

## The modified role of the company's characteristics in the relationship of accounting disclosure transparency with the restatement of financial statements: Evidence from Iraq

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### *Abstract*

The research aims to demonstrate the transparency relationship of accounting disclosure with the restatement of financial statements in the light of the role of the company's characteristics within the Iraqi industrial and banking sector. The sample research included financial reports of certain companies and banks listed on the Iraq Stock Exchange that summarized the sample with 16 companies, selected from two different sectors, namely; The banking sector (eight banks), the industrial sector (eight companies), from (2011) to (2021) with (176) views. The transparency of accounting disclosure has been measured through the Standard and Poor s' model. This measure is considered one of the most important and best measures of transparency used ever. But the reissue of the financial statements was measured by a dummy variable (1,0), the latter being the company's characteristics measured by six characteristics (company size, company profitability, leverage, company age, industry type, ownership structure). Research concluded that there is a (positive) correlation between the transparency of accounting disclosure and the restatement of financial statements under the company's respective characteristics (Company Size, Company age, Industry type). That is, as these characteristics increase, they will strengthen the relationship between variables, as well as a negative correlation between the transparency of accounting disclosure and the restatement of financial statements under the Company's characteristics represented by (Ownership structure). When excluding this property the relationship will be more positive. As for the company's characteristics (profitability, leverage) has not recorded a significant impact on research variables.

Keywords: Accounting disclosure transparency (ADT), restatement of financial statements (RFSs), company characteristics (CCs).

## Introduction

The main objective of financial reporting is to provide high-quality information to assist stakeholders in making investment or credit decisions and other resource allocation decisions, which is positively reflected in the efficiency of financial markets, as ADT increases the information provided by clarification leading to improved corporate disclosure. It also reduces the impact of rumors and the exploitation of internal information. In order to add more credibility and confidence in the information contained in the financial lists, there must be company-specific characteristics of (company size, company profitability, leverage, company age, industry type, ownership structure). Its interaction with the ADT to ensure confidence in financial lists and the decrease in the resubmission of companies' financial statements that companies suffer because they are phenomena that have received considerable attention from professional organizations and comptrollers. Because it constitutes an explicit acknowledgement that the preparation and presentation of previously issued and audited financial statements was not in accordance with generally accepted accounting principles financial statements ", as they contained misrepresentations, accounting errors, fraud and forgery. Transparency with the CCs will help companies reduce this phenomenon. And intensify controls and thus maintain the quality of the information contained in the financial statements.

Based on the above, the search was divided into five topics. The first dealt with the methodology for research. The second covered the conceptual framework of the concept of ADT and its relationship with CCs. The third examined the concept of RFSs and its relationship with CCs. The fourth addressed the practical aspect of the research and outlined the main findings of the hypothesis test and discussion. The fifth topic also dealt with the most important conclusions and recommendations reached by the research

### Topic 1: Methodological framework for research

The research seeks to demonstrate the relationship of ADT with RFSs in the light of the role of CCs, by presenting the research methodology of the research problem, identifying the importance of the research, and indicating the objectives to be achieved from this research.

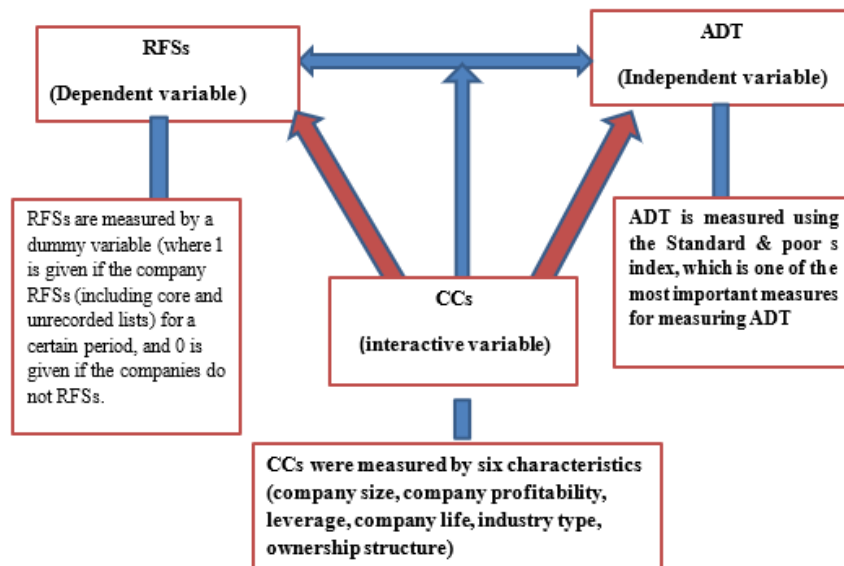
1-1. Research Problem: The research problem is identified in the quest to demonstrate the relationship of ADT with RFSs under the role of CCs, as well as to determine the type of association between search variables within the sample of banks approved in the search. The above can identify the research problem by this question: Does the relationship of ADT vary with the RFSs under CCs?

1-2. Research Importance: The importance of the study is the importance of the variables that will be addressed, namely the ADT when preparing companies' financial reports and their impact on maintaining stability and increasing growth. To achieve quality in financial reporting through full disclosure and fair presentation of useful and necessary information for economic decision-making to a wide range of users and market participants. And RFSs through which the previously issued financial statements are revised to reflect the effects of correcting past errors in the lists, CCs are both the size of the company, the profitability of the company, the leverage, the age of the company, the type of industry and the ownership structure. And the role played by the CCs in their impact on both ADT and RFSs.

1-3. Research objectives: In the light of what has been presented through the research problem and its importance, the main objective of the research is to demonstrate the relationship of ADT with RFSs under the role of CCs, as well as to determine the impact of each of CCs on ADT and RFSs within the Iraqi corporate and banking environment.

1-4. Default research chart: Depending on the research methodology and general framework, a virtual research model is designed to demonstrate the impact of the independent variable (ADT) in the affiliate variable (RFSs) under the interactive variable (CCs), and figure (1) shows the model of relationships between search variables.

**Figure (1): Model search variables**



Source: the figure done by both researchers.

1-5. Research hypotheses: By presenting the research problem, the research hypothesis can be formulated as follows:

The relationship of ADT varies with RFSs under CCs.

1-6. Research boundaries: The scientific limits of the research were to address three variables: ADT, RFSs and CCs, while the spatial limits of the research were limited to a sample of Iraqi companies and banks listed on Iraq's stock market. (8) Companies and (8) banks with a total number of (16) companies and banks, while the time limits for searching are fixed at 11 fiscal years of one year (2011-2021), in order to demonstrate the ADT with ADT under the role of CCs.

1-7. Research methodology: both researchers in this research relied on two basic entry points from the scientific research entrances: the deductive method ,the accounting literature on the subject of research has been relied upon, in particular with regard to the theoretical aspect. Based on university thesis, research and studies published in the proceedings of scientific conferences, as well as books, articles and research published on Arab and foreign websites. The applied method that relied on the data published electronically for the sample of Iraqi companies and banks for the years 2011-2021.

Topic 2: Theoretical framework for the ADT and its relationship with the CCs

The research included the theoretical rooting of the concept of ADT, as well as its relationship with the CCs.

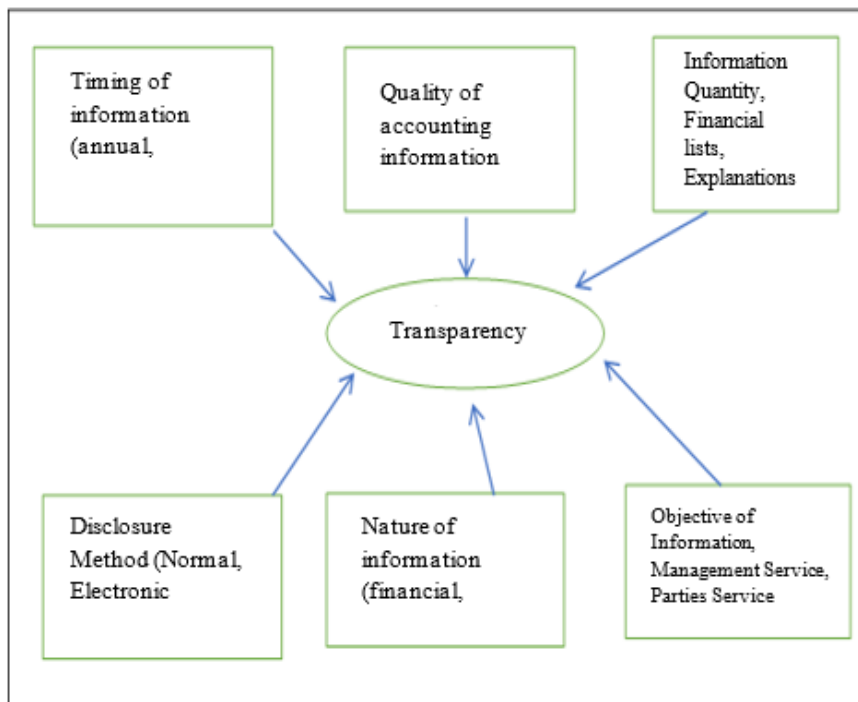
2-1. The concept of ADT :the term transparency has emerged and varied in the last two decades This concept is common, especially in cases of overlap between corruption and the desire to expand freedoms and governance. The emergence of the term transparency at the table of research discussions is the result of the crises that have plagued some of the world's countries, whether political, financial or social crises. Some researchers (Abboud, 2009: 14) that any financial crisis begins its responsibilities through a significant lack of transparency. Transparency in its general meaning is to give users all their rights to participate and influence the decision-making process by allowing them to exercise their right of access.

Transparency is an important factor that makes the company more attractive to investors. The level of transparency depends on the ability and willingness of management to provide privileged information to market participants and transparency is an ethical quality. It has been considered a pro-ethical quality that has enabled or weakened other ethical practices. This term defines the type of information disclosed and what information can be used to implement the company's ethical practices (Abed et al., 2022:5).

Al Ghamdi, (2019:3581) confirmed that ADT is a case that arises as a result of the existence of the disclosure status, but provided that such disclosure is complete. If disclosure is incomplete, there is no transparency. As this makes transparency a more general and comprehensive case than disclosure, and thus transparency is broader than accounting disclosure, Full disclosure leads to transparency and it is an effect of full disclosure.

It is the both researchers' view that ADT is one of the most important requirements to be found in financial reports, which makes the information within these reports credible, increases confidence in it, makes the information relevant and helps users rely on it for timely and rational decision-making. The nature and concept of transparency can be explained in the figure (2).

**Figure 2. The underlying axes of the concept of ADT.**



Source: (Saleh and Others, 2020:754).

2-2. The Company's characteristics relate to ADT: The impact of CCs on ADT can be demonstrated by reviewing the more frequent characteristics of the Company (Company Size, Company age, Ownership Structure, Industry Type, Company Profitability, Leverage) and knowing the extent of its relationship and impact on ADT through the following:

First, the size of the company and its relationship with ADT a study noted (Arsov & Bucevska, 2017: 751-757). The size of the company has a significant positive impact on ADT because larger companies are more

transparent Because they are better able to cover transparency costs or because they have a large shareholder base where disclosure is used as a cost-cutting tool, Large companies tend to disclose more information than small companies as there is a correlation between the company's size and the level of disclosure (Alkatib, 2014:860).

Second: Ownership structure and its relationship to ADT: A study noted (Al Aidi, 2018: 405-411) there is a negative impact of the ownership structure of major shareholders on the level of governance application on disclosure and transparency, because the idea of interests being more compatible than conflicting between the ownership of major shareholders and management. As this may require a certain directive of disclosure and transparency that meets the demands and objectives of major shareholders and does not conflict with the dues and requirements of management. Al Aidi, (2018) noted that increased administrative and senior shareholder ownership has had a negative impact on the level of application of the governance principles of disclosure and transparency but has contributed to the achievement of agency costs. It also noted that the ownership structure and characteristics have an important impact on the level of disclosure and transparency and thus on the quality of accounting information extracted from financial lists and reports.

Third: The profitability of the company and its relationship to ADT: A study (Fakhari & patenoiei, 2017: 596-597) concluded that the most profitable companies tend to disclose more information, So as to inform investors of their proper performance, which in turn reduces information asymmetry, so the most profitable companies are expected to have more transparent information and a stronger information environment.

Forth: Leverage and its relationship to ADT: A study confirmed (Mark, 2003: 334-341 & Eng) The Agency's debt costs are controlled by debt commitments entered into in debt agreements rather than by increased disclosure of accounting information in annual financial reports. As the results of this study are conclude Mark, & Eng (2003) that low-debt companies disclose more information, as the inverse relationship between disclosure and debt corresponds to the fact that debt is a mechanism for controlling the problem of free cash flow, reducing the need for disclosure.

Fifth: The company age and its relationship to ADT The company age is one of the characteristics that affects ADT: The study of (El-Diftar et al., 2017:140) confirmed that older companies influence ADT because they possess internal control procedures that are stronger than smaller companies, which helps to facilitate higher levels of disclosure of accounting information.

Sixth: Type of industry and its relationship to ADT: The industry type characteristic is one of the CCs affecting ADT depending on the type of industry, as a study indicated Paydar & Babalou, (2019:22) states that due to the advantages and features of each industrial company, reliance on ADT can be different for each industrial company than for another industrial company. Reliance on specific disclosure procedures for different industrial companies is effective on quality as well as the amount of disclosure.

Both researchers believe that most of the results of the studies agree on a relationship between ADT and the CCs, especially foreign studies, owing to the commitment of companies operating in the foreign environment to apply governance mechanisms. To keep abreast of the evolution of their markets and their openness to each other, and to provide information to all users and their easy access to information as well as the evolution in the level of adoption of methods and technology in communication in these companies operating in that environment, CCs play a significant role in determining ADT.

Topic 3: The concept of RFSs and its relationship to CCs

3-1. Concept of RFSs: RFS is not a recent phenomenon in the global business environment and the accounting and auditing profession. However, this phenomenon has not received much and sufficient attention from academic researchers and regulators of the accounting profession and standard-setters of transactions in financial markets (Sabbagh, 2019:6).

Abu Jabal, (2016:74) defined RFSs as the re-publication of financial lists previously presented to stakeholders. These lists issued by companies contained inappropriate information which in turn would mislead the users of these lists (stakeholders) while making decisions.

RFSs is also means to correct the accounting information disclosed in the previously issued financial statements because it contains errors and misleading information that is detrimental to stakeholders. In this regard, a study indicates Chen et al., (2014:1) noted that RFSs diminishes the credibility of accounting information over the long term, and that the nature of RFSs and compensation by companies significantly affects the credibility of financial reports after announcements of RFSs.

Chakrabarty et al., (2014:12) defined RFSs as failures in the preparation of companies' financial reports as companies declare and correct errors in their previously issued financial lists.

3-2. CCs are related to RFSs: there may be a direct and indirect role and impact in companies' tendency to reissue financial statements according to the different CCs, the impact of each of these characteristics will be identified and their relationship to RFSs, as follows:

First, the size of the company and its relationship to RFSs: A study indicated Al Sabbagh, (2019:23) notes that the size of the company has an impact RFSs through large size as big companies indicate the divergence and multiplicity of their operations and the large volume of customers who deal with them and the multiplicity of their branches. Its operations are complex and therefore weak in its oversight processes, resulting in an impact on the quality of the company's financial statements. In addition, large firms are of interest to many financial analysts. This would prompt management to apply accounting methods inappropriately and would therefore lead to the likelihood of the company's RFSs.

Second: The age of the company and its relationship to RFSs: Hasnan et al., (2020:9) that as the age of the company increases, the company gains a lot of experience and improves its internal control procedures and also the improvement of the Governance regulations. All these benefits are capable of ensuring the quality and integrity of the financial lists prepared by the Company that would reduce the occurrence of RFSs. The study noted that the age of the company is highly linked to the quality of the financial statements. Which means that companies of a large age (Old Companies) are well-established and sound controls that can enhance the quality of financial listings compared to small-lived companies (New Companies). The Huang & Nardi, (2020:165), agreed with the previous study that the older companies age the more their business experience and hence the less likely they are to make accounting errors that lead to RFSs.

Third: The profitability of the company and its relationship to RFSs: Alyousef & Almutairi, (2010:520) that investors respond positively to profitable companies by maintaining or increasing their investments in these companies investor attraction will motivate these companies to avoid or reduce disclosures, RFSs is a sign of bad news for investors. Therefore, it is unlikely that companies with profitability or high returns will disclose RFSs.

Forth: Leverage and its relationship to RFSs: Leverage affects RFSs through high indebtedness. The results of Hasnan et al., (2020:19) study indicated that there is a positive relationship between leverage and RFSs High-debt companies are more likely to reissue financial statements, perhaps because high-debt companies tend to manipulate profits to protect their margins, Thus, highly leveraged companies have a higher likelihood of RFSs.

Fifth: Type of industry and its relationship to RFSs: Type of industry is linked to RFSs through the type of sector to which the companies belong. Each of these companies offers the possibility of RFSs. Nardi, (2020:165-171 & Huang) applied in Brazilian companies that dealt with restatement determinants by referring to the industry type's relationship to restatement and its impact as a representative variable



for companies belonging to self-regulated industries. The study found that companies operating in self-regulated industries are expected to commit to adapting to the information needs of international financial reporting standards, its regulatory agent is likely to reissue their own financial statements.

Sixth: Ownership structure and its relationship to RFSs: A study Tariverdi et al., (2014:991) indicated that companies that appear to disperse ownership have a tendency to disclose data poorly in financial statements and thus lead to RFSs, as the study found that there is a negative relationship between the ownership structure and RFSs.

From the foregoing, the researchers conclude that CCs affect RFSs, and to reduce RFSs that companies have to develop an effective internal control system, Dealing with highly efficient auditors, thus reflecting on the quality of the lists as well as positively reflecting on CCs and thereby reducing restatements.

#### Topic 4: Practical Analysis

After reviewing the theoretical framework of research variables, the second step of this research, is to test hypotheses, measure variables and discuss results.

4-1. The society and sample of research and measurement of variables: the research community represents all companies listed on the Iraq Stock Exchange, while the sample summarized 16 companies, selected from two different sectors, namely; The banking sector (eight banks), and the industrial sector (eight companies), listed on the Iraq Stock Exchange. The time limits for this sample were 11 years from (2011) to (2021). The number of views reviewed (176) were viewed. This sample was determined by two basic conditions: The first is the availability of the financial statements for 2021, and the second is the continuation of banks' disclosure of their statements for the specified years without interruption.

The research included three variables, the first variable being the independent variable of accounting disclosure transparency, measured through the analysis of the information content of the reports disclosed by the companies and the banks of the research sample. Through a scale model (Standard and Poor s' model) in agreement with the study (Qarah Gouli, 2021), (Ali & Shakir, 2017). This measure is one of the most important and best measures of transparency used, and it was prepared after a series of research for the Foundation Standard & Poor (S&P). A measure widely known for its indices on the U.S. stock market and the world's stock exchanges, contains three main items containing several paragraphs that have been carefully selected as a result of several recorders and research with flexibility to add and reduce to and from depending on the nature of the activity (76 paragraphs). Each verified paragraph disclosed shall be given a single degree, then points shall be

collected and equal to one per cent. The output shall be a measure of transparency in each company's disclosure as a percentage. The three main items shall be:

- a. Ownership structure and investors' rights (CT\_X1), with 14 indicators.
- b. Transparency and disclosure of financial and non-financial information (CT\_X2), with 41 indicators.
- c. Transparency in the Governing Council's information and structure (CT\_X3), with 21 indicators.

ADTs is measured using the Standard & poor s index, which is one of the most important measures for measuring financial transparency, by measuring the degree of transparency in companies sample study through the following equation (Qaraghuli, 2021:37):

$$\%CT = \left( \sum_{i=1}^{Ni} z_{ij} \right) \div nj * 100$$

As:

CT: Company Transparency Ratio

NI: Number of Total Paragraphs of P&S Index

ZIJ: Number of verified paragraphs of the index, by giving each verified paragraph No. (1), paragraph No. (0) and eventually collecting the verified paragraphs.

The higher the CT ratio, the higher the transparency of the company's accounting disclosure.

The second variable is the dependent variable (RFSs) (Y\_ReStat) . RFSs has been measured as a dummy variable given value (1) if the company reissues its financial statements (including underlying and unrectified lists) for a certain period. And value (0) is given if companies do not reissue their financial statements, in agreement with each other's study (Zhang et al., 2018), (Qasem et al., 2020), (Wahab et al., 2014), (Xu & Zhao,2016), (Pigment, 2019). The third type of variable is the interactive variable (CCs). This variable is expressed by six measures (company size, profitability, leverage, age, industry type, ownership structure) as follows:

- a. Size: The size of the company was measured by finding the natural logarithm of total assets in agreement with the study (Alqatamin et al., 2017), (Hussein and Javad, 2019) i.e.

Company size = Natural logarithm size for total assets

- b. Profitability of the company (ROA): expressed through the asset return index in agreement with the study (Ebaid,2022), (Abdou, 2016), i.e.:

Return on Assets = net profit/total company's assets

c. Leverage (LEVE): measured by dividing debts by the market value of equity in agreement with Smith & Pourciau, 1988 (Al Ahmad Saad, 2016) and Inchausti, 1997), as follows:

Leverage = debt/market value of equity

d. age: The age of the company was measured by finding the natural logarithm for the number of years of the company's age from the date of its registration on the stock exchange, in agreement with the study (Talpur et al., 2018), (Abdou, 2016) i.e.:

e. Industry Type (INDUS): The industry type characteristic has been measured as a binary dummy variable (due to the fact that the sample includes only two types of sectors), in agreement with the study (Eulerich & Lohmann, 2022) as follows:

Industry type = dummy variable takes value (1) if the company is in the industrial sector and value (0) otherwise.

f. Ownership Structure (OS): The ownership structure as a proportion of shares owned by major shareholders was measured in agreement with a study (Bakkale and Akor, 2018) as follows:

Ownership structure = share ratio owned by major shareholders/total shares of the company.

4-2. Levels of the three study variables within companies Sample study: Table 1 shows the levels of both ADT and RFSs and CCs for companies and banks certified as sample research.

**Table 1: Levels of three research variables within companies and banks Sample research**

N	Company	CT				Y_Re Stat	CCs					
		CT_X1	CT_X2	CT_X3	CT		SIZE	ROA	LEVE	age age	INDUS	OS
1	Baghdad Soft Drinks	0.714	0.343	0.372	0.420	0.640	11.442	0.120	0.029	1.428	1.000	0.991
2	Al Kindi Vaccine Production	0.675	0.298	0.297	0.367	1.000	9.724	0.030	0.117	1.429	1.000	0.960
3	Al Mansour Pharmaceutical Industries	0.507	0.195	0.371	0.301	0.100	9.859	0.019	0.467	1.513	1.000	1.000
4	Ready-made clothing production	0.747	0.326	0.386	0.420	1.000	9.522	0.025	0.152	1.601	1.000	1.000
5	Iraqi carpets and furnishings	0.690	0.220	0.413	0.359	0.000	9.502	0.081	0.001	1.414	1.000	0.982
6	Baghdad Packaging Materials Industry	0.636	0.169	0.195	0.262	0.000	8.975	0.006	0.018	1.732	1.000	0.964

7	Chemicals	0.429	0.176	0.257	0.245	0.000	9.743	-0.007	0.071	1.848	1.000	1.000
8	National Furniture	0.572	0.260	0.381	0.351	0.670	9.388	0.030	0.636	1.450	1.000	0.728
9	Iraqi Commercial	0.678	0.424	0.417	0.469	1.000	11.607	0.025	0.125	1.369	0.000	1.000
10	Ashur International	0.848	0.436	0.726	0.592	1.000	11.513	0.043	0.048	1.077	0.000	1.000
11	Mosul for Development	0.619	0.355	0.344	0.400	0.780	11.594	0.022	0.542	1.139	0.000	1.000
12	Al Mansour Investment	0.836	0.429	0.633	0.561	0.700	11.996	0.017	0.067	1.046	0.000	1.000
13	Baghdad Bank	0.721	0.532	0.541	0.570	0.180	12.119	0.015	0.249	1.376	0.000	1.000
14	Iraqi Credit	0.779	0.443	0.403	0.494	0.450	11.723	0.015	0.030	1.248	0.000	1.000
15	United Investment	0.786	0.415	0.320	0.457	0.430	11.789	0.040	0.392	1.299	0.000	1.000
16	Iraqi Islamic	0.786	0.497	0.507	0.552	0.820	11.715	0.028	0.215	1.376	0.000	1.000
	Total	0.693	0.349	0.411	0.430	0.530	10.814	0.032	0.173	1.403	0.490	0.988

Source: Table done by both researchers based on SPSS outputs.

Note from table (1) that the arithmetic mean (average 11 years) ADT has not exceeded 50% for all industrial companies. While this barrier has been slightly overtaken in some banks such as International Bank Ashur, Al Mansour Investment Bank, Baghdad Bank and Iraqi Islamic Bank also observe the high level of transparency within the first dimension compared to the other two dimensions of all companies sample study. As regards RFSs, there are companies that repeat the process of restatement such as a company (Al Kindi for Vaccine Production ) and (Ready Clothes Production Company )from other companies where there was no final restatement such as (Baghdad Soft Drinks Company), with regard to the CCs, the highest return on assets is registered in the interest of a company. (Baghdad Soft Drinks) at approximately 12% and a very large difference from other companies, both industrial and banking, while a company registered (Chemical industries) has the lowest profitability within the negative value of the rate of return on assets, while (National Furniture Industries )and (Mosul Development Bank) have the highest levels of leverage.

4-3. Description of variables: Table No. (2) shows the arithmetic mean and standard deviation of search variables and for the total sample.

**Table (2) Description of study variables**

Variable	Dimension	Arithmetic mean	Standard deviation	Lowest Value	Highest Value	Difference Factor
Independent Variable: ADT	First. Ownership structure and shareholders' rights	0.693	0.123	0.429	0.929	18%
	Second. Financial and non-financial information	0.349	0.132	0.146	0.634	38%

	Third. Governing Council	0.411	0.164	0.095	0.762	40%
	Total	0.430	0.123	0.224	0.711	29%
Dependent variable	RFSs	0.530	0.501	0.000	1.000	94%
Interactive Variable: CCs	First. Company Size	10.814	1.121	8.744	12.262	10%
	Second. Profitability	0.032	0.043	-0.052	0.152	135%
	Third. leverage	0.173	0.219	0.000	0.800	126%
	Fourth. Age	1.403	0.223	0.845	1.875	16%
	Fifth. Industry Type	0.490	0.502	0.000	1.000	102%
	Sixth. Property Structure	0.988	0.067	0.199	1.000	7%

Source: Table done by both researchers based on SPSS outputs.

Table (2) the first dimension of accounting disclosure has recorded the greater ADT compared to the other dimensions in the Arithmetic mean denomination followed by the third dimension and finally the second dimension. This is supported by the fact that there is consistency and imbalance in the levels of ADT and its three dimensions, with a difference factor of less than 50%. While there is a significant dispersion and variation in the values of the dependent variable of RFSs, this weakens the importance of their Arithmetic mean which indicates a lower level of restatement inventory ". As noted, there was a significant dispersion in the levels of return on assets as well as in the leverage between companies sample study.

4-4. Relationship hypothesis test: Research includes relationship hypothesis, previously identified in the methodology, which is tested for that hypothesis

)H1) Main hypothesis: The relationship of ADT varies with RFSs under CCs.

This main hypothesis arises from six sub-hypotheses:

(H1. 1). The first sub-hypothesis: The relationship of ADT varies with RFSs under the size of the company as a CC.

To test this hypothesis, the Correlations Partial relationship ADT and RFSs will be measured when the impact of the company's size is excluded, and table (3) shows the results of the partial correlation value.

**Table 3: Partial correlation between ADT and RFSs when the impact of the company's size is excluded**

Variables		Exclusion Size	Non-exclusion Size
		Y_ReStat	Y_ReStat
CT_X1	Pearson	.317**	0.391**
	(Sig)	.000	0.000
CT_X2	Pearson	.339**	0.398**
	(Sig)	.000	0.000
CT_X3	Pearson	.196*	0.287**
	(Sig)	.017	0.000
CT	Pearson	.345**	0.409**
	(Sig)	.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

Table (3) shows that the direct relationship between ADT and RFSs will decrease whichever is less positive when the size of the company is excluded, meaning that the larger the company, this will enhance and increase the positive relationship between the independent variable of the current study. This result is consistent with the study (Guerber & Anand, 2019:14) where this study concluded that the company size characteristic has a positive impact on ADT and RFSs and that the relationship between the ADT and RFSs is different for small companies from large ones. In the researcher's view the relationship varies between ADT and RFSs, with the exclusion of the size of the company, since the size of the company is one of the characteristics that has an important impact on the variables. The larger the size of the company, the greater the insistence of the company management on applying ADT and the discovery of all distortions that would lead to RFSs. The existence of a corporate size characteristic will strengthen the relationship between the two variables and make them more positive. When the company's size characteristic is excluded from its influence on the two variables, the direct relationship will decrease, as small companies have small records and data and therefore do not tend to apply transparency and RFSs. It accepts the first sub-hypothesis, i.e. the relationship of ADT varies with RFSs under the size of CCS.

)H1. 2). Second Sub-hypothesis: The relationship of ADT varies with RFSs under a company's profitability as a corporate characteristic.

To test this hypothesis, the Correlations Partial relationship between ADT and RFSs will be measured when the impact of the company's profitability is excluded, and table (4) shows the results of the partial correlation value.

**Table 4: Partial correlation between ADT and RFSs when the impact of the company's profitability is excluded**

Variables		Exclusion ROA	Non-exclusion ROA
		Y_ReStat	Y_ReStat
CT_X1	Pearson	0.389**	0.391**
	(Sig)	0.000	0.000
CT_X2	Pearson	0.402**	0.398**
	(Sig)	0.000	0.000
CT_X3	Pearson	0.287**	0.287**
	(Sig)	0.000	0.000
CT	Pearson	0.410**	0.409**
	(Sig)	0.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

Table 4 shows that the parcel relationship between ADT and RFSs will not be significantly affected when the company's profitability is excluded. in the sense that a company's profitability, whether in the event of a higher or lower rate of return on assets, will not significantly affect the positive relationship between the independent variable of the current study. This is due to the fact that the profitability of the company is a characteristic of the necessary importance for the survival and continuity of the companies and because investors respond to the companies that make a profit. Therefore, the aim of the companies and their management is to make a profit and help them continue as long as possible. Therefore, it is unlikely that the companies with profitability will disclose RFSs. and therefore rejects the second sub-hypothesis, i.e. the relationship of ADT does not vary with RFSs under the company's profitability as a CC.

)H1. 3). Third Sub-hypothesis: The relationship of ADT varies with RFSs under leverage as a CC.

To test this hypothesis, the Correlations Partial relationship between ADT and RFSs will be measured when the leverage effect is excluded, and table (5) shows the results of the partial correlation value.

**Table 5: Value of partial correlation between ADT and RFSs when the leverage effect is excluded**

Variables		Exclusion LEVE	Non-exclusion LEVE
		Y_ReStat	Y_ReStat
CT_X1	Pearson	0.411**	0.391**
	(Sig)	0.000	0.000
CT_X2	Pearson	0.396**	0.398**
	(Sig)	0.000	0.000
CT_X3	Pearson	0.290**	0.287**
	(Sig)	0.000	0.000
CT	Pearson	0.411**	0.409**
	(Sig)	0.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

Table 5 shows that the direct relationship between ADT and RFSs not be significantly affected when leverage is excluded. (apart from the first dimension of ADT meaning that leverage, whether high or low, will not significantly affect the positive relationship between the independent variable of the current study, and this result is consistent with the study. (Eng & Mak, 2003: 334-341) Where this study concluded the impact of leverage on ADT that increased leverage reduces ADT that the relationship between leverage and ADT This is due to the fact that leverage is a determining factor for transparency, where the greater the leverage and the greater the debt of the company, naturally, the lower ADT, rejects the third sub-hypothesis. financial statements ", i.e., the relationship of ADT does not vary with RFSs under leverage as a CC.

)H1. 4). Fourth Sub-hypothesis: The relationship of ADT varies with RFSs under the age of the company as a CC .

To test this hypothesis, the partial correlation between ADT and RFSs will be measured when the impact of the company's age is excluded, and table (6) shows the results of the partial correlation value.



**Table 6: Partial correlation between ADT and RFSs when excluding the impact of the company's age.**

Variables		Exclusion age	Non-exclusion age
		Y_ReStat	Y_ReStat
CT_X1	Pearson	0.274**	0.391**
	(Sig)	0.001	0.000
CT_X2	Pearson	0.298**	0.398**
	(Sig)	0.000	0.000
CT_X3	Pearson	0.165*	0.287**
	(Sig)	0.046	0.000
CT	Pearson	0.299**	0.409**
	(Sig)	0.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

Table 6 shows that the direct relationship between ADT and RFSs statements will decrease any less positive when the age of the company is excluded. That is, the older the company's age, this will enhance and increase the positive relationship between the independent variable of the current study. This is due to the fact that the company's age characteristic has an impact on ADT and RFSs because older companies have stronger internal control procedures than younger companies. Which helps companies and their management to apply transparency more and then move towards any material errors or deviations leading to RFSs. As the company gets older, companies tend to apply transparency and RFSs in order to maintain their statements and reports more appropriately due to their long history of issuing information to all users.

The fourth sub-hypothesis, i.e. the relationship of ADT with RFSs under the age of the company is accepted as a characteristic of the company.

(H1. 5). Fifth Hypothesis: The relationship of ADT varies with RFSs under industry type as a CC.

To test this hypothesis, the Correlations Partial relationship between ADT and RFSs will be measured when the impact of industry type is excluded, and table (7) shows the results of the partial correlation value.

**Table 7: Value of partial correlation between ADT and RFSs when excluding industry-type impact**

Variables		Exclusion INDUS	Non-exclusion INDUS
		Y_ReStat	Y_ReStat
CT_X1	Pearson	0.318**	0.391**
	(Sig)	0.000	0.000
CT_X2	Pearson	0.336**	0.398**
	(Sig)	0.000	0.000
CT_X3	Pearson	0.199*	0.287**
	(Sig)	0.016	0.000
CT	Pearson	0.346**	0.409**
	(Sig)	0.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

Table 7 shows that the direct relationship between ADT and RFSs will decrease any less positive when the type of industry is excluded. That is, whenever the type of industry differs, this will enhance and increase the positive relationship between the independent variable of the current study. This is due to the fact that the industry type characteristic is closely linked to ADT and RFSs through the type of sector to which companies belong the more diversified the sectors to which companies belong, the more ADT is, and thus RFSs is applied because companies are adapted to information needs. It accepts the fifth sub-hypothesis, i.e. the relationship of ADT varies with RFSs under industry type as a CC.

)H1. 6). Sixth Sub-hypothesis: The relationship of ADT varies with ADT under the ownership structure as a CC.

To test this hypothesis, the Correlations direct relationship between ADT and RFSs will be measured when the impact of the ownership structure is excluded, and table 8 shows the results of the partial correlation value.

Table 8 shows that the direct relationship between ADT and RFSs will rise slightly, i.e., be more positive when the ownership structure is excluded. That is, whenever the ownership structure differs, it will reduce and reduce the positive relationship between the independent variable of the current study. This is due to the fact that the ownership structure characteristic has an impact on ADT and RFSs through the existence of a specific corporate ownership structure that leads them to

a specific directive of disclosure, transparency and application of RFSs. The lower the ratio of the company ownership structure the more ADT and RFSs.

**Table 8: Value of partial correlation between ADT and RFSs when the ownership structure impact is excluded**

Variables		Exclusion	Non-exclusion
		INDUS	INDUS
		Y_ReStat	Y_ReStat
CT_X1	Pearson	0.395**	0.391**
	(Sig)	0.000	0.000
CT_X2	Pearson	0.409**	0.398**
	(Sig)	0.000	0.000
CT_X3	Pearson	0.291**	0.287**
	(Sig)	0.000	0.000
CT	Pearson	.418**	0.409**
	(Sig)	.000	0.000

Source: Table done by both researchers based on SPSS outputs.

\* \* Means that the correlation is morally significant at (1%), \* means that the correlation is morally significant at (% 5).

The sixth sub-hypothesis, i.e. the relationship of ADT with RFSs under the ownership structure is accepted as a CC.

Based on the acceptance of most sub-hypotheses, it can be argued that the main hypothesis is accepted, i.e. the relationship of ADT varies with RFSs under CC.

### Conclusions

As discussed in the theoretical framework for demonstrating the concept of research variables. As well as presenting the most important practical findings of the analysis, the two researchers reached a set of conclusions was reached, the most important of which are: ADT is one of the most important requirements to be available in financial reports and lists. Which make the information within these reports and lists credible, increase confidence in them, and make the information accessible and understandable to all parties. RFSs is a correction of measurement, recognition and disclosure of all elements of financial statements. The phenomenon of RFSs means that there are misstatements in financial statements. Such misstatements may be accounting errors, ignoring certain facts or may be fraudulent. There is a (positive)direct correlation

between ADT and RFSs under CCs (company size, company age, industry type) that is, the greater these characteristics will enhance the relationship between variables. There is a negative correlation between ADT and RFSs under CCs of (ownership structure). Once this characteristic is excluded, the relationship will be more positive. As regards CCs (profitability, leverage), it has not recorded a significant impact on research variables. In light of the theoretical and applied findings of the research, both researchers recommend that: The obligation of Iraqi companies and banks to adopt ADT and its application to all financial statements in order to reduce the misinformation that occurs in companies. Increased awareness of the concept of ADT and reduced RFSs through intensified controls and professional courses and research. The need for stakeholders to pay attention to CCs and to see that it is a determinant of the transparency levels of company accounting disclosure.

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