

Explaining the Effect of Integrated Business Model Disclosure of the Quality and Usefulness of Accounting Information with the Mediating Role of the Corporate Characteristics¹

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Research Paper

INTRODUCTION

Integrated business model reports have been widely appreciated and welcomed in most countries of the world. In many countries, there is serious support in this regard from professional accounting and auditing institutions. Integrated Business Model (IBM) reporting has faced increasing concerns as large companies move from traditional functional reports that highlight financial indicators to more integrated reporting that shows all aspects of the business model. As the International Integrated Reporting Council (IIRC) emphasizes the importance of the business model, it expresses it as the cornerstone of financial reporting and introduces the business model of each company as the core of the company. (Hakmat, 2020). This research has tried to improve the quality of financial reporting by disclosing the business model report and its impact on the theoretical concepts of reporting, and by reducing information asymmetry and information transparency, special attention has been paid to improving and increasing the value of accounting information and the usefulness of this information.

THEORETICAL FOUNDATIONS OF RESARCH

Despite the development of the conceptual framework of financial reporting, this framework has not yet met some of the requirements of financial reporting and the ability to guide companies to provide

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appropriate information in terms of creating value for investors and supporting the development of accounting standards. The European Financial Reporting Advisory Group (EFRAG) in its official statement on the role of the business model in financial reporting in 2013, examined the relationship between the reporting model based on IFRS and the qualitative characteristics of accounting information in the conceptual framework of the International Accounting Standards Board, as well as examining various opinions, finally gave its opinion. Confirmed the existence of a relationship between business models and the qualitative characteristics of accounting information. The role of business model disclosure in increasing the predictive power of accounting information (usefulness of information) The International Integrated Reporting Council (IIRC) has emphasized that the purpose of these reports is to improve the quality of information available to capital providers to optimize the allocation of resources more efficiently and effectively and increase the value of the company. (IIRC, 2013). Today, management responsibilities take many forms and tasks, especially in providing stakeholders with information related to decision-making.

According to this last case, it seems that the predictive power of accounting information and company value is important in adopting the integrated report of the business model according to the various studies conducted.

THE IMPORTANCE AND NECESSITY OF THIS RESEARCH

In recent years, a broad conceptual debate has been raised about whether financial statements based on business models have the qualitative characteristics of accounting information in the conceptual framework of the IASB or not among experts and different groups such as European Financial Consulting, as well as professional and academic researchers and experts. Therefore, the present research is of special importance by examining the status of existing companies in Iran's environmental conditions regarding the mentioned topic.

AIMS OF RESEARCH

The main goals of this research according to its topic, i.e. explaining the effect of business model disclosure on the qualitative characteristics and predictive ability of accounting information, are described as follows:

1. Defining the business model of companies and how to disclose it.

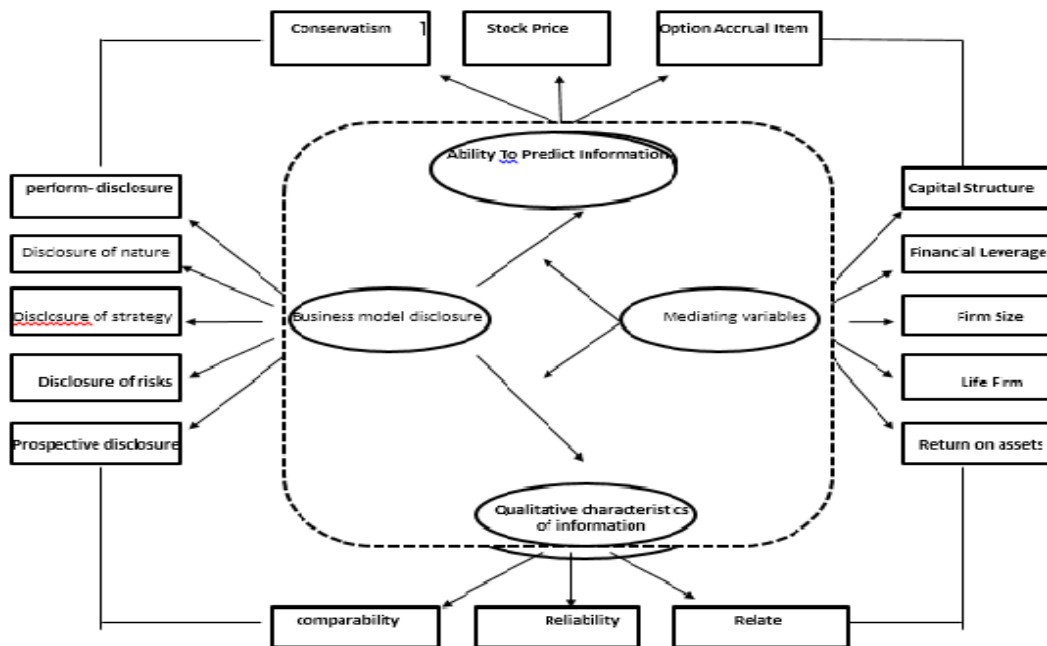
2. Support studies that examine the importance of developing a conceptual framework for financial reporting.
3. Helping the compilers of accounting standards to formulate standards subject to the requirements of disclosure of business models in financial reporting.
- 4- Helping investors and users of accounting information understand the activities of the business model of companies and how it helps them increase the ability to analyze and evaluate the performance of companies.
5. Helping companies in the construction and innovation of their business models, and how this construction and innovation can be reflected in the improvement of the financial reporting of these companies.
6. Examining the current situation of companies admitted to the Tehran Stock Exchange in terms of business model disclosure indicators.
- 7- Investigating whether there is a relationship between the disclosure of the business model and the qualitative characteristics of information in the conceptual framework of the IASB.

RESEARCH METHODOLOGY

Structural equation modeling analysis is used in research where researchers test a specific model of relationships between variables. Wu (2010). According to the presented theoretical foundations, this research tries to investigate a specific relationship between the variables of the research. The qualitative characteristics of accounting information and the ability to predict accounting information have a cause-and-effect relationship with the business model disclosure components in terms of theoretical foundations, according to some characteristics of the company. This research is one of quantitative research and post-event type. In terms of the implementation method, it is descriptive-relational and practical. In this research, the secondary data analysis method was used to collect the required data. Primary (raw) data has been collected and prepared through Excel software. Then Eviews12 software was used to check the secondary data and estimate the measurement models of each of the hidden variables and to analyze and check the research models, Smart PLS software was used in two parts: measurement model and structural model. (Syed Abbas) Zadeh et al., 2012). In this research, from the method of screening and

systematic elimination according to the criteria: financial year ending at the end of March, companies not being part of financial and leasing institutions, no change in activity or change in the financial year, the possibility of accessing the information required by the company, continuity of activity in the stock market. It has been used from the financial period of 2012 to 2019.

Table 1. Structural model and research measurement model



OVERALL MOEDEL

The overall model includes both measurement and structural model parts. By confirming its fit, checking and fitting in a model is complete. To check the fit of the overall model, the goodness of fit criterion (GOF) is used (Salehi et al., 2016).

$$GOF = \sqrt{(\text{average(communalities)} \times \text{average}(R^2))} = \sqrt{(.581 \times .539)} = .559$$

The value of communalities is extracted from the average values of shared variables of Panhad (Figure (5)). Three values of 0.01, 0.25, and 0.36 respectively show weak, average GOF index values. Therefore, the value of 0.559 indicates a strong fit for the overall research model.

Table 2. T-test of regression coefficients of direct and indirect effects

Variable	t statistic	A. Standard	Sample mean	sample amount	The significance level
Disclosure of the business model > predictive power	1.12	0.04	.051	.49	0.262
Disclosure of business model -> intermediary changes	3.53	0.03	0.121	0.11	0.001
Disclosure of business model -> qualitative characteristics	1.34	0.05	0.06	0.07	0.17
Intermediary products -> Predictive power of information	7.05	0.23	-0.23	0.22	0.001
Intermediate products -> quality characteristics	2.20	0.39	-0.09	-.08	0.028
T-test of regression coefficients of indirect effects					
Disclosure of business model -> mediating variables -> predictive power	3.12	0.008	0.02	.02	0.01
Business Model Disclosure -> Mediating Variables -> Qualitative Attributes	1.69	0.006	-0.01	-.01	0.09

TESTING THE ASSUPTIONS OF THE STRUCTURAL EQUATIONS MODEL OF THE RESEARCH

Based on the factor loadings of the research measurement models, all indicators except the comparability index are suitable criteria for measuring the hidden variables of the research. The path coefficients in Figure 1-3 indicate the lack of significant impact of the direct effects of voluntary business disclosure on the qualitative characteristics of accounting information as well as the ability to predict accounting information. However, the significant coefficients of more than 1.96 of the paths related to the indirect effects of voluntary disclosure of business models on qualitative characteristics and the ability to predict accounting information through mediating variables (company size, return on assets, capital structure, and company life) indicate a positive and significant effect. Voluntary business disclosure is based on the ability to predict accounting information. Also, the results of the research indicate that the voluntary disclosure of business through mediating variables has a negative and significant effect on the qualitative characteristics of accounting information.

DISCUSSION AND CONCLUSION AND SUGGESTION

The results of the present study show the indirect and positive effects of the integrated disclosure of business models on the ability to predict

accounting information. In other words, the integrated disclosure of business models according to the size of the company, the capital structure, the rate of return on assets, etc. increases the ability to predict accounting information. The results of Milligi and El-Ain (2020) also indicated the existence of a positive and significant relationship between the integrated disclosure of business models and the ability to predict accounting information. Also, based on the findings of the current research, the integrated disclosure of the companies' business model indirectly has a negative and significant effect on the qualitative characteristics of accounting information. Aligned with the research of Satish et al. (2018); The purpose of disclosing the business model of the companies is to provide useful information in decision-making for the users, so simply providing the information of the companies in the form of traditional accounting financial reporting may not be of importance in the decisions of investors. In their research, Satish et al.(2017) stated that providing a framework for the general theoretical foundations of integrated reporting in Iran: the necessity of reporting to develop the transparency of the economic environment of companies and better decision-making by managers and investors is undeniable. Therefore, the results of the current research, similar to the aforementioned research, indicate the need to present and disclose business models in modern financial reporting.

Keywords: Voluntary Disclosure of Business Models, Predictive Ability of Accounting Information, Qualitative Characteristics of Accounting Information.

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