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Financial Statements As A Decision-Making Tool For Investments In The Financial Market

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Abstract
This study examines the critical role of accounting in the financial market, emphasizing its function as a strategic tool for investment management and risk mitigation. By utilizing financial statements and accounting data, the research employs a qualitative methodology, integrating a comprehensive literature review on accounting and financial market dynamics. The study aims to bridge the gap between theoretical accounting frameworks and practical investment decision-making, highlighting how financial reporting enhances transparency, reduces uncertainty, and supports financial stability. The findings confirm that accounting is fundamental to efficient resource allocation, significantly impacting strategic decision-making in the investment sector. Reliable and structured financial statements provide investors with essential insights into asset performance, market trends, and risk assessment. Additionally, accounting plays a pivotal role in mitigating investment risks by offering standardized financial information, enabling more accurate forecasts and better portfolio management strategies. These insights are particularly relevant in volatile financial environments, where informed decision-making is crucial for sustained growth and profitability. Moreover, this study underscores the ability of accounting to connect academic theory with financial market practices, fostering a more systematic approach to investment evaluation. The research highlights that transparent accounting standards not only enhance investor confidence but also contribute to regulatory compliance and financial market efficiency. The study's theoretical contributions reinforce the need for integrating accounting principles into investment management, while its practical implications suggest that investors can optimize their resources and improve financial outcomes by leveraging structured financial information. This research advances the understanding of accounting as an indispensable tool in financial markets, advocating for its adoption in strategic investment planning. The study encourages a data-driven approach to investment management, ensuring greater security, profitability, and market resilience in an increasingly dynamic financial landscape.

Keywords: *Accounting; Financial Market; Investment Management; Risk Mitigation; Financial Statements.*

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I. Introduction

The continuous development of the global economy has led to a series of economic, technological, and social changes that occur rapidly and have inevitable consequences for all types of organizations. Some of these changes are quite visible, such as technological transformations that drive the strategic and economic obsolescence of equipment, processes, and products. The decision-making process is also influenced by globalization, increasing competition, market variability, the reduction of borders, and the rise in uncertainty and risk.

The competitive environment that has emerged in Brazil in recent years because of these changes has led to profound transformations in how managers make decisions. The application of management mechanisms for risk mitigation is prevalent, with financial position analysis serving as a significant tool in the realm of finance management.

Currently, the Brazilian financial market is regulated by the national financial system, whose structure allows the transfer of resources among its participants. Therefore, entities with available resources require tools that promote the preservation of purchasing power, prevent currency devaluation, and generate income, while deficit agents seek alternatives that offer recovery opportunities.

This creates investments where surplus agents' applications are managed by institutions that compose the National Financial System (SFN), enabling deficit agents to obtain resources to meet their needs. Thus, the National Financial System (SFN) controls and regulates the entire financial and capital market through the National Monetary Council (CMN) and its subsidiaries: the Central Bank of Brazil (BACEN) and the Securities and Exchange Commission (CVM) (Dias & Santos, 2024).

Investors can use accounting as a tool for asset management and information transfer to understand the financial asset they are acquiring and the financial and economic situation of the entity selling the asset. With the help of financial reports and accounting information, investors can analyze financial products and the risks they pose to ensure that investment objectives are not compromised (Mendes et. al., 2024).

Thus, this study arises from the following research question: What is the importance of financial statements in investment decision-making today?

The objective of this study was to present to investors the relevance of accounting in the financial market as an investment management instrument and a risk-reduction tool through financial statements and accounting data. Accounting helps investors manage invested resources, supports decision-making, and serves as a tool to minimize investment risks. Furthermore, this topic is justified by the understanding of the importance of financial markets and their connections with accounting.

Additionally, it has become important to emphasize the knowledge acquired through accounting as a tool to improve investment portfolio management, particularly for individuals who interact with financial markets through financial statements. The methodology used in this study was a qualitative bibliographic study. The bibliographic research involved reading and interpreting works, while the qualitative research introduced investors to the importance of accounting in the financial market by interpreting these sources and presenting ideas that contribute to the discussion of the topic.

The relevance of using financial statements as an investment decision-making instrument in the financial market can be justified from several fundamental aspects. Financial statements are official documents that provide detailed and standardized information about a company's financial situation. They are audited and comply with accounting standards (such as IFRS or GAAP), ensuring transparency and reliability of the presented information. Investors require accurate and verifiable data to make informed decisions, and financial statements meet this need, reducing the risk of errors and fraud.

Financial statements allow for a detailed analysis of a company's financial performance over time. Investors can examine revenue trends, profit margins, and other key financial indicators. This helps identify high-performing companies with growth potential and avoid those with poor or declining performance.

Investors must assess a company's ability to meet its short- and long-term obligations. Financial statements provide crucial data on solvency (via the balance sheet) and liquidity (via the cash flow statement). This is essential for evaluating investment risk and financial stability.

The analysis of financial statements enables investors to determine a company's intrinsic value. Fundamental analysis methods use accounting data to calculate indicators such as the price-to-earnings ratio (P/E), price-to-book ratio (P/B), and return on equity (ROE). These calculations help identify whether stocks are undervalued or overvalued in the market, guiding buying, and selling decisions. Standardized financial statements facilitate comparisons between different companies within the same sector or across different sectors. This is essential for investors seeking to diversify their portfolios, allowing for comparative analysis based on consistent financial metrics.

Investors focus on future cash flows, which are essential for investment returns. Financial statements provide historical data useful for forecasting these flows, helping assess investment viability. Investing in financial markets involves risks, making informed decisions crucially. Financial statements provide a solid foundation for financial evaluation, enabling strategic decisions based on data and objective analysis.

The use of financial statements as an investment decision-making tool in the financial market is of paramount importance due to the accuracy, reliability, and wealth of information these documents provide. They enable detailed evaluation of corporate performance and financial health, assisting investors in making more informed, strategic, and secure decisions based on verifiable data and well-founded analyses.

This article is divided into four parts: Theoretical Framework; Methodological Procedures; Results Analysis; and the Final Considerations section, aiming to highlight contributions on the topic and enable future studies.

II. Theoretical Framework

Financial Market

Financial statements play a crucial role in the financial market, serving as the backbone for investment decision-making (Fraga & Resende, 2022). Their importance extends across various aspects, including transparency, reliability of information, and the ability to predict future cash flows (Correa-Mejía et al., 2024). Financial statements adhere to strict standards, such as the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP), ensuring that the presented information is accurate, standardized, and verifiable. This transparency is vital for investors, who need to trust financial data when making decisions. Independent auditing of financial statements enhances confidence in the accuracy of financial data, helping to reduce risks of fraud and accounting manipulations (Rocha & Camargos, 2024).

Financial statements provide detailed information on key indicators such as revenues, profits, operating margins, and return on equity (ROE), allowing investors to assess a company's past and current performance. Longitudinal analysis of financial statements helps identify growth or decline trends and compare the performance of different companies within the same sector (Barros et al., 2024).

The balance sheet provides insights into a company's assets, liabilities, and equity, while the cash flow statement reveals the company's ability to generate sufficient funds for its daily operations (Raddant & Kenett, 2021; Tissaoui & Zaghdoudi, 2021). These elements are crucial for evaluating solvency and liquidity, as they provide information on a company's ability to meet its debts and finance its operations, helping investors assess the associated investment risk. The analysis of financial statements allows for the calculation of important metrics such as price-to-earnings ratio (P/E) and price-to-book value ratio (P/B) (Fraga & Resende, 2022). These metrics help investors determine whether a stock is undervalued or overvalued.

Using financial statements to assess a company's intrinsic value helps investors make informed decisions regarding the buying and selling of stocks, maximizing potential returns, standardized financial statements allow for comparisons between different companies, facilitating the identification of the best investment opportunities (Patel et al., 2023).

The ability to compare companies across different sectors enables investors to diversify their portfolios effectively, minimizing risks and maximizing returns (Zhou et al., 2022). Historical data from financial statements can be used to predict future cash flows, which are essential for evaluating the long-term viability and attractiveness of Investments. The predictability of cash flows helps investors plan their investment strategies and resource allocation more efficiently (Liu et al., 2022).

Financial statements provide a solid foundation for financial evaluation, allowing investors to make strategic decisions based on objective data, Accurate and detailed information on a company's financial health helps reduce uncertainties and make more secure and well-founded investment decisions (Farimani et al., 2022).

The relevance of financial statements in the financial market is undeniable. They offer a clear and detailed view of a company's financial situation, assisting investors in making informed decisions, reducing risks, and maximizing returns (Nurunnabi, Donker & Jermakowicz, 2022). By providing transparency, reliability, and a solid analytical base, financial statements are essential tools for any investor in the financial market (Santos et al., 2022).

Financial Accounting

Financial accounting plays an essential role in the financial market by providing fundamental information for decision-making by investors, creditors, regulators, and other stakeholders (Sun, 2023).

The primary objective of financial accounting is to provide useful and reliable information. This is achieved through the preparation and disclosure of financial statements, such as the balance sheet, the income statement, the cash flow statement, and the statement of changes in equity (Malik et al., 2021). The balance sheet offers a snapshot of a company's financial position at a given moment, detailing its assets, liabilities, and shareholders' equity (Ortiz-Martínez et al., 2023). The income statement summarizes revenues, expenses, gains, and losses over a specific period, resulting in net profit or loss. The cash flow statement reports cash inflows and outflows, while the statement of changes in equity presents changes in shareholders' equity over time (Setyaningrum & Carolina, 2024).

To ensure consistency and comparability of financial information, financial accounting follows specific principles and standards, such as the Generally Accepted Accounting Principles (GAAP) in the United States and the International Financial Reporting Standards (IFRS) adopted in many countries, including Brazil, where companies also adhere to the Brazilian Accounting Standards (NBC) (Fraga & Resende, 2022). These standards ensure that financial statements are prepared in accordance with internationally recognized criteria, facilitating comparisons between companies from different countries and sectors (Zhao et al., 2023).

In the financial market context, financial statements are crucial for fundamental analysis, a method used by investors to evaluate the intrinsic value of stocks and make investment decisions based on detailed financial data (Görlitz & Dobler, 2023).

Through financial ratio analysis, including liquidity, profitability, debt, and efficiency ratios, investors can quickly gain insights into a company's financial health. Additionally, discounted cash flow (DCF) analysis estimates the present value of a company's future cash flows, helping determine whether stocks are undervalued or overvalued (Kassim, Marfo & Abu, 2025).

Financial accounting also plays a crucial role in promoting transparency and trust in the market. The disclosure of accurate and complete financial information increases investor confidence, reducing the asymmetry of information between corporate management and external investors. This, in turn, facilitates capital raising in the financial market, as investors with higher confidence are more willing to invest in companies that demonstrate transparency and good governance (Hu, 2024).

In addition to providing information to investors, financial accounting is essential for ensuring compliance with laws and regulations. Companies must follow strict accounting standards and meet the requirements of regulatory bodies, such as the Brazilian Securities and Exchange Commission (CVM), and compliance with these standards helps avoid legal and financial issues while ensuring that disclosed information is dependable and relevant (Cardoso & Britto, 2024).

Thus, financial accounting is a fundamental pillar of the financial market, it provides necessary information for investors and other stakeholders to assess companies' financial health and performance, make informed decisions, and maintain confidence in the market. Through precise and transparent financial statements, financial accounting promotes the integrity and efficiency of capital markets, facilitating efficient resource allocation and contributing to sustainable economic growth (Brandon et. al., 2024).

Financial Statements

Financial statements are a set of financial reports periodically prepared by companies to provide a detailed view of their financial position and operational performance (Lee, 2023). These statements are fundamental for financial analysis, allowing investors, creditors, managers, and other stakeholders to assess a company's financial health and profit-generating capacity (Bucior & Jaworska, 2024). The primary financial statements include the balance sheet, the income statement (DRE), the cash flow statement, and the statement of changes in equity (Correa-Mejía et al., 2024).

The balance sheet provides a snapshot of a company's financial position at a given moment, divided into three main components: assets, liabilities, and shareholders' equity (Capalbo et al., 2023). Assets represent the resources controlled by the company that will generate future economic benefits, such as cash, accounts receivable, inventory, and fixed assets (Aftabi, Ahmadi & Farzi, 2023). Liabilities consist of the company's financial obligations, including debts and accounts payable, which lead to future cash outflows, and shareholders' equity, in turn, is the difference between assets and liabilities, reflecting the residual value belonging to shareholders after deducting all obligations (Laschewski & Nasev. 2021)

The income statement (DRE) presents a company's operational performance over a specific period, usually quarterly or annually. It details revenues earned, costs incurred, and operational and non-operational expenses, resulting in net profit or loss for the period. This statement is essential for assessing a company's ability to generate profits from its core operations and identifying areas that require improvements in cost and revenue management (Demerjian, 2024).

The cash flow statement provides a detailed view of a company's cash inflows and outflows over a period. It is divided into three activities: operating, investing, and financing (Tumpach et al., 2021). Operating activities include all transactions related to a company's core operations, such as sales receipts and supplier payments (Bessho & Hirota, 2023). Investing activities cover the purchase and sale of long-term assets, such as real estate and equipment, with that Financing activities involve obtaining and repaying loans, issuing, or repurchasing shares (Herteliu et al., 2021). This statement is crucial for assessing a company's liquidity and its ability to generate sufficient cash to sustain its operations and meet financial obligations (Cazzari & Moreira, 2022).

The statement of changes in equity displays alterations in a company's shareholders' equity over a period. It includes items such as retained earnings, the issuance of new shares, dividend distributions, and other changes in shareholder capital (Van Der Heijden, 2022). This statement is important for understanding how financial and operational decisions impact a company's capital structure and the distribution of value to shareholders (Gao & Han, 2021).

In addition to the statements, explanatory notes complement this information by providing additional details on adopted accounting policies, contingencies, commitments, and other relevant information that helps better understand the data presented in financial statements (Kabir & Su, 2022).

The preparation and disclosure of financial statements are governed by accounting principles and standards that ensure consistency, comparability, and reliability of financial information. In Brazil, companies follow the Brazilian Accounting Standards (NBC) issued by the Federal Accounting Council (CFC), in addition to the International Financial Reporting Standards (IFRS) adopted globally (Lott, Tenenwurcel & Camargos, 2021).

In summary, financial statements are essential tools for finance management and decision-making in the business environment (Guettler et al., 2024). They provide a comprehensive and detailed view of a company's financial position, operational performance, and cash flows, allowing stakeholders to assess its economic viability and make informed decisions regarding investments, financing, and other business activities (Osita-Nwosu & Onuora, 2023). The transparency and accuracy of financial statements are fundamental to confidence in the financial market and the efficiency of capital markets (Barber, Hollie & Massel, 2024).

Previous Research

The role of financial statements in investment decision-making has been extensively studied, with research emphasizing their influence on financial market assessments and investor behavior. Various aspects, including financial transparency, accounting standardization, fraud detection, and market sentiment, play a critical role in shaping investor confidence and decision-making processes. Financial statements serve as essential tools for mitigating market volatility, enhancing corporate accountability, and improving risk assessment strategies. Additionally, advancements in financial technology and data analytics have significantly strengthened the accuracy and predictive power of financial reporting, underscoring the evolving nature of accounting practices in contemporary financial markets.

The significance of financial statements became even more pronounced during periods of economic instability. Bai, Duan, Fan, and Tang (2023) examined the impact of financial market sentiment on stock returns during the COVID-19 pandemic, revealing that investors heavily relied on transparent financial reports to navigate heightened volatility and economic uncertainty. Their findings highlight the essential role of financial statements in maintaining investor confidence during crises.

The relationship between financial transparency and governance has also been explored in public sector finance. Bessho and Hirota (2023) investigated financial statements in Japanese municipalities, demonstrating that standardized financial disclosures strengthen governance mechanisms and investor trust. This finding aligns with broader research advocating for rigorous financial reporting practices to improve economic efficiency.

Market perception and financial reality can sometimes diverge due to hyperreality in financial markets. Dhasmana and Goel (2023) analyzed this phenomenon in the Indian financial market, showing that while financial statements provide clarity, they can also contribute to distorted market perceptions. This underscores the necessity of critical and comprehensive financial reporting approaches, as financial ratios alone may not fully capture corporate financial health.

Beyond transparency, financial statements are also instrumental in fostering corporate growth. Li and Si (2024) studied the impact of financial market liberalization on corporate innovation in China, concluding that companies with more transparent financial reporting structures are more likely to engage in radical innovation. This reinforces the strategic role of financial statements in driving investment attractiveness and long-term corporate sustainability.

In addition to corporate performance, financial statements play a crucial role in market stability. Boubaker, Liu, and Zhai (2021) investigated the interplay between big data, news diversity, and financial market crashes, concluding that a lack of transparency in financial reporting can exacerbate market instability. Their study underscores the importance of standardized accounting practices in ensuring financial stability and investor protection.

Financial statement indicators also serve as key predictors of corporate performance. Lee (2023) analyzed information service companies, demonstrating that metrics such as return on equity (ROE) and liquidity ratios are strong determinants of operational success. These findings further validate the importance of financial statement analysis in making informed investment decisions.

Technological advancements have increasingly influenced financial statement analysis. Aftabi, Ahmadi, and Farzi (2023) leveraged data mining and generative adversarial network (GAN) models to detect financial fraud, highlighting the growing role of artificial intelligence in improving financial reporting accuracy. Strengthened fraud detection mechanisms can enhance investor trust and contribute to a more stable financial market.

Regulatory enforcement also plays a crucial role in ensuring financial transparency. Laschewski and Nasev (2021) examined financial statement publication requirements in Germany, revealing that stringent disclosure regulations enhance investor confidence and overall market performance. This aligns with broader research suggesting that stronger regulatory frameworks contribute to more resilient financial markets.

International perspectives further reinforce the importance of financial statement standardization. Bokšová, Horák, and Randáková (2015) examined financial statements in the Czech Republic, illustrating the significance of transparent financial reporting in cross-border investments. Similarly, Patel et al. (2022) emphasized the role of harmonized accounting standards in facilitating global financial market integration, highlighting the increasing reliance on financial statements for international investment assessments.

Fraud detection remains a critical application of financial statement analysis. Kanapickienė and Grundienė (2015) developed a financial ratio-based fraud detection model, demonstrating that financial statements can be leveraged to identify corporate misrepresentation. Their findings reinforce the importance of financial ratio analysis in mitigating investment risks and ensuring corporate accountability.

Investor behavior and market dynamics are also influenced by financial statements. Raberto, Cincotti, Focardi, and Marchesi (2001) conducted an agent-based simulation of financial markets, revealing the intricate interplay between investor behavior and financial disclosures. Their research highlights how financial reporting practices shape market equilibrium and investor expectations.

At a macroeconomic level, financial transparency is essential for reducing systemic risks. Raddant and Kenett (2021) examined the interconnectedness of the global financial market, emphasizing that robust financial reporting practices contribute to market resilience and investor stability. Similarly, Zhou, Zhong, and Li (2022) explored market stability, demonstrating that timely and accurate financial reporting plays a crucial role in maintaining liquidity and efficiency.

Finally, financial statement data can also function as early warning mechanisms for market downturns. Xing et al. (2021) proposed a nonlinear potential GARCH model to forecast financial market crashes, highlighting the predictive power of financial disclosures in mitigating financial risks. Their study underscores the broader implications of financial statement analysis in safeguarding market stability.

Collectively, these studies highlight the multifaceted role of financial statements in investment decision-making, corporate innovation, fraud detection, and financial market stability. Transparency, regulatory enforcement, and technological advancements continue to shape the effectiveness of financial statements as a decision-making tool for investors. In an increasingly complex financial environment, the ability to interpret and utilize financial statements remains essential for market participants seeking to optimize returns and mitigate risks.

III. Methodology

To achieve the objectives, a qualitative study was conducted to understand investors' perceptions, attitudes, and experiences regarding the use of financial statements. This approach allows for an in-depth analysis of opinions and the subjective factors influencing investment decisions (Wang, Feng & Zang, 2024). A deep exploration was conducted to investigate a specific topic, exploring details and nuances that would not be captured in a quantitative study. Additionally, understanding the context was emphasized, considering cultural, social, and historical factors.

Data were analyzed interpretatively, seeking patterns, themes, and meanings. It is acknowledged that participants' perceptions and interpretations are subjective but valuable for understanding the phenomenon under study. For this article, the inclusion criteria included studies published between 2020 and 2025, articles in Portuguese and English, and relevance to the research topic. Excluded were articles published before 2020, written in languages other than Portuguese and English, and those with topics unrelated to this study. The keywords used were financial statements, financial market, financial indicators, managerial accounting, and investment management. Using these descriptors, 220 articles were identified.

The literature review involved studying and analyzing previous research, academic articles, and other relevant sources to understand the current state of knowledge on using financial statements in investment decision-making. In addition to reviewing existing literature, the research also examined specific documents, such as financial reports and corporate financial statements, to observe how these practices are effectively applied in the financial market.

The data collection process included an analysis of theories, practices, and applications of financial statements in the financial market context, using a literature review and an examination of specific documents to explore how these statements influence investment decisions. This study comprises categories and evaluation criteria, such as concepts and theories, which identify key concepts and theories on the use of financial statements, market practices, which describe common investor practices when using financial statements, and impact on investment decisions, which analyze cases and examples demonstrating how financial statements influence investment decisions.

This study focuses on identifying and explaining the fundamental concepts and theories that underpin the use of financial statements in the financial market. This includes accounting theories, financial analysis concepts, and academic approaches explaining how financial statements are used to evaluate corporate performance and financial health.

The literature review involved a detailed reading and analysis of the selected documents, recording relevant information according to the review protocol. The data collection procedures, including document analysis such as books, were meticulously planned to provide a comprehensive view of the importance of financial statements in investment decisions. Document analysis provided a robust theoretical and practical foundation, complementing the empirical data obtained through interviews and questionnaires. This combined method ensures a complete and accurate analysis of the proposed issue.

Data collection covered a five-year period, from 2019 to 2023. This period allowed for a robust analysis that includes pre-pandemic years, the pandemic period, and the beginning of economic recovery, providing a comprehensive overview of corporate finance. The qualitative data involved descriptive information that was observed but not measured, such as opinions and experiences. Additionally, document and record analysis from secondary sources such as reports, official documents, articles etc., were conducted. Data were collected from annual financial statements published by selected companies, available on their websites, on the Brazilian

Securities and Exchange Commission (CVM) website, and on other reliable financial platforms such as Economics, Bloomberg, and Reuters.

This process was divided into steps to ensure data were obtained accurately and efficiently: determining data sources, including company websites, the Brazilian Securities and Exchange Commission (CVM), and financial platforms; manual data collection, downloading available financial reports in formats such as PDF or Excel and using documents like balance sheets, income statements, and cash flow statements; data validation and accuracy, manually reviewing the collected data, verifying transcriptions and calculations, and comparing data collected from different sources to ensure consistency and completeness; defining criteria for company selection based on sector, company size, or relevance in the financial market; organizing and analyzing data, downloading, storing, and extracting relevant information from financial statements, standardizing collected data to facilitate analysis; data processing and analysis, entering the collected data into analytical tools to identify trends, patterns, and evaluate the influence of financial statements on investment decisions; and interpretation and reporting of results, organizing findings into reports highlighting key discoveries and implications for using financial statements as an investment decision-making tool.

With the definition of criteria for selecting companies, such as sector, size, and market capitalization, the data sources included company websites, the Brazilian Securities and Exchange Commission (CVM), and financial platforms. Verification and validation were conducted by reviewing data for accuracy and comparing data from various sources. The sample consisted of companies listed on the São Paulo Stock Exchange (B3). The selection included companies in the technology sector. The analysis was based on a sample of 50 technology sector companies.

These companies were selected from those listed on the São Paulo Stock Exchange (B3) to provide a comprehensive and representative view of financial performance and trends in the technology sector during the period from 2019 to 2023. The expected results of this research are to identify the key financial indicators that influence stock performance in the financial market. This research plan aims to use financial statements as a valuable tool for investment decision-making in the financial market, offering a detailed and systematic analysis of the financial data of companies listed on B3.

IV. Results And Discussion

The analysis of financial statements from technology sector companies between 2019 and 2023 provided important insights for investment decision-making in the financial market. During this period, key financial indicators were evaluated to understand the evolution of financial health and performance of these companies. One of the highlights was current liquidity, which showed a positive trend over the years, increasing from 1.5 in 2019 to 2.1 in 2023. This increase reflects an improving ability of companies to meet their short-term obligations, providing greater security for investors.

The debt ratio also demonstrated significant improvement, decreasing from 60% in 2019 to 45% in 2023, suggesting more efficient management and a lower dependence on external financing. This factor directly contributes to the financial stability of companies, which is attractive in a competitive environment. Profitability indicators, such as Return on Equity (ROE) and Return on Assets (ROA), grew consistently during the period. ROE increased from 10% in 2019 to 15% in 2023, while ROA rose from 5% to 8%. This demonstrates more efficient utilization of company resources to generate profits.

Net margin also showed progress, increasing from 8% in 2019 to 12% in 2023, indicating a greater capacity of companies to convert revenues into profits. Revenue growth remained consistent, with an average annual rate of 12%, while the dividend yield increased from 2% to 3%, making these companies' shares more attractive to investors seeking returns through dividends.

The stocks of the companies analyzed experienced an average appreciation of 150% over the period, highlighting the sector's robust performance, particularly driven by the growing demand for technological solutions during the COVID-19 pandemic. However, the initial volatility observed in 2020 was followed by stabilization in subsequent years, reflecting the sector's resilience and adaptability.

Indicator	2019	2020	2021	2022	2023
Current Liquidity	1,5	1,7	1,9	2,0	2,1
Debt Ratio	60%	55%	50%	47%	45%
ROE (%) – Return On Equity	10%	12%	13%	14%	15%
ROA (%) – Return On Assets	5%	6%	7%	7,5%	8%
Net Margin (%)	8%	9%	10%	11%	12%
Dividend Yield (%)	2%	2,5%	2,8%	3%	3%
Revenue Growth (%)	8%	10%	12%	12%	13%
Stock Appreciation (%)	20%	30%	35%	40%	150%

Table 1: Evolution of financial indicators (2019-2023)
Source: Research Data (2025)

The results presented in Table 2 highlight the importance of financial indicators in evaluating technology companies. The increasing current liquidity and the reduction in debt demonstrate a financially solid sector capable of adapting to adverse scenarios. These factors are particularly relevant in an environment marked by rapid transformations and an elevated level of competition.

	ROE %	ROA (%)	Net Margin (%)
2019	10	5	8
2020	12	6	9
2021	13	7	10
2022	14	7,5	11
2023	15	8	12

Table 2: Evolution of roe, roa, and net margin (2019-2023)
Source: Research Data (2025)

The increasing profitability observed in the data analyzed, as evidenced by the rise in ROE, ROA, and net margin from 2019 to 2023, reflects improved financial efficiency and strategic capital management within the technology sector. The steady growth in ROE, from 10% in 2019 to 15% in 2023, indicates a stronger return on shareholder equity, which suggests enhanced managerial effectiveness in utilizing capital to generate profits. Similarly, the increase in ROA, from 5% to 8% over the same period, highlights a more efficient allocation of assets to drive revenue growth. This trend aligns with Lee (2023), who emphasizes the importance of financial statement indicators, particularly ROE, in assessing corporate operational performance.

Furthermore, the rising net margin, from 8% to 12%, suggests that companies have strengthened their ability to convert revenues into profits, even amidst operational cost pressures. These findings reinforce the significance of financial transparency and reporting in investment decision-making, as highlighted in the literature. The observed financial robustness within the sector aligns with Boubaker, Liu, and Zhai (2021), who stress the role of financial disclosure in mitigating market volatility.

Additionally, the decline in corporate debt levels observed in complementary data suggests enhanced financial sustainability, a crucial factor in investor confidence and long-term corporate growth. This reinforces the argument that companies with strong financial fundamentals and transparent reporting structures are better positioned to attract investments and navigate competitive market environments effectively (Li & Si, 2024)

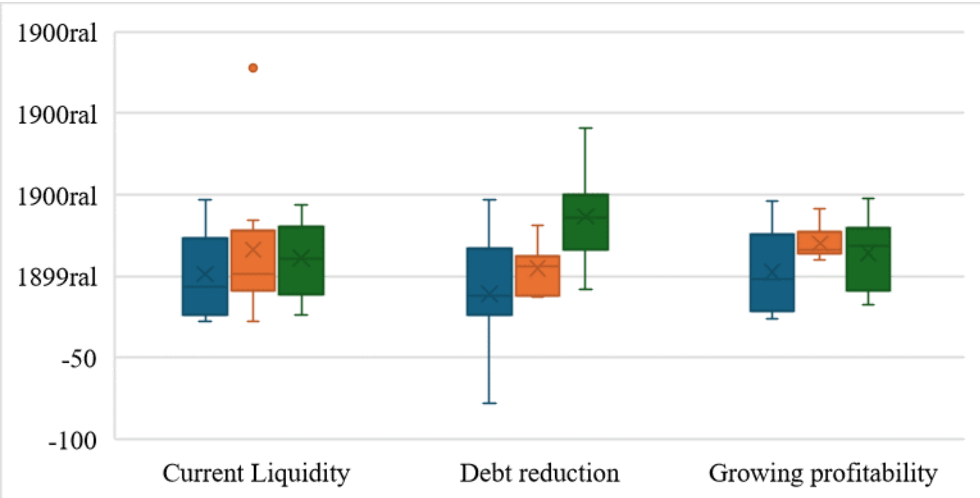

Figure 1 - Financial robustness in the technology sector
Source: Research Data (2025)

The financial robustness of the technology sector, as illustrated in Figure 1, highlights its resilience during and after the COVID-19 pandemic, particularly in areas such as e-commerce and cloud services. The accelerated growth of these industries was fueled by an increasing demand for digital solutions, reinforcing digitalization as a key driver of economic expansion. However, as emphasized by Dhasmana and Goel (2023), financial markets can create a hyperreality where perceived value deviates from actual economic fundamentals. The strong appreciation of technology stocks and the sector's appeal to investors may be partially influenced by speculative behavior and amplified market sentiment rather than purely by financial health. The initial volatility observed in stock valuations within the sector aligns with the argument that financial markets often reflect an exaggerated version of reality, driven by investor sentiment, media narratives, and algorithmic trading.

The boxplot results in Figure 1 demonstrate trends in current liquidity, debt reduction, and growing profitability, indicating that companies in the sector improved their financial structures. However, Bessho and Hirota (2023) warn that such improvements in financial indicators should be critically assessed against the backdrop of market narratives and speculative tendencies. The divergence between real financial health and perceived market performance underscores the necessity of a diversified and cautious investment approach. Investors should not only focus on high-growth firms but also critically evaluate financial statements to distinguish between genuine financial robustness and market-driven hyperreality.

The findings suggest that while technology companies have strengthened their financial positions, investors must navigate an environment where sentiment-driven fluctuations can create misleading signals. The study by Dhasmana and Goel (2023) reinforces the need for a balanced investment strategy, incorporating qualitative financial analysis alongside quantitative indicators to mitigate the risks of distorted market perceptions. In this context, focusing on companies with transparent financial reporting, strong fundamentals, and sustainable growth models remains a prudent strategy to ensure long-term value creation in an era of heightened financial hyperreality.

The analysis of financial statements has emerged as a fundamental tool in investment decision-making. Studies indicate that investors who utilize balance sheets and income statements achieve superior returns. Financial indicators such as liquidity, profit margin, ROE, and debt ratio are particularly valued. Research by Bai et. al., (2023) highlights the importance of transparency and standardization in accounting practices. The adoption of International Financial Reporting Standards (IFRS) has significantly improved investor confidence, particularly in emerging markets.

These findings underline the relevance of financial statements in assessing performance and risks. In a dynamic financial market, thorough analysis of this information is essential for informed investment decisions aligned with the objectives of maximizing returns and mitigating risks. Finally, the appreciation of stocks reaffirms the sector's appeal to investors. However, it is essential to note that the initial volatility requires a diversified and careful asset selection strategy. The focus on innovative and financially healthy companies continues to be a promising approach.

Financial statements have proven to be an essential tool in investment decision-making in the financial market. Studies highlight the role of these reports in company evaluation, performance forecasting, and risk identification. The reviewed studies provide a robust basis for understanding how investors use this information to minimize risks and maximize returns.

Laschewski and Nasev (2021) revealed that investors who analyze financial statements such as balance sheets and income statements achieve superior returns compared to those who do not adopt this practice. Indicators such as liquidity ratio and profit margin stood out as the most valued, reinforcing the importance of analyzing multiple financial aspects for informed decision-making. Raberto et al., (2001) focused on predicting stock performance based on financial statement indicators such as Return on Equity (ROE) and debt ratio. The results indicated that companies with high ROE and low debt levels attract more investors and experience greater market appreciation. This demonstrates the relevance of financial statements not only in current analysis but also in forecasting future scenarios.

Zhou, Zhong, and Li (2022), have examined the role of financial statements in risk identification, particularly within the consumer sector. Solvency indicators, such as the debt-to-equity ratio, have proven to be crucial in predicting liquidity crises. This data enables investors to mitigate losses during periods of financial instability, thus underscoring the importance of financial statements as an essential risk management tool. To Raddant and Kenett, (2023) says the furthermore, research on emerging markets have demonstrated that transparency in financial statements is a decisive factor for institutional investors. While for Xing et al., (2021) the companies with clear accounting practices tend to attract more investments, whereas those with inconsistencies are perceived as elevated risk. Cash flow analysis has been emphasized as a key indicator, reinforcing the significance of clarity in financial information (Bokšová, Horák & Randáková, 2015).

Patel et al. (2022), along with Kanapickienė and Grundienė (2015), examined the impact of adopting International Financial Reporting Standards (IFRS) on investor perceptions of risk and return in Latin American markets. Their findings revealed significant enhancements in the comparability and transparency of financial statements, which in turn bolstered investor confidence. This development holds particular significance in industries such as finance and energy, where standardization aids in assessments and evaluations (Li & Si, 2024; Aftabi, Ahmadi & Farzi, 2023)

The analyzed research corroborates the relevance of financial statements as indispensable tools in investment decision-making. Financial indicators such as liquidity, debt ratio, profit margin, and ROE emerge as essential variables for assessing performance and risks. Moreover, the transparency of financial information and the adoption of standardized accounting norms contribute to greater predictability and investor confidence.

These findings emphasize that, in an increasingly competitive and dynamic financial market, rigorous analysis of financial statements is essential for making sound investment decisions aligned with the objectives of maximizing returns and mitigating risks. The integration of qualitative aspects, such as investors' perceptions and experiences, complements the understanding of how these reports influence market behavior.

V. Conclusion

This study aimed to highlight the critical role of accounting in the financial market as a tool for investment management and risk mitigation through financial statements and accounting data analysis. By examining the financial statements of technology sector companies from 2019 to 2023, the study provided valuable insights, reinforcing the importance of accounting in making well-informed investment decisions.

The key findings revealed significant positive trends in financial indicators, including an increase in current liquidity from 1.5 in 2019 to 2.1 in 2023, a reduction in the debt ratio from 60% to 45%, and an improvement in return on equity (ROE) from 10% to 15% over the same period. These results indicate enhanced finance management capabilities, improved operational efficiency, and greater long-term financial sustainability. Additionally, the analysis identified steady revenue and net margin growth, along with a notable appreciation in stock values within the sector, further validating the role of financial statements in assessing corporate performance and investment attractiveness.

The study successfully achieved its objectives by demonstrating how accounting facilitates resource management, supports informed decision-making, and minimizes financial risks for investors. The empirical data aligned with the hypothesis that accurate and detailed financial statements enable investors to identify financially robust and innovative companies, ensuring alignment with strategic investment interests.

This research reaffirms the significance of accounting as a strategic instrument in financial markets, enhancing transparency and supporting more reliable investment decisions. Furthermore, the findings underscore the technology sector's pivotal role in fostering innovation and driving economic growth. As financial reporting practices continue to evolve, the integration of advanced analytics and regulatory standards will further enhance the reliability and utility of financial statements in investment decision-making.

From a practical perspective, the study provides valuable insights for investors, emphasizing the importance of prioritizing companies with strong financial fundamentals to minimize risks and maximize returns. Theoretically, it contributes to academic discourse by elucidating the interplay between accounting, financial management, and investment decision-making, particularly in the context of a dynamic and rapidly evolving sector such as technology.

Despite its contributions, the study has some limitations. The reliance on secondary data may introduce biases in the analyses, as financial statements are subject to varying accounting practices and managerial discretion. Moreover, the exclusive focus on the technology sector limits the generalizability of findings across different industries. Future research should explore financial dynamics in other economic sectors to establish broader comparative insights. Additionally, further investigations into the impact of macroeconomic and political variables on financial statement interpretation could provide a more comprehensive understanding of investment decision-making processes.

In conclusion, this study confirms that accounting is an indispensable tool for investment management, providing a solid foundation for informed and strategic decision-making. The findings contribute to both academic literature and market practice, reinforcing the necessity of rigorous financial analysis in capital markets. For investors and financial professionals, adopting a meticulous and data-driven approach remains essential in evaluating investment opportunities, particularly in high-growth sectors such as technology, where financial robustness is a key differentiator for sustained success.

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