

Adapting Accounting Disclosure of Sustainable Financial Information by the IFRS-S Requirements

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ABSTRACT

The primary objective of this study is to assess the extent of accounting disclosure pertaining to sustainable financial information in accordance with IFRS-S adaptation criteria. The research involved employees from the financial and accounting departments of enterprises within the Iraqi telecommunications sector, employing a descriptive analytical approach. The study sample comprised 225 individuals, demonstrating a high level of adaptation to accounting disclosure of sustainable financial information in accordance with IFRS-S, with a mean of 4.166 and a standard deviation of 0.758. This finding addresses the primary research question. The study emphasized the importance of promoting the adoption and implementation of international financial and accounting standards across all institutions in the Republic of Iraq. It is essential to establish a suitable work environment that enhances the capacity of institutions in the Republic of Iraq to effectively implement international financial and accounting standards. Additionally, specialized universities and colleges must prioritize the development of curricula and study programs aligned with these standards, thereby improving the ability of students and graduates to fulfill labor market demands.

Keywords: adapting accounting disclosure, sustainable financial information, IFRS-S

INTRODUCTION

In contemporary times, the accounting profession has evolved beyond its traditional function of recording and categorizing economic events. Instead, it has assumed the role of an accounting information system. This system acquires and presents essential information to relevant institutions and parties. To achieve uniformity in accounting systems, it is imperative to establish legal legislation and approved standards for the disclosure and presentation of financial information. Owing to the global economic developments, those with an interest in the accounting profession recognized the need of establishing accounting standards for the measurement, disclosure, and presentation of financial statements (Abdul Latif, 2013). Accounting disclosure serves as a fundamental cornerstone for all stakeholders and entities associated with the organization, especially investors. Investors obtain information via disclosure to inform their economic decisions and improve their suitability and effectiveness. The economic unit is typically defined by essential information that influences the decisions of informed users of reports, thereby promoting optimal consistency in market operations. However, the accounting disclosure did not meet the expectations of stakeholders requiring information and data related to social and environmental responsibility (AL Abdullah et al., 2023). Consequently, the range of information disclosed has broadened to encompass financial elements as well as other factors that demonstrate the company's commitment to social and environmental concerns, as well as its efforts to enhance its workforce and contribute to the community it serves. The company's focus is on the information provided, including financial statements and supplementary presentations, such as marginal notes and details regarding

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events occurring after the preparation of these statements. The conventional perspective on disclosure is centered around safeguarding investors with limited understanding of financial information. This perspective aligns with the modern approach to financial information disclosure, which is oriented towards educational disclosure. The objective is to provide users with the necessary and accurate information to make informed investment decisions. Hence, it encompasses users simultaneously. Disclosure is an essential need for the establishment and administration of effective financial markets. These markets are generally overseen by professional or governmental entities that require corporations to adhere to the fundamental regulations set by the profession. Thus, its significance has grown in tandem with the growing requirement of joint-stock businesses for funding via financial markets and stock and bond exchanges, so enhancing the credibility of published financial statements for both internal and external stakeholders (Al-Waqqad, 2011).

After the Industrial Revolution and the emergence of public joint-stock companies with the need for accurate accounting information suitable for all needs emerged. This information can only be provided through financial statements that represent the outputs of the accounting system. There is a consensus among specialists on the necessity of sufficient disclosure of information, as accounting disclosure requires that financial reports be designed and prepared to contain sufficient data and information that make them useful, beneficial and not misleading to users of financial statements. This means that international financial reports must include all important information that shows the organization in a way that expresses its real situation in light of the surrounding environmental conditions (Ansari et al., 2022). Therefore, international accounting bodies began to search for an alternative to cover these existing gaps, and the most important of these bodies was the International Accounting Standards Committee between 1973 and 2001, after which it was replaced with a new name, the International Accounting Standards Board, which took upon itself the task of amending and developing all international accounting standards, which paved the way for the emergence of what is called financial reporting standards or what is called financial information standards IFRS. Accounting disclosure is a crucial accounting concept and practice that enhances the value and usefulness of accounting data and information reported in financial statements, as well as judgments on resource exploitation (Gupta et al., 2022). The adjustment of accounting disclosure directly improves the effectiveness of economic resource utilization and allocation. The main aim is to fulfill the informational requirements of users of financial statements in compliance with international financial reporting standards. Consequently, experts in accounting acknowledged the necessity of developing accounting standards to ensure the disclosure and presentation of financial information in financial statements. This study aims to assess the degree of alignment between accounting disclosure for sustainable financial information and the criteria set by IFRS-s. The Main question: What is the level of adaptation of accounting disclosure of sustainable financial information according to the requirements of IFRS-s? in addition, the this should be unveil the following:

1. What is the level of adaptation of accounting disclosure of economic financial information according to the requirements of IFRS-S?
2. What is the level of adaptation of accounting disclosure of social financial information according to the requirements of IFRS-S?
3. What is the level of adaptation of accounting disclosure of environmental financial information according to the requirements of IFRS-S?

Moreover, the study's significance lies in the influential function of accounting disclosure in providing a transparent representation to the recipients of financial statements and enhancing credibility. It also underscores the need of implementing international accounting standards and the imperative to enhance accounting disclosure of financial information in response to the growing concern for stricter control over corporations. This concern arises from the global

financial crises, as well as the collapse and bankruptcy of numerous banks and major corporations caused by fraud and manipulation of their budgets and accounts. Furthermore, the lack of fairness and transparency in the accounting information disclosed in financial statements and reports further compounds the significance of this study.

THEORETICAL FRAMEWORK

Accounting Disclosure

The concept is about illustrating all relevant information that could influence the decision-maker's stance on the accounting unit. This indicates that the information is presented in the accounting statements and reports using a clear and unambiguous language that is comprehensible to the reader. The financial reports contain all the essential information required to provide the user of these reports with a precise and accurate representation of the accounting unit (Sharaf Al-Din, 2023). Financial reporting involves the organized presentation of financial information, encompassing both quantitative and descriptive data, within financial statements, as well as in accompanying notes and supplementary tables, at appropriate times. This guarantees that the financial statements are accurate and appropriate for external parties with the necessary authority to access the company's records. Some also point out that accounting disclosure is providing users of financial reports with a clear picture of the company's activities by including those reports on the company's economic activities as well as information about its social activities so that users of those reports can make their decisions on sound grounds (Abdul Rahim, 2004).

By reviewing the previous definitions of the different opinions of the scientific concept of accounting disclosure, it can be said that the previous definitions have all merged into one idea, to ultimately form the birth of the scientific concept of accounting disclosure (Nanda et al., 2024). Thus, accounting disclosure is one of the accounting policies that help achieve the objectives of the financial statements, which are represented in providing the necessary data to users of financial information.

International Financial Reporting Standards (IFRS)

(IFRS) comprise a framework of accounting regulations established by the (IASB) aimed at enhancing the reliability, transparency, and comparability of financial statements worldwide, nearly one hundred countries have adopted international standards, including the European Union. (IAS) are frequently conflated with International Financial Reporting Standards (IFRS), the latter of which were implemented in 2000 to facilitate the comparison of financial performance among listed companies on a standardized international framework. These standards focus on the preparation of financial reports and the provision of consistent final reports to facilitate comparison among companies for investors. This illustrates the importance of international accounting standards in investment decision-making processes (Arora et al., 2022).

These standards are regarded as a fundamental element of international accounting standards. The Securities and Exchange Commission (SEC) aims to transition from generally accepted accounting principles (GAAP) to global financial reporting standards for all investment and non-profit organizations, extending beyond publicly traded firms (Al-Hadi, 2020).

Types of Accounting Disclosure

Full disclosure pertains to the completeness of financial reports and the importance of incorporating information that significantly impacts the reader's understanding. Full disclosure requires that financial statements directed to the general public be prepared and designed in a

way that accurately reflects all the events and material financial facts that affected the entity during the period (Khamis, 2000).

Sufficient disclosure: The minimum amount of information that must be disclosed in a way that does not make the financial statements misleading, i.e. no material information or information of benefit to the average user should be deleted, concealed or hidden. Sufficient disclosure is considered one of the most common types in use.

Fair disclosure: It is the balance between the various beneficiary parties without bias towards the interests of one party over the other. This disclosure includes an ethical goal of providing equal or parallel information to all potential readers (Lutfi, 2007).

Importance of International Financial Reporting Standards (IFRS)

- **Preparing financial reports for the first time:** The importance of international accounting standards lies in making financial reports clear and comparable, so this standard is concerned with all guidelines related to preparing financial statements.
- **Share-based payment:** The standard clarifies all accounting treatments and measurement principles for share-based payment transactions.
- **Business combinations:** It replaces International Standard No. (22) to specify the method of purchase, the cost of integration, and the recognition of assets and liabilities.
- **Insurance contracts:** It clarifies the basics of accounting for insurance contracts, preparing their financial reports, and the related disclosure requirements.
- **Non-current assets:** It replaces International Standard No. (25) to measure assets held for sale or discontinued operations (Al-Saeed, 2022).

METHODOLOGY AND DISCUSSION

The present investigation made use of the analytical method, which is a statistical approach that was utilized in the process of evaluating the research data obtained from the questionnaire survey in order to accomplish the goals of the research. This study will employ various statistical methods, such as the Alpha coefficient, frequencies, percentages, mean, standard deviation, relative weight, and Pearson correlation coefficient, to analyze data collected from the questionnaire using the SPSS23 software. Every single person who works in the accounting and finance divisions of Iraqi telecommunications businesses is a member of the current study community. The data for the study were collected through the use of the straightforward random sampling approach. The total number of people who participated in the study sample reached 225, and they were the ones who responded to the questions on the internet questionnaire form. The field study will utilize an electronic questionnaire form as a research tool. The questionnaire will be developed by formulating its axes and items, drawing on the theoretical framework of the study and relevant prior research related to the topic. The research instrument employed a five-point Likert scale to address the questions posed. The correlation coefficients were calculated to determine the extent to which the research instrument demonstrated internal homogeneity among its components, thereby validating the questionnaire's validity.

Table 1: Correlation phrase the questionnaire

Phrases	Correlation coefficient	P-value
Economic financial information		
Adapting accounting disclosure contributes to developing the company's ability to plan properly, which helps achieve the highest possible productivity rates	**0.228	0.001
Adapting accounting disclosure contributes to increasing the company's ability to adapt to all local and global economic and financial changes.	0.461**	0.000
Adapting accounting disclosure contributes to developing the level of administrative performance within the company	0.455**	0.000
Adapting accounting disclosure contributes to increasing the company's ability to confront and solve many problems	0.430**	0.000
Adapting accounting disclosure contributes to increasing the company's ability to obtain more financial resources and increase its financing capacity.	0.465**	0.000
Adapting accounting disclosure contributes to increasing the company's ability to benefit from technological development and progress	0.487**	0.000
Adapting accounting disclosure contributes to increasing the company's ability to invest in infrastructure efficiently and effectively	0.589**	0.000
Social financial information		
Adapting accounting disclosure contributes to defining the company's role in environmental protection programs and reducing the waste of natural resources	0.429**	0.000
Adapting accounting disclosure helps the company shed light on the donations and aid it provides to charitable and social institutions	0.570**	0.000
Adapting accounting disclosure helps the company increase the support provided to research and development programs to increase the quality of services provided	0.653**	0.000
Adapting accounting disclosure contributes to defining the company's role in providing the necessary support for projects to care for people with special needs	0.682**	0.000
Adapting accounting disclosure contributes to defining the extent to which the company's message and goals are consistent with the goals and values of society	0.629**	0.000
Adapting accounting disclosure helps the company increase its ability to conduct a periodic assessment of its social performance towards the external community	0.664**	0.000
Adapting accounting disclosure helps the company provide safe and comfortable conditions for its employees	0.696**	0.000
Environmental financial information		
Adapting the accounting disclosure of environmental costs contributes to making changes in the methods of preparing accounts and statements	0.773**	0.000
Adapting the accounting disclosure of environmental costs requires developing the accounting system used	0.691**	0.000

Adapting the accounting disclosure of environmental costs requires the existence of an advanced financial environment	0.633**	0.000
Adapting the accounting disclosure of environmental costs contributes to reducing loss or damage from production	0.669**	0.000
Adapting the accounting disclosure of environmental costs helps to increase the awareness and understanding of corporate management of environmental issues	0.738**	0.000
Adapting the accounting disclosure of environmental costs contributes to making decisions that improve environmental performance	0.572**	0.000
Adapting the accounting disclosure of environmental costs contributes to improving the quality of products and reducing environmental impacts	0.696**	0.000

All correlations for the phrase the questionnaire was statistically significant in 0.01 and the tool has structural validity.

Reliability Study Tool

Table 2: Reliability questionnaire

Dimension	Alpha Cronbach	Number of elements
Economic financial information	0.688	7
Social financial information	0.815	7
Environmental financial information	0.884	7
Total questionnaire	0.901	21

The value of Cronbach alpha for all study tools is high and the study tool is high reliability.

Personal Data

Table 3: Sample according to personal data

	Categories	N	%
Gender	Male	168	74.7
	Female	57	25.3
Age	Less than 30 years old	45	20.0
	From 30 to less than 40 years old	119	52.9
	From 40 to less than 50 years old	36	16.0
	50 years old and over	25	11.1
Academic qualification	High school	21	9.3
	Bachelor	149	66.2
	Master	46	20.4
	PhD	9	4.0
Duration of work experience	Less than 5 years	51	22.7
	From 5 years to less than 10 years	108	48.0
	From 10 years to less than 15 years	39	17.3
	15 years and over	27	12.0

Answering the Study Questions

1. *What is the level of adaptation of accounting disclosure of economic financial information according to the requirements of IFRS-S?*

Table 4: Phrases of economic financial information

No.	Phrase	Mean	S. D	Relative weight	Degree	Arrangement
1	Adapting accounting disclosure contributes to developing the company's ability to plan properly, which helps achieve the highest possible productivity rates	4.053	0.632	0.811	High	5
2	Adapting accounting disclosure contributes to increasing the company's ability to adapt to all local and global economic and financial changes.	4.387	0.711	0.877	Very High	4
3	Adapting accounting disclosure contributes to developing the level of administrative performance within the company	4.440	0.699	0.888	Very High	2
4	Adapting accounting disclosure contributes to increasing the company's ability to confront and solve many problems	3.773	0.948	0.755	High	7
5	Adapting accounting disclosure contributes to increasing the company's ability to obtain more financial resources and increase its financing capacity.	3.853	0.936	0.771	High	6
6	Adapting accounting disclosure contributes to increasing the company's ability to benefit from technological development and progress	4.600	0.543	0.920	Very High	1
7	Adapting accounting disclosure contributes to increasing the company's ability to invest in infrastructure efficiently and effectively	4.400	0.634	0.880	Very High	3

The 4-expression in the economic-financial information axes was very high and the 3-expression in the economic-financial information axes was high, it showing a very high level of adaptation of accounting disclosure of economic financial information according to the requirements of IFRS-S where the mean is 4.215 and S.D 0.729, which answers the first question of the study.

2. What is the level of adaptation of accounting disclosure of social financial information according to the requirements of IFRS-S?

Table 5: Phrases of social financial information

No.	Phrase	Mean	S. D	Relative weight	Degree	Arrangement
1	Adapting accounting disclosure contributes to defining the company's role in environmental protection programs and reducing the waste of natural resources	4.267	0.681	0.853	Very High	2
2	Adapting accounting disclosure helps the company shed light on the donations and aid it provides to charitable and social institutions	4.347	0.889	0.869	Very High	1
3	Adapting accounting disclosure helps the company increase the support provided to research and development programs to increase the quality of services provided	4.147	0.892	0.829	High	7
4	Adapting accounting disclosure contributes to defining the company's role in providing the necessary support for projects to care for people with special needs	4.227	0.795	0.845	Very High	3
5	Adapting accounting disclosure contributes to defining the extent to which the company's message and goals are consistent with the goals and values of society	4.160	0.714	0.832	High	5
6	Adapting accounting disclosure helps the company increase its ability to conduct a periodic assessment of its social performance towards the external community	4.147	0.745	0.829	High	6
7	Adapting accounting disclosure helps the company provide safe and comfortable conditions for its employees	4.173	0.791	0.835	High	4

The 3-expression in the social-financial information axes was very high and the 4-expression in the social-financial information axes was high it showing a very high level of adaptation of accounting disclosure of social financial information according to the requirements of IFRS-S where the mean is 4.210 and S.D 0.787, which answers the second question of the study.

3. What is the level of adaptation of accounting disclosure of environmental financial information according to the requirements of IFRS-S?

Table 6: Phrases of environmental financial information

No.	Phrase	Mean	S. D	Relative weight	Degree	Arrangement
1	Adapting the accounting disclosure of environmental costs contributes to making changes in the methods of preparing accounts and statements	4.253	0.636	0.851	Very High	1
2	Adapting the accounting disclosure of environmental costs requires developing the accounting system used	4.120	0.784	0.824	High	3
3	Adapting the accounting disclosure of environmental costs requires the existence of an advanced financial environment	4.000	0.750	0.800	High	4
4	Adapting the accounting disclosure of environmental costs contributes to reducing loss or damage from production	3.987	0.810	0.797	High	6
5	Adapting the accounting disclosure of environmental costs helps to increase the awareness and understanding of corporate management of environmental issues	4.040	0.758	0.808	High	5
6	Adapting the accounting disclosure of environmental costs contributes to making decisions that improve environmental performance	3.947	0.783	0.789	High	7
7	Adapting the accounting disclosure of environmental costs contributes to improving the quality of products and reducing environmental impacts	4.173	0.791	0.835	High	2

The 1-expression in the environmental-financial information axes was very high and the 6-expression in the environmental-financial information axes was high it showing a high level of adaptation of accounting disclosure of environmental financial information according to the requirements of IFRS-S where the mean is 4.074 and S.D 0.759, which answers the third question of the study.

It is clear from the above that there is a high level of adaptation of accounting disclosure of sustainable financial information according to the requirements of IFRS-S where the mean is 4.166 and S.D 0.758, which answers the main question of the study.

CONCLUSION

The study reached a set of results, which are as follows: (1) the very high level of adaptation of accounting disclosure of economic financial information according to the requirements of IFRS-S where the mean is 4.215 and S.D 0.729, which answers the first question of the study; this result is consistent with the result of the studies by Makhlouf (2014), and Gassen and Sellhorn (2006); (2) the very high level of adaptation of accounting disclosure of social financial information according to the requirements of IFRS-S where the mean is 4.210 and S.D 0.787, which answers the second question of the study; (3) the high level of adaptation of accounting disclosure of environmental financial information according to the requirements of IFRS-S where the mean is 4.074 and S.D 0.759, which answers the third question of the study; and (4) the high level of adaptation of accounting disclosure of sustainable financial information according to the requirements of IFRS-S where the mean is 4.166 and S.D 0.758, which answers the main question of the study; this result is consistent with the result of the studies by Makhlouf (2014), Al-Jabali (2020), and Gassen and Sellhorn (2006). The study recommends work to spread the culture of using and applying international financial and accounting standards in all institutions operating in the Republic of Iraq, focus on establishing a work environment that is conducive to the efficient and effective application of international financial and accounting standards, thereby enhancing the capacity of institutions operating in the Republic of Iraq to capitalize on these standards, by supplying all the necessary capabilities and requirements, we are striving to preserve the exceptional level of application and utilization of international financial and accounting standards in telecommunications sector companies, expanding the conduct of research and studies related to the efficient and effective application of international financial and accounting standards and their effects on performance levels and the necessity for specialized universities and colleges to concentrate on the development of curricula and study programs that are in accordance with international financial and accounting standards, thereby enhancing the capacity of students and graduates to meet the demands of the labor market.

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