



RESEARCH ARTICLE

# The Extent to Which Companies Adhere to Disclosure Controls in Accordance with The Requirements of IAS in Light of Covid-19

Ibrahim Naeem Hasan

Published online: 10 July 2022

## Abstract

Therefore, this research was devoted to highlighting the importance of accounting disclosure in the financial statements of commercial banks in accordance with international accounting and financial reporting standards through a proposed model for accounting disclosure in the financial statements of these companies and then applying it to them and helping users of financial statements to make rational decisions as well as evaluating performance. It is concluded that the standard deviation values are confined between (0.70 - 1.023), which are relatively small values, which indicates the homogeneity of the answers to the paragraphs related to the importance of disclosure according to the requirements of financial reporting standards in light of the Corona pandemic, which requires the adoption of international accounting and reporting standards in order to standardize the presentation of those Reports and improving accounting disclosure in the financial reports of commercial banks, which contributes to building bridges of trust and activating The relationship between the management of companies and the beneficiaries of the financial reports and to stay away as much as possible from the multiplicity Presentation and accounting disclosure methods pursued by some companies.

Keywords: Disclosure; Corona Pandemic; International Accounting Standards

## INTRODUCTION

The corporate sector is one of the important sectors in the economic structure, as companies contribute to advancing the wheel of economic development forward through their contribution with other sectors in the implementation of their development plans and filling gaps in this area. Commercial companies represent an important and influential sector in the business world, as most individuals and companies They deal with companies, whether in deposits or withdrawals, investing, financing and mediating foreign monetary exchanges.

Banks have a major impact in gaining confidence in the monetary system through their ability to pay off debts, provide liquidity, and their ability to manage company risks and face future challenges. About adopting a set of accounting rules and practices that differ from one country to another in a way that may sometimes reach a contradiction, so professional international organizations have emerged, the most important of which is the International Federation of Accountants (IFAC), which

issued a set of accounting standards for the purpose of standardizing accounting treatments in order to be a reference in which professionals adhere In all parts of the world, as the local rules are trying to be in line with the principles and objectives contained in the intellectual framework of financial accounting, and for the purpose of reconciliation and congruence in practical applications as well as expanding the work of commercial companies in Iraq and their association with international commercial companies, therefore international standards for the preparation of financial reports should be applied In order to unify the basis for preparing financial reports in line with the preparation of the financial statements of these commercial companies Ari International.

Every profession has a constitution that governs and controls it, directs its practices, and unifies its treatment of similar matters, so that there is a unified base for the purpose of comparison by those interested in the profession and analysts, and accounting, like other sciences that have a unified constitution, which stems from the keenness of those interested in it to show the numbers that express a huge amount of Financial events and operations honestly, accurately and reliably International Financial Reporting Standards (IFRS) can be a form of this constitution that has adopted the responsibility of promulgating it by the International Accounting Standards Board (IASB).

Therefore, this research was devoted to highlighting the importance of accounting disclosure in the financial statements of commercial banks in accordance with international accounting and financial reporting standards

Al-Bayan university, Iraq

\*) *corresponding author*

Ibrahim Naeem Hasan

Email: Ibrahim.naeem@albyan.edu.iq

through a proposed model for accounting disclosure in the financial statements of these companies and then applying it to them and helping users of financial statements to make rational decisions as well as evaluating performance.

**Research Objective:** The research seeks to achieve the following objectives:

- Statement of the impact of international accounting and financial reporting standards in giving a correct and honest view of the result of the activity and the financial position.
- Statement of the obstacles to the application of international accounting and financial reporting standards regarding disclosure in reports Finance for commercial banks.
- A statement of the commitment of Iraqi commercial companies to apply the disclosure requirements contained in the standards International Accounting.

**Research hypothesis:** The research is based on the following hypothesis:

The compliance of commercial companies with disclosure requirements and international accounting and financial reporting standards leads to giving a correct and honest view of the result of the activity and financial position of the bank in light of the Corona pandemic.

### Disclosure in accounting thought

#### **Disclosure concept:**

Views differ on the concept and limits of disclosing the information to be provided in the published financial statements. This difference stems mainly from the different interests of the related parties, which is reflected in the angle from which each party looks towards the problem. The view of the party responsible for preparing the published financial statements, for example, is The management of the facility regarding the problem of disclosure may not necessarily meet with the view of the one who audits these lists, who is the auditor, or the view of those who will use them from among the stakeholders, and the view of all of these may not also meet with the view of the supervisory and supervisory authorities of the profession such as the Financial Supervisory Board, central banks, and corporate bodies. Trading in securities and professional groups, and from here it becomes very difficult to provide a general and unified concept of disclosure that guarantees the provision of a level of disclosure that fulfills each of these parties' full wishes in this field. (Matar, 2014: 334)

Disclosure is defined as "presenting important information about the economic unit in a timely manner to information users, and it includes all information of importance (having the ability to influence judgments) including the financial position, performance indicators, ownership ratios, management of the economic unit and the disclosure of accounting and financial standards followed by the unit. economic performance in evaluating performance, that the information is not misleading and does not affect the efficiency of the information in the financial reports, and that the availability of information dissemination channels is a fair way to access information of interest to the category of users in a timely manner. (Christensen & Demski, 2020: 21) This definition bears the principle of accounting disclosure more aspects than the financial accountant can provide, as well as aspects that are not subject to the audit of the auditor and do not give an opinion on them.

Kieso, et al focuses on investors and creditors through his definition of disclosure is "presenting

important information to investors, shareholders, creditors and others in a way that allows prediction of the company' s ability to achieve profits in the future and its ability to pay its obligations." (2018: 45) This definition refers to the primary objective Which the users of the financial statements hope, and this definition has restricted the contents of disclosure from the accountant's point of view significantly with reference to information related to profits and payment of obligations.

Matar notes that disclosure "is to make the accounting financial reports disclose all the necessary information to ensure that they are not misleading." (Matar, 2014: 336) This definition is a brief definition of disclosure from the accountant's point of view.

**Factors affecting disclosure:** There are several factors that affect the disclosure of financial reports, they can be divided into environmental factors related to the society in which the financial reports are prepared, and others related to the financial information that must be disclosed, and there are several factors related to the company itself, as follows:- (Epstein & Mirza, 2017:41):

- 1- Environmental factors: Financial reports differ from one country to another for social, economic, political reasons and factors resulting from the beneficiaries to more additional information about environmental changes and their impact on the company for the purpose of comparing companies and determining the social responsibility of each.
- 2- Factors related to information: the degree of disclosure is affected by information, especially in terms of the availability and reliability of this information, as well as the verifiability, comparison, and cost-return comparison (information economics). Obtaining them, preparing them, and presenting them in the financial reports.
- 3- Factors related to the company: There are several factors related to the company, such as: - (Al-Saffar, 2019: 76) :
  - Company size: There is a relationship between the size of the company and the degree of disclosure in the financial statements, due to the fact that the cost of information is less important in large companies compared to small companies.
  - Number of Shareholders: There is a direct relationship between the number of shareholders and the degree of disclosure, on the basis that an increase in the number of shareholders leads to an increase in the degree of disclosure.
  - Registration of the company in the stock market: This factor has a direct impact on increasing disclosure due to the conditions set by those markets.
  - The external auditor: the external auditor evaluates the degree of disclosure when auditing the accounts to determine the extent of its commitment to the foundations, rules, principles, accounting policies, standards and professional rules imposed by the profession constitution.

Other factors: the most important of which are local legislation and laws, the professional, accounting and auditing committees and councils responsible for setting standards, the stock market, the costs and methods of disclosure, the nature of companies and their bodies (contribution or solidarity), and perhaps the most important factor affecting disclosure is the money processors.

***Disclosure to users of financial statements:***

The annual reports include a disclosure to serve the users of financial statements, and such disclosure includes the following: - (Choi et al., 2014: 211)

- 1- Recalculating the financial information in a non-local currency in an appropriate manner.
- 2- Recalculating the results and financial position to a second set of accounting standards.
- 3- A complete set of financial statements prepared in accordance with another set of financial statements.
- 4- Discussing the differences between the accounting principles used in the initial financial statements and some other accounting principles.

***Elements of Achieving Disclosure and Transparency.***

The trend towards more disclosure and transparency in financial reports is done through: - (Kooymans & Beckett, 2012: 130)

- 1- Accounting disclosure in annual and interim reports.
- 2- Disclosure through the management report on future plans and the financial and operational risks that guide the company during its performance, and that the company works within the interest of society, achieving social welfare and preserving the environment.
- 3- Orientation towards environmental and social disclosure of the unit's activities.
- 4- The necessity of developing international and local accounting standards that obligate companies to disclose their performance.
- 5- The financial reports include information about the company's strategies, the trading of its shares in the stock market and the prices of these shares.
- 6- Orientation towards electronic disclosure as a modern and fast means of communication to deliver information quickly.

**Disclosure requirements in accordance with International Accounting and Financial Reporting Standards**

***The importance of accounting disclosure in companies:*** The degree of government supervision over the companies and financial institutions sector varies in different countries of the world, and a statement of its financial positions. The importance of accounting disclosure as a constant principle in the preparation of financial reports is due to being one of the main foundations on which the generally accepted accounting principles (GAAP) are based. These principles call for full disclosure of accounting and financial information and other important information related to the activity of the concerned entity contained in its financial statements. This is for the benefit of the last beneficiaries of this information (Rose, et al, 2014: 12).

Accounting disclosure is the mainstay in achieving the objectives of financial reports that provide appropriate information for the parties that use it in making economic decisions, and it gives a clear and correct picture to users of the company, and the importance of disclosure increases when it is linked to commercial companies as they work in the field of financial intermediation, as most of them gather The society's savings, and it grants credit to all branches of economic activity, and while performing these functions, companies are exposed to a number of risks. From these parties based on this information. (Hannan, 2016: 145)

Therefore, incomplete or inaccurate disclosure may lead to distortion of the decisions taken by these authorities, which would have negative effects. Disclosure has gained

increasing importance at the present time, especially with regard to the company's environment, given the complexity of the financial instruments used such as derivatives and securities, their large trading volume and the risks related to them. With the removal of restrictions on dealing, the high intensity of competition, and the development of the technology used in dealing, it is expected that All this leads to more complexity in the tools, which requires the need for comprehensive disclosure. As a result of the development of the world in the field of companies, the International Accounting Standards Committee has been interested in issuing a number of standards for companies related to disclosure and the foundations of accounting measurement. Local and international, and in line with the international disclosure standards issued by the International Accounting Standards Committee (Hassan and Falah, 2020: 19-20)

***Disclosure requirements in accordance with international accounting and financial reporting standards:*** The impact of international accounting standards has become an imperative for the success of joint efforts in adopting the accounting principles used in business establishments in general and companies in particular, as well as being a reliable language through which users of financial reports can ensure the safety of Financial reports and judging the correctness and fairness of the information they provide regarding the financial position and business results. The international accounting standards have succeeded in addressing accounting matters at the local, regional and global levels, and the number of countries that have adopted these standards has exceeded (120) countries, which resulted in the removal of the large differences that existed between the financial statements in accordance with these standards and those prepared according to the standards Various localities (Jerboa, 2014: 62). The application of these standards makes it easier for users of financial statements to analyze the lists of companies and then list their shares anywhere in the world, as the International Accounting Standards Committee aims to find unified global accounting methods (Belkaoui, 2019:32).

The absence of international accounting standards can lead to a difference in the measurement bases and methods of presentation and disclosure of accounting information, and then the difficulty of comparing the financial reports of these companies, and the absence of these standards leads to the use of improper or differentiated and non-uniform accounting methods that affect the preparation of financial statements, which leads to difficulty Understand and benefit the users of those reports. Here, it must be noted that the international accounting standards that were issued by the International Accounting Standards Board (IASB) gave great importance to the subject of accounting disclosure in general and companies in particular. In line with the requirements of the research topic, the researcher focused on International Accounting Standards 1, 7, 10IAS, the International Financial Reporting Standard IFRS7 and the local accounting rules 6, 7, 9, 10 to address the issue of disclosure in each of them. (Abu Nassar & Hemeidat, 2019: 166-173).

**The practical side**

Based on all the foregoing, it is clear that the management of Babel Bank has shifted from the traditional disclosure to the educational one, and that its financial statements gave the correct and honest view of the result of the activity and the financial position, and this proved the validity of the hypothesis that was put:

**Table (1) A statement of the efficiency of accounting disclosure according to international accounting standards in light of the Corona pandemic**

Questions	T. agree%	agree%	neutral%	Disagree%	%T. Disagree	Mean	Stand.dev.
Users are interested in seeing the information included in the bank's financial statements prepared in accordance with international standards.	40	54	4	2	0	2.21	0.87
The company presents general purpose financial information through its financial reports.	8	4	13	73	2	2.13	0.79
The companies' management clarifies the information contained in their financial statements to other parties, including the losses of the Corona pandemic.	2	4	15	73	6	2.23	0.70
Beneficiaries can directly view the financial statements.	4	4	23	54	15	2.26	0.90
The employees are aware of the information contained in the statements issued by the company.	8	17	38	35	2	2.94	0.95
The bank's financial statements reflect the importance of employees in the same size as they reflect the rest of the stakeholders in the company.	4	4	15	58	19	2.15	0.91
The company must disclose the risks and financial crises that it is likely to be exposed to.	44	42	4	6	4	4.17	1.023
Employees believe that the financial information disclosed by the company in its financial statements is not directed at them.	27	52	6	13	2	3.88	1.022
The financial information disclosed by the company is insufficient for the use of the different categories in light of the Corona pandemic.	4	27	56	11	2	3.19	0.76
Average	%16	%23	%19	%36	%6		

It is clear from the above table that the standard deviation values are confined between (0.70 - 1.023), which are relatively small values, which indicates the homogeneity of the answers to the paragraphs related to the importance of accounting disclosure, and by comparing the arithmetic mean (weighted) with the hypothetical arithmetic mean of (3) it turns out that the The arithmetic for all answers amounted to (3.06), which indicates that the answers of the sample tend to agree on the importance of accounting disclosure for users, and the following is the analysis of the answers of the study sample on the paragraphs of the first axis- :

- 1- The results of the questionnaire, with regard to the users' interest in accessing the information contained in the financial statements, showed that (94%) of the study sample agreed on this, as the arithmetic mean reached (4.32), which is higher than the hypothetical arithmetic mean (3), and he attributes The reason is that most of the users have academic achievement and in administrative and financial specializations.
- 2- The respondents' answers regarding the company's offer to users revealed their information through its financial statements that 75% of the study sample did not agree on this, and this reinforces the arithmetic mean of (2.42) which is less than the hypothetical arithmetic mean (3)
- 3- With regard to the company's management clarifying the information included in its financial statements, the results of the questionnaire confirmed that (78%) of the sample did not agree that the company's management

would do so, and the arithmetic mean in this regard was (2,23)

- 4- The answers of the sample, with regard to the users' ability to directly view the financial statements of the bank, showed a disagreement of (70%) of the study sample and an arithmetic mean of (2.26), which means that the users are not licensed to view the financial statements in the company.
- 5- Regarding the users' awareness of the financial information contained in the statements issued by the company, the results of the questionnaire indicated that (36%) of the sample did not agree on this, and the arithmetic mean reached (2.74), and the researcher believes that this answer is normal, because there is no Companies to clarify the financial information of the employees was through the training courses that they carry out.
- 6- The results of the questionnaire showed that the percentage (77%) of the study sample did not agree on this, as the arithmetic mean of the aforementioned reached (2.15)
- 7- As for the company's obligation to disclose the risks and financial crises that it may be exposed to, the results of the questionnaire revealed that (86%) of the study sample agreed on this, as the arithmetic mean in this regard was (4.17)
- 8- The respondents' answers revealed their belief that most of the financial information disclosed by the company is not directed to them. The results of the questionnaire confirmed that (79%) of the sample

agreed on that, and the arithmetic mean (3.88) confirms what was mentioned above.

- 9- The respondents' answers agreed that the financial information disclosed (other than the information appearing in the value-added statement) is not sufficient for the employees' use, as the results of the

questionnaire confirm that (31%) of the sample agreed on that, with an arithmetic mean of (3.19)

can explain that Figure following:

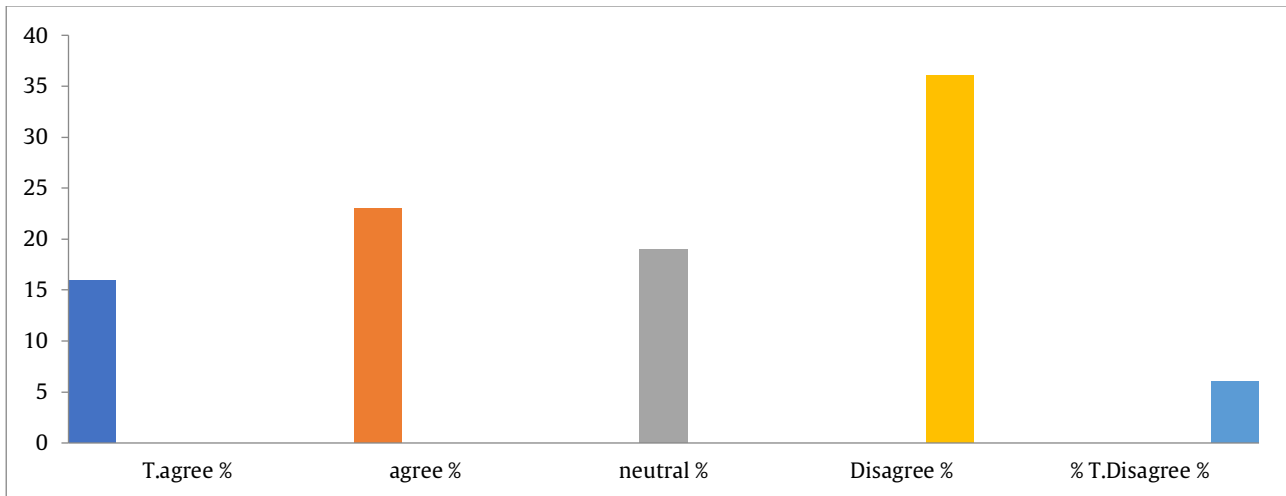


Figure (1) shows the search results

## CONCLUSION RECOMMENDATIONS

The importance of accounting disclosure is due to its being a constant principle in preparing financial reports as well as being a One of the generally accepted accounting principles (GAAP), and this principle derives its importance from the multiplicity of The beneficiaries of the accounting information, and the accounting disclosure ensures that the transaction is The financial markets are more fair, as disclosure provides a good environment and equal opportunities for investors, For the purpose of obtaining information, it also increases the opportunities for market growth and prosperity.

The level of disclosure of this information in the financial reports has a significant impact in reducing the case of non-disclosure Ensure and objectively evaluate the performance of financial institutions. Commercial banks have a strategic impact on the process of economic development in the future, and that they contribute with the state Reducing the burden on it in the process of establishing and developing investment projects and contributing to the employment of heads of state The money in these projects, in addition to the fact that commercial companies are the basis for the development of countries in various countries Commercial, industrial, economic, political and social fields.

Adoption of international accounting and financial reporting standards in order to standardize the presentation of these reports and improve disclosure Accounting in the financial reports of commercial banks, which contributes to building bridges of trust and activating The relationship between the management of companies and the beneficiaries of the financial reports and to stay away as much as possible from the multiplicity Presentation and accounting disclosure methods pursued by some companies.

## Funding

The authors have no funding to report.

## Declaration of Interest Statement

The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

## REFERENCES

- 1- Abu Nassar, Muhammad and Hemeidat, Juma'a, (2019), " International Accounting and Financial Reporting Standards ", i/2 Dar Wael for Publishing and Distribution / Amman - Jordan.
- 2- Choi, Frederick & Frost, Carol Ann, & Meek, Gary (2014), " International Accounting " Arabization of Dr.Muhammad Essam El-Din Zayed, Dar Al-Marikh Publishing / Riyadh - Saudi Arabia.
- 3- Jarbou, Youssef Mahmoud and Helles, Salem Abdullah (2012), "International Accounting with Practical Application International Accounting Standards ", I/1, Al-Warraq Publishing and Distribution Corporation, Amman - Jordan.
- 4- Hassan, Abdel-Fattah Amin and Falah, Hussain Jassem (2020), " Intermediate Accounting ", / 1, Dar al-Kutub Directorate for Printing and Publishing / Baghdad.
- 5- Hanan, Radwan Hilweh (2016), " The Contemporary Accounting Model from Principles to Standards ", / 2, Dar Wael for Publishing and Distribution / Amman - Jordan.
- 6- Al-Saffar, Hadi Rida (2019), " Principles of Financial Accounting - Measurement, Recognition and Disclosure in Accounting Reports ", Part / 2, i / 1, House of Culture for Publishing and Distribution / Amman.
- 7- Matar, Muhammad Attia (2014), " Theoretical Rooting of Professional Accounting Practices , Edition The first, Dar Wael for Publishing and Distribution / Amman - Jordan.

- 8- Belkaoui, Ahmed R., " Accounting Theory ". 1 Ed, 2009, Business Press – Thomson Learning, USA.
- 9- Christensen, John A., & Demski, Jel S., "Accounting Theory", International Edition, McGraw – Hill. Co., Inc., U.S.A., 2020.
- 10- Epstein, Barry & Mirza, Abbas, " International Accounting Standards " John Wiley & Sons, INC. 2017.
- 11- Kieso, Donald E. and Weygand, J. and Kimmel, Paul D., " Accounting Principles", 6<sup>th</sup> ed, John Wiley and Sons, Inc, 2018.
- 12- Kooymans & Beckett, Ian " corporate disclosure: Strengthening the financial reporting framework " can print Communications pty ltd, common wealth of Australia, 2012 .
- 13- Rose, Peter S. & Hudgins, Sylvia C. "Bank Management and Financial Services ", 6<sup>th</sup> Ed, Mc Gawk-Hill, 2015.