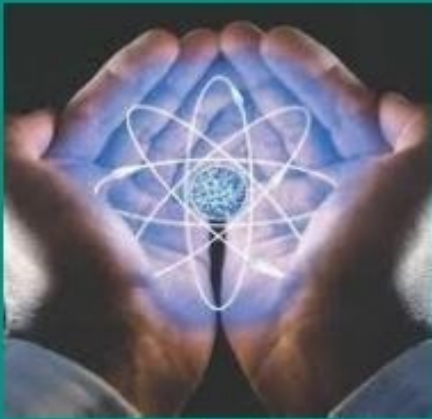

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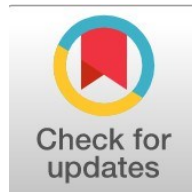
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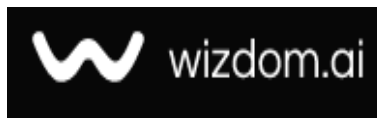
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The Dimensions of the Quality of Financial Reporting and Their Impact on The Performance and Profitability of Companies

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Abstract

Background: High-quality financial reporting is essential for ensuring transparency, reducing information asymmetry, and strengthening stakeholder confidence, yet its direct contribution to firms' financial performance remains debated. Specific Background: Prior evidence highlights varied effects of reporting quality across sectors and institutional environments, underscoring the need for sector-specific empirical validation in emerging markets such as Iraq. Knowledge Gap: Limited research has examined how reporting quality influences both performance and profitability across multiple Iraqi industries using integrated financial indicators within a multi-year framework. Aims: This study evaluates the effect of financial reporting quality on firms' performance and profitability among corporations listed on the Iraq Stock Exchange from 2020–2023. Results: Regression analysis demonstrates a strong and significant relationship between reporting quality and key performance measures (ROA, ROE, D/E ratio, current ratio, and EBIT%), with an overall model correlation of 0.692. Sectoral results show that firms with higher and stable reporting quality tend to exhibit stronger or improving profitability, whereas weak reporting quality correlates with declining performance. Novelty: The study integrates four core reporting-quality dimensions with multi-sector financial indicators, providing a holistic assessment rarely conducted in the Iraqi context. Implications: Findings emphasize the strategic value of enhancing reporting quality to improve financial outcomes and guide regulatory, managerial, and policy reforms.

Highlight :

- The content emphasizes how reporting quality influences firms' profitability through clearer and more reliable financial information.
- The analysis highlights significant relationships between reporting quality and key performance indicators across sectors.
- The findings underline that consistent, transparent reporting supports better decision-making for stakeholders.

Keywords : Financial Reporting, Financial Performance, Financial Reporting Quality, Profitability, Earnings Quality

Published date: 2025-11-20

Introduction

High quality of financial reporting plays a very important role in a company's financial performance, as it creates trust, transparency, and credibility. It helps investors, creditors, as well as suppliers, make informed decisions based on reliable and precise pieces of information. Jennifer analyzed the relationship between the quality of financial reporting and corporate performance, specifically analyzing three dimensions based on quality, conservatism, and accuracy [1]. The findings from Jennifer's research, which surveyed 1,960 non-financial firms across 25 countries from 2002 to 2010, showed that higher quality has a positive relationship with positive financial performance. For example, the research study conducted by identified the determinants of the quality of financial reporting for the Nigerian agriculture and natural resource firms quoted on the market from 2008 to 2015. The research showed that bigger, more profitable organizations have higher quality, while growth can be a negative determinant [2].

Large companies, as well as those which are more profitable, have been found to have higher quality of financial reporting compared to smaller companies, as indicated. Fast-growing companies, on the other hand, may have negative effects on reporting quality, as indicated. The results of Abd-Elnaby, Abd-Elnaby, & Hassan, showed a positive correlation between earnings quality and return on assets, as well as a negative correlation between earnings quality and earnings per share [3]. After the implementation of International Financial Reporting Standards, it was indicated, as noted that negative influences on earnings quality were brought about by profitability. This could be explained by disparities in reporting quality prior to implementation, as well as the inability to measure accurately. Finally, Ogbekor et al. identified that profitability has a significant impact on the quality of financial reporting practiced by consumer product manufacturers in Sub-Saharan Africa [4]. The authors, in agreement with Abu Hamour et al. in their research, argue that the impact of (QFR) on the quality of earnings for industrial companies is important. A survey conducted on a selected number of specialists showed a positive relationship between the quality of financial reporting and the quality of earnings in Jordanian industrial companies. In addition, correct financial reporting enables recognition of the organization's status in relation to financial position (FP) [5].

Literature Review

A. The Concept And Definition Of Financial Reporting (FR)

(FR): This refers to recording, processing, and disclosing financial information, as per international or local accounting standards, to parties not directly involved in the organization, within a pre-defined time period. The process of financial reporting has been referred to as a means of communicating truthful, authentic financial information about the organization's financial statements to stakeholders, concerning the organization's FP, to enable informed, relevant decisions among the beneficiaries [6]. The occurrence of financial crises, especially those at the end of the 20th century and the 2008 global financial crisis, has highlighted the need for unbiased, quality financial reporting. The crises demonstrated the inadequacies associated with misleading accounting information, thereby making stakeholders question the authenticity of accounting information, leading to the need for more authenticity in the disclosures of accounting statements [7].

The Accounting Standards Board (ASB), on the other hand, focuses on the quality of financial reporting, as it is one of the essential qualities of annual corporate reporting. The quality of reporting enables user interest parties to judge a company's performance as well as facilitate it to meet its financial commitments, while poor quality poses substantial threats to corporate continuity, according to Alsmady, page 513 [8]. The quality of financial reporting remains a high-priority task for stakeholders. It has become a potent instrument for communicating business activities from within to without, as a result of which parties can judge a firm's economic performance [9].

B. Financial Accounting Quality

The quality of accounting can be described based on its features. The majority of research has demonstrated that the essential factors for improving the quality of financial reporting can include the legal framework, source of finance, corporation tax framework, involvement of accounting personnel, economic development, as well as quality accounting education. High quality accounting practice increases the quality of financial statements, which eventually helps to bring down the cost of borrowing as well as have a positive impact on the market value of a corporation as it increases investors' confidence [10].

C. Quality of Financial Reporting (FRQ)

In the light of high-profile corporate crises, such as those observed in the Enron scandal as well as the scandal that rocked the telecommunication corporation WorldCom, the quality of financial reporting has become a notable point of consideration for many regulatory authorities, investors, as well as accountants. The occurrence of these crises has made apparent serious challenges envisaged within financial reporting mechanisms, thereby creating a need for more credible and transparent ways of reporting. Offering high-quality financial information has become a key requirement, as it allows investors as well as other stakeholders to make well-informed decisions about investment, lending, as well as allocation. A relationship between profitability as well as the quality of reporting has become a subject of much debate among many researchers within the past years, especially as profitability, as well as the performance of a corporation within a period expressed in accounts, has become a valuable, significant, as well as a data set point vital for determining the quality of reportage as conducted within companies. The quality of financial reporting can be considered according to the accuracy as well as the clarity of information embedded within those statements [11]. Based on the context set forward by many organizations, such as the FASB as well as SEC, notable features surrounding the quality of financial reporting include those of relevance, reliability, transparency, as well as understandability, which features are quite important in contributing towards reducing asymmetry within information. In relation to finance within corporations, the quality of reporting as well as the quality of earnings have become a notable point within finance as a means of determining a relationship founded within corporations' performativity as well as stable. Financial reporting is the primary means through which companies communicate their financial health and performance to various stakeholders, including investors, creditors, regulators, and the public. Additionally, Multiple evidence has been presented that the quality of financial reporting affects audit costs and stock market price [12]. According to the demand for financial reporting quality arises for two main reasons :

First, financial reporting reduces the pre-existing information asymmetry between managers and potential capital providers, helping them assess the company's profit potential [13].

Second, the reported information allows capital providers to monitor the use of their funds, thereby mitigating subsequent agency problems. Financial reporting quality (FRQ) is a quality related to the accuracy and transparency of financial data, reflecting a company's true economic

position. High financial reporting quality is also an essential tool for reducing the information asymmetry problem facing stakeholders.

D. Characteristics of Good Financial Reporting

The conceptual framework of the International Financial Reporting Standards emphasized the importance, reliability, relevance and timeliness of the financial information reported as follows [14]:

4.1. Relevance

It is generally agreed that the significant the value of profits, the more beneficial it is for market participants when making investment decisions . [15]

4.2. Timeliness

Timeliness in financial reporting means that the information is provided within a period in which it remains relevant. The result of releasing the information on time is positive as stakeholders can make informed decisions, bringing a positive impact on the organization's governing and transparency standards. Timely reporting of finance information enables the information to be relevant to the organization as well as useful to the decision-makers, as long as it is provided or reported in a timely fashion [16]. In contrast, the finance report would lack relevance as well as information, as it would be delayed in being submitted by the organization, thereby affecting the stakeholders as well as their decisions). Timeliness in finance reporting makes sure that finance information is conveyed in a period of time, within which it would be relevant as well as useful. Once it is supplied on a timely basis, it would be helpful in making optimal decisions on the part of the stakeholders, thereby showcasing the timeliness in finance reporting [17].

4.3. Reliability

Reliability is a cornerstone of financial reporting, as it assures users that the information presented is accurate and verifiable. Regulatory authorities and stakeholders rely heavily on the consistency and trustworthiness of reported profits to assess a company's financial integrity [18].

E. Firm Performance & Profitability

The level of financial performance is a significant indicator, which has an impact on the views held by investors. It highlights the strength of a company to make use of available resources. The impact is on a company's use of resources to be effective in generating revenue. It creates a positive impact on a company's operational sustainability [19]. The level of financial performance can be referred to as a non-financial measure. In most research studies, organizations have demonstrated a high level of transparency on their positive performance to attract investors. The view held is based on a company not being afraid to make use of positive results, such as those in the form of profit, more than negative results. In most cases, managers feel more comfortable releasing positive results than negative results. The impact is on making use of positive results to have a positive impact on stock market performance. A high level of performance relates to a variety of measures, both financial and non-financial, which measure the impact on strategic success. These indicators are typically categorized into operational performance—such as market share and product quality—and financial performance, which includes metrics like stock price, dividend payout, earnings per share (EPS), return on assets (ROA), and return on equity (ROE) Additionally, the size of the company and its economic value positively affect financial performance; therefore, a positive relationship is expected between company size, profitability, and company value. Tangible assets, represented by the ratio of fixed assets to total assets, are also an important factor in determining performance. For many companies, profitability is a measure of how successful a company is at generating profits, as well as a tool that reflects the company's operational status [20].

F. Earnings quality Concept

Earnings quality (EQ) refers to the degree to which reported profits accurately reflect a company's true financial performance, free from manipulation or aggressive accounting practices. High-quality earnings are characterized by their relevance, reliability, and consistency, enabling stakeholders to make confident assessments of a firm's operational and financial health. Traditionally, there are three measures of earnings quality: earnings management, timely loss recognition, and value appropriation. Previous studies have confirmed that lower levels of earnings management indicate higher earnings quality [21].

G. Good Corporate Governance (GGG) and Financial Reporting (FR)

Good corporate governance (GCG) aims to mitigate the agency problem, whereby management, as the holder of a mandate from shareholders, will attempt to conceal information in its possession. This is because disclosing certain information would increase the company's costs and reduce management's income.

Research Methodology

A. Study Tool Description

To measure financial performance and profitability, profitability metrics are used: return on assets (ROA), which measures a firm's efficiency in using its assets to generate revenues. return on equity (ROE), which reflects shareholders' returns on their investment in the company. Gross and net profit margins, which show a company's profitability from its sales after deducting costs. Earnings before interest and taxes (EBIT), which reflect a company's operational performance. Debt to equity, which measures the level of debt financing relative to shareholders' equity. Current ratio and cash flow from operating activities, which assess a company's ability to generate cash from its core operations. To measure the quality of financial reporting, the four basic characteristics were used, and through a list divided into several indicators. The application was applied to Iraqi firms listed on the Iraq Stock Exchange for the years. These are the lists available when preparing the research in the food industries sector, Baghdad Soft Drinks Company, the services sector, Baghdad Public Transport Company, the pharmaceutical industries sector, Al-Mansour Company, the agriculture sector, Al-Ribas Poultry Company, the construction industries sector, Al-Fallujah Company, and the communications sector, Al-Khatim Company.

B. Study of Aims

The research primarily aims to measure the effect of the quality of financial reporting on the performance and profitability of firms, and it branches from the main objective into the following:

[ISSN 2714-7444 \(online\)](https://doi.org/10.21070/acopen.10.2025.12982), <https://acopen.umsida.ac.id>, published by [Universitas Muhammadiyah Sidoarjo](https://www.umsida.ac.id)

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A. Clarifying the quality of financial reporting and its stages of development .

B. Measuring the financial performance of companies as well as their profitability.

C. Problem and hypotheses of the study

One of the most important challenges facing companies amid increasing reporting requirements is the quality of financial reporting, which reflects the accuracy, objectivity, and transparency of the financial information reported by companies in their periodic financial reports. Accordingly, the research problem arises with the following main question:

What is the influence of the quality of financial reporting on the financial performance and profitability of the company?

The main question branches into the following sub-questions:

1. To what extent is the disclosed information accurate and should it reflect the reality of financial performance without errors or manipulation?
2. To what extent is the disclosed information transparent and clearly presented, making it easy for users to understand?
3. To what extent is the disclosed financial information reliable and can it be relied upon for decision-making?
4. To what extent is there disclosure of all important financial information that could affect the decisions of stakeholders?
5. To what extent do the financial reports on the company's performance comply with local or international accounting standards?

Based on the above problem, the current study will test the following hypothesis

(a) Ho: There is no impact of the quality of financial reporting on the financial performance and profitability of companies.

(b) H1: The quality of financial reporting has an impact on the financial performance and profitability of firms.

Results

A. Measuring Study Variables

1- Dependent variables: The Return on Assets (ROA) and Return on Equity (ROE) of the company serve as indicators of its profitability. Additionally, the Debt-to-Equity (D/E) ratio and the Current Ratio, along with EBIT percentage, are also critical metrics.

B. To measure independent variables)quality of financial reporting):

In pursuit of ascertaining the quality of financial reporting (FRQ) and informed by prior scholarly work that focused on the assessment of FRQ, a comprehensive list has been formulated in Appendix (1). This list encompasses four fundamental characteristics (understandability, relevance, comparability, and faithful representation), with each characteristic comprising multiple indicators that are scrutinized through the analysis and interpretation of the financial statements of Iraqi corporations listed on the Iraqi stock exchange [22].

Table 1. Baghdad soft drinks co.

	2020	2021	2022	2023
Net Income	61158177606	53351593152	54191355352	102455106293
Total Assets	479090717476	558774374776	559513197067	642617205882
Owners' equity	427224980075	500089669664	496451521649	558951780248
liabilities	51865737401	58684705112	63061675418	83665425634
ROA	0.1277	0.0955	0.0969	0.1594
ROE	0.1432	0.1067	0.1092	0.1833
D/E	0.1214	0.1173	0.1270	0.1497
current Assets	241449865338	230313581518	195541504429	269829076009
current liabilities	51865737401	58684705112	63061675418	83665425634
Current Ratio	4.66	3.92	3.10	3.23
total revenue	417387402533.0	534076515874	679462187117	743946605589
EBIT	74699815343	64640756425	67315265091	127166861441
EBIT %	0.1790	0.1210	0.0991	0.1709
FRQ(financial reporting quality)	0.60	0.60	0.60	0.60

We note from Table (1) that the quality of reporting in Baghdad Soft Drinks Company was average at a level of 60% and constant for the years of

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DOI: 10.21070/acopen.10.2025.12982

the research sample, and the indicators of profitability and financial performance were close, except for the year 2023, when the financial performance and profitability witnessed a noticeable increase. This increase can be attributed to several strategic initiatives implemented by the company, which included enhancing operational efficiency and expanding its product line [23]. As a result, stakeholders can expect a more robust financial outlook moving forward.

Table2. Baghdad Iraq company for public transportation & real estate investment

	2020	2021	2022	2023
Net Income	1559425211	1823736506	2138057459	1936363930
Total Assets	7328947083	7212315591	8288387162	9569255269
Owners equity	4107023499	4545150812	5730818432	7697137457
liabilities	3221923584	2667164779	2557568730	1872117812
ROA	0.2128	0.2529	0.2580	0.2024
ROE	0.3797	0.4012	0.3731	0.2516
D/E	0.7845	0.5868	0.4463	0.2432
current Assets	5700264497	5382988049	4089132310	4771386723
current liabilities	3221923584	2667164779	2557568730	1872117812
Current Ratio	1.769	2.018	1.599	2.549
total revenue	2460879419.0	3020977500	3203750013	3104251289
EBIT	2316761953	2686639033	2953684406	2632900948
EBIT %	0.9414	0.8893	0.9219	0.8482
FRQ(financial reporting quality)	0.68	0.64	0.64	0.64

We note from Table (2) that the quality of reporting in Baghdad Iraq company for public transportation Company was average at a level of 64% and stable for the last three years, and the indicators of profitability and financial performance were fluctuating, and the financial performance and profitability witnessed an increase in 2021 and 2022 [24].

Table 3. AL-Mansour A therapeutic drugs and medical supplies company

	2020	2021	2022	2023
Net Income	286334887	385134823	-799720872	39190260
Total Assets	6256278476	11049836064	17126550518	19652673562
Owners equity	5754569091	10167268020	15856609393	16519535837
liabilities	501709385	882568044	1269941125	3133137725
ROA	0.0458	0.0349	-0.0467	0.0020
ROE	0.0498	0.0379	-0.0504	0.0024
D/E	0.0872	0.0868	0.0801	0.1897
current Assets	1090694375	521159027	4233934840	4294517568
current liabilities	501709385	882568044	1269941125	3133137725
Current Ratio	2.17	0.59	3.33	1.37
total revenue	920111269.0	55215800	0	1937795810
EBIT	-179462637	-255748158	799720872	46106188

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EBIT %	-0.1950	-4.6318	-	0.0238
FRQ(financial reporting quality)	0.44	0.44	0.44	0.44

We note from Table (3) that the quality of reporting in AL-Mansour A therapeutic drugs and medical supplies company was weak at a level of 44%, constant for the four years of the research sample, and the profitability and financial performance indicators were very weak, and the financial performance and profitability witnessed a noticeable decline in 2022 [25].

Table 4. AL-FALLUJA for construction materials and real estate investments co.

	2020	2021	2022	2023
Net Income	-94191848	120783100	64844840	-180231503
Total Assets	4190016363	4163687961	4403917602	5230459357
Owners equity	3452775091	3569325253	3678003660	4557772157
liabilities	737241272	594362708	725913942	672687200
ROA	-0.0225	0.0290	0.0147	-0.0345
ROE	-0.0273	0.0338	0.0176	-0.0395
D/E	0.2135	0.1665	0.1974	0.1476
current Assets	3896757508	3879476260	4055210331	4263659463
current liabilities	737241272	594362708	725913942	672687200
Current Ratio	5.29	6.53	5.59	6.34
total revenue	99789696.0	484527476	464598839	227990486
EBIT	242361853	410155358	86459787	-180231503
EBIT %	2.4287	0.8465	0.1861	-0.7905
FRQ(financial reporting quality)	0.60	0.68	0.68	0.68

We note from Table (4) that the quality of reporting in AL-FALLUJA for construction materials and real estate investments co. was average at a level of 68%, constant for the last three years, and the profitability and financial performance indicators were weak due to the fluctuation and cessation of production, and the financial performance and profitability witnessed a noticeable decline in 2023 [26].

Table 5. AL-REBASS FOR POULTRY &FEED CO.

	2020	2021	2022	2023
Net Income	3194229110	-295439777	4027828294	4106443838
Total Assets	54782811152	57029127807	156348602128	190372966069
Owners equity	51681525429	51386085652	145263913921	149370357759
liabilities	3101285723	5643042155	11084688207	41002608310
ROA	0.0583	-0.0052	0.0258	0.0216
ROE	0.0618	-0.0057	0.0277	0.0275
D/E	0.0600	0.1098	0.0763	0.2745
current Assets	10645435710	12274384521	43243101824	34624579211
current liabilities	3101285723	5643042155	11084688207	41002608308
Current Ratio	3.43	2.18	3.90	0.84

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DOI: 10.21070/acopen.10.2025.12982

total revenue	18034893720	11207769184	28992783430	26879860683
EBIT	3194229110	-295439777	4027828294	4106443838
EBIT %	0.1771	-0.0264	0.1389	0.1528
FRQ(financial reporting quality)	0.44	0.52	0.52	0.52

We note from Table (5) that the quality of reporting in AL-REBASS FOR POULTRY & FEED CO. was acceptable at a level of 68%, constant for the last three years, and the indicators of profitability and financial performance were weak due to production fluctuations and its cessation, and the financial performance and profitability witnessed a noticeable improvement in 2023 [27].

Table 6. ALKHATEM TELECOMS CO.

	2020	2021	2022	2023
Net Income	103708	61674	22561	115986
Total Assets	4670896	4573866	4416099	3780437
Owners equity	1958556	2398212	2420773	2253347
liabilities	2712340	2175654	1995326	1527090
ROA	0.0222	0.0135	0.0051	0.0307
ROE	0.0530	0.0257	0.0093	0.0515
D/E	1.3849	0.9072	0.8243	0.6777
current Assets	4670896	4573866	4416099	3780437
current liabilities	4670896	4573866	4416099	3780437
Current Ratio	1.00	1.00	1.00	1.00
total revenue	1069907	1064801	1108100	1285991
EBIT	63655	61674	29322	136194
EBIT %	0.0595	0.0579	0.0265	0.1059
FRQ(financial reporting quality)	0.60	0.64	0.64	0.64

We note from Table (6) that ALKHATEM TELECOMS CO.'s reporting quality was average at a constant level of 64% for the last three years, and the profitability and financial performance indicators varied, and the financial performance and profitability witnessed a noticeable improvement in 2023 [28].

C. Results and Testing of Study Hypotheses

Linear regression was used to test the study hypothesis.

Table 7 Model Fit Measures

Model	R	R²
1	0.692	0.479

Note. Models estimated using sample size of N=24

We note from Table (7) that there is a strong correlation between the independent variable and the dependent variables.

Table 8 Model Coefficients

Predictor	Estimate	SE	t	p
(Constant) ^a	2.179	0.640	3.401	0.003
A:				
ROA	0.10944	0.0524	2.0893	0.050
ROE	0.16504	0.0768	2.1486	0.045
D/E	0.5033	0.194	2.598	0.018
Current Raito	2.877	0.961	2.994	0.007
EBIT %	1.63	0.738	2.21	0.040
^a FRQ (independent Variable)				

The relevance of the relationship between the quality of financial reporting and the measures of performance, as well as the utilization of profitability (ROA), was analyzed using a regression model to determine the results. The results indicated a significance level of 0.10944, which satisfies the threshold of 0.05. Table 8 illustrates this information, where FRQ, which denotes quality of financial reporting, is referred to as the independent variable, while performance, as well as profitability, are referred to as dependent variables [29]. Owing to the correlation coefficient of 0.692, the relationship between quality of financial reporting, on the one hand, and performance as well as profitability, on the other, it can be ascertained that the dependent variable refers to the result variable in the context of this research study.

$$\hat{Y}=2.179+0.10944 \text{ FRQ.}$$

The significance of the relationship between the quality of financial reporting and the measures of performance, as well as profitability ratio utilization (ROE), has been tested using a regression model. The results have indicated a significant relationship, as the significance level is 0.16504, which falls within the threshold level of 0.05. Table 9 has incorporated this information, where the variable FRQ, which indicates the quality of financial reporting, has been considered as the independent variable while those of performance, as well as profitability, have been identified as the dependent variable. In light of the observed correlation coefficient of 0.692 linking quality of financial reporting with performance and profitability, the dependent variable is regarded as the outcome or response variable within the confines of this research study.

$$\hat{Y}=2.179+0.16504\text{FRQ.}$$

The significance of the relationship between quality of financial reporting and performance and profitability utilization (D/E) was examined using a regression model. The results indicated that this relationship is statistically significant, with a significance level of 0.5033 below the threshold of 0.05. Table 9 presents this information, where FRQ (quality of financial reporting) is treated as the independent variable and performance and profitability are the dependent variables. Given the observed correlation of 0.692 between quality of financial reporting and performance and profitability , the dependent variable is considered the outcome or response variable in the research study.

$$\hat{Y}=2.179+0.5033\text{FRQ.}$$

The significance of the relationship between quality of financial reporting and performance and profitability utilization (Current Raito) was examined using a regression model. The results indicated that this relationship is statistically significant, with a significance level of 2.877 below the threshold of 0.05. Table 9 presents this information, where FRQ (quality of financial reporting) is treated as the independent variable and performance and profitability are the dependent variables. Given the observed correlation of 0.692 between quality of financial reporting and performance and profitability , the dependent variable is considered the outcome or response variable in the research study.

$$\hat{Y}=2.179+2.877 \text{ FRQ.}$$

The importance of the relationship between the quality of financial reporting and the metrics of performance and profitability, specifically EBIT %, was analyzed utilizing a regression model. The findings revealed that this interconnection is statistically significant, with a significance value of 1.63, which is below the accepted threshold of 0.05. Table 9 elucidates this data, wherein FRQ (quality of financial reporting) is designated as the independent variable while performance and profitability are classified as the dependent variables. Given the observed correlation coefficient of 0.692 between the quality of financial reporting and the metrics of performance and profitability, the dependent variable is regarded as the outcome or response variable within the context of this research study.

$$\hat{Y}=2.179+1.63 \text{ FRQ.}$$

Conclusion and Recommendations

Financial reporting has been identified as a vital component of value, taking up a substantial part of research. Nevertheless, those qualities referred to as determinants of quality have not been agreed on. Effective financial reporting affects investment decisions based on accuracy, timeliness, and relevance. From the research findings, we conclude that this research has contributed to demonstrating the impact of the quality of financial reporting of Iraqi companies listed on the Iraq Stock Exchange and across various sectors on financial performance and profitability. The quality of financial reporting plays an important role in enhancing companies' financial **performance** and profitability and significantly contributes to improving market share. High-quality financial reporting also improves transparency and financial disclosure. Financial performance and profitability are both influenced, to one degree or another, by the characteristics of satisfactory financial reporting. High-quality financial reporting meets stakeholders' expectations. The research findings also recommend that researchers, policymakers, and strategists pay attention to the

quality of financial reporting and develop an agreed-upon framework that defines this quality.

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