



## Transparency Management Requirements for Achieving Accounting Disclosure in Companies' Financial Reports and Achieving Development

Iman Saeed Aidi

Technical institute of Amara, Iraq

\* Corresponding Author: **Iman Saeed Aidi**

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### Abstract

This study seeks to demonstrate the management of transparency in corporate financial reports and the requirements for achieving accounting disclosure in corporate financial reports through previous theoretical literature. This study was formulated with the following question: "Do transparency and disclosure in financial reports serve the users of financial reports?" Previous studies were selected as the research sample for extensive discussion of the study's objectives and results and for comparison with previous studies. The study concluded that it contributes to improving the quality of accounting information and ensuring that financial information is appropriate and reliable, reflecting the true financial position of the company without bias or misleading. Transparent disclosure gives investors greater confidence in the credibility of financial reports, which is a basic requirement for the prosperity of financial markets. It is also necessary to strengthen the oversight role and activate the role of boards of directors, audit committees, and independent regulatory bodies to ensure compliance with transparency and disclosure standards, hold violators accountable, and develop non-financial disclosure, as this contributes to encouraging companies to expand the disclosure of non-financial information, especially with regard to governance practices, corporate social responsibility (CSR), and environmental sustainability.

**Keywords:** Transparency Management, Accounting Disclosure, Development.

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### Introduction

The prominence of statistics disclosure in published financial statements increased, particularly as the bookkeeping function eroded from an ownership attitude to a user approach in the premature 1960s, emphasizing the role of bookkeeping as an information classification whose primary unbiased is to provide appropriate evidence for decision-making (Ahmed, 2009: 4) [2]. In hands-on terms, the 1960s are considered the birth eons of accounting expose due to the advancement of management knowledges and the emergence of a class of superintendents willing to oversee enterprises without providing subsidy. These and other factors made it clear that strategies, regulations, practicalities, and requirements obligation be established nearly to ensure that the measure and quality of the company's accounting and financial data and information stand maintained within judicious limits (Al-Anbaki, 2016: 26). Later, financial announcements evolved interested in a vital source of information for traders in financial markets. In 1974, the United States passed a law needing commercial banks to adhere in the direction of specific controls. This was a significant event that increased the importance of material disclosure in published pecuniary statements in accordance with the discovery requirements and protocols issued by the Securities and Discussion Commission (SEC) (Hatto, 2009: 27).

The concept of disclosure gradually expanded after the addition of two new statements in 1987: the statement of cash flows to disclose accounting information, and the statement of changes in shareholders' equity to assist interested parties in the decision-making process. This was followed by the issuance of disclosure ethics for these announcements (Al-Anbaki, 2016: 26).

Therefore, growing apprehensions about climate change and social inequality are driving consumers and investors to pay attention to companies' environmental, social, and governance (ESG) activities. Evidence is an essential input into the administrative process by stakeholders.

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Gravity from investors and stakeholders can persuade companies to shift their maneuvers in the direction of activities that are more attractive from an ESG or cash flow perception, even when direct regulation of core happenings is trying or impractical. Therefore, governments, industry bodies, and even corporations are working to develop ESG reporting standards for concerns. In many jurisdictions (such as the United States), stockholder reporting is battered. A key challenge related to ESG standards is the quality of the data companies disclose nearby their ESG practices. While most kingdoms do not require companies to disclose their ESG information, corporations are free to identify the ESG reasons that have a material impact on their professional performance and govern what information to divulge to investors. The lack of standardized and transparent ESG reporting frameworks poses a real challenge for investors to department effective savings analysis. Portfolio administrators are also seeking resolutions to the challenges arising from the privation of consistent, objective, and equivalent information, and establishments need to accurately categorize ESG factors to achieve workable long-term performance. This learning addresses the following question: "Does print and disclosure in monetarist reports serve the users of financial reports?"

This study objectives to demonstrate the bearing of print and disclosure in financial reports also their role fashionable serving the administrators of this evidence in completing sustainability-related moneys.

The schoolwork seeks to demonstrate the administration of transparency in corporate financial rumors and the requirements for completing accounting discovery in commercial financial reports through aforementioned notional literature.

### **Theoretical Literature: General Requirements for Achieving Accounting Disclosure in Corporate Financial Reports**

#### **Transparency Management in Corporate Financial Reporting**

Iraq is presently experiencing partisan, economic, and common crises. The most substantial of these emergencies is extremism, which has had a momentous impact on the country's complete economic condition as well as its investment climate, production it difficult to devote. Therefore, it is necessary to improve this situation through a number of measures that help attract investment and increase capital for companies. One of these strategies is increasing the level of transparency in information disclosure, as political and security stability is not sufficient to attract more investment. Investors desire a fair and healthy business environment, in addition to political and economic stability. They also desire a high degree of transparency in information disclosure to improve their ability to predict future changes in the investment sector, particularly with regard to investments in companies listed on the financial markets (Al-Jalawi and Al-Jumaili, 2016: 1)<sup>[4]</sup>

Some countries experience more stable political and economic environments, despite their business failures. The lack of transparency and the withholding of information, i.e., the failure to disclose information that accurately depicts a company's circumstances, are contributing factors to these collapses. These factors erode public confidence in the accounting information presented in the financial statements. Therefore, transparency in disclosure is one of the most important elements for a company's success (Al-Jumaili,

2016:1)<sup>[5]</sup>

When referring to transparency in accounting disclosure, Gigler & Hemmer (2004:1-2)<sup>[12]</sup> argue that "external users obtain information possessed by management, and external users have access to information that allows them to monitor management." Disclosure is considered a mechanism for accountability and compliance. Comprehensive, high-quality disclosure is expected to reduce information asymmetry. Several new regulations have increased the transparency of financial reporting, particularly the introduction of International Financial Reporting Standards (IFRSs), which have become mandatory for all listed companies in many countries worldwide. These standards aim to provide higher levels of transparency for investors (Dahawy & Samaha, 2016: 89)

While (Wiam, 2017: 170) argues, "It is the idea of creating an environment in which information and knowledge related to decisions, actions, and current conditions are accessible and understandable to all market participants. Transparency makes oversight easier, enhancing the ability to hold people accountable."

Samira and Abbas (2019:16)<sup>[19]</sup> refer to transparency in accounting disclosure as "meaning that accounting outputs through financial reports demonstrate the highest level of information and completeness of their qualitative characteristics, leaving no room for ambiguity or uncertainty for their users, and enabling them to make decisions as if they were seeing what's happening inside the company." The photograph system in disclosure dramas an effective role in provided that accounting facts and material that assist decision-makers. Its standing is verified by the fact that the publication of bookkeeping information helps bondholders and investors determine the efficiency and triumph of supervision in managing funds (Abdul Qader *et al.*, 2018:158). When photograph in disclosure rules are appropriately applied, stock concert increases, cost-effectiveness is maximized, and stakeholder and shareholder assurance is heightened (Yu, 2003:3)<sup>[22]</sup>. According to payees, greater impartiality and fair-mindedness in pecuniary markets grades from greater print in disclosure and the arrangement of information in a custom that meets the beneficiaries' needs in relationships of quantity, quality, precision, and trustworthiness. Furthermore, transparency ensures impartiality and complete clarity in the decision-making process, as many companies rely heavily on the data they release to make their choices (Fung, 2014: 72-74)<sup>[7]</sup>. Conversely, companies typically divulge a range of non-financial material intended to influence user decisions. And so, transparency is one of the most imperative factors affecting a concern's appeal. Investors and corporate domination are key elements within the system, and the gradation of transparency depends on management's willingness and ability to correct any discrepancies that are beneficial to market participants. In the long run, capital markets will only advance through the creation of a transparent information environment (Mohammadi & Nezhad, 2015: 60)<sup>[17]</sup>. Investors demand clear and transparent financial reports that provide them with information that accurately and honestly describes the company's operations and allows them to calculate the risks and rewards associated with their investments and the company's securities prices. The market punishes them when it perceives a lack of transparency. Recent accounting scandals have caused the market value to decrease by billions

(Ibrahim, 2012: 280) <sup>[15]</sup>. It is worth noting that preparing highly transparent financial reports goes beyond merely applying a set of accounting standards that aim to provide consistency and comparability to openness and honest disclosure, which effectively contributes to influencing the value of the stock, which is reflected in stimulating trading in the stock market. Therefore, accounting disclosure models must be provided to measure the extent to which listed companies comply with a set of basic requirements that must be disclosed to effectively contribute to stimulating trading in the financial market. Therefore, absolute disclosure of all events that the company has been exposed to in the past periods, in addition to applying accounting standards, leads to providing transparency in financial reports that reflect the company's economic events (Sahnoon, 2018: 531-532). The importance of Transparency in accounting disclosure is highlighted through the following points (Eesa *et al.*, 2021: 498-499):<sup>[9]</sup>

1. The lack of transparency in some laws and regulations and the lack of clarity in their texts can lead to subjective judgments that do not serve the public interest.
2. The role of transparency is demonstrated by the disclosure of clear, accurate, timely, and relevant information for all parties with interests in the company.
3. The role of transparency in revitalizing markets is demonstrated by achieving credibility in the provision of financial information.
4. Limpidity provides information and data that diminish uncertainty and enhance the capacity of financial markets to weigh risk.

#### **Requirements for Achieving Accounting Disclosure in Corporate Financial Reports**

The eminence of financial reports be situated affected by disclosure. According to a homework by Francis *et al.* (2008:40-41) <sup>[11]</sup>, concerns that increase the volume of pecuniary and non-financial evidence they disclose improve the worth of their reports. This provokes companies to growth material disclosure to funding users of financial hearsays in making informed conclusions that enhance the eminence of financial hearsays, raise establishment valuations, and reach stability in the monetarist market. Affording to the results of a schoolwork by Dahdouh and Hamada (2015:36-37), <sup>[8]</sup> expose effectively enhances municipal self-confidence in corporate financial hearsays. It has been shown that the most imperative factors influencing the quality of financial reports are voluntary disclosure ratios, pecuniary analysis, and details related to the establishment's procedures and future. According to a study by Soliman (2013:77), <sup>[20]</sup> the more disclosure in financial reports, the better. Since companies are committed to increasing disclosure, this leads to increased knowledge, and users of financial reports can better understand and trust the information contained in these reports by providing them with all the relevant information. It protects them from illegal practices, reduces capital costs, and provides information asymmetry, all of which have a positive impact on the level of financial reporting. Disclosure requirements represent the foundations and rules that must be taken into account when disclosing important matters in published financial statements that are of interest to users of accounting information for a specific financial period, and are as follows (Fadawi, 2014: 231-232):<sup>[10]</sup>

- Disclosure of accounting policies: Different countries apply different accounting rules when preparing

financial statements. As a result, an entity has complete freedom to choose among the accepted accounting rules—that is, the rules that best suit its needs and accurately portray its financial position and business results within the context of its environment. Therefore, as long as these policies are disclosed in a single place, with due consideration given to the measurement, content, and relative importance of operating results, and with an explanation of any changes made to these policies and their justifications, the financial statements must contain clear and concise disclosure of the most significant accounting policies used, their justifications, and the extent of their impact on the performance of accounting periods or subsequent periods.

- Disclosure of significant parties and transactions: The supplementary notes to the financial statements must include a description of completed transactions between the company and other parties, as well as an overview of any significant relationships between the company and other external parties, such as the relationship between a holding company and a subsidiary.
- Subsequent Events: The period between the end of the financial period and the issuance and publication of the financial statements is referred to as the subsequent period. Financial statements are often issued several months after the end of the financial period. Important events may occur in the subsequent period, or new information about the financial accounts prepared may emerge. If the financial statements must be revised, they must be presented in the form of notes to the financial statements if they are not already represented.
- Doubts about the Company's Continuity: The financial statements are prepared on the assumption that the company will remain in operation. Since there is no information indicating that the project will fail or will not continue, it is assumed to continue indefinitely. However, if the preparers of the financial statements have information indicating that the project may not continue, they must take appropriate action. If there are concerns about the project's viability, these concerns must be expressed in the form of notes to the financial statements.
- Contingent liabilities: These are usually liabilities that are surrounded by a great deal of uncertainty regarding their occurrence or amounts. They usually arise as a result of lawsuits filed against the company or disputes with other parties that require the transfer of some amounts in the future upon settlement of the dispute. In some cases where some of these liabilities are confirmed, they are included in the accounting books to become part of the financial statements, while less certain potential liabilities are disclosed in the notes to the financial statements.

#### **Literature review**

1. Study (Saad, Al-Kafi, 2024)The study aimed to identify the extent of the possibility of applying sustainability standards and their impact on the disclosure of social responsibility in financial statements in the Sudanese business environment. The study reached several results, including that the Sudanese business environment is new and developing, but it is capable of absorbing global changes with regard to the application of sustainability

standards and the commitment of banks. Applying sustainability standards enhances disclosure to provide services to current and future generations. The study recommended several recommendations, the most important of which is obliging the boards of directors of Sudanese banks to quickly implement sustainability standards to ensure disclosure of social responsibility in the financial statements for current and future generations.

#### **The study indicated that:**

- The Sudanese business environment is relatively new and developing, but it is capable of adapting to global changes regarding the application of sustainability standards and international financial reporting standards.
- Sustainability information is disclosed in the form of sustainability reports, which provide quantitative and descriptive financial and non-financial information and communicate that information to stakeholders. There are various forms and models for reporting on the outputs of sustainable development accounting, represented in the sustainability report.
- The commitment of banks to apply sustainability standards enhances their operations and activities to improve banking services for current and future generations.
- The commitment of banks to apply sustainability standards helps create sustainable banking performance and contributes to improving disclosure because it assists stakeholders in making investment decisions.
- The application of the standard contributes to improving disclosure and providing a complete picture to investors in the presentation of annual reports.
- The emergence of many challenges facing the application of sustainability standards, including the disappearance of information related to sustainability costs within the cost accounts of business institutions.
- Despite the ongoing and continuous efforts, they lack the characteristic of being mandatory, which limits their impact and effectiveness on Sudanese business institutions.

#### **The study suggested:**

- The necessity of directing the boards of directors in Sudanese banks to work on applying international sustainability standards, enabling those banks to enter the field of global competitiveness.
- The necessity of obliging banks to apply sustainability standards to ensure the disclosure of social responsibility in the financial statements for current and future generations.
- The necessity of establishing an institution that focuses on organizing and monitoring sustainability practices and activities for Sudanese business establishments.
- The stipulation of obligating associations to disclose sustainability material within financial statements and rumors to determine their impact to achieving the well-being of current also future generations.
- The obligation of developing canons to include sustainability discoveries in financial statements, so that they can meet the accumulative needs of backers for current and future groups.

2. A learning (Iman, 2025)<sup>[16]</sup> aims to determine the impact of macroclimate change accounting confession on enlightening the clearness and reliability of financial commentary. The study count on on collecting data beginning a broad cross-section of concerns listed on the Egyptian Routine Discussion (EGX-100 Index). This data is examined to measure the impact of microclimate change accounting confession on enlightening the clearness and reliability of financial recording. A section of joint-stock syndicates listed on the Egyptian Stock Altercation was selected.

This study epitomizes an central and novel involvement in shedding dark on the impact of macroclimate revolution accounting confession on enhancing the print and reliability of financial reporting in companies listed on the Egyptian Run-of-the-mill Discussion and the role of ecofriendly accounting in improving the accepting of climate risks and considering their financial powers, which helps improve outlay and management policymaking.

#### **Study Results:**

The homework demonstrated that microclimate risk discovery poses a dual encounter. It promotes clearness and good governance on the one hand, and can impairment reputé or lead to potential financial losses if risks are interpreted negatively by sponsors. The study also found no statistically noteworthy relationship among climate change exposé and the shot and reliability of financial reporting at a consequence level bigger than 5%.

#### **Study Recommendations:**

The homework recommended converging on decarburizations in the house and construction constituents commerce and integrating carbon subtraction technology into the bookkeeping attitude, as this would have a significant power on falling carbon secretions in Egypt and contributing to completing net-zero radiations goals locally.

3. Hamoudi's study (2024) aims to estimate the near of conservation performance discovery in the economic reports of the Qarabulli Feed Multipart. This is to govern the standing of the intricate disclosing its conservation concert from the perception of the study illustration, and to decide the method of disclosure in its monetarist reports. It also objectives to identify the most significant obstacles facing the complex when disclosing its environmental performance. This was achieved through a field study that included employees in the financial, administrative, and youth departments of the complex. The study sample was randomly selected, reaching (43) individuals, whose responses were approved. The collected responses were analyzed using a questionnaire prepared for this purpose, using a set of statistical tests (SPSS)

#### **Study results:**

It is important for the complex to disclose its environmental performance, and the complex's management discloses its environmental performance in a descriptive and quantitative manner in special reports separate from the annual financial statements. There are also a number of obstacles it faces when disclosing its environmental performance in its financial reports.

**Study recommendations:**

Increase interest in disclosing environmental performance to the community by implementing the relevant laws and increasing interest, awareness, and disclosure.

4. Aya Wasal, Belhainemlak, (2024) The study aimed to demonstrate the level of accounting disclosure of social responsibility activities in a sample of banks in the state of Mila (Badr, Bana, Certified Public Accountant), as well as its impact on the quality of financial reports. To achieve the study's objectives, we conducted a field study on a sample of employees in these commercial banks to determine and diagnose the effectiveness of the plans included in this regard in a realistic manner.

**Study Results:**

The study reached a set of results, the most important of which was the presence of a statistically significant effect of accounting disclosure of social responsibility activities on the quality of financial reports in the banks under study, with the degree of correlation between the two variables reaching 2.5%.

**Study Recommendations:**

The study recommended the necessity of accounting disclosure of social responsibility activities in the financial statements, given its many tangible objectives, such as helping stakeholders make sound decisions, and achieving moral objectives, such as building a good reputation for the bank.

**Discuss the current study with previous studies and draw conclusions**

1. The current study aims to demonstrate the requirements for achieving accounting disclosure in companies' financial reports and presenting financial reports in an acceptable and approved manner by other parties. This is consistent with previous studies. Disclosure of climate risks poses a double challenge, as it enhances transparency and good governance on the one hand, and may harm reputation or lead to potential financial losses if the risks are interpreted negatively by the concerned parties. The study also concluded that there is no statistically significant relationship between climate change disclosure and the transparency and reliability of financial reports at a significance level greater than 5%.
2. Previous studies have indicated that sustainability information is disclosed in the form of sustainability reports, which provide descriptive financial and non-financial information and are communicated to stakeholders. There are various forms and models for reporting the results of sustainable development accounting, specifically sustainability reports.
3. Previous studies have sought to clarify the impact of International Financial Reporting Standard 9 on banking risk management through its application to Egyptian commercial banks. Although the Commercial Bank of Egypt has implemented regulations for local and foreign banks and financial institutions to implement International Financial Reporting Standard 9 (IFRS 9) (IFRS, 2019) with the aim of improving credit quality and integrating it into the banking system through increased provisions, there are still some issues that Egyptian commercial banks are reluctant to address. These issues could relate to the inside control system,

economic statements, and organization of each bank. This entails the eminence and accuracy of bookkeeping information, as well as greater accuracy in guesstimating expected credit sufferers for each period compared to pecuniary statements. The results exposed that Egyptian salable banks reduced loan loss ratios in 2019 (following the implementation of IFRS 9) related to 2018 (which was a trial period erstwhile to the execution of IFRS 9). This is due to Egyptian commercial series' assurance to pleasing risks in accordance with the requirements of IFRS 9.

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