

## An Interdisciplinary Perspective on using Financial Statement Analysis in Nonprofessional Investors' Stock Investment Judgments

Akwasi Ampofo<sup>1\*</sup>, Reza Barkhi<sup>2</sup>, Joseph Nketia<sup>3</sup>

<sup>1</sup>Department of School of Business and Entrepreneurship, University of Connecticut, Storrs, USA; <sup>2</sup>Department of Pamplin College of Business ACIS, Virginia Polytechnic Institute & State University, Blacksburg, United States; <sup>3</sup>Department of Bill Munday School of Business, Saint Edwards University, Austin, USA

### DESCRIPTION

This work applied the social psychology theory of planned behavior to complex and integrative stock investment decision of students taking a graduate level course in Accounting and Financial Reporting at a large University in Northeastern USA [1]. Prior research by Elliott WB, et al. indicates that Masters of Business Administration (MBA) students are capable of performing tasks that have low but not integrative complexity [2]. The motivation for the work is to equip students with critical thinking and team building skills to solve highly complex and integrative problems, skillsets required by employers of graduates from business school programs. Therefore, graduate students are trained in interdisciplinary problem-solving that uses Financial Statement Analysis (FSA) to evaluate a publicly traded company for the extent to which the credibility or truthfulness of management, effectiveness of company strategy, and financial flexibility (that is, ability to change amount and timing of cash flows to meet business needs) could affect individual and groups of students decision to invest (buy more), hold or disinvest (sell) a public company stock. Thus, this work broadens the focus of traditional FSA on understanding the key drivers of changes in financial ratios (output) from period to period within a company, and among peer companies to also consider management (people), and competitive strategy (process) interdisciplinary perspectives [3].

The work uses a pre (before training on complex problem-solving) and post (after training on complex problem solving) design and compares about 160 total MBA students decisions with those of professional analyst following a public company such as Apple, Tesla, Snapchat, Blue Apron, and Wayfair Inc. Those MBA students are a good proxy for nonprofessional investors in prior research by Elliott WB, et al. [2]

The study finds that individual and groups of students stock investment decisions were largely the same given the aforementioned factors on the credibility of management, competitiveness of strategy and ability of the company to change the amount and timing of its cash flows to meet its financial

needs. The study also finds that individual and groups of students prioritized the credibility of management above all of the other factors in making stock investment judgments. Moreover, individual and groups of students that perceive the management of a public company to be credible and have an effective strategy are more likely to invest money in the stock of the public company and vice versa. Although financial flexibility by itself does not significantly predict stock investment decisions by individual and groups of students, the combination of credible management and flexible financial condition and performance is more likely to affect stock investment decisions. Finally, students stock investment judgments were similar to those of professional analysts following the stock of the public company at the time of the study [4].

### CONCLUSION

In summary, this work suggests that individual and groups of students can be trained to develop critical thinking and team building skills needed to solve complex and integrative problems through the application of psychological theory of planned behavior that consider different perspectives of people (management), process (competitive strategy), and output (cash flows). The work has implications for research, teaching and education that are holistic to equip students with multi-disciplinary perspectives on problem-solving, and it discusses several opportunities for further research.

### REFERENCES

1. Ajzen I. The theory of planned behavior, organizational behavior and human decision processes. 1991;50:179-211.
2. Elliott WB, Hodge FD, Kennedy JJ, Pronk M. Are MBA students a good proxy for nonprofessional investors? The Accounting Review. 2007;82(1):139-168.
3. Sullivan EJ. Teaching financial statement analysis: A cooperative learning approach. J Account Educ. 1996;14(1):107-111.
4. Ampofo A, Barkhi R, Nketia J. An interdisciplinary perspective on using financial statement analysis in nonprofessional investors' stock investment judgments. Available at SSRN 4358988. 2023.

**Correspondence to:** Akwasi Ampofo, Department of School of Business and Entrepreneurship, University of Connecticut, Storrs, USA, E-mail: aaampofo@aol.com

**Received:** 01-Mar-2023, Manuscript No. IJSCP-23-21980; **Editor assigned:** 03-Mar-2023, Pre Qc No. IJSCP-23-21980 (PQ); **Reviewed:** 17-Mar-2023, Qc No. IJSCP-23-21980; **Revised:** 24-Mar-2023, Manuscript No. IJSCP-23-21980 (R); **Published:** 31-Mar-2023, DOI: 10.35248/2469-9837.23.10.288.

**Citation:** Ampofo A, Barkhi R, Nketia J (2023) An Interdisciplinary Perspective on using Financial Statement Analysis in Nonprofessional Investors' Stock Investment Judgments. Int J Sch Cogn Psycho. 10:288.

**Copyright:** © 2023 Ampofo A, et al. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.