluntary basis, some firms report sufficient information to construct value added. This study assesses its potential usefulness in the context of analyzing takeovers.

The results of this paper indicate that, first, takeover target firms have lower mean and median value added to total assets ratios than the average in their industries in the year preceding the resolution of the takeover. This suggests that, on average, target firms perform at a level below that of other firms in their industries. This adds to the empirical evidence on target firm undervaluation and underperformance as measured by other accounting and market based variable.

Second, the abnormal returns accruing to target firm shareholders increase significantly in the cross-section as the difference between target firm net value added to total assets and industry average net value added to total assets increases. This indicates that, in the cross-section of target firms, as performance increases relative to the industry, the takeover period gains for target firm shareholders are higher. Firms with higher value added to total assets have more total return to distribute among stakeholders and, as a result, generate greater abnormal returns in a takeover. Target
firms abnormal returns are also higher when the takeover is completed for cash and when there are multiple bidders for the target.

Taken as a whole, the results of the paper indicate that value added is worthy of consideration as a tool for the evaluation of the performance of the firm. Although value added is not a mandatory disclosure in the U.S., companies disclosing sufficient information to compute value added allow financial statement users to assess the performance of the firm in ways that differ from traditional assessments based on the balance sheet and income statement. However, two caveats apply to the conclusions of this study. First, the sample firms voluntarily reported information sufficient to compute value added and thus may not be representative of all firms. Second, data requirements greatly reduced the sample size available for the abnormal return results to include all mergers and acquisitions.

The FASB’s Statement of Financial Accounting Concept notes that supplementary financial statements can be useful for introducing and gaining experience with new kinds of information. Value added is one such type of information. The American Accounting Association Committee on Accounting and Auditing Measurement (1991) has recommended that value added be considered for mandatory disclosure. More research is needed on the relationship of value added data to traditional measures of financial performance as they relate to economic events affecting the firm. Such research may indicate that the value added statement, or mandatory disclosure sufficient to construct a value added statement, would be a desirable addition to the annual reports of U.S. firms.

Belkaoui’s (1996) study focuses on the measurement of wealth according to generally accepted accounting principles is on income measurement. The rationale behind the
focus stems from the belief that the purpose of accounting is to inform the owner-the shareholder-of the wealth in income accruing to him as a result of the business activities of the firm. Value added reporting takes a different view from generally accepted accounting principles by arguing that (a) it is the value added, rather than profit, that is the wealth of the firm, and (b) it is the whole production team, rather than just a shareholder, that is the beneficiary of such wealth. Therefore, value added reporting differs from conventional accounting by a focus on value added measurement as wealth measurement and value added distribution as wealth distribution. Value added reporting is an easy concept as it relies on the same data and measurement techniques used and advocated by generally accepted accounting principles.

The value reporting issue has been a continuous subject of debate in the international accounting literature. Its popularity rose in most European countries starting in the 1970s. What followed in the United Kingdom was an increased interest by the professional accounting institutes.

Value added reporting, even though not always mandated, is becoming increasingly popular in Europe, South Africa, Australia, and Singapore. This adoption reflects a greater concern for the public interest and for what may be perceived as socioeconomic accounting. The greater concern for the rights and opportunities of individuals in the United States and Canada has not yet results in a favorable climate for the adoption of value added reporting. As accounting becomes more and more actively and explicitly recognized as an instrument of social management and change, value added reporting will constitute the intertwining of the accounting and the social because, unlike conventional reporting, it reveals something about the social character
of production. The clear message conveyed by value added reporting is that the wealth created in production is the result of the combined effort of a team of cooperating members.

**Staden (1998)**, explained that the increased incidence of publication of the value added statement in South Africa does not seem to be supported by evidence substantiating its usefulness. This study sets out to determine whether sufficient evidence on the usefulness of the statement, from the perspective of the users, exists. A review of the local and international literature revealed 23 studies using empirical tests or surveys to obtain evidence of usefulness. Despite some contradictory claims, the results indicate that on the whole the studies reported in the literature do not demonstrate sufficient evidence of usefulness from the perspective of the users of the value added statement.

The value added statement is a financial statement that is published with the annual financial statements by some companies. The incidence of publication is increasing in South Africa with more than 200 of the approximately 600 companies listed on the Johannesburg Stock Exchange publishing a value added statement in 1996 (De Villiers 1997). This is the highest incidence of publication of such statements reported to date.

It would appear that the publication of the value added statement was initially aimed at broadening the scope of financial reporting. Whereas financial reports were traditionally aimed primarily at the shareholders and their advisors, Suojanen (1954) envisaged the value added statement as a report that would be aimed at various participants, for example the employees and the public. Harries (1982) supports this aim when he states that reports designed to disclose a company’s result as a whole,
without isolating those features relevant to a specific user group, should be based on its product rather than its profit.

Staden(2000), highlights that at present South Africa is experiencing the highest incidence of publication of the value added statement reported anywhere in the world to date. In addition research investigating the predictive ability of value added statement information has been conducted in the USA since 1990, even though the value added statement has not been published there. The research reported in this paper sets out to establish whether the value added statement is a disclosure worth considering by companies around the world, by investigating the South African experience with the value added statement.

The social accounting theories of organizational legitimacy and political costs were found to be best suited to explain why the value added statement is published. Surveys among the companies publishing the value added statement is indicated that management had the employees in mind when they published this information. However, a survey among users has indicated that very little use has been made of the value added statement. The main reason for this seems to be that the unregulated nature of the value added statement allows for inconsistencies in disclosures, which eventually caused users to suspect bias in the reports. The USA evidence that the information has additional predictive power is not confirmed by a South African study, and is complicated by the limited additional information contained in the value added statement.

The South African experience with the value added statement does not make a convincing case for publication. Rather, it highlights the need for unbiased and verified social disclosures that will be useful to all the stakeholders of the company.
In addition, it has implications for other voluntary social and environmental disclosures.

Aruwa’s (2001) examined the study of Nigerian companies are statutorily publishing the value added statement along with other financial reporting requirements. It sets out to establish the significance of value added reports, pattern of value added distribution and to examine whether the value added statement disclosures are useful in social reporting in Nigeria. Documentary data sources were extrapolated from annual financial reports and perception survey questionnaire was administered on report users and stakeholders. Value added ratios were identified and computed and simple correlation analyses were used to establish if they exists any relationship among the variables. The value added ratios are all positively correlated but negatively correlated with value of sales. Whereas the stakeholders found the value added statement to be reliable, complete and objective, it has been less relevant and less useful to stakeholders in their information need. The level of its utilization is low. Value added ratios need to be computed and reported as they improve on the information capacity of the value added statement and will make it more attractive to user groups and stakeholders. Value added statement should be used to construct value added-based ratios, as important diagnostic and predictive tools for making comparison of company’s performance.

The social accounting theories of organizational legitimacy and political costs were found to be best suited to explain why the value added statement is published (Mook, 2003). The predictive and explanatory power of value added information could indicate decision usefulness with regards to the stakeholder’s information need.
There is a need, therefore, to investigate the usefulness of social disclosures with reference to value added information in particular.

The value added is the value, which the entity has added in a period that equals its sales less bought-in-goods and services (Morely, 1978). Sizer (1994) defines value added as the wealth, the company has been able to create by its own and its employee’s efforts during a period. Value added statement therefore reports the wealth created by business enterprises during a particular period of time and the distribution of the wealth among the different stakeholders who created it.

Surveys among the companies publishing the value added statement indicated that management had the employees in mind when they published this information. However, a survey among users has indicated that very little use has been made of the value added statement (Van Staden, 2000). The main reason for this seems to be that the unregulated nature of the value added statement allows for inconsistencies in disclosures, which eventually caused users to suspect bias in the reports. The evidence that the information has additional predictive power is not confirmed by other studies (Van Staden, 2000), and is complicated by the limited additional information contained in the value added statement. There is the need for unbiased and verified social disclosures that will be useful to all the stakeholders of the country.

The focus on the measurement of wealth according to Generally Accepted Accounting Principles (GAAP) is on income measurement. The rationale behind the focus stems from the belief that the purpose of accounting is to inform the shareholders of the wealth in income accruing to him as a result of the business activities of the firm. Value added reporting takes a different view from GAAP (Riahi-Belkaoui, 1996): (a) it is the value added, rather than profit, that is the real
wealth of the firm, and (b) it is the whole production team, rather than just a shareholder, that is the beneficiary of such wealth. Therefore, value added reporting differs from conventional accounting by a focus on value added measurement as wealth measurement and value added distribution as wealth distribution. Value added reporting is an easy concept as it relies on the same data and measurements techniques used and advocated by GAAP. Its disclosure is therefore far from costly to the typical firm. It only takes a commitment to the “social” impact of accounting to justify the measurement and disclosure of value added information in a value added report. The popularity of the value added report is increasing internationally in both practice and research. According, the present paper attempts to explicate the pattern and usefulness of the value added report in Nigeria environment.

Giuseppe Ianniello (2010) examines some of the theoretical issues regarding the publication of the value added statement as a voluntary disclosure in the process of accounting communication. The social and economic motivation to use value added reporting is linked to the general process of disclosing financial information in a certain business and cultural environment. In this framework, a question arises about the possible role of the value added statement as a way of accounting communication in the global economy. A survey of 211 published financial statements for the fiscal period 2003 of Italian listed companies show that the publication of the value added statement in the annual reports is a marginal phenomenon. However, the industrial and services firms voluntarily present in their annual report and income statements rearranged to expose the value added by only looking at the production perspective, with a possible interpretation in terms of cost efficiency.
The concept of value added historically can be traced back to the theoretical and technical attempts to measure national income. Therefore, the origin of that measurement is in the context of national accounts emphasizing the production side of the whole economy: the sum of the value added in different sectors net of duplication. If we accept the idea that one of the objective of the economic system is to generate a high level of production of economic goods and services to satisfy human needs, then the value added is one the tools available for measuring the accomplishment of that objective. In this sense, the value added can be considered a performance indicator of a country’s economic success: the gross national product. The gross national product can be used as a surrogate appraisal of the level of satisfaction of human needs in a specific economic system, the level of well-being in a society, in connection with the concepts of economic progress and growth. However, the shortcomings of gross national product are well known, and several researchers have proposed alternative that address them (stigili et al. 2009).

The first field emphasizes the role of value added as an indicator of efficiency among the tools to appraise the “economic productivity” (Sutherland 1956; Ponzanelli 1967). Therefore, the value added measurement is used as one of the performance indicators in the management control system, particularly in the industrial sector, with the main purpose of controlling costs and the performance of productive factor, especially labour.

The second field of analysis looks at value added reporting as additional information to the traditional income statement, which is focused on earnings and net profit. In this area, we see that the published financial statements orient toward several stakeholders instead of only the stockholders (Cassandro 1992). An externally
oriented value added statement can synthesize the contribution of the whole business in different sectors, not only the industrial one. In this context, one suggestion is to add the value added statement to the traditional income statement in annual reports (Meek and Gray 1988). Another approach goes further, suggesting the adoption of a value added accounting system in conjunction with a concept of the enterprise as a centre of interests and human beings (Ardemani 1986; Catturi 1994). The value added measures of performance can explain the firm value on the market better than the earnings and cash flow measures (RiahiBelkaoui 1996).

The third approach considers the value added statement as an embryonic form of social reporting. It is worth noting that the label “value added statement” in the English version of the International Accounting Standard (IAS 1) (2004) is translated into Italian by the words “bilanciosociale” (social reporting). It is a means of communication that in the overall business reporting process is added to the traditional and official annual report.

Sarkar and Nandi (2011) explores the primary objective of financial management of any business enterprise is the maximization of shareholder’s wealth. But there has been a considerable interest among other stakeholders like employees, government, supplier and the general public who are looking at the performance of an enterprise from a broader socio-economic perspective. This increasing interest among the other stakeholders made the management to redesign the corporate objectives as well as the reporting practices. One of the important contributions of business enterprises to the society and to improve the standard of living of the society is the value addition through its business operations. Therefore, for measuring and reporting the socio-economic objectives of the business, the value added reporting has emerged as a new
reporting measure of corporate performance. Value added is an important measure of corporate performance rather than conventional measure based on traditional financial accounting. It can be particularly useful for highlighting employee’s oriented approach which will allow more fruitful and objective assessment of business enterprises in terms of productivity and profitability. This paper makes an attempt to make an empirical study of Hindustan Petroleum Corporation Ltd., for measuring the performance from 1999-2000 to 2009-10 through generation of value added, application of value added, various ratios relating to value added reporting and with the help of some statistical techniques. The analysis of this study clearly signifies that the management of the company has not only improved its profitability but has also fulfilled its responsibility towards the society at large.

Value added is an important measure to judge the performance of an enterprise. It indicated the net wealth created by the firm during a specific period of time. No enterprises can survive and grow, if it fails to generate wealth. An enterprise may exist without profit, but cannot survive without adding value. Value added is meaningful measure of corporate performance than conventional measures based on traditional financial accounting information. It can be particularly useful for highlighting employee’s oriented approach which will allow more fruitful and objective assessment of business enterprises in terms of productivity and profitability. The value added is a basic and broad standard comprises investment made by shareholders, debentures holders, creditors and specialized financial institutions. If such investment does not create wealth or does not add value for the stakeholders, it indicates the misuse of public funds. Therefore the concept of value added has a direct relationship with the concept of social responsibility of the business. Value added can be particularly useful to traditionally concentrate on the needs of shareholders and
creditors but value added statement is important for stakeholders as well as employees point of view.

**Davada (2012)** examines that value added concept is comparatively new concept but is gaining considerable importance those days, particularly for taxation and managerial performance purposes. A growing number of companies in India have started including a value added statement on the lines of the companies in western countries, as a part of their published annual reports and accounts. Value added reporting is part of financial reporting that shows value addition by firm during the specific of time and their application towards Employees, Government, Capital providers and retained by the firm himself towards development and expansion activities. Value added is meaningful measure of corporate performance rather than conventional measures based on traditional financial accounting and can be particularly useful for employee’s oriented approach, which will be more fruitful discussion with employees and can be especially useful in productivity arrangements.

Accounting is a language of business. Accounting is an analysis and interpretation of accounting records containing financial and economic information of transactions and other events profitably to a business. To operate a business profitably and to star solvent, profitability and solvency of a firm should be measured at regular intervals in order to know the aggregate position since alarming is the art of measuring, describing and interpreting financial and economic activities of a business, it is essential, for an accounting system, to record, classify and summaries the entire. Lot of events since accounting is a language of business;it should be communication to the parties related to an integrated in its activities. Such communication is made through corporate reporting process. It has assumed got significances in recent years,
in many countries the users of such reports. There are many parties who are much interested such as equity shareholders, lenders, bankers, financial institutions, tax-levying authorities, regulating authorities, government and various authorities in the accounting reporting of companies. By statutes, all the companies and corporate entities are reporting minimum information mandatorily.

Pong and Mitchell (2014) explores the reasons both for this rapid disappearance and for the VAS’s continuing absence as a practical financial accounting issue. It does so on, the basis of an empirical analysis of the utility of the information content of UK corporate VASs. This analysis is designed to ascertain whether the new disclosure served the interests of the employee stakeholder group who were identified as the major beneficiary of the VAS. This group comprised company directors, who controlled the voluntary disclosure of the VAS, other employees and trade unions. A positivist approach is employed to provide an explanation of a significant change in financial accounting (Watts and Zimmerman, 1979). In this instance the positive approach is not used as a basis for predicting behavior but to explain behavior retrospectively by reference to the possible economic consequences (Zeff, 1978) of the information contained in the VAS for those responsible for its supply and demand. The analysis suggests that the information content of the VAS was likely to have been prejudicial to the interests of the company employee stakeholder group that it was intended to benefit. In addition, information deficiencies in the VAS compromised its ability to meet some important aspects of the purposes on which its advocacy had been based. These findings are used to supplement an existing social history of this period of accounting engagement with VA in the UK (Burchell et al, 1985). The findings also provide an explanation of the VAS’s failure to subsequently reappear on the UK financial accounting scene.
It expresses that, a summary is given of the development of interest in the VAS in the UK from 1975 to 1980, a period during which its popularity reached a zenith. Second, a review is undertaken of the existing historical study (Burchell et al, 1985) that traces in societal influences that can be implicated in the rise and fall of the VAS in the UK. A case is made for extending this analysis to encompass an examination of VA information, from the producer and user perspectives, both for this period and afterwards. Third, empirical data on the content of the VAS is presented both from the late 1970s (from information by UK companies (the information was reconstructed from accounting information obtained from commercial corporate databases). This data is then used to argue a positive case, reflecting information user self interest, for the initial abandonment and non-reappearance of the VAS in the UK. In this way the explanation for the disappearance of the VAS is enhanced. Finally, some conclusions are drawn on the explanation for this change in financial reporting.

2.2 Conclusion

This chapter has focused on the analyses of previous studies related to value added reporting. Review of literature creates awareness, lies base for further analyses and knowledge on conceptual issues, measurement of value added, distribution of value added to stakeholders, impact of value added, Value added based ratios and qualitative characteristics of value added statement.