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THE FUNCTION OF ACCOUNTING DISCLOSURE IN RAISING STOCK MARKET VALUE AND REDUCING THE CHANCE OF A PRICE COLLAPSE-APPLIED RESEARCH IN A SAMPLE OF IRAQI JOINT STOCK COMPANIES

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ABSTRACT

The goal of the study is to provide light on the importance of data and information disclosed in disclosure models for internal and external parties making financial decisions, as well as how accounting disclosure affects the likelihood of a stock price collapse and how that affects market value. There are two basic arguments that have been put forth: (1) Accounting disclosure prevents Iraqi joint-stock businesses' share values from collapsing, and (2) Accounting disclosure increases the market value of Iraqi joint-stock enterprises. A group of accountants, administrators, and auditors employed by Iraqi joint stock corporations make up the research sample. The study sample was given a questionnaire form, which was then created and disseminated. A number of statistical techniques were then applied to the data analysis process. The study being mindful of the proper disclosure of accounting data as it influences investors' choices in a way that raises the economic unit's market value.

INTRODUCTION

Various political, social, and economic aspects influence how accounting information is perceived and utilized in different societies. The goal of the financial statements and reports, as well as the volume and caliber of information they provide, determine the extent of disclosure. Consciously and faithfully using widely accepted accounting principles is essential to accurately assessing accounting results and creating financial statements and accounting reports. In addition, it covers the regulations and guidelines that accountants and other professional accounting associations have agreed upon as part of its theoretical framework of science and practice. In the accounting industry, there must be a link between theory and application. The theory in accounting provides an explanation and evaluation of the practical reality, and therefore the theoretical aspect in accounting must have an applied content. That is, A theory has to have an applied substance in order to be logically coherent; this is not sufficient in accounting. To effectively analyze accounting outcomes and create financial statements, generally accepted accounting rules must be followed diligently and faithfully. as part of its theoretical underpinning of research and practice, in addition to the rules and norms that accountants and other professional accounting associations have decided upon.

Research methodology is covered in the first part

1-1 Research issue :

The area of study issue is how companies adhere to with accounting disclosure in a way that satisfies users' demands to prevent the possibility of a stock price collapse and therefore impact market value, so making it easier to identify questionable activities intended to boost or drop stock prices the company's market value are the main reasons for the significance.

1-2 The significance of the study :

The primary drivers of the research's importance are the applicability of accounting disclosure to third parties that are unable to legally compel being mindful of the proper disclosure of accounting data as it influences investors' choices in a way that raises the economic unit's market value a firm to provide the data needed to construct their decision models and the impact this has on stock prices and the market value of the business.

1-3 goals of the research :

The goal of the study is to provide light on the importance of data and information disclosed in disclosure models for internal and external parties making financial decisions, as well as how accounting disclosure affects the likelihood of a stock price collapse and how that affects market mindful of the proper disclosure of accounting data as it influences investors' choices in a way that raises the economic unit's market value.

1-4 Study suppositions :

1. Accounting transparency prevents Iraqi joint stock businesses' share values from collapsing.
2. Accounting transparency raises Iraqi joint stock businesses' market worth.

1-5 Research sample :

With data for the fiscal year that ended on December 31, 2022, the study sample consists of auditors, administrators, and accountants working for Iraqi joint stock corporations.

The research's theoretical component is covered in the second section.

2-1 Types, significance, and concepts of accounting disclosure :

Given the significance of accounting transparency, financial reporting as a whole can be included. Numerous research papers and books have been written about disclosure. According to some of them, disclosure involves displaying in the financial statements all the fundamental data that is relevant to Accurately evaluating accounting outcomes and producing financial statements and accounting reports depend on carefully and honestly applying generally accepted accounting rules.. In addition to the principles and guidelines that accountants and other professional accounting groups have agreed upon as part of its theoretical foundation of science and practice groups external to the project in order to assist them in making logical judgments (David, 2003). :337).

Some define accounting disclosure as the process of promptly giving users of the financial statements, notes, and supplemental tables quantitative and descriptive financial information so that the financial statements are appropriate and do not deceive third parties who do not have the legal right to access the books and records of the firm (Mahmoud2010172).

There are those who link disclosure with the state of uncertainty among the beneficiaries. They view disclosure as the extent to which the investor's uncertainty is reduced by disclosing all relevant economic data about the company, assisting the investor in making judgments and lowering his level of uncertainty about future economic events (Omneya, 2007). :78), As a result, disclosure and its connection to accounting's communication theory can be understood as a process that the economic unit uses to communicate with the outside world, with structured financial statements serving as the final product of these processes. (Omaima, 2009, 80).

The reality that outside parties frequently lack the power to force the economic unit to provide the data it needs in order to make choices gave rise to the significance of disclosure. Therefore, fair dealing in the financial market is enhanced by adequate disclosure since it gives investors equitable access to information. Consequently, it creates an environment that is favorable for investment and raises the likelihood of market expansion and success. (Cathy, et.al., 2011:99-100).

In terms of accounting disclosure kinds, there are two primary methodologies that may be used to categorize accounting disclosure: (Omaima, 2009:80)

First: The traditional or preventive disclosure approach: Financial reports provide all the information that prevents it from being deceptive to stakeholders. Although it is a conventional form of disclosure in accounting, this is the rule. Preventive disclosure is a term used to describe a strategy designed to safeguard the financial community, particularly the average investor who has little resources. Regarding the capacity to apply for information.

Second: The educational disclosure method: This approach arose from the growing significance of appropriateness, one of the primary attributes of information. Consequently, there was a change in the way that people demanded that pertinent information be disclosed so that decisions could be made. (Al-Sadiq and Obaid, 2007: 15), and some of them go to develop other classifications for disclosure, from Among them are those who classify disclosure into three types:

1. Comprehensive: This statement highlights the necessity of covering any information that might directly affect the reader and the extent to which the financial reports are comprehensive. (David, 2003:338).
2. Fair disclosure: This information focuses on providing for the requirements of each benefit party in a balanced manner (Claudia & Francesco, 2011:4).
3. Appropriate disclosure: This involves outlining the minimal quantity of accounting data that has to be included in the financial statements (Moir, 2004:12).

2-2 Information that must be disclosed in the financial statements:

The economic unit must disclose a set of data, and this data can be clarified through the following: (Qingyuan & Tielin, 2010:3)

1. The facility is required to provide notice of the accounting policies and procedures that were followed in the preparation of its financial statements, as well as any modifications that have been made to them. This notice may be provided in the financial statements' body, in the margins, between parenthesis, or in a statement attached to the statements.
2. Important events that occur between the date of the general budget and the date of completion of preparing the financial statements, which require or do not require an amendment to these statements, must be disclosed in detail, with a statement of their significant impact on the results of the current year and the subsequent period(s).
3. All unusual items, and items of previous periods, that affect the income of the current period must be disclosed in separate paragraphs in the financial statements, with adequate and appropriate explanations given in the statement of explanations in the margins.
4. Any lawsuits filed against or in favor of the facility, or any disputes or disagreements with legal parties that would significantly affect the results of the facility's business or its financial position, should be disclosed, as well as cases of abuse or misuse of the facility's funds that occurred during the year and the actions taken. About it.
5. All transactions, relationships, and interests with close parties must be disclosed, including (Walid, 2010:26):
   a. Other institutions and units that are under the direct control of the facility.
   b. Other institutions and units that are subject to incomplete control.
   c. Individuals or institutions who have a share in the entity's capital in a way that enables them to significantly influence its decisions.
   d. The facility's main administrators, and their family members and relatives up to the second degree.

2-3 Factors affecting financial transparency :

Many factors influence the level of disclosure in financial reports; these can be broadly categorized into three categories: those that are related to the society in which the financial reports are prepared, those that are related to the financial information that needs to be disclosed, and those that are related to the economic unit: (Walid, 2010:26)

1. Environmental factors: In order to compare economic units and assess each one's social responsibility, financial reports from different countries vary due to environmental changes and their effects on the project.
2. Information-related factors: The information disclosed and the availability of several attributes to assess its effectiveness determine the extent of disclosure in financial reports. The most crucial of these is that the information must be appropriate for the decisions that the majority of its beneficiaries will make.
3. Factors related to economic unity: These factors are related to economic unity as follows: (Abdul Malik, 2007: 66)

a. Project size: Accurately and promptly compiling and extracting accounting information necessitates direct expenses from creating the financial statements as well as indirect costs from disclosing all project details to rival businesses.
b. The number of shareholders: When there are more shareholders, more information needs to be revealed.
c. The external auditor: The external auditor reviews the company's financial statements and influences the level of disclosure by adhering to generally accepted accounting principles and concepts or by following the standards set out by the association that he represents.

4. The political system: This element significantly affects accounting as the system's design is a reflection of political objectives and ideas. Political stability undoubtedly has a significant impact on both the kind of political system and the commercial movement, which in turn impacts the creation of financial accounts, i.e. what we mean by the type of system, socialist or capitalist. The balance of payments must be monitored through its drawn-up plans in order to approve its investments and establish large commercial and industrial activities, while units in socialist countries may demand a statement of the social impacts of their products or services. Some researchers in the field of accounting believe that the political dimension in accounting refers to the parties with pressure in accounting. Such as standards councils and instructions of ministries and professional bodies (Al-Khatib, 2017: 28).
5. Social climate: This component refers to society's perspective on the economic unit, or the degree to which people's intellectual convictions impact the way in which the economic unit is decided upon and, therefore, how they feel about the unit. The degree of transparency in the financial statements, whether raised or lowered, reflects the views of the consumers of the statements. People in the society do not question the economic unit for the specifics it adheres to because they support it and want to invest in it, buy its goods, or use its services. However, if there is investment and the amount of it of confidence in the economic unit decreases for some reason, then its financial policies and the reason for this is an increase in their confidence in the unit. Accounting with the aim of reassuring them about their money (Matar, 2013: 27).

2-4 The connection between stock price and accounting transparency and how that relationship affects market value :

The relationship between accounting disclosure and stock price can be clarified through the ability to meet users' needs and thus influence the stock price, as follows: (Philip, 2011, 205)

First: The identification of the accounting information by the user: Since different users interpret accounting information differently, it was necessary to prepare the information by creating a single report. The identification of the accounting information by the user would know or determine the characteristics that must be available in that information in terms of form and content. Depending on several requirement models or providing a single financial report that satisfies user demands.

Second: Identifying the purposes for which accounting information is used: Even though the financial statements may not satisfy all of these users' information needs, identifying the purposes for which accounting information is used will enable the user to gain from the information and enable him to anticipate and assist some of them in making decisions. These consumers do, however, share some demands. The majority of the information demands of other users of the economic unit will be satisfied by financial statements that cater to investors who take capital risks.

The administration of the facility is largely in charge of creating and presenting the financial accounts. Even though management has access to additional financial and administrative data that helps it carry out its fundamental duties in the areas of planning, decision-making, and control—and consequently contribute to an increase in the share price—it is still concerned with the information in the financial statements. In order to satisfy its own needs, the firm believes that management is capable of deciding on the structure and substance of this supplementary information. that management uses regarding the financial position and evaluating the performance and changes in the financial position of the facility, which reflects positively on the market value of this facility (Moiri200413).

The American Association of Accountants (A.A.A.) and the American Institute of Certified Public Accountants (AICPA) have a same perspective in this regard. In one of its reports, the Association used the following wording to convey its position on this matter: Accounting information must be revealed, and the quantitative norm that establishes the amount or quantity of such disclosure might be called materiality. The qualitative criteria of appropriateness is thought to establish the type or nature of accounting information that has to be reported as well as the primary use of this information. (Matari2013122).

Proper timing of the disclosure method is also necessary for effective accounting information disclosure. The timely release of accounting information assists the decision-maker, which is why the Accounting Principles Board has highlighted the importance of this phase in the disclosure process. A delay in providing the beneficiary with information might affect his choice to support a growth in the share price and, as a result, optimize the market value (Tawfiq, 2009: 33).

The third subject is the research's application.

3-1 The research sample and population, as well as the statistical techniques employed :

Those employed by Iraqi joint stock companies—financial managers, managers of the General Authority for Investment and Free Zones and the General Authority for Financial Supervision, accountants in the Central Auditing Organization, and accountants listed in the General Authority for Financial Supervision register—represent the research community. Given that the research population is divided into four unique and fluctuating groups, the researcher employed a natural random sample technique.

Additionally, the allocation technique was employed to divide the research sample among the study categories in accordance with the community's class size. There were eight unanswered questions out of 100 questionnaires that were sent. The research sample is allocated among the four categories in the following table, which also shows the response rates for each group independently.

3-2 Testing research hypotheses :

The following five questions will be used to evaluate the study hypotheses in an effort to show how accounting disclosure affects stock prices and how that affects the company's market value:

3-2-1 The first question- :

This question addresses the reasons that prevent the commitment to publishing financial statements, and the answers of the study groups were 16%. However, the researcher saw it necessary to identify the reasons that prevent the publication of these models, and the answers to them were as seen in the subsequent table:

Table (1): The relative importance of the reasons that prevent the obligation to publish accounting disclosure lists

Reasons	N	Mean	Std. Deviation	Chi-Square	Sig.
The supplementary clarifications published are sufficient for users of the information	92	.15	.266	48.98	.000
Wasting time preparing it	92	.28	.877	118.11	.000
Economic infeasibility for the investment decision maker	92	.32	.566	183.12	.000
Most of the companies registered on the stock exchange are family-owned	92	.18	.233	115.78	.000

The accompanying chart makes it evident that the research groups have a number of justifications for not publishing these lists. Chi-Square was used to organize them. From their perspective, the first reason was that the financial statement consumers could find adequate clarifications in the published material, and the fourth reason reflected that: the investment decision maker did not find it economically feasible.

3-2-2 The second question- :

In order to prevent a drop in the share price, the Authority published these lists for the reasons listed in the accompanying table, which are addressed in this question:

Table (2): The relative importance of the reasons that prompted the Authority to publish accounting disclosure lists

Reasons	N	Mean	Std. Deviation	Chi-Square	Sig.
increases the degree to which accounting policies are applied and their clarity	92	1.77	.766	108.23	.000
It reveals the credibility of the company's dealings	92	1.15	.456	72.09	.000
Indicates compliance with accounting measurement and disclosure requirements	92	1.43	1.235	27.12	.000
Reveals management's predictions for the future	92	1.44	2.675	91.26	.000

The table above makes it evident that the Authority published these lists based on a set of criteria, which were ranked using Chi-Square. From the perspective of every research category, the first reason was that it shows adherence to the presentation, measurement, and accounting disclosure standards; the fourth reason is that it raises the level and clarity of policy execution. Bookkeeping.

3-2-3 The third question- :

The reasons behind the lack of commitment to disclose the auditor's report checklist on the financial statements are discussed in this question. The study categories' responses to it were 12%. Nevertheless, the researcher made the decision to determine the obstacles preventing the list's publishing, and the results are displayed in the following table:

Table (3): The relative importance of the reasons for non-compliance with publishing the auditor's report checklist

Reasons	N	Mean	Std. Deviation	Chi-Square	Sig.
The degree of market efficiency is not affected by the auditor's report	92	.12	.324	137.26	.000
Most auditors' reports are unqualified	92	.22	.534	211.36	.000
Not mentioning the reasons for the difference in pricing and cost measurement methods	92	.15	.642	214.05	.000
Most audit reports do not contain comments on management reports	92	.13	.514	214.34	.000

The preceding table makes it evident that the research groups have a number of justifications for not publishing this list. The arrangement was based on Chi-Square. From their combined perspective, the initial explanation was as follows: The name of the current audit office's foreign correspondent has a greater influence on market efficiency than the auditor's report does. Fourth: The majority of audit reports don't include management report commentary.

3-2-4 Fourth question- :

This question addresses the reasons why the Authority called for the necessity of publishing the auditor's report checklist on the lists. The answers of the study groups to it were 74%. In order to identify the reasons under which the study groups agreed to publish that list, the answers to it were as shown in the following table:

Table (4): The relative importance of publishing the auditor's report checklist on the financial statements

Reasons	N	Mean	Std. Deviation	Chi-Square	Sig.
It indicates the extent of commitment to disclosure of legislation and the degree to which the business complies with them	92	1.23	1.213	35.29	.000
It clarifies the auditor's duty to reveal the accounting rules and the methods of estimate and assessment used	92	1.98	.334	12.02	.000
It indicates the auditor's commitment to comment on all Board of Directors reports	92	3.45	1.123	129.52	.000
Draws the reader's attention to giving reasons for the qualified observer's report	92	1.43	1.453	87.98	.000

The table above makes it evident that the Authority published this list based on a number of factors, all of which were ranked using Chi-Square. From the perspective of every research category, the initial explanation was: It shows the auditor's dedication to sharing the accounting rules, estimate and assessment techniques used, the degree of disagreement with regard to them, and the methodology for calculating the cost. Revenue recognition serves as the fourth justification as it demonstrates the auditor's pledge to provide commentary on all Board of Directors reports.

3-2-5 The fifth question- :

The reasons why businesses are unable to disclose financial and non-financial information in accordance with international standards of openness and integrity are discussed in this question. Although 11% of the study categories' responses were received, the researcher chose to determine the following factors as barriers to this:

Table (5): The relative importance of the reasons that prevent companies from adhering to transparency rules when publishing financial statements

Reasons	N	Mean	Std. Deviation	Chi-Square	Sig.
Because the majority of businesses utilize accounting procedures that result in the publication of false information to investors	92	.18	.245	89.05	.000
Companies' failure to adhere to the rules of governance and audit committees makes them far from international transparency and integrity rules	92	.13	.897	21.37	.000
Companies fear that expanding transparency and displaying more information will negatively affect the value of the stock in the market	92	.23	.665	66.18	.000
In order to protect owners' rights, society's corruption hinders the release of accounting data and information with some openness.	92	.09	.221	28.37	.000

The above table makes it evident that there are a number of reasons why research groups disregard international standards of transparency and integrity when releasing financial statements. These reasons include the fact that the majority of businesses use accounting procedures that result in the disclosure of information to investors that is misleading, such as high net profits that are realized before interest and taxes are deducted, or emergency profits that are deemed extraordinary activities. The fourth reason is because: organizations that disregard audit committee and governance guidelines are a long way from the next factor that boosts the company's market value. This is because:

1. Companies' commitment to the rules of governance and audit committees brings them very close to the rules of international transparency and integrity and adequate disclosure of accounting information.

2. Expanding transparency and displaying more information in a way that improves the value of the stock in the market and thus helps increase the value of the company from the point of view of customers and shareholders.

Section Four: Recommendations and conclusions

4-1 Conclusions :

1. Accounting disclosure is the process of giving consumers access to accounting data and information in a way that is full, accurate, and suitable in order to assist them in making.
2. A variety of factors, including those pertaining to the environment, financial information, and the economic unit, influence the level of transparency in financial reports..
3. Due to its impact on investment decisions and ability to promote the idea that the economic unit is responsible for social responsibility, adequate disclosure is employed more frequently.
4. The management is in charge of creating and presenting the financial statements as they are interested in having the right data for planning, controlling, and making decisions, all of which contribute to increasing the share price of the firm.
5. The information utilized by management is the primary source of the published financial statements, which has a favorable impact on the economic unit's market value.

4-2 Recommendations :

1. The need that businesses commit to providing accounting disclosure models due to their unique significance in raising transparency and, thus, improving market efficiency.
2. The need that financial institutions doing business in Iraq disclose financial statements in accordance with global standards of openness and honesty.
3. Focusing on educating managers on professional behavior guidelines, accounting and auditing standards, and improper accounting techniques in order to spot signs of financial statement manipulation.
4. Starting programs for ongoing professional development to improve the standing of the accounting and auditing fields and striving to give users the necessary information.
5. Being mindful of the proper disclosure of accounting data as it influences investors' choices in a way that raises the economic unit's market value.

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