The Effect of Monetary and Exchange Control Policies on the Quality of Financial Reporting in Zimbabwe

By

Muwani Trust Tipedze, Anyway Ngirazi, Dr Tagarira Mutenga, Jonathan Tawanda. Satande
Midlands State University, P Bag 9055, Gweru, Zimbabwe
Email: tipedzemt@staff.msu.ac.zw/tipedzemt@gmail.com
Phone number: +263 772 602 355

Abstract
Monetary and exchange control policy changes, distortions and uncertainty have proved to be an obstacle confronting Zimbabwe's financial reporting process. It was therefore important to situate the effect of monetary and exchange control policy changes on the quality of financial reporting in Zimbabwe and how it affects the greater economy. The study was informed and necessitated by the unusual and continued qualification of financial statements of Zimbabwe Stock Exchange (ZSE) listed entities. The study adopted the exploratory research design underpinned by a pragmatic research philosophy to investigate the relationship between monetary and exchange control policies and the quality of financial reporting. A glance at published general purpose financial reports of listed entities from 2017 to 2019 showed that, over 50% of the financial reports published had qualified audit opinions. The contention was whether fair presentation was achievable in Zimbabwe's monetary and exchange control policy environment. The investigation was based on Zimbabwe Stock Exchange (ZSE) listed entities. The population entailed preparers of financial statements of the listed entities where a sample was purposively (judgemental) selected from five listed entities across all the sectors of the economy. Qualitative data was coded and uploaded on STATA II software and analysed using regression analysis. The study found a correlation between monetary and exchange control policies crafted and the quality of financial reporting. Monetary policy changes were found to be significant in explaining the nature and quality of financial reporting. The study recommended credible policy making entailing formulation of clear, unambiguous, inclusive and consistent monetary and exchange control policies. In addition, the Public Accountants and Auditors Board (PAAB) should regularly issue updated guidelines consistent with prevailing circumstances in consultation with relevant stakeholders.

Key Words: Monetary and Exchange control policies, Quality Financial Reporting, Zimbabwe

The Effect of Monetary and Exchange Control Policies on the Quality of Financial Reporting in Zimbabwe

By

Muwani Trust Tipedze, Anyway Ngirazi, Dr Tagarira Mutenga, Jonathan T. Satande

Introduction and Background of the Study

Policy consistency is a fundamental piece to the economic puzzle in Zimbabwe (Kuwaza, 2019). Kuwaza (2019) was of the assertion that; Zimbabwe's policy inconsistency on monetary and foreign exchange controls dented investor sentiments, confidence and opinion on the economy. He further stated that, Zimbabwe's case fitted in the classic first-generation model of monetary and exchange control policy crisis. On the other hand, Binha (2019) postulated that, the challenge with the Reserve Bank of Zimbabwe (RBZ) is that there were a lot of monumental monetary and exchange control policy missteps that were made by the central bank which might take a long time to rectify. However, the RBZ (2019) alluded that, the policy measures were meant to restore macro-economic stability and normalcy in the monetary and foreign exchange market. Chikono (2019) reported that, providers of capital and consumers of financial information were concerned over the quality of financial reporting by Zimbabwe Stock Exchange (ZSE) listed entities in the aftermath of the monetary and exchange control policy changes. Chikono (2019) further stated that, the policy changes impacted the information presented in the financial reports.

Financial reports should present fairly the financial position, financial performance and cash flows of an entity to enable investors to make informed decisions. Typically, poor or incorrect financial reporting can have implications for the reporting entities and as well as the greater economy. According to Kuwaza (2019) users of financial statements argued whether fair presentation was achievable in Zimbabwe's monetary and exchange control policy environment. A glance at published financial statements of listed entities from 2017 to 2019 suggested that, the majority of financial statements of Zimbabwe Stock Exchange listed entities had qualified audit opinions as a result of non- compliance with certain provisions of the financial reporting standards. It is against this background that, the study seeks to explore the effect of monetary and exchange control policies and the quality of financial reporting.

Literature dynamics support that monetary and exchange control policies affect how financial information is presented. Buigut (2015) alluded that, the financial history of Zimbabwe, of which studies are only just emerging, has always been contentious. He posits that, whereas the 2000s periods were much associated with hyperinflation, challenges after 2013 were mainly on limited foreign exchange with arising problems of managing money. Having adopted a basket of currencies in 2009, after the abandonment of the moribund Zimbabwean dollar (ZW$), Zimbabwe experienced significant monetary and exchange control policy changes between 2016 and 2019 (PAAB, 2019). Brixiovia and Ncube (2019) posits that, after adopting the multi-currency regime in 2009, listed entities adopted the United States dollar as the presentation and functional currency.

In 2016, the Reserve Bank of Zimbabwe introduced a surrogate currency, namely bond notes (RBZ, 2016). The surrogate currency was supported by the gazetting of Statutory Instrument 133 of 2016 which prescribed that the bond notes were legal tender, trading *pari-passu* with the United States dollar (US$). Three years later, in its 2019 Monetary Policy statement (MPS, 2019) the Reserve Bank of Zimbabwe argued that, the continued use of the

basket of currencies, in particular the United States dollar (US$) as the accounting unit, with much difference in value with the surrogate currency gave birth to a number of challenges, including valuation challenges and asset, liability mismatches (RBZ, 2019).

As a result, the Reserve Bank of Zimbabwe (RBZ, 2019) introduced a different currency (RTGS) the functional and presentation currency, resulting in financial information being translated from the USD$ currency and instructed that all assets and liabilities that were in United States dollars (USD$) immediately before 20 February 2019 be deemed to have been in RTGS dollars at a rate of 1:1 to the United States dollar. This was in contrast to the provisions of International Accounting Standards 21, which requires the use of exchange rates and accounting for the effects of changes in exchange rates. Mandishora and Mahonye (2019) revealed that, although the accountancy profession in Zimbabwe accepted the Reserve Bank of Zimbabwe (RBZ) series of exchange control directives, the profession noted some concerns that arose from the policy changes and their effect on financial reporting in Zimbabwe. General purpose financial statements of more than 50% of Zimbabwe Stock Exchange listed entities had qualified audit reports mostly adverse opinions as a result of non-compliance with financial reporting standards (IFRS/IAS). According to Kadilli (2015), a modified (adverse) opinion suggests or confirms that, published financial information do not comply with Generally Accepted Accounting Standards (GAAP) suggesting financial misrepresentation.

The financial report of Powerspeed Electrical for the year ended 30 September 2019, revealed and explained that, the re-introduction of a local currency muddied both the operational and financial accounting waters. The management further stated that, they had chosen not to comply with IAS 21 and IAS 29 as a result of too many distortions from both the fiscal and monetary measures implemented by the central bank. More so, Delta Corporation board of directors in their 2019 annual report explicitly stated that,

> …the board is unable to comment factually and accurately on the financial performance of the business based on the results. Local and international accounting experts have concluded that there is ambiguity in the currency that existed during this period and the effective valuation of this currency, hence the modification to the auditor's report. The directors would like to advice users to exercise caution in their use of these financial statements due to the material and pervasive impact of the changes brought about by the change in functional currency, its consequent impact on the usefulness of financial statements.

The Zimbabwe Stock Exchange (ZSE) surrendered significant ground in 2019 when market capitalisation dropped to about US$1,8 billion in December from about US$8 billion in the first week of 2019 as foreign investors shunned the stock exchange (Equity Axis, 2019). It is against this background that, the study sought to explore the effect of monetary and exchange control policies and the quality of financial reporting.

Problem Statement

The study was informed and necessitated by the unusual and continued qualification of financial statements of Zimbabwe Stock Exchange (ZSE) listed entities. This was because the history of the Zimbabwean monetary and exchange control policies and the impact on business operations is and remain contentious. The country experienced significant monetary

and exchange control policy changes between 2016 and 2019 (ICAZ, 2019). Monetary and exchange control policies crafted by the government of Zimbabwe through the Reserve Bank of Zimbabwe (RBZ) affected the presentation of financial information (Kuwaza, 2019). The presentation of general-purpose financial information was affected by the policies as listed entities had to comply with and abide by the obtaining laws of the country. The pronouncements and directives compromised the preparation of financial statements in that, accounting judgements, application of principles and values were compromised hence impacting the quality of financial information (ICAZ,2019). More than 50% of Zimbabwe Stock Exchange (ZSE) listed entities from 2017 to 2019 had qualified audit reports. This eroded investor confidence at a time the listed entities and the economy at large is desperate for Foreign Direct Investment (FDI). Equity Axis (2019) revealed that, the Zimbabwe Stock Exchange (ZSE) surrendered significant ground in 2019, when market capitalisation dropped to about US$1.8 billion in December from about US$8 billion in the first week of 2019 as foreign investors shunned the country due to monetary an exchange control policy inconsistencies and poor financial reporting practices.

Objectives

1. To explore the effect of monetary and exchange control policies on the quality of financial reporting.

Hypotheses

H.1: There is no relationship between monetary and exchange control policies and the quality of financial reporting of an entity.

H.2: There is no relationship between the auditor's opinion and the quality of financial reporting of an entity.

H.3: There is no relationship between value relevance of accounting information and the quality of financial reporting of an entity.

Theoretical Framework

Ancient theories of determining the rate of exchange explain how the exchange rate is determined. The Purchasing Power Parity Theory (PPPT) that was launched by the Swedish economist Guster Cassel (1866-1945) in 1921 states that, similar value products in one currency should have the same quote in two currencies. The price of a product in one currency and the price of an identical product in another currency should be such that, the ratio of the prices is the rate of exchange between the two currencies. During the research period, Zimbabwe Stock Exchange (ZSE) listed entities transacted using a combination of different currencies (multi-currency). There was increased proliferation of multi-tier pricing practices with significant differences in purchasing power between the multi currencies. This happened at a time Statutory Instrument 33 (SI/19) fixed the rate of exchange between the RTGS dollar and the USD at a rate of 1:1 for financial reporting against the requirements of IAS21, which requires the use of prevailing market rate of exchange and accounting for the effects of the changes thereof.

Review of Related Literature
The effect of monetary and exchange control policies and the quality of financial reporting.
Friedman (2010) stated that, monetary policy is the art of influencing the pace and direction of overall economic activity. Mashkin (2016) mentions that, monetary and exchange control

policies can be said to be a yardstick, that objectively pens down a nation's economic oscillations and the underlying issues that torment human society. He argued that, the monetary and exchange control policies have a widespread economic effect on business activities.

There is an array of reports that have been conducted to ascertain the effect of monetary and exchange control policies on the quality of financial reporting. Wingard *et al* (2012) found out that monetary policy dynamics have a significant effect on stock exchange markets, accounting reporting and the general economic well-being. Armstrong *et al* (2018) postulated and argued that, the MPS is an important input of the economic operations which in many years has always been tormented by uncertainty and anxiety. Armstrong *et al* (2018) collaborate Friedman (2010) who stated that, as one of the most important variables used by states to balance off the economy, the monetary system has genuinely produced controversial discussions.

Mhlanga (2019) reported that Zimbabwe's currency situation and *"chop and change"* monetary and exchange control policies have been bad enough for business financial reporting because of difficulties in applying financial reporting standards which contradicted with monetary and exchange control regulations. The submission by the Mhlanga (2019) was supported by Grant Thornton Accountants (2019) who explained that, Zimbabwe's continuous monetary and exchange control policy changes presented accounting challenges ranging from exchangeability and market wide distortions, taxation implications, business valuation challenges and asset liability mismatches. Zimbabwe's monetary policy changes compromised proper and internationally expected financial reporting standards (ICAZ, 2019). Walsh (2017) postulated that, research conducted scientifically of the monetary policy phenomenon, facing the rigidities of the problems of currency with a diversity of currency role within entities has kept the monetary policy theory in the start of a new research program.

Zimbabwe experienced a greater shift in monetary and exchange control policies from 2016 through to 2019 (PAAB, 2019). The country's central bank promulgated quite a number of exchange control guidelines and frameworks for compliance to alleviate the cash shortage and boost the economy. Old Mutual (2019) stated that, Zimbabwe had a number of challenges in terms of currency issues, including bond notes and RTGS dollars which lacked convertibility. Old Mutual (2019) argued that, the lack of convertibility on the part of bond notes and RTGS dollars affected the manner in which accountants reported on such issues. That in turn, affected preparers of financial data in complying with accounting reporting standards. Kuwaza (2019) reported that, Zimbabwean firms were in a financial reporting quandary due to unfavourable monetary policies. It was argued by Kuwaza (2019) that, it was difficult to achieve fair presentation under the circumstances as preparers of financial statements were forced to take the legal route compliance rather than substance, violating Financial Reporting Standards.

Mahonye and Mandishora (2019) asserted that, it was difficult for entities to achieve fair presentation as preparers of financial information battled a "*perfect storm*" as a result of complexities caused by the prevailing monetary and regulatory environment. Furthermore, ICAZ (2019) stated that, financial statements were not useful and meaningful to users at a time provider of capital depended on financial reports to make informed decisions. Biti (2019) described the monetary policy and exchange control policy changes as mendacious and a technical fix for business institutions and accountants. Old Mutual PLC (South Africa), (2019) reported that, the company had over tens of millions of rand knock in its reported

earnings after factoring in currency related changes for its Zimbabwean operations as a result of the policy changes.

International Accounting Standards 1, *Presentation of Financial Statements,* requires fair presentation of financial accounting information. According to IAS 1, fair presentation entails faithfully representing transactional effects and other events in conformity with how elements of financial statements are defined (IAS 1.15). PAAB (2019) argued that, the key consideration, of the monetary policy changes, from an IFRS/IAS perspective was, whether or not fair presentation was achieved if the elements of financial statements valued in USD cash/Nostro balances were taken to be of the same currency with those that were valued in RTGS balances, bond notes and coins and mobile money. IAS 21, *Effects of Changes in foreign exchange rates* requires entities to use exchange rates and account for changes in exchange rates. To what extent was fair presentation achieved when the Reserve Bank of Zimbabwe (RBZ) equated United Sates dollar balances with RTGS balances (SI 33/2019). This brought about accounting mismatches and distortions and in the process affecting the quality of financial reporting and fair presentation.

IAS 21 explains the term functional currency as the dominating currency of transactions in an environment where the company operates. According to IAS 21, presentation currency is the currency used to value transactions in reporting financial data. In arriving at the functional currency, the company takes the currency which influences the quoted prices of goods and services and substituting forces that determines the prices of services and goods. ICAZ (2018) stated that, the selling prices of goods in 2016 through to 2019 were dependent on the form of settlement, with premiums of varying percentages being experienced on transactions undertaken using RTGS balances, bond notes and mobile money. After the government gazetted statutory instrument 33/2019, followed by statutory instrument 142/2019 which left the Zimbabwean dollar as the sole legal tender, the change in functional currency created accounting problems (Kuipa, 2019). Ernst and Young (2019) was of the assertion that, Statutory Instrument 33/2019 created challenges in complying with international accounting standards as a result of a conflict between the regulations and IFRs/IASs. Entities faced valuation dilemma (Ernst and Young, 2019).

Knight Frank (2019) suggested that, companies should stop reporting until the valuation issues were sorted out. In addition, PAAB (2019) stated that, the date of the change of the functional currency, the treatment of monetary and non-monetary assets and liabilities and the balancing figure upon the change in functional currency negatively impacted financial reporting. ICAZ (2019) argued that, entities struggled to ensure all appropriate adjustments were made to valuations and profitability a situation which made published financial statements not being meaningful to users who could not make informed decisions based on them. KPMG South Africa (2019) postulated that, after the change in functional currency numerous accounting implications arose, including the appropriate rate to be used on the functional currency effective date and the valuation of both monetary and non-monetary assets and liabilities upon the change in the functional currency. Kuipa (2019) explained that, the changes in monetary and exchange control policies pointed to a phased change in the functional currency in Zimbabwe. He further argued that, the changes presented market wide challenges in terms of compliance with International Financial Reporting Standards and International Accounting Standards. Kuipa (2019) argued and submitted that, there existed a causal relationship between the "*chop and change"* monetary policies and the way financial statements were prepared. He further argued that, the widespread phenomenon compromised the quality of financial reporting.

IAS 21, provides for the effects of exchange rate changes on accounting information. It recommends the use of a spot rate or rate effective at the time of preparing financial data. ICAZ (2019) stated that, the accounting problems arose in the form of SI 33/2019 which mandated a 1.1 exchange rate for balances, assets and liabilities denominated in United States dollar, where IAS 21 required an exchange rate using a spot rate. Kuwaza (2019) reported that, accountants grappled with three foreign exchange rates; the interbank rate, the willing buyer willing seller rate and the black-market rate. Accordingly, Kuwaza (2019) reported that, when it came to financial reporting, preparers of accounting information were not sure which exchange rate to use, a view that was supported by KPMG (2019) who argued and stated that, the situation was complex. Lanchman (2019) explained that, IFRS/IASs have specific guidance on what official rate to use (spot rate). However, Lanchman (2019) argued that, most reporting entities were using black market rates from where they accessed foreign currency to sustain their operations at a time the directives required a one as to one exchange rate.

Armstrong et al (2019) examined the nexus between an entity's accounting quality and monetary policy. The study revealed that the financial position way on monetary policy suggests that, company accounting reports plays a very crucial role in conveying monetary policy by supplying information between companies and capital providers. The study revealed that, there exist a nexus between exchange and monetary policies and financial reporting quality. In another study, Shumba (2014) evaluated the links between IFRS/IAS and the quality of financial reporting. The study used quantitative methodology with self-administered questionnaires. The research findings revealed that IFRS/IAS have got a relative nexus with financial reporting quality.

Okoro (2013) evaluated the impact of monetary policy on Nigerian growth of the economy by testing the influence of exchange rates, interest rates and money supply on Gross Domestic Product. The study employed the ADF test, panel integration test and the E. Correlation model. The method employed was used for modelling the long-run nexus between variables under study. The results produced and suggested the existence of a nexus between monetary policy instruments and economic growth. Khaysy & Gang (2017) examined the effect of MPS on economic development using time series data. The unit root tests results revealed that, all variables were stationery at first difference, therefore the J-cointergration and error was employed to analyse the variables. The study revealed that money supply and interest rate negatively affect Gross Domestic Product in the long run. Masssagus *et al* (2010) presented results of complex analysis identifying the effects of variation in the impact of monetary policies on economic growth. The study included a complex analysis drawn from primary studies that employed VAR models. The study suggested that, capital intensity is important in exploring the variation in outcomes.

Methodology

The study adopted a pragmatic research philosophy anchored on an exploratory research design. The pragmatic research philosophy was selected because it investigates the research problem (which is fairly new) from more than one complex perspective making it more realistic in terms of the end result. Hypotheses were formulated and primary data was collected from preparers of financial information. An online research questionnaire was administered to preparers of financial statements in synchrony with the nature of the study. The study was focussed on Zimbabwe Stock Exchange (ZSE) listed entities as the study population where preparers of financial information were purposively (judgemental) selected.

Purposive sampling entailed critical case sampling which was regarded as very useful in exploratory research where five entities were considered to be decisive in explaining the research problem in making logical generalisations. The sample size of the study was forty-eight respondents taken from the population. Data was uploaded into STATA II software after qualitative responses were assigned numerical coding and brought within the scope of Regression Analysis using the method of dummy variables. Data was presented in form of regression tables and figures.

Results and Discussion
Characteristics of Respondents
The research sample was made up of five Zimbabwe Stock Exchange (ZSE) listed entities across all relevant and important sectors of the Zimbabwean economy (manufacturing, telecommunications, financial services and fast-moving consumer goods) from where forty-eight (48) participants were drawn. Ninety percent (90%) (43/48) of the respondents completed the online research questionnaire. The participants were drawn from preparers of general-purpose financial information to ensure collection of appropriate data for the research problem. The respondents were generally schooled and experienced and responded to the questions from an informed point of view. This ensured valid responses.

Summary of Descriptive Statistics
The analysis examined the preliminary features of the data starting with statistics of relevance to the study. Table 1 presents summary data for four years (2016-2019) with the standard deviation, mean, maximum and minimum for the dependent and independent variables under study. Having summarily observed that the measures of central tendency of each relevant data set is closely related, there was proof that the variables followed the normal distribution, which was considered an important attribute in the modelling of obtained data.

Descriptive Statistics
Table 1: Characteristics of Respondents

	Minimum	Maximum	Count	Stnd Dev	Mean
QFR	0.11	0.56	42	0.164534	0.21
InMPS	0.36	0.91	42	1.899876	4.14
InAO	2.35	6.00	41	0.271984	0.70
InVR	0.72	1.82	42	3.785438	8.28

Source: Survey (2020)

Table 1 shows summarised data of the dependent and independent variables. Quality Financial Reporting (QFR) has a mean of 0.21 and a standard deviation of 0.16. The lowest value of QFR is 0.11. The Monetary Policy (MPS) has a standard deviation of 1.89 and a mean of 4.14, this is followed by Audit Opinion (AO) with a mean of 0.70 and a standard deviation of 0.27. Value Relevance has a maximum of 1.82 and a minimum of 0.72 with a mean of 8.28 and a standard deviation of 3.78. The statistics suggest the existence of a nexus between monetary policies and the quality of financial reporting.

Correlation Analysis

The challenge of multi-collinearity which may arise among variables was tested by the Pairwise Correlation model. The problem occurs when more than two interlocking variables exhibits traits of high correlation, which is believed to distort the results of regression analysis. Consequently, high correlation between variables could result in findings which are not reliable. The use of the model ensured reliable results.

Table 2: Pairwise Correlation Results

	QFR	In MPS	InAO	InVR
QFR	1.00000			
InMPS	0.76439	1.00000		
InAO	0.59016	0.46702	1.00000	
InVR	-0.91453*	-0.08763*	0.20031	1.00000

Source: Survey (2020)

In table 2, the relevant data statistics are below 0.85, which is a critical level for considering the multicollinearity problem as explained by Williams (2013). As a result, there is no multicollinearity among the variables in the analysis. Table 2 initially suggests a relationship between the monetary and exchange control policies, the audit opinion and accounting reporting data quality with a ratio of 0.7643 and 0.5901. However, in contrast, table 2 initially suggests a negative nexus to exist between the variables with a ratio of -0.9145.

There is no relationship between monetary and exchange control policies and the quality of financial reporting of an entity.

Since the research aimed to identify the links between exchange and monetary control policies and accounting data quality, the researcher empirically estimated whether a statistically significant relationship exists between monetary and exchange control policies and the accounting data quality provided by listed entities. Regression Analysis was used to establish the nexus between monetary and exchange control policies and accounting data quality. The relationship question was answered using coded ratings of responses.

Table 3: STATA II Simple Linear Regression Results

P	Coeff	Stn.Er	T	P>|T
cX001	0.47510685	0.13874523	3.42	0.008
cX002	0.85647342	0.3768543	2.27	0.0073
cX003	0.01453627	0.00345246	4.21	0.3213
cX004	-0.252273*	0.045320093	-5.57*	0.001
	0.364614**		**2.50456****	

Source: Survey (2020)

Number of observations: 43

P>| =0.0000

R Squared =0.7345

Results interpretation

Forty-three observations were used to establish the relationship. R squared measured the goodness of fit in the model. R Squared in the study was 0.7345 (73,45%) confirming that the model was 73.45% fit for the relationship test. Table 3 shows, 0.364614 (a.v) path co-

efficient for the hypothesised relatedness of exchange and monetary control policies and accounting data quality. The path coefficient of 0.364614 is bigger than the recommended level of 0.25 in the process supporting the supposed influence of exchange and monetary policies on accounting reporting data quality. The t-test results of 2.50456 collaborate the path coefficient results as it is also above the acceptable level of 2.0. Consequently, the shown values in table 3 fail to substantiate *H1*.

There is no relationship between the auditor's opinion and the quality of financial reporting of an entity.
Regression analysis was used to establish the relationship between the audit opinion and accounting data quality. The relationship question was answered using coded ratings of responses from participants.

Table 4: STATA II Simple Linear Regression Results

P	Coef*	Std.Er*	T	P>|T
cX001	00.2034573*	00.043420093*	5.57	0.0023
cX002	00.4842576*	00.21527753*	2.23	0.074
cX003	00.1986257*	00.03457650*	3.288	0.0076
cX004	00.96243522*	00.32667670*	2.962	0.072
	0.453649**		**3.5125****	

Source: Survey (2020)
Number of observations: 43
P>|=0.0000
R Squared= 0.8345

Interpretation of Results
Forty-three observations in totality were used in getting the nexus. R squared was used as a measurement of goodness of fit in the model. 0.8345 was observed resulting in the model being 83.45% fit for the relationship question. As shown in table 4, the hypothesised relationship between the audit opinion and accounting data quality had a positive path coefficient of 0.453649, a figure over and above the acceptable path coefficient of 0.25 thereby confirming that, the quality of financial information is impacted by the auditor's opinion. The t-test results of 3.5125 collaborate the path coefficient as it is also above the acceptable level of 2.0. This implies that the audit opinion reflects the status of the quality of financial information provided.

There is no relationship between value relevance of accounting information and the quality of financial reporting of an entity.
Regression Analysis was used to establish the relationship between the value relevance of accounting information and the quality of financial reporting. The relationship question was answered using codes of ratings from participants.

Table 5: STATA II Simple Linear Regression Results

P	Coef	Std.Er*	T	P>|T
cX001	-00.3430013*	000.100543*	-3.411*	00.035
cX002	00.2345097*	000.0564327*	4.155	00.675
cX003	-00.5029617*	000.2068347*	-3.1948*	00.009
cX004	00.6114533*	000.5367238*	1.139	00.0056
	0.00032**		**1.0432****	

Source: Survey (2020)
Number of observations: 43
P>|F=0.0000
R squared =0.6765

Interpretation of results

Forty-three observations were used. R squared was used as a measure of the goodness of fit in the model. R squared was 0.6765 or 67.65% confirming that the model was fit for the relationship test. In table 5, a coefficient of 0.00032 is given for the supposed nexus that exist between the usefulness of accounting data and accounting data quality. The value is below the acceptable threshold of 0.25 thus evidencing the non-availability of a nexus between value relevance of accounting data and accounting data quality. Additionally, table 5 shows tests result of 1.0432 for supposed correlation. The t-test result is smaller than the acceptable standard of 2.0. This signifies that the value relevance of accounting data is not impacted by accounting data quality. Regression Analysis results support H2 hypothesis.

Table 6: Testing research Hypotheses

H/Relationship	Hypothesis	Path Coeff	T-statistics	Rejected/supported
MPS-QFR	H1	0.364614	2.5045	Rejected
AO-QFR	H2	0.453649	3.5125	Rejected
VR-QFR	H3	0.00032	1.0432	Supported

Source: Survey (2020)

Table 6 shows a co-efficient of 0.3646 for the relationship between exchange and monetary policies and accounting data quality. A t-test of 2.5045 is also shown for the supposed relationship. This is above the required threshold, thus suggesting the envisaged positive relationship of monetary and exchange control policies and financial reporting. A co-efficient of 0.453649 and a t-test result of 3.5125 is also shown for the relationship between the auditor's opinion and accounting data quality. However, a co-efficient of 0.00032 and a t-test of 1.0432 is shown and presented for the third hypothesis test and accounting data quality. The study results rejected *H1* and *H2* and supported *H3*.

Conclusions and Recommendations

The objective of the study was to explore the effect of exchange and monetary policies on accounting data quality in Zimbabwe from 2016 to 2019. It was evident that, consistency, inclusiveness and clarity in monetary and exchange control policies performs a major function on general purpose financial reporting. The study provided a comprehensive analysis

and a wake-up call for policy makers, regulators and users of financial information. It provided a comprehensive and an explained interaction of the variables under study. The research results support the idea that policy consistency is a fundamental piece to the decision-making process by investors. Without monetary and exchange control policy consistency and clarity, the result is, distortion and ambiguity in financial reporting in Zimbabwe. The dilemma faced by preparers of financial reports seeking to comply with both IFRSs/IASs and the laws of the land results in distorted values, inaccurate numbers and poor judgements are applied. These render financial reports to fail the fair presentation test.

It was also evident, the nature of the auditor's view has a huge bearing on accounting data quality. The results showed that, qualified audit opinions confirmed poor financial reporting thus lacking quality. The usefulness of accounting, according to the results, was not determined by the quality of the accounting information.

General purpose financial statements are significant in communicating the financial status of a reporting entity for users and investors to make informed economic decisions. Accordingly, monetary and exchange control policy inconsistencies affect the way financial information is prepared as revealed by the study results. Policy makers particularly the Reserve Bank of Zimbabwe should take a keen interest in formulating clear, unambiguous, inclusive and consistent monetary and exchange control policies. The study recommended credible policy making which considers economic and business effects of the policies particularly the accountancy profession. Additionally, the Public Accountants and Auditors Board (PAAB) should regularly issue updated guidelines consistent with prevailing circumstances in consultation with relevant stakeholders. The accounting regulator should align with industry practices. More so, the accounting profession regulators in Zimbabwe should provide comprehensive, clear and timely guidance in an environment characterised by significant policy changes. Reporting entities should carefully consider the implications of non-compliance with reporting standards in view of providing useful financial information for decision making.

References

Armstrong et al, (2018). Accounting Quality and the Transmission of Monetary Policy, *Journal of Accounting Research,* Vol.15 (1).

Armstrong et al, (2019). Accounting Quality and the Transmission of Monetary Policy, *Journal of Accounting and Economics*, forthcoming.

Binha. M. (2019). Zimbabwe on the edge, *The independent*, Harare

Buigut, S. 2015, The Effects of Zimbabwe's Multi-Currency Arrangement on Bilateral Trade, Myth Versus Reality, *International Journal of Economics and Financial Issues,* Vol. 5 (3).

Chikono M. (2019). *Monetary Policy Statement Review,* The Independent, Harare.

Gaynor et al, 2016. Understanding the Relation between Financial Reporting Quality and Audit Quality, *Auditing a Journal of Practice and Theory,* Vol. 35 (4).

ICAZ (2018). *Reporting Change in functional and presentation currency in Zimbabwe,* Harare

Kadilli, A. (2015). Predictability of stock returns of financial companies and the role of investor sentiment: A multi-country analysis, *Journal of Financial Stability,* Vol. 5 (3).

Khaysy, S & Gang, S. (2017). The Impact of Monetary Policy on Economic Development: Evidence from Lao PDR. *Global Journal of Human Social Sciences,* Vol 17 (2).

Kuwaza. K. 2019. Monetary policy fails to address crises, *The Independent*, Harare, 20 August.

Mahonye, N &Mandishora, L. (2015). Currency Reform, Trade and Economic performance in Zimbabwe, *Journal of Banks and Bank Systems*, Vol. 10 (3).

Mahboub, R. (2017). Main Determinants of financial reporting quality in the Lebanese Banking Sector, *European Research Studies Journal,* Vol. 20 (4B)

Masagus et al, (2010). *The Impact of Monetary policy on economic activity:* Evidence from a Meta-analysis. Discussion Paper 2010-043.

Mashkin, F. (2016). *The Economics of Money, Banking and Financial markets*, Pearson Education.

Mhlanga, P. (2019). Why adverse audit opinions are the worst type of financial reports, *Business Times*, (14 June, 2019).

Monetary policy statement, Reserve Bank of Zimbabwe, January, 2016

Monetary policy statement, Reserve Bank of Zimbabwe, September, 2016

Monetary policy statement, Reserve Bank of Zimbabwe, January, 2017

Monetary policy statement, Reserve Bank of Zimbabwe, August, 2017

Monetary policy statement, Reserve Bank of Zimbabwe, January, 2018

Monetary policy statement, Reserve Bank of Zimbabwe, October, 2018

Monetary policy statement, Reserve Bank of Zimbabwe, February, 2019

Monetary policy statement, Reserve Bank of Zimbabwe, September, 2019.

Okoro A.S (2013) Government Spending and Economic Growth in Nigeria, *Global Journal of management and business research*

Old Mutual Zimbabwe (2019), *Zimbabwe Accounts puzzle: Old Mutual calculates its own exchange rate for results, currency hits earnings,* Harare.

Walsh, C. 2010. *Monetary Theory and Policy,* MIT Press.

Wingard, H.C. et al. (2012). GAAP Handbook, *Financial Accounting and Reporting Practice, Volume 1,* Lexis Nexis, Pretoria.