

The Trend of Comparability of Financial Reporting in the Countries of Iran and the United Arab Emirates and the Effective Factors on It¹

Younes Ekhtiari², Sayyed Hossein Sajjadi³,
Mohammad Hossein Safarzadeh⁴

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Research Paper

INTRODUCTION

Capital markets, and especially efficient capital markets, play a very important role in the optimal allocation of resources because investors make decisions regarding the allocation of resources based on available information. High-quality financial reporting leads to the provision of timely, relevant, and highly transparent information and can help significantly in minimizing uncertainty. In this regard, comparability, as one of the most important qualitative features of financial reporting, increases the amount and overall quality of financial information. The Financial Accounting Standards Board believes that it is seeking more comparable global accounting standards to be consistent with the Board's core mission (Improving financial reporting for the benefit of investors and other users of financial information in the capital markets). Now the question arises that despite all the efforts to increase comparability at the international level, has this been achieved? In answer to this question, it should be checked how the process of comparability has been during the past years. With the investigations made regarding the internal research, it was determined that there has not been any research regarding the internal comparability process. Therefore, the results of this research help the compilers of accounting standards in our country to determine whether

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2. Ph.D. Student, Department of Accounting, Faculty of Management and Accounting, Shahid Beheshti University, Tehran, Iran, (younes.ekhtiari@pnu.ac.ir).

3. Professor, Department of Accounting, Faculty of Management and Accounting, Shahid Beheshti University, Tehran, Iran. (Corresponding Author). (h_sajadi@sbu.ac.ir).

4 . Associate Professor, Department of Accounting, Faculty of Management and Accounting, Shahid Beheshti University, Tehran, Iran. (m_safarzadeh@sbu.ac.ir).

their efforts in developing convergent accounting standards with international standards have increased comparability or not. The current research aims to answer this ambiguity, whether the ongoing efforts to improve the comparability of financial statements over time have increased the comparability of financial reporting or not. Also sought to answer the following basic questions:

Has the comparability of financial reporting increased over time (last 10 years) in the two countries of Iran and the United Arab Emirates? Also, have the factors affecting the comparability of financial reporting in the two countries been different or not?

MATERIALS AND METHODS

Considering that the current research has been done to investigate the trend (increase or decrease) of comparability over time and in countries with diverse economies; it is a type of developmental research. Also, because information from financial statements of companies (historical data) was used, it is a kind of post-event study. In terms of implementation method, this research is among correlational research. The first hypothesis and the third to sixth hypotheses of the research were tested based on pooled/panel regression models, and the second hypothesis was based on t-statistics with two independent samples.

The data of the present study included data from financial reports and market information of the investigated companies in the studied countries. Financial reports in the country of Iran by referring to the website of the Securities and Exchange organization (codal) and in the UAE, considering that no website provides this data for free, by referring to the website of companies and financial reports of each company was extracted. The market information in Iran was collected by referring to the website of the Tehran Securities Exchange Technology Management Company, and regarding the UAE from the website” www.investing.com”.

RESULTS AND DISCUSSION

The research findings show that during the research period, the comparability of financial reporting has increased in developing countries of Iran and the UAE. Also, the average comparability of financial reporting in Iran was significantly higher than in the UAE. Other results indicate that in the countries of Iran and the UAE, the effect of company size on the level of comparability of financial reporting was positive and significant, and on the contrary, the effect of information asymmetry on the level of comparability was negative and significant. Meanwhile, in the country of Iran, the effect of the company growth on the level of comparability was negative and significant, and on the other hand, in the UAE, the effect of the company growth on the level of comparability was positive and

significant. This indicates greater uncertainty related to new projects or growth opportunities at the same time as the growth of companies in Iran. In the country of Iran, the more profitable companies have enjoyed a lower level of comparability and, as a result, lower quality of financial reporting, while in the UAE, at the same time as profitability increases, to attract foreign investors, companies prepare accounting information with a high level of comparability and have reported.

Discussion

The most global efforts in the field of increasing comparability through the development of accounting standards have occurred during the last twenty years. This shows the role of comparability in the optimal allocation of resources and its many benefits (for example, reducing the cost of acquiring information and the cost of capital, reducing information asymmetry in the stock and debt market, etc.). In Iran, the compilers of accounting standards are trying to increase comparability by preparing convergent standards with international financial reporting standards. Therefore, in this research, the process of comparability of financial reporting in the two developing countries of Iran and the UAE during the period of 1391-1400 (2012-2021) was investigated. To determine, firstly, whether the efforts of the compilers have led to results, and secondly, according to the research of Conaway (2022), how is the growth trend of comparability in Iran compared to countries that have accepted international financial reporting standards? Be In this regard, a comparative study has been conducted with the UAE. The results of the first hypothesis show that the trend of comparability is upward and comparability has increased during the last 10 years in the two countries of Iran and UAE. This is in line with the compliance of these two countries with the common goal of the standard drafting committees, which is to use high-quality accounting standards to have a strong presence in the global capital markets. The results of the first hypothesis test indicate that the comparability is increasing, along with the development of the financial markets in both Iran and the UAE, which is to the findings of Burgstahler et al. (2006). Also, the results of the first hypothesis were somewhat in line with the results of the previous research of Conaway (2022) regarding the improvement of comparability in 36 countries with large economies.

The results of the analysis of the second hypothesis show that the average comparability of financial reporting in the developing country of Iran was higher than that of the developing country of the UAE. In other words, the high quality of financial information based on the level of comparability of financial reporting in Iran promises a relatively bright future in the field of increasing the quality of financial information in our country.

Other results from the analysis of the hypotheses indicate that in the countries of Iran and the United Arab Emirates, the effect of company size on the level of comparability of financial reporting is positive and significant. However, the effect of information asymmetry on the level of comparability has been negative and significant. In Iran, more profitable companies have had a lower level of comparability and, as a result, lower quality of financial reporting, this is not in line with the research of Cassino and Gassen (2015) and Kanaway (2017). Meanwhile, in the UAE, at the same time as increasing profitability, to attract foreign investors, companies have prepared and reported accounting information with a high level of comparability, which is to the findings of previous research.

Keywords: Comparability, Financial Reporting, Factors Affecting Comparability, Developing Countries.

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