Assessment of the current state of level, subject and tone of forward-looking information disclosure in Iranian companies

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ABSTRACT

Forward-looking information disclosure is for meeting the growing informational demands of investors which gives them extra tools for assessing the perspective, the venture and the current concerns of the company. Based on this fact, the purpose of the research at hand is to assess the current state of level, subject and tone of forward-looking information disclosure in Iranian companies. The content analysis technic was used to evaluate forward-looking information disclosure. This research is practical in terms of purpose and descriptive in terms of execution. The statistical population used includes all the accepted companies in the Tehran Securities Exchange in the time period of 1397-1401. Considering the implemented restrictions, 116 companies were studied. The applications used for data analysis include Excel and SPSS software. The findings of this research show that forward-looking information disclosure is becoming increasing in Iranian companies and that most of the disclosure is in the food and beverage industry. In the aspects of subject, most of forward-looking information disclosure is focused on the matter of income statement. It is also concluded that the Iranian companies prefer to implement a positive tone whilst publishing forward-looking information in their annual reports.

Keywords: level of forward-looking information disclosure, subject of forward-looking information disclosure, tone of forward-looking information disclosure

1. Introduction

The concept of forward-looking information disclosure (FLID) has caught the attention of researchers for over a decade. There has been several expressions used by different studies to refer to this concept; for instance, Eng and Mak in the year 2003, and Lim et al in the year 2007, presented FLI as an outlook to the future and considered it a subcategory of strategic information for investors. Patelli and Prencipe in the year 2007 and Elsayed and Hoque in the year 2010, introduce FLI as predicted information, while Broberg et al, and introduce FLI as forward-looking information. Following these studies it is concluded that FLID, despite its importance, has the least amount of disclosure among the other fields of disclosure. In fact, the issue of forward-looking disclosure can be traced back to the Private Securities Litigation Reform Act of 1995. Forward-looking information is defined as below:

A statement containing a prediction of incomes, incomes, profit of each share, capital expenditures, dividend, capital structure, or other monetary items.

A statement of plans and objectives specified by the management for future operations.

A statement of future financial performance which is included in every discussion and analysis of the financial situation by the management.

Therefore, it is concluded that FLID can be a set of quantitative or qualitative information which shapes the future of the company. Furthermore, FLID can be presented verbally in general meetings of the board of directors, or can be inscribed in the annual disclosure report. It is imagined that FLID could have various interests; Olivieira et al, in the year 2010, suggest that companies should be encouraged to increase such voluntary disclosures in the order to fulfill the expectations of investors and optimizing the use of company resources. Additionally, Garcia-Sanchez et al. in the year 2013, promote greater transparency about the company by providing investors with the information they need to assess the long-term outlook in a clear and concise manner. Further, Ioana and Adriana, in the year 2014, argue that disclosing FLI creates strategic instruments which enable the companies to correlate financial and non-financial performance and with these indicators, they increase the company's credibility. In addition, FLID helps companies identify opportunities and reduce the cost of capital. Frias-Aceituno et al. in the year 2014, note that FLID, despite its importance, faces certain challenges which mention the perception that such disclosure might expose the company to competitors. Many companies fear that increased demand for FLID will force them to disclose sensitive competitive information, forecast profits, or expose themselves to litigation risk. (Pricewaterhouse Coopers, 2005). Kent and Ung in the year 2003, and Uyar and Kilic in the year 2012, share the viewpoint and belief that publishing FLI may increase indirect costs incurred in sharing proprietary information that could be used by competitors.

Additionally, accurate prediction of the future performance of a company can be difficult due to uncertainties within particular industries and the current state of the market (Aljifri and Hussainey, 2007). Aljifri and Hussainey (2004) maintain that historical data is about the past financial performance of firms, whereas forward-looking data needs to have information that allows shareholders to assess the future company performance. A number of researchers, including Bertha and Bozolan (2008), Jensen and Berg (2012), and Menikochi (2013), contend that conventional annual reports do not reflect future outlook or material risks of the future. With the high heterogeneity in the economic context, prior information will not be able to fulfill the information requirements of the shareholders. This is where the Financial and Lifestyle Integrated Development (FLID) plays its role by incorporating both quantitative and qualitative determinants of performance (Higgins et al., 2014). According to Jensen and Berg, FLID encourages the reconsideration of performance measurement from the typically short-term focus prevalent in conventional annual reports to a long-term view. Since its inception in 1995 under the Private Securities Litigation Reform Act, the topic of (FLID) has created space for debate among researchers. Various researches have presented reasons in favor of the development of (FLID).

The revelation (FLID) of the firm's activities, plans, strategies, and financial goals is helpful in predicting anticipated cash flows and future valuation of the firm. The availability of forward-looking data lessens information asymmetry where some individuals possess private information about the firm that is unknown to other shareholders. The presence of forward-looking information is able to remove uncertainties about the future of the firm and, in this respect, can meet current investors' expectations as well as potential investors who have interest in firms that possess a promising future direction. Conversely, companies might hesitate to make forward-looking information disclosures (FLID). It is often argued that organizations will hesitate to disclose risks specific to their activities and future plans, as those disclosures would be beneficial to competitors, thus incurring indirect costs to the organization (Kent & Ung, 2003). Additionally, if the forecasts and estimations are found to be faulty, (FLID) would expose organizations to legal expenses. Briefly, the possible unreliability of future forecasts discourages managers from disclosing forward-looking information (FLID) primarily due to the associated legal expenses (Hailey & Palipo, 2001). Hence, the objective of the present research is to assess the state, extent, content area, and tone of forward-looking information disclosure in Iranian firms. The findings obtained through this study will enhance the current literature on forward-looking information disclosure.

2. Conceptual Framework and Development of Research Hypotheses

The theoretical framework of FLID is founded on three primary theories: agency theory, signaling theory, and legitimacy theory. Agency theory, as also extensively developed by Jensen & Meckling (1998) and Fama & Jensen (1995), has the ability to account for voluntary (FLID). The agency issue occurs as a result of the conflict and separation between ownership and management. Managers will act in their own goals, sometimes against the interests of shareholders. Information asymmetry sets in here since managers, as internal stakeholders, have privileged information which can be utilized in exploiting external parties (An et al., 2011). As presumed by Agyei-Mensah (2017) under the agency theory framework, firms with high agency costs will strive to minimize such costs by enhancing voluntary disclosures, one of which is FLID. Hence, agency theory argues that (FLID) reduces information asymmetry and lowers agency costs (Hassanien and Hussainey, 2015).

Signaling theory is another theory that explains (FLID). Essentially, Spence (1973) suggests that given the risk associated with the capital market, managers reveal information to signal their performance to outsiders. Gallego-Alvarez et al. (2011) contend that information disclosure serves as signals to the capital markets to reduce information asymmetry, lower financial costs, and increase company value. As a result, signaling theory promotes extensive voluntary disclosure, in which managers distinguish themselves from other ineffective managers by providing additional information about their superior performance. The legitimacy theory, as articulated by Shocker & Sethi (1974), asserts that organizations preserve their legitimacy by revealing particular information within their annual reports. In accordance with legitimacy theory, firms endeavor to rationalize their presence in society by legitimating their operations via (FLID).

Theoretical frameworks provided in Iran reveal that focus on information disclosure mainly relates to required disclosures under the country's accounting standards, whereas research on the level of voluntary disclosure is still in its infancy. Many companies listed on reputable international bourses encourage voluntary disclosure, which covers various aspects, such as financial information, non-financial information, forecasts about the future, and more. Voluntary dissemination of financial and non-financial prospective information by managers of companies enhances their credibility in the eyes of market players greatly (Shuster & O'Connell, 2006; Wawiro, Memba & Njiru, 2016). Numerous studies have revealed that the extent of information disclosure differs in relation to the industry the company is in. Mitchell et al. (1995) established that the extent of financial information disclosure is affected by the industry the firm is in. Furthermore, research conducted by Inchosti (1997) and Ferguson et al. (2002) determined that firms operating in specific industries report more than is typically the situation across all industries. Hanifa & Cook (2000) demonstrated that, variably by sector, Malaysian companies' disclosures in all industries were less in-depth compared to what is available in the construction industry, with the consumer industry having the lowest disclosures. Nonetheless, Su (1996) discovered that firms in the Malaysian trade sector showed a greater level of information disclosure than firms in other sectors. Furthermore, Cook (1992), Boutosan (1997), and Sengupta (1998) provided additional evidence for the effect of industry type on the level of information disclosed (Kilik, Iker & Karabacak, 2006). Based on the research carried out, the first hypothesis will be stated as:

Hypothesis 1: The level of forward-looking information disclosure in the annual reports of firms in different industries substantially differs.

Forward-looking information consists of non-financial indicators about objectives, strategies, risks, and uncertainties that could potentially influence current results and future objectives. It also encompasses financial projections, including forecasted revenue, anticipated earnings, and forecasted cash flows (Menikochi, 2013). Muslu et al. (2015) studied forward-looking information disclosures in 10-K filings of U.S. companies between 1993 and 2009. They found that when stock prices failed to reflect future earnings information properly, U.S. companies disclosed more forward-looking information in annual reports. They further stated that forward-looking disclosures were more common in loss firms, and disclosures were mainly led by "disclosures pertaining to operations instead of statements pertaining to financial or accounting issues" (Muslu et al., 2015).

Kent and Ong (2003) examined the influence of four thematic categories—namely, competition, external financing, income volatility, and audit quality—on Australian firms' decisions to disclose forward-looking information (Aweir & Kilik, 2012). Further, Lee (2009) discovered thematic categories pertaining to market conditions, consumer demand, costs, profit margins, liquidity, and litigation risk in the case of forward-looking disclosures. Forward-looking information involves facts related to future developments that are expected, thus enabling users to assess a firm's future performance. This type of information includes managerial plans, evaluation of prospective opportunities and threats, and expected figures related to the performance of the firm. Further, Bravo and Alcaidreves argue that forward-looking disclosures consist of any data that may affect future financial reports. According to the prospective information model, several factors such as the nature of the enterprise, management's intention and strategy, available funds, possible risk, human relations, future projections, anticipated performance, and other information may be revealed under different situations. The degree of this information can play a crucial role in assessing financial position changes, liquidity, and future performance of a company (Bravo & Alcaidreves, 2019). Hence, the second hypothesis is stated as:

Hypothesis 2: The disclosure of forward-looking information in annual reports of companies significantly differs.

With strategic use of tone in their qualitative disclosure messages, managers strive to increase the level of predictability of the company's future (Henry, 2008). Given the modest presence of regulations and standards addressing managerial disclosures as well as the content of disclosed information, managers have considerable latitude in using either positive or negative wording in their organizational reports. One common solution to reducing information asymmetry entails the issuance of explanatory yearly reports by management. Nevertheless, empirical studies by Feldman et al. (2010) and Lee & Park (2018) show that qualitative information in managerial disclosures has the ability to express useful information about the operating conditions of a company, and hence play a role in lowering the information asymmetry of an organization. On the other hand, several studies, such as those by Huang et al. (2014) and Wu & Gou (2021), have argued that the language used by managers in explanatory and non-financial reports can be biased. The notion that managers are incentivized to hide facts and portray information in a distorted way concurs with agency theory, where management pursues self-interest that is incompatible with stakeholder interests. This component can give the motivation required for managers to deceive user perceptions and propagate deceptive information. There is some evidence that the way managers communicate at critical junctures in time, i.e., in announcing new shares or in mergers and acquisitions, can exhibit an abnormally high level of positivity (Hong et al., 2014). By the same token, one would be able to anticipate that managers may change the tone of explanatory reports and provide biased statements under financial distress with the aim of influencing stakeholders' views, such as owners and creditors.

The tone of a report indicates the level of positive or negative words used to convey the information presented. If this assumption is correct, changes in the tone of financial reports indicate the outlook of a company and serve as an indicator of the qualitative factors contained within the report. An affirmative (adverse) alteration in tone indicates that management holds a more hopeful (cynical) outlook regarding the company's future in comparison to earlier years (Chen et al., 2025). Typically, managers employ linguistic styles (optimistic/cynical tone) in qualitative, explanatory, and even verbal reports as a strategy for manipulating goal-oriented perceptions, intentionally and consciously, to sway and modify perception. By means of written narratives in management reports, managers are able to emphasize the persuasive dimension. One of the persuasive techniques is the intentional repetition of certain words, selecting a more positive tone, and emphasizing aspects of performance to communicate with the capital market (Del Godio et al., 2019). Disclosure tone is influenced by the proportion of positive to negative words utilized in the board's annual report that can be used as an indicator of the alteration in the degree of optimism or pessimism that prevails in the revealed document. Compared to quantitative financial reports, managers are in a position to adhere to their intentions in this respect through opting for their means of expression or the way of presenting the information (Henry & Leone, 2016). The limitations faced by managers in terms of flexibility in the choice of accounting methods to achieve managerial objectives lead to pessimistic disclosures. The use of a pessimistic tone indicates that managers present more relevant and forward-thinking information compared to what is usually presented in annual reports. Essentially, the expression of the organization's problems and situation within board reports in a pessimistic tone occurs when the manager has avoided manipulating the data and is, instead, presenting the true conditions of the company's status and performance. Pessimistic financial reporting is considered to be more reliable and is reported in an unbiased manner. Based on the above, hypothesis three is written as:

Hypothesis 3: Companies' annual reports' tone for disclosing forward-looking information is highly distinct.

Chen et al. (2025) investigated the effect of qualitative data embodied in managerial earnings forecasts (MEFRs) on the subsequent operating performance of suppliers within the supply chain. The findings record a significant level of negative association between the quality of qualitative data revealed in MEFR reports, as approximated by reading difficulty or text uncertainty, and future operating performance of suppliers.

Habib et al. (2024) demonstrate that the overall disclosure score of financial literacy (FL) in the Bangladesh banking sector is merely about 43%, reflecting a low extent of disclosure in a structured sector. Further, this research demonstrates that managerial ownership, foreign ownership, female directors, and audit quality positively and significantly relate to FL disclosure at the 5% level of significance. Conversely, institutional ownership and board of directors have a significant negative influence on FL disclosure. However, the variable of independent directors does not influence FL disclosure.

Buertey and Pae (2020) published a study on "Corporate Governance and Forward-Looking Disclosure: Evidence from a Developing Country." The research focused on how corporate governance mechanisms influenced forward-looking disclosures of companies listed on the Zimbabwe Stock Exchange (ZSE) in 2013, when there was economic uncertainty and high market speculation. The mechanisms of governance they looked at included board size, board independence, and institutional ownership. Multiple regression analysis was used to measure the association between corporate governance factors and forward-looking disclosure. The findings showed that the presence of independent directors on firm boards would increase disclosure and improve transparency.

Mahboub (2019) analyzed the determinants of forward-looking disclosure in Lebanese commercial banks' annual reports. The paper empirically assessed the determinants that could affect the extent of forward-looking disclosure in the annual reports of a sample of 29 Lebanese commercial banks for the period 2007-2018. The disclosure index approach was validated for all banks included in the sample. The test results showed that three particular bank characteristics—i.e., size, influence, and age—were insignificantly related to the level of forward-looking disclosure. In contrast, profitability, liquidity, and capital investment had a positive impact on the level of these disclosures.

In Shan's (2019) research work titled "Does Corporate Governance and Disclosure Tone Promote Voluntary Related Party Transactions Disclosure in China?", a hand-collected dataset with 1,118 firms' observations over a period of one year was used. The results showed that foreign ownership through Qualified Foreign Institutional Investors (QFII), the proportion of independent directors, disclosure intensity, and firm age had a positive effect on the level of voluntary related party transactions disclosure, while firm size had a negative association. The other variables, including government ownership, proportion of professional supervisors, management performance, CEO duality, Big Four auditors, and proportion of related party transactions to total assets, were not significant. Kilic and Kozy (2018) conducted a study on 55 non-bank companies from different countries, including Africa, Europe, Asia, Australia, North America, and South America, and found that the level of forward-looking disclosure in the selected companies was satisfactory.

Del Godio et al. (2019) tested the relationship between mandatory disclosure tone and bank risk-taking. Using text analysis and the Loughran and McDonald dictionary, they found that qualitative information collected with a negative tone helped explain the risk of bank bankruptcy. The test results indicated that qualitative information through mandatory disclosure tone could be used to identify connections between banks, markets, and managers.

Mäntykinnun, Mikhlin, and Watson (2019) examined the disclosure tone of annual reports of companies with board characteristics such as board members' age, gender, education, and financial expertise, in a sample of SEC registrants from 2003 to 2014. This study contributed to understanding the nature of annual report disclosures, and the results showed that Lagrange and McDonald (2011) had important economic implications.

3. Methodology

To measure forward-looking disclosure, researchers use content analysis as the preferred research method to collect empirical evidence (O'Donovan, 2002). Content analysis is a technique for gathering data.

The process of coding quantitative and qualitative information into predefined groups to infer patterns for the presentation and reporting of published information in a reliable, reasonable, and principled analysis (Kamla, 2007). In this study, content analysis was used to measure forward-looking disclosures. In most content analysis-based research, sentences are used as the appropriate unit of measurement for coding decisions (Azizul Islam, 2009), and therefore, in this study, sentences are used as the unit of measurement. The steps of the research are as follows:

1. Preparation of the Coding Tool: In the first stage of the research, a coding checklist was prepared that included items on forward-looking information disclosed in the annual reports of Iranian companies.
2. Decision Rules and Data Extraction:

By studying and reviewing the companies' reports, decision rules are gradually developed. The development of decision rules helps coders follow similar rules when calculating the forward-looking disclosure index. This improves the quality of the calculated index. In fact, decision rules are determined to reduce discrepancies between coders and ensure impartiality in decision-making. In this stage, any information regarding forward-looking disclosures is clearly and operationally defined; based on the established rules and methods, it is precisely determined which sentences should be classified into which topics and items.

Topics and items must meet the following conditions:

(1) They should be related to the hypothesis being tested.

(2) They should be explicit, so that in a reclassification, the researcher will again attribute each item to the same topic that was initially identified. To this end, it is better to provide one or more examples for each of the topics and related items.

(3) They should be completely distinct from each other. This means that each unit of measurement should clearly fall into only one category, and the coder should not be uncertain about which category to place a given unit of measurement during classification.

(4) They should be exhaustive. This means that every piece of content or unit of measurement should eventually be classified into one of the categories, and no unit of measurement should be left unclassified.

After preparing the categories, the researcher or coder (the person responsible for evaluating and classifying the contents) studies the content and classifies the sentences (or other units of measurement such as words or pages) based on their conceptual meaning.

3. Coder Training: In addition to the researcher, two coders with university-level education in accounting are trained to gain a better understanding of the research method. The clearer and more explicit the conceptualization operations, coding instructions, codebooks, and recording forms are, the more essential the training of coders becomes. The number of coders impacts the quality of coding. The ratio of coders to the sample size should be optimized. If the number of coders is below this level, the coding accuracy decreases, and this reduces the research's reliability. On the other hand, a large number of coders make it more difficult to reach a consensus on concepts, and applying the concepts may lead to problems.

4. Reliability of the Coding Tool: This means that the analysts or coders do not have different interpretations of the topics and items and do not have separate classifications for them. Kamala identifies two reasons for disagreements among coders:

1. Classification problems, which may arise from ambiguous categorization, overlap between categories, multiple interpretations of operationalized concepts, or structural problems in classification.

2. Coder problems, which could be due to the lack of understanding or competence of certain coders.

In other words, since analysts have different thought backgrounds, to ensure the reliability of the definitions of the different parts of content analysis, the coding checklist should be tested for the feasibility of the definitions of topics and items before extracting data and coding. This is done by having the coder conduct a trial run, extracting data from 15 annual reports based on past research (such as Williams' study), and coding them. The results of the review are used to eliminate ambiguities, ensuring that similar coding rules are applied. At this stage, the coding structure is refined, and the decision rules are redefined.

In this research, after carefully studying the contents of 15 annual reports, decision rules for classifying any forward-looking disclosures in terms of level, subject, and disclosure method were extracted. These rules determined how each disclosure should be classified under different topics and items, as well as its method of disclosure.

5. Reliability of the Coding: This means that the data coded through content analysis is reliable. In other words, different researchers should code the text in a similar manner. To ensure coding reliability, all reports are coded by two trained coders. The smaller the difference between the coders in terms of which category each sentence is classified into, the higher the reliability of the coding. In the final stage, only the researcher is involved in the judgment process. Disagreements between coders are analyzed and discussed, and ultimately decisions are made. In this study, to increase the reliability of the coding, the coding discrepancies were analyzed, and it was precisely determined how the items of disagreement should be classified under each of the topics, items, and disclosure methods.

6. Identification and Quantification of Disclosure: The disclosure index was calculated in three stages. In the first stage, a list of keywords related to forward-looking disclosure was prepared, which included 35 words (e.g., rapid, speculation, expectation, future financial years, next months, confidence, persuasion, current fiscal year, confrontation, estimation, final, expectation, prediction, future outlook, remaining, recovery, scope, urgency, short (brief), soon, future, well-positioned, next, optimistic, attitude, planned, forecast, outlook, etc.).

In the second stage, sentences containing the board's opinions and forecasts, in which the future keywords were used, were extracted through content analysis of the reports. In the third stage, the number of sentences reflecting the level of forward-looking information disclosure was calculated.

To measure the subject of forward-looking disclosure, a checklist consisting of five sections and 33 items was used, as shown in Table (1). Simultaneously with the calculation of the level of forward-looking disclosure, which included three stages, each sentence extracted from the board's report to the shareholders, containing the future-related keywords, was classified using the checklist under the relevant section and item. Ultimately, the disclosure topic was calculated by summing the number of sentences in each section of the checklist.

Disclosure Tone for forward-looking information was categorized into three sections: positive tone, negative tone, and neutral tone based on Table (2). Therefore, each sentence extracted from the reports was categorized according to its emotional tone. Then, the total number of sentences in each tone category was calculated.

The statistical population of the present study consists of all companies listed on the Tehran Stock Exchange. From this statistical population, companies were selected that met the following conditions:

- Their fiscal year ends on 29/12.
- Their shares were first listed on the stock exchange before the year 2018.
- They did not change their fiscal year or business activity during the research period.
- They are not banks, investment companies, or financial institutions.

After applying the above restrictions, a total of 116 companies were selected as the sample for the study.

This study is descriptive in nature and correlational. The data was collected from financial statements and reports from the companies' board of directors to the shareholders, as well as from various sources such as the Tadbir Pardaz database and the official website of the Tehran Stock Exchange. The collected data were calculated using Excel software and analyzed using Eviews and SPSS software.

Table (1): Checklist for Disclosing Forward-Looking Information

Dimensions	Sections	Disclosure Items
Financial	Income Statement Items	Sales, cost of goods sold, revenue, expenses, profit, loss, production.
	Balance Sheet Items	Capital expenditures, capital, return on equity, financing, investment, cash flow, growth opportunities, reserves for contingent liabilities, assets.
Non-Financial	Strategies	Goals set for each performance, missions, contracts, and business plans.
	Company Structure	Financial structure, ownership structure, technological structure, intellectual and human capital, industry type.
Company Environment		Regulations and laws, political environment, economic status, social responsibility, competitive position, market status, financial and non-financial resources, risks, communications.

Table (2): Tone of Disclosing Forward-Looking Information

Tone	
Positive Tone	The sentence carries an optimistic meaning and offers a good outlook for the future, such as the increase in company profit in the future.
Negative Tone	The sentence carries a discouraging meaning and does not paint a favorable picture of the future, such as the increase in product cost in the coming year.
Neutral Tone	The sentence is neither positive nor negative and simply describes the company's future situation.

4. Findings

Results of Testing the First Hypothesis

In the first hypothesis of the study, the Kruskal-Wallis test was used to compare the level of forward-looking information disclosure in the annual reports of companies from different industries. According to Table 3, the results indicate that the level of forward-looking information disclosure in the annual reports of companies from various industries differs significantly. The highest level of forward-looking information disclosure belongs to the food and beverage industry (725/0), while the lowest level is in the chemical products industry (296/0).

Table 3: Kruskal-Wallis Test for Differences in the Level of Disclosing Forward-Looking Information

Variable	Industry	Number	Weighted Average	Statistic	Degrees of Freedom	Significance Level
Level of Forward-Looking Information Disclosure	Pharmaceutical Products and Materials	161	02/511			
	Other Non-Metallic Mineral Products	49	45/603			
	Cement, Lime, and Gypsum	119	28/576			
	Chemical Products	119	24/296			

Variable	Industry	Number	Weighted Average	Statistic	Degrees of Freedom	Significance Level
	Food and Beverage Products	91	06/725	215/176	10	000/0
	Basic Metals	126	28/653			
	Sugar and Confectionery	14	34/673			
	Fabricated Metal Products	14	58/508			
	Machinery and Equipment	63	85/367			
	Automotive and Parts Manufacturing	147	27/411			
	Electrical Machines and Devices	28	09/611			
	Total	931				

Results of Testing the Second Hypothesis

In the second hypothesis of the study, analysis of variance (ANOVA) was used to compare the subject matter of forward-looking information disclosure in the annual reports of companies. The results show that the significance level is less than five percent; therefore, the null hypothesis is rejected. This indicates that there is a significant difference in the subject matter of forward-looking information disclosure in the annual reports of companies. Further tests reveal that the highest disclosure is in the profit and loss items, while the lowest disclosure is in the balance sheet items.

Results of Testing the Third Hypothesis

To compare the tone of forward-looking information disclosure in the annual reports of companies, analysis of variance (ANOVA) was used. The results show that the significance level is less than five percent; therefore, the null hypothesis is rejected. This indicates that there is a significant difference in the tone of forward-looking information disclosure in the annual reports of companies. The positive tone has the highest level of disclosure, while the negative tone has the lowest level of disclosure.

Table (4): Analysis of Variance Test for Differences in the Subject of Disclosing Forward-Looking Information in the Annual Report

Variable		Sum of Squares	Degrees of Freedom	Mean Squares	F	Significance Level
Subject of Forward-Looking Information Disclosure	Between Groups	4257.052	7	728.652	61.572	
	Within Groups	743.527	68	14.527		
	Total	5000.579	75			

Table (5): Analysis of Variance Test for Differences in the Tone of Disclosing Forward-Looking Information in the Annual Report

Research Variable		Sum of Squares	Degrees of Freedom	Mean Squares	F	Significance Value
Tone of Forward-Looking Information Disclosure	Between Groups	2365.419	2	1145.527	59.638	
	Within Groups	589.652	28	26.574		
	Total	2955.071	30			

5. Discussions & Conclusions

Organizational reports, including financial and non-financial reports (i.e. sustainability and Integrated reports), comprise backward-looking and forward-looking information. The former relates to the reports' past/historical performance. In comparison, the latter contains a mix of quantitative and qualitative, financial and non-financial information on planned operations, capital expenditure, future prospects, earning targets, cash flow forecasts, sales forecasts and risks and uncertainties. The annual report is an important source of information for managers, investors, creditors, employees, governments and other stakeholders. However, the annual report primarily offers a retrospective account of an entity's financial performance and corporate governance structure.

Forward-looking information disclosure has gained a lot of attention. The forward-looking information disclosure refers to the information by which investors assess the future performance of a firm. Such a disclosure could include financial predictions such as risk and uncertainties which affect the performance of a firm. Forward-looking information is intended to satisfy the increasing requirements of investors as it offers investors additional means of evaluating future perspective and risks along with current concerns of the firm. Futuristic investors want to invest in those firms who have high performance in future. As a result, the financial statements which reveal future information will useful to existing and potential investors in particular and to the other users in general.

Forward-looking information disclosure is a form of voluntary disclosure that involves providing information beyond what is typically found in existing financial reporting systems. As with other forms of information disclosure, it plays a significant role in reducing information asymmetry between companies and stakeholders. By decreasing the information gap, forward-looking disclosure allows stakeholders to make more informed decisions about companies. Forward-looking disclosure involves providing information about predictions and expectations regarding the future of a business. This helps shareholders gain valuable insights into the company's future outlook, and this information is typically found in the board of directors' reports. The disclosed information often includes non-financial predictions such as factors that may affect the company's future performance, for instance, risks, uncertainties regarding future activities, analysis, evaluations, and other related operations.

In many cases, forward-looking disclosure reduces the liquidity gap between stakeholders and companies, thereby helping stakeholders make more informed investment decisions. In fact, the content of forward-looking information disclosure often leads to increased attention and analysis of the company in the domestic market, while also facilitating entry into foreign markets and attracting international investors.

This research evaluated the current status of the level, topic, and tone of forward-looking information disclosure in Iranian companies. The findings of the first hypothesis test showed that there is a significant difference in the level of forward-looking information disclosure across different industries. The highest level of disclosure is in the food and beverage industry, while the lowest is in the chemical products industry. It appears that industries with higher internal stability and fewer external regulatory or market changes, such as food and beverages, tend to disclose more forward-looking information. Conversely, industries more influenced by economic conditions or market fluctuations, such as chemical products, tend to disclose less forward-looking information. These results align with the studies of Chen et al. (2025), Habib et al. (2024), and Zini et al. (2019).

Additionally, the findings of the second hypothesis test indicate that there is a significant difference in the topics of forward-looking information disclosure. According to the results of the analysis of variance, the most disclosures occurred in income statement items, while the least disclosures were in balance sheet items. This result is consistent with the findings of Chen et al. (2025), Habib et al. (2024), Kent and Ong (2003). The results of the third hypothesis test show that there is a significant difference in the tone of forward-looking information disclosure. The analysis of variance results reveal that disclosures with a positive tone are more frequent, while those with a negative tone are less frequent. The tone of the text in a report reflects the level of optimism or pessimism used to convey the content. If this assumption is correct, changes in the tone of financial reports reflect the company's outlook and serve as an indicator of the qualitative content of the information disclosed. A positive (negative) change in tone suggests that management is more optimistic (pessimistic) about the future of the company compared to previous years. In general, managers use linguistic devices (such as optimistic or pessimistic tones) in non-numerical, explanatory, and even oral reports as a form of purposeful perception management, consciously manipulating the perception of stakeholders. By using specific wording in management reports, they can focus on persuasion, creating a more favorable tone, and emphasizing certain aspects of their performance to communicate with the capital market. These results are in line with the studies of Chen et al. (2025), Hong et al. (2014), and Wu and Zhou (2021).

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