that what might be – and it is still "might be" – for America is automatically right for Australia. The conditions are very different. In Australia, as in so many industries, the Stock Exchange industry is fragmented by geographical facts. It may be theoretically true that on a population basis Australia has too many brokers, but this is largely because of the geographical spread of population. No doubt the introduction of negotiated brokerage rates would result in a severe reduction in the number of participants in the auction market which is the basis and strength of the present Stock Exchange system.

The brokerage industry in Australia is very competitive indeed; competition expressing itself in the degree of service provided, the quality of research analysis and the efficiency with which transactions are carried out, and not least importantly the efficiency of the back office procedures of various firms. The broking industry is one of the very few examples of an industry in which the cost of services of that nature are all covered in the charge made for buying and selling securities. In many cases services such as research and investment advice are provided without any brokerage resulting, but they all have to be paid for, and they are inevitably extremely costly services to provide.

It is my belief that the introduction of negotiated brokerage rates in Australia would be very detrimental indeed to the securities industry. It would have the most serious impact on the whole fabric of the stockbroking industry, it would not result in a more efficient industry, and would therefore not be in the interests of the investing public.

Editor: for comment see page 23.

INFORMATION REQUIREMENTS OF AUSTRALIAN INVESTORS

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During August-October, 1975, a survey was conducted of two selected investor/investor representative groups in Australia to attempt to establish some hard data on the information needs of Australian investors. The survey took the rationale and questionnaire format of Baker & Haslem's U.S. Study of Investor information needs reported in the Journal of Finance, September, 1974. It has extended the U.S. Study to provide a basis for some cross national comparisons of investor information requirements. It is hoped that this comparative study will be available in July, 1976.

The study has raised some important questions regarding the importance of information items traditionally thought as being highly relevant to equity investors. The role of the annual corporate report is also questioned in this regard. The Study shows that there is a clear need for more empirical investigation to establish exactly what role anticipatory data, dealing with share price, earnings and dividend measures and movements, has to play in investor decisions making. The Study also challenges certain assumptions about the importance of asset information in satisfying investors' needs. And finally the Study points to the need for a survey of a wider investor audience to confirm the findings presented hereunder.

Editor: The N.S.W. Division of the Institute was one of these groups.

Investor Population:

The investors surveyed were drawn from two 'investor interest' groups (the groups requested that their names not be published), who have an active role in evaluating company shares and participating in share trading activity. The total population surveyed was 1,025.

Table 1 below indicates the occupational and income groupings of the respondents. The dominant groupings in occupation were managerial and professional (84 percent) and the majority of the respondents (80 percent) had incomes less than $25,000.

TABLE 1: (% Distribution, Investors' Occupation and Income Groupings)

Occupation:	**Total**
Professional and Technical	.58
Clerical and Sales	.04
Managers, Officials, Proprietors	.26
Housewives, retired, non-employed	.09
Other	.03
Income Grouping:	
Under 10,000	.14
10,000 - 19,999	.49
20,000 – 24,999	17.
25,000 – 34,999	.12
35,000 – 49,999	.04
over 50,000	.04

The investors surveyed tended to share community norms in respect to their expectations on the amount of return on their investment. Table 2 reveals that 82 percent of the respondents required a return of 14% and less on their investment. Given that during the period of the survey annual inflation rate in Australia was running at 17%, it's notable that their expectations were below this figure.

TABLE 2: Expectation of Return on Investment

Under 5%	.02
5% but less than 10%	.53
10% but less than 15%	.27
15% but less than 20%	.10
20% but less than 40%	.06
40% and over	.02

Survey Method and Summary:

The survey took the form of a mail questionnaire consisting of 37 factors used in share decisions[1]. The respondents were asked to identify the relative importance of each factor on a five point scale.

The choices available and their point values are indicated below:

Point Value	**Importance Scale**
1	Of no importance
2	Of slight importance
3	Of moderate importance
4	Of great importance
5	Of maximum importance

Additional information was collected to provide socio-economic background of respondents; (referenced earlier) to distinguish between investors with high and low risk preferences; and to indicate the main sources of information for investors.

From a total population of 1,025 investors, 476 valid replies were received. This represents a response rate of 46.4 percent.

Responses to each factor were summarised by assigning individual weighting based on the mean response to the factor. This single figure weighting was used to rank the factors by degree of importance. The ranking and means are shown in Table 3 below. To indicate the diversity of opinion among the respondents in respect to a particular factor, the related coefficient of variation was computed. It can be seen by reference to Table 3 that, as the means decreased, the coefficients of variation increased, indicating increasing diversity of opinion with decreasing importance of items. For the 37 factors analysed, 7 were regarded as having great importance, 20 having moderate importance, and 10 having slight importance.

TABLE 3: **Means, Standard Deviations and Coefficients of Variation for Investment Factors**

Rank	**Factor**	**Mean**	**Std. Dev.**	**Coeff. Variation**
Great Importance:				
1	Expected future increase in the price of shares	4.52	.70	.15
2	Listing of the share on the stock exchange	4.48	.88	.19
3	Future economic outlook of the company	4.41	.75	.17
4	Quality management	4.40	.79	.18
5	Future economic outlook of the industry in which the firm is a part	4.21	.74	.17

6	Expected future percentage growth in the company's earnings per share	4.06	.89	.22
7	Financial strength of the company	4.06	.79	.19
Moderate Importance:				
8	General business outlook in Australia	3.94	.93	.23
9	Risk of losing money on the shares	3.81	.98	.25
10	Expected percentage growth of the company's future dividends	3.69	.92	.25
11	Ease with which shares can be sold	3.64	.95	.26
12	Rate of return the company earns on its assets	3.59	.99	.27
13	Management's expectations of future operations as revealed in budget statement of performance and position	3.59	.94	.26
14	Current price-earnings ratio of the share	3.58	.91	.25
15	Portion of the firm's assets financed by debt (leverage)	3.56	.95	.26
16	Expected future growth in sales	3.56	.91	.25
17	Expected future level of long-term interest rates on debentures and notes	3.55	1.06	.30
18	Expected future percentage return from dividends (yield)	3.55	1.00	.28
19	Past percentage growth of the company's earnings per share	3.44	.95	.27
20	Price behaviour of the shares during the past twelve months	3.37	1.03	.30
21	Stability of company's earnings per share	3.28	.98	.29
22	Current percentage return from dividends (yield)	3.28	.95	.29
23	Reputation of the company (community standing)	3.27	1.10	.33
24	Past percentage growth of dividends per share	3.13	1.00	.32
25	Indication of employee morale (absenteeism, turn-over, statistics, etc.)	3.10	1.15	.37
26	Portion of the company's annual earnings paid out in dividends	3.07	.95	.31
27	Share turnover	3.02	.96	.31
Slight Importance:				
28	Percentage of earnings the company uses for re-investment	2.98	.94	.31

29	Stability of past dividends	2.97	.97	.32
30	Effect of personal capital gains taxation	2.89	1.30	.45
31	Stability of the market price of the share	2.81	1.06	.37
32	Value of a share based on the company's accounting records (book value)	2.77	1.03	.37
33	Past percentage return from dividends (yield)	2.77	.95	.34
34	Involvement of the firm in active research and development	2.73	1.12	.41
35	Statement of asset value in terms of liquidation prices	2.73	1.12	.41
36	Size of the company (total assets)	2.52	.97	.38
37	Ease with which the company can sell its assets in case of failure	2.48	1.17	.47

Information Orientation:

The factors considered are not put forward as a complete statement of items sought by investors from current information networks, but represent a combination of items suggested by information user and producer groups as having great relevance and currency for investor decision making. Examination of items listed of great or moderate importance in Table I enables construction of a matrix relating time orientation and source of information items. The matrix in the Exhibit 2 below categorises the source of data as either being generated within or outside the firm. Information generated within the firm is generally quantifiable in financial terms except in the case of quality of management where measurement bases were not specified. Items generated outside the firm were either related to the firm's economic environment or to the capital market. It is to be noted that not all items are disclosed in corporate reports.

(see EXHIBIT 2, page 14)

Initial consideration of the rankings listed in the matrix reveals that factors which are historic in nature tend to rank well behind those which are contemporary and anticipatory. In fact there is a decided preference for factors which are explicitly anticipatory. No anticipatory items appear in the slight importance category and all fall above the mean of 3.5. It would appear that shareholders in effecting share decisions seek those factors which are directed at events and transactions that are expected to occur. There is nothing novel in this result for there is substantial assertion and evidence that shareholders make their decisions on the basis of future expectations. The low ranking of historic factors does not deny that they make some sort of contribution in share decision but are secondary in nature, and are used as confirming and corroborative items in giving authority in anticipatory data. Contemporary items tend to be spread throughout the rankings and their significance in assisting any interpretation of forecasts can be conceded. Rational investors would not solely rely on predictions; reference to present conditions must be made to ascertain whether predictions, both intra and extra the corporate reporting framework, are being achieved.

A feature of anticipatory items was the high ranking of economic forecast information. Factors that were ranked 3, 5 and 8 indicated that investors are concerned with future specific and general business and economic conditions. Such concern accords with the high interest displayed by directors in securing economic forecast information in their reports on annual accounts. The referencing of more general economic forecast information by investors would obviously have its source in the bulletins and comments released through the financial press. And the stress brokers and consultants give this information in their advices to clients would appear to be clearly justified.

There is, contrary to some current advocation on the significance of asset size and composition, little importance placed by our investor population on items which give specific information about assets. Concern for improved reporting of assets does not appear to be reflected in shareholders ranking. It is noteworthy that importance given to theorizing about asset valuation both by academic and professional accountants does not appear to be shared by investors responding to this survey[2]. Their concern is that earnings are generated from assets held. The question of earnings measurement being contingent upon valuation for such expense items as cost of goods sold and depreciation, would appear not to be fully appreciated. Nevertheless, their ranking of the size and liquidity status of assets (ranked 35-37) poses an interesting perspective on the question of valuation.

Several highly ranked items warrant special comment.

Quality of Management- (Rank 4)
The high ranking of this item suggests that investors consider that information reflecting on management quality has great priority in share decisions. The item has not been broken down into specific dimensions which would enable some indication to be given on which characteristics of quality need delineation in corporate reports. Nevertheless it provides strong evidence in support of 'human resource' accounting.

Budget Statement of Performance and Position: (Rank 13)
The publication in corporate reports of forecasted financial statements has wide appeal and its advocacy has been strengthened in recent times. Clearly, shareholders consider it an important ingredient in assisting share decisions. The fact that some companies are incorporating forecasts of financial information in their annual reports gives witness to a mutual interest in publishing such information. The more interesting point is whether the audit process ought to attend to the vetting of such forecasts.

Financial Strength: (Rank 7)
This item is considered to be of great importance. The difficulty of interpreting the significance of such ranking lies in interpretating, from the investor's viewpoint, the term financial strength. In its broadest meaning, it refers to the current capacity of the firm to meet its debt and pressing obligations in respect to replacement and new investment. Whether such capacity depends on the flow of cash earnings and/or liquidity of assets held is not determinable. But it may be speculated that, given the ranking of other items related to earnings and assets, the element of earnings performance has greater sway. Future surveys will obviously need to test this item more thoroughly by specifying the dimensions of financial strength.

Earnings versus Dividends:
Our findings reveal the obvious concern of investors with information dealing with predicting share prices, dividends and earnings. While the study did not attempt to identify investors' share valuation models, our results give some tentative support to earnings rather than dividends, being the primary factor in determining share value.

Respondents ranked expected future percentage growth in E.P.S. of great importance. Further, information items which may assist in formulating expectations as to earnings (managerial plans and expected sales levels) ranked higher than expectations on future dividend yield. Historic trends in earnings (items 15 and 19) also rank higher than dividend trends (items 22, 24, 29). The survey indicated that investors are not particularly concerned with the payout ratio or dividend policy of the firm (items 26 and 28).

An apparent inconsistency in the responses is the relative high ranking of expected % growth in future dividends at rank 10. However, it is significant that this item refers to growth in total dividends and not to these dividends expressed as a return or yield on the investor's investment in the company (item 18). One explanation for the high rank of item 10 is the information content of expected dividends.

While both dividends and earnings are clearly important to investors' decisions, our results tentatively support the dominant role of earnings in these decisions.

Information needs of different investor groups:
An important question to be considered is whether different classes of investors have different information needs. Our respondents were asked to indicate their attitude to risk taking and their preference for income from dividends and capital gains[3].

While most of the information needs did not differ by more than three points on the scale of ranking, certain interesting differences were observed, particularly between different risk classes.

Investors were separated into those with a relatively high degree of risk aversion, and those prepared to accept a relatively higher degree of risk. Items preferred by risk averse investors were: dividend yield, risk of losing money on shares, rate of return on assets, stability of E.P.S. and past percentage growth in E.P.S. (The difference in ranking between risk averse investors and those prepared to accept higher risk for these items was 7, 6, 5, 4, 4 respectively). Items preferred by investors accepting higher risk were: share turnover, budgeted statements, leverage and past share price behaviour. (The difference in ranking between the two risk classes for these items was 11, 8, 6, 6 respectively).

Differences in information needs between investors preferring high or low dividends, and high or low capital gains were less significant. Investors preferring high dividends ranked expected future percentage dividend yield and expected growth in sales higher than investors accepting low dividends (a difference of 6, 2 and 5 places respectively). While investors accepting low dividends ranked leverage and budgeted statements higher than investors seeking high dividend (a difference of 6 and 5 places respectively). These two items are consistent with the risk group prepared to accept relatively greater risk. The only differences in ranking of information between investors with different attitudes to capital gains were a high ranking of effect of capital gains tax by those preferring high capital gains (4 places), and stability of past dividends by investors preferring low capital gains (7 places).

Corporate Report and Information Disclosure: The primacy of the corporate report in generating information for share decisions is open for examination if the results in Table 3 are to be accepted. The results suggest that information, both specific and non-specific to the company, which is not disclosed in the corporate report bears strongly on share decisions. In the top 18 rankings at least 8 items have their origin outside the annual corporate report. It does suggest that information sources outside the corporate report have significance, and those agents who collate and disseminate information not included in the corporate report are important reference areas for investors. Reference to Table 4 gives an indication of range and importance of information sources:

TABLE 4: Information Sources for Share Decision (% rated most important)

Friends, relatives	.03
Stockbrokers	.28
Advisory Services	.07
Newspaper and Magazines	.17
Financial Statements	.30
Other (Tips, Rumours)	.15

The Table above indicates that financial statements, which are the major elements in the annual corporate reports, do not have a dominant place as a source of information. Given this range of sources accessed by investors, some questioning may be raised about the current elevation of corporate reports as being the major vehicle for satisfying information needs of investors. The information in the Table does partly challenge the general assumption about the level of reliance the average investor places on personal analysis of financial statements. Our investor population was a selective group of individual investors and only 30% rated financial statements as the most important source. It is interesting to speculate what importance the so-called average investor would have placed on financial statements. However, it is accepted the role of financial statements retains some significance when it is realised that other information sources used by investors would resort to analysis of financial statements together with other economic and capital market information.

1 34 of factors used were pretested for inclusion in a U.S. Survey (see Baker & Haslem op. cit.). Three additional factors were added to ascertain reaction of investors to information items currently being advocated as having importance. (See items ranked 13th, 25th and 35th in Table 3.)

2 For some recent comment on this issue see R.L. Gourlay, "Preserve us from the Valuationists", The Chartered Accountant in Australia, February, 1976, pp. 36-38.

3 Respondents were divided fairly evenly in their attitude to risk. Risk averse investors were 225 of the sample and respondents prepared to accept relative high risk totalled 251. Respondents preferring high dividends totalled 374 and those preferring low dividends totalled 102. Investors preferring high capital gains totalled 358 and investors preferring low capital gains totalled 123.

BOOK REVIEW

GALBRAITH'S BOOK ON MONEY

By E.F. Gillin, B.Ec., A.A.S.A., A.C.I.S., F.S.I.A., F.I.B. (London), Chief Economist, Rural Bank of New South Wales.

This is a highly readable history of money from its origins to the present day. It is intended for popular reading, and the style and anecdotes are appropriately adapted. It is not, and cannot serve as, a textbook. Specialists in monetary economics will not find it satisfying. But Professor Galbraith has tried to simplify the complex aspects of the subject, and many reviewers believe he has done so. Several of them referred to the work as "demystifying" the subject.

The book has a heavy U.S. orientation for much of Galbraith's "history of banking" is U.S. history.

Topics discussed include inflation, the U.S. Federal Reserve System, and international monetary co-operation. Most interesting of all are Professor Galbraith's explanations and interpretations of policies.

"Money – Whence it Came, Where it Went" by J.K. Galbraith, Andre Deutsch with Hutchinson Australia, 1975. Pp. 324. $A10.50.