

The Impact of Accounting Disclosure According to Integrated Business Reports on the Value of the Company and the Cost of Capital: An Empirical Study in Iraq Stock Exchange

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Abstract

Recent years have witnessed many developments that extended to an increase in the information needs of users of financial reports. This resulted in the inability of financial reports to provide an adequate view of the overall performance of companies due to their focus on the financial aspect only, which is no longer sufficient to meet the needs of investors and other stakeholders, which increased with it the demand by stakeholders for non-financial information, and consequently the need to develop the accounting information system with its outputs represented in reports and financial statements to keep pace with the rapid development and changes in the contemporary business environment. This study aimed at analyzing the impact of accounting disclosure according to integrated business reports on maximizing the value of the company and the cost of capital in Iraq Stock Exchange using a sample of 27 observations in the time period from (2016) to (2019) distributed among the sectors (communication, services, agriculture, trade, industry, tourism and hotels). The study followed the descriptive analysis using descriptive statistics methods represented by (arithmetic mean, standard deviation, coefficient of variation) to form a clear picture of the nature of the study variables, then the methods of inferential statistics represented by (Pearson correlation coefficient, multiple linear regression) to test the three hypotheses of the study. Descriptive statistics indices were calculated for the data of the independent variable

(accounting disclosure according to integrated business reports), which was measured by three quantitative indices including: (disclosure of corporate governance, disclosure of social responsibility, disclosure of future information), and dependent variables (cost of capital, value of the company). The study concluded that accounting disclosure indices according to integrated business reports contribute to achieving many benefits as a result of what disclosure provides according to integrated business reports from an overview of the company's strategy and the extent to which it is related to the company's ability to maximize value, which is effectively reflected on the quality of the company's profits and the reduction of its cost capital.

Keywords

Value, Accounting Disclosure, Integrated Business Reports, Cost of Capital.

Introduction

In the wake of the global financial crisis, a new wave of stakeholder demands developed calling for companies to shift focus towards long-term value creation and away from short-term profits. In line with these demands, urgent calls for greater transparency and better disclosure of both financial and non-financial reporting have been made (Dilling & Harris, 2018). Accounting disclosure is the essence of accounting theory, and the interest of scientific as professional bodies in the affairs of disclosure operations has increased, especially after the emergence of business establishments.

This development was associated with financial statements, which are the outputs of the results of the activity of these companies, and what they contain of data, information and measurement bases that can be used by the users of that information, which later became the basis on which they depend on in making their decisions. For this reason, providing information is one of the main objectives for financial statements (Abdelsalam & Weetman, 2007).

Accounting disclosure increases in companies where the debt ratio is high within the financing structure and in accordance with debt contracts that impose certain restrictions on the company to protect borrowers' money, such as setting limits for profit distribution policies, maintaining a minimum working capital, and setting upper limits for some financial indices such as the debt ratio, with the aim of protecting the interests of lenders and not reducing the value of net assets, in addition to the company's continued ability to achieve positive cash flows (Saad El-Din, 2014).

In recent years, corporate responsibilities towards society have expanded significantly, and previous business models have been reviewed in line with a more pluralistic approach, which takes stakeholders, sustainability, business ethics and transparency into account. These considerations are increasingly reflected in corporate sustainability reports, i.e. statements that reflect the impact of business practices related to economic, environmental and social perspectives. However, the data contained in such documents are reported independently of the financial aspects, which implies a disconnection between the three pillars of the business strategy. In order to avoid this shortcoming, some leading companies have developed integrated reports, which express the interrelationships between corporate strategy, governance, performance and expectations, as well as the contexts within which they operate (Frias-Aceituno et al, 2013). Consequently, financial reports no longer provide a sufficient view of the overall performance of companies because they focus on the financial aspect only, which is no longer sufficient to meet the needs of investors and other stakeholders. This has increased the demand of stakeholders for non-financial information and resulted in the need to develop the accounting information system with its outputs represented in reports and financial statements to keep pace with the development and rapid changes in the contemporary business environment (Al-Awadly, 2018).

Financial reports largely reflect the financial effects of the previous events, and therefore had negative consequences on the economies of the major industrialized countries, and some major companies in the United States and Europe were exposed to severe financial crises, and thus there was a consensus that these reports do not adequately reflect the different dimensions of the value of the company at the present time (Al-Sawy, 2012). As a result, the need for more disclosure and transparency of quantitative or qualitative non-financial information on corporate governance, risk management, and social and environmental performance arose, in order to measure the company's success in achieving its economic, social and environmental goals, and thus assess its ability to achieve sustainability. However, many of the reports involve difficulties at the same time of analyzing the information to help reduce this problem (García & Noguera, 2017).

As a result of these events and developments in the contents and objectives of the financial report, many professional and regulatory authorities were interested in issuing laws and directives to increase the quality of the financial report, until a new generation of reports appeared which was called "Integrated Business Reports", to meet the needs of different stakeholders (ibid, 2017). It helps them to make a conscious assessment of the company's performance from a strategic perspective, and to assess the company's ability to create value for all parties. From the perspective of value creation, the company's goal

is not limited to generating profits, but extends to include everything that creates value for all stakeholders, and this requires a shift towards market standards, and reliance on a mixture of financial and non-financial measures from a strategic perspective (Ismail, 2016).

The integrated reporting stage is characterized by the increasing disclosure of non-financial information, and the occurrence of a merger between financial information and non-financial information, to provide high levels of disclosure and transparency, as disclosure includes information on economic, social and environmental aspects from a strategic perspective. These information include, in addition to financial information, disclosure of risks and mechanisms of confronting them from the management's perspective, the company's current and expected capabilities, the governance procedures followed, the main products, the company's values related to teamwork, performance and accountability, the cost of research and development activities, issues related to stakeholders, the extent of commitment to environmental and social issues, and all "information related to the company's sustainability" (Ismail, 2016).

The problem of the current study is that governance information, environmental, social and future information that are disclosed through published financial reports are mostly not integrated information, which makes them of no value. Accordingly, the problem of the study can be posed by asking the following question: "Will disclosure, according to the integrated business reports, provide information that help in forming and maximizing the value of the company, and then benefiting from it in reducing the cost of capital?" Thus, what are the positive results achieved as a result of disclosing integrated business reports with regard to Iraq Stock Exchange? The study aims at identifying the accounting disclosure according to the integrated business reports as well as focusing and identifying the concept of value for companies and the concept of capital cost besides identifying their impact through the empirical study on Iraq Stock Exchange.

Theoretical Framework

Disclosure According to Integrated Business Reports

Integrated business reports emerged as a result of global moves to establish a more inclusive economic system and a sustainable capital market system, and to make corporate reporting more effective. The idea of integrated reporting began in 2009 when the United Nations appealed to the International Accountability Union and the Global Reporting Initiative Foundation to form a committee with a view to develop a global integrated reporting framework. The International Integrated Reporting Council was

formed in August 2010 with the aim of developing a new approach to financial reporting (Jamal, 2016). This approach represents the preparation of integrated reports, and the creation of a globally accepted framework for working on the sustainability of the accounting profession, which works to collect financial, environmental, social, and governmental information in a clear, accurate, integrated and comparable manner, as well as assisting in the development of more comprehensive information that are more understandable regarding the performance of the company, whether past or forthcoming (Younis, 2018).

The integrated business reports contain preliminary information about the company's strategy, governance system, performance and capabilities in a way that reflects the commercial, environmental, and social context in which the company operates. It also contains the company's vision, mission, objectives and current status, and contains opportunities, weaknesses, strengths, and how to exploit strengths and address weaknesses. It is one report that includes environmental and social information with governance and intangible assets (Lee & Yeo, 2016).

Integrated business reports is a new model of optional disclosure, as it introduces new concepts such as value creation and the external environment, which are fundamental to understanding the thought behind integrated reports, and communications about value creation over time, which depend on resources and relationships and are influenced by the external environment in which they operate (Proksch, 2015). (Stubbs & Higgins, 2014) consider it as a process based on integrated thinking that leads to a periodic integrated report by the company, about value creation over time, and related communications regarding aspects of value creation. As (Atkins & Maroun, 2015) believe that it is not just a merging of the financial statements and the sustainability report, but rather it is a clear language emanating from the heart of the company, and essential information on financial performance, sustainability and other sources, to enable stakeholders to evaluate the company's performance, and conduct an evaluation that informs about its ability to create and maintain value.

(Harvard Business School, 2010) explained that the idea of integrated business reports is based on the process of compiling independent sub-reports issued by separate companies, which are financial reports, governance report, social responsibility report and environmental performance report and issued in the form of unified reports known as integrated business reports. This means that integrated businesses reports are reports that present the financial and sustainable performance of the company in a comprehensive manner, enabling stakeholders to judge the ability of those working in companies to

increase and maintain the value of those companies during the short, medium and long term (Eccles & Daniela, 2010).

The Importance and Advantages of Disclosure in Integrated Business Reports

The informational content of integrated business reports is represented in the "financial and non-financial information" that is appropriate for decision-making by stakeholders at all levels and types. It provides stakeholders with very important non-financial information regarding the overall financial and non-financial performance related to strategic performance and business risk management. This supports the empirical evidence that the integration of financial and sustainable disclosure positively affects investors' decisions compared to disclosure of financial, environmental, social and governance performance independently (Morhardt, 2010); (Melloni, et al., 2017).

In terms of the advantages achieved by integrated business reports (Sayed, 2018) and (Lodhia, 2015) think that it helps in increasing the level of transparency, especially with regard to the disclosure of the company's strategy and business model. It helps in obtaining the required financing at an appropriate cost by improving the company's reputation and improving its competitive position. Integrated reports provide the needs of all categories of stakeholders in the company instead of focusing on the narrow perspective of agency theory, in other words focusing on shareholders only. Therefore, integrated business reports achieve the best communication between the departments within the company, and consequently the cooperation of all departments within the company and the exchange of information between them.

(Brad, 2013) and (Al-Hawari, 2015) indicate that companies that prepare integrated reports achieve benefits because they are considered an important way to manage the company. It gives them an understanding of how the company's internal resources are allocated, and enables them to understand the company's strategy and how it affects and is affected by environmental, social, financial and economic issues in addition to the company's awareness of the business and the challenges it faces and directing the company towards a sustainable future in the long term. It also leads to an increase in the company's participation with shareholders and other stakeholders, as it provides them with a report of a long-term comprehensive view of the company, enabling stakeholders to conduct an assessment of the company's ability to create and maintain value.

Cost of Capital: Concept and Components

The concept of the cost of capital is of great importance in accounting literature and practice, as it is one of the main elements for the success of the company and its continuity in the market, and for evaluating the quality of investment decisions in light of the many variables in the capital markets and the occurrence of rapid developments in the business environment. The financing structure includes internal sources such as capital, reserves and retained earnings and external sources that depend on debt and long-term loans. The minimum return accepted by both lenders and shareholders is known as the cost of capital (Saad Eddin, 2014).

(Pratt & Grabowski, 2014) believe that the cost of capital is the expected rate of return that market participants require in order to attract money for certain investments. From an economic point of view, the cost of capital for a particular investment is the opportunity cost, which is equal to the return that can be obtained from the alternative investments at a similar level of risk and liquidity.

However, (Brealey et al., 2011) indicate that the cost of capital is the rate of return that the company must earn from its investment projects to maintain its market value and to attract more sources of funding. Then the cost of capital is the required rate of return on its investments funded from shareholders' equity and debts as well as retained earnings, if the company fails to achieve the return at the required rate, this leads to a decrease in the market value of its shares, and thus its total wealth.

The cost of capital is affected by the structure's mixture of owned and borrowed funds and the rate of each component. Each source has its own cost and risk, and the optimal financing structure refers to reducing the cost of capital to a minimum. It includes two main parts: Equity cost: The cost of financing with equity funds is considered the minimum rate of return that shareholders wish to obtain as a result of their investment in the company to compensate them for the risks they may bear associated with this investment. The cost of borrowed money: It is the actual rate of the financial burdens that the company bears related to its debts, such as bonds and long-term loans (Abdul Halim, 2018).

The Company's Value

The accounting thought was concerned with determining the value of the company, especially after the change in the goal that the management seeks to achieve from working to maximize the value of the company in money, which has become one of the main goals

that the company's management seeks to achieve (Berzkalne & Zelgalve, 2014). The value of the company is defined as the market value, because the market value of the company can provide the prosperity of the shareholders to the maximum extent if the share price of the company rises. This can be achieved if the shareholders hand over the management of the company to people who are experts in their fields. The value of the company is obtained from the results of the quality of the company's performance, especially the financial performance, and of course, it cannot be separated from non-financial support as well (Kusumawati & Setiawan, 2019).

There is a continuous shift in the concept of value for the company, given the importance of its impact on sustainability in the long term, in addition to the demand for value and the company's accountability for it by a wide range of stakeholders, as the creation of value does not take place within the company alone, but rather depends on the available resources, the external environment of the company, and its relationship with stakeholders. So, integrated reports emphasize that creating and increasing value for shareholders is achieved through what integrated reports provide from the companies' view of the interest of a variety of stakeholders (Hsiao, 2015).

Literature Review and the Derivation of Statistical Hypotheses

The study of (Carvalho & Murcia, 2016) found a negative relationship between integrated reports and the cost of capital, that is, integrated reports should reduce the cost of company debt and equity in the medium and long term. These effects stem from two main factors: Adopting a sustainable business model because of integrated thinking and reduced information asymmetry resulting from increased transparency allowing for more informed expectations that lead to positive returns for investors and creditors in the long term. The study of (García & Noguera, 2017) emphasized that there is a negative relationship between the cost of capital and the disclosure of "integrated business reports", in addition to the fact that reducing the cost of capital as a result of the disclosure of integrated reports is of particular importance for those companies that need to increase their core financing. The study of (Vitolla, et al, 2020) found that the quality of integrated reports has a significant negative correlation with the cost of capital and the cost of equity, which indicates that the quality of integrated reports represents an innovative way to reduce the cost of equity. This study is the first to examine the relationship between the quality of integrated reports and the company's cost of equity.

The study of (Pusparida, 2016) aimed at verifying the impact of total and partial disclosure on sustainability of the company's cost of capital, as well as studying the

moderate impact of financial performance on this relationship. This research indicated that banks that have greater sustainability disclosure attract a lower cost of capital. However, if partially examined, the economic aspects tend to increase the cost of capital. Moreover, it was found out that better financial performance had no effect on the relationship between the disclosure of the overall sustainability aspects and the cost of capital. However, the partial examination found that better financial performance strengthens the effect of social closure in lowering the cost of capital.

(Salvi et al, 2020) aimed at studying the impact of "intellectual capital disclosure" on the cost of capital and equity in the context of "integrated reports", which represent the maximum in the field of corporate disclosure. Content analysis was used to measure levels of intellectual capital disclosure along with panel analysis on a sample of 164 "integrated reports". Empirical results indicate that intellectual capital disclosure levels have a significant negative correlation with cost of capital and equity.

The study of (Akse, 2015) concluded that the trend towards integrated reports lies in the relationship and interdependence between value creation and sustainability, as sustainability reports are seen as the first step towards preparing integrated reports. The study of (Abdel-Dayem and Al-Aqili, 2015) found a correlation between the content of disclosure in the "integrated business reports" and the added economic value and the added market value as an external indicator of increasing the value of the company. (Lee & Yeo, 2016) examine the relationship between integrated reporting and company's evaluation. Their study concluded that the company's evaluation is positively related to the integrated reporting disclosures. This finding indicates that, on average, the benefits of integrated reporting outweigh its costs. This indicates that integrated reporting mitigates information inconsistency between corporate insiders and external capital suppliers. Additional analysis indicates that companies with high integrated reporting outperform companies with low integrated reporting in terms of stock market and accounting performance.

The study of (Ibrahim, 2018) aimed at identifying the impact of the characteristics of companies on the relationship between levels of disclosure according to integrated reports and the market value of the company. It concluded that there is a positive moral relationship between the levels of disclosure according to integrated reports and the market value of the company, and that this relationship is clearly shown by companies that have certain characteristics such as the increased need for external financing, the large size of the company and the expansion of its market share in the industry to which it belongs.

(Ali, 2017) and (Ahmed, 2019) found out that there are significant differences in the stakeholders' assessment of the company's ability to create value in light of the application of integrated business reports, and that there is a significant difference about the quality of stakeholders' needs on the informational content of integrated business reports, and that disclosure of the company's strategy and activity in light of its external environment, explains a large part of the change in the informational content of "integrated business reports". Accounting disclosure through integrated reports achieves multiple benefits, the most important of which is achieving enhanced accountability and risk management, improving the company's reputation, supporting integrated thinking and increasing the company's competitiveness. The process of creating value does not take place within the company alone, but through the influence of the environment and external factors as well. A company's ability to create value is closely related to supply chains, society and consumers who might participate in, be affected by, or destroy value creation. Accordingly, the study hypotheses can be formulated as follows:

H1: There is no correlation between the independent variable (disclosure according to integrated reports) and the dependent variables (cost of capital) and (company value).

H2: There is no statistically significant effect of disclosure according to integrated business reports on the cost of capital.

H3: There is no statistically significant effect of disclosure according to integrated business reports on maximizing the value of the company.

Research Design

To test our research hypotheses, we should demonstrate our tools for measuring variables, and then describe the regression model to test the hypotheses as follows:

The Independent Variable

Accounting Disclosure According to Integrated Business Reports: The research will depend on measuring the independent variable on the study of (Ibrahim, 2020); (Meligy, 2015) and (Hussain & Shaaban, 2018) by building an index divided into three dimensions, in which the elements of the index include 21 elements, as shown below:

- **Disclosure of Corporate Governance (CG)**

It includes 8 elements, and is measured by the number of disclosures of the elements of the corporate governance accounting disclosure index according to the proposed index. Its

value is (0) if there is no disclosure, and its value is (1) if it discloses only one item and (2) if it discloses two items up to the value of (8), these elements are as follows:

First: Disclosing the Company's Governance	
No.	Index Elements
1	The company's management structure and the skills possessed by those charged with governance.
2	Organizational requirements and special processes in making strategic decisions that affect the corporate governance structure.
3	The culture, values and ethics of the company and the extent of their impact on capital.
4	Activities of the Board of Directors: Paying attention to production plans, operational efficiency, growth plans, developing products and services, and paying attention to social and environmental issues.
5	Rewards Report: It includes incentives and rewards that are directly related to value creation in the short, medium and long term, and how they relate to and affect capital.
6	Qualifications of the members of the auditing committee.
7	Auditing Committee: Judgments, issues and accounting risks considered by the Committee.
8	Information about the number of times the auditing committee meets annually.

- **Disclosure of Social Responsibility (CSR)**

It includes 6 elements and is measured by the number of elements of the accounting disclosure index for social responsibility, according to the proposed index, where its value is (0) if there is no disclosure, and (1) if it discloses only one item and (2) if it discloses two items up to the value of (6).

Second: Disclosure of Social and Environmental Responsibility	
No.	Index Elements
1	Financial and non-financial data and performance indices, such as maintaining the safety of the company's surrounding environment and preserving natural resources.
2	Information and performance evaluation indices for the company's public contribution: represented by activities that bring benefits to society, such as using programs to reduce diseases and epidemics.
3	Information and performance evaluation indices for human resources.
4	Information and performance evaluation indices for products and services: includes activities related to relationships with customers.
5	The future economic outlook of the industry to which the company belongs and its impact on the environment.
6	Information about sustainable development.

- **Disclosure of Future Information (FI)**

It includes 7 elements and is measured by the number of elements of the accounting disclosure index for future information, according to the proposed index, where its value is (0) if there is no disclosure and (1) if it discloses one item only and (2) if it discloses two items up to the value of (7).

Third: Disclosure of Future Information	
No.	Index Elements
1	The expected activities and objectives of the company.
2	Information about performance based on an understanding of societal classes and stakeholder expectations.
3	The threats that the company is likely to face and the resulting effects in the future.
4	Management's attitudes towards sales growth and share price target.
5	Strategy and plans related to new laws, regulations and legislation.
6	The attached planning budgets that contain all the dimensions and issues related to the company's activities that are expected to be accomplished in the future.
7	Expectations of allocations on shares for the coming period.

Dependent Variables

- **Cost of Capital**

The cost of capital by calculating the weighted average of the cost of equity and the cost of debt, which is called the “Weighted Average Cost of Capital” (Fernandes, 2014) and its equation is as follows:

$$WACC = \left[\left(\frac{e}{k} \right) \times y \right] + \left[\left(\frac{d}{k} \right) \times b \right]$$

As:

Symbol	Meaning	Unit of Measurement
WACC	Weighted Average Cost of Capital	%
Y	Cost of Equity	%
B	Debt Cost	%
D	Total Debt	Currency
E	Total Equity	Currency
K	Total Capital	Currency

- **"Firm Value":**

The researcher uses (Tobin's Q) measurement to determine the value of the company, and it represents the market value of equity in addition to the book value of debts relative to the total assets value (Pham, et al., 2012).

Governing Variables

The control variables include some variables that affect the dependent variable, but they do not fall within the scope of the study in question, and they are added for the purpose of controlling the relationship between the independent variable and the dependent variable, as some call them the control variables (Ibrahim, 2020); (Mohaisen, et al, 2019) and (Ali, et al, 2019), which are:

Size = natural log of the total assets.

Lev = total liabilities deflated by owners' equity.

Roa = net income deflated by total assets.

Data Collection and Results

The study population is represented by the joint stock companies listed in Iraq Stock Exchange that operate in different sectors during the period from (2016) to (2019). The number of companies listed on Iraq Stock Exchange on December 31, 2019 was 105 listed companies. Banks, money transfer companies and financial companies were excluded due to the nature of these private companies in addition to companies that were excluded from the Iraqi market and the Securities Commission. The following was taken into account when choosing the sample: (companies whose activities were not stopped during the period, companies that published their financial reports during the research sample period on their websites or on the website of Iraq Stock Exchange). After applying the above conditions, 27 companies were retained, which represent the study sample, they can be outlined through the following table:

Table 1 Shows the study sample

No.	Sector	Number of Sample Companies
1	Telecommunications	2
2	Services	4
3	Agriculture	5
4	Commerce	6
5	Industry	7
6	Tourism and Hotels	2
Total		27

The descriptive analysis will be conducted using the descriptive statistics methods represented by: (arithmetic mean, standard deviation, coefficient of variation) to form a clear perception of the nature of the study variables. Then the inferential statistics

methods will be used and represented by: (Pearson correlation coefficient, multiple linear regression) to test the study hypotheses as shown below:

Descriptive statistics indices were calculated for the data of the independent variable (accounting disclosure according to integrated business reports), which was measured by three quantitative indices including: (disclosure of corporate governance, disclosure of social responsibility, and disclosure of future information), and dependent variables: (cost of capital, value of the company), and the governing or controlling variables: (company size, rate of return on assets, financial leverage). The table below shows the most important descriptive statistics of the study variables and the definition of their statistical nature:

Table 2 Description of the Study Variables

Variables	Statistical Nature	Mean	S.D	Coefficient of Variation
CG	Independent	0.67	0.21	31.56
CRG	Independent	0.50	0.16	32.46
IF	Independent	0.38	0.14	36.21
WACC	Dependent	6.50	2.01	30.96
Tobin's Q	Dependent	21.51	67.31	312.92
Size	Governing	9548156	21818130.38	228.51
Lev	Governing	434.38	1582.60	364.34
Roa	Governing	41.62	38.46	92.40

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

The table above shows a clear discrepancy in the descriptive statistics values for the study variables (independent, dependent, governing) as shown below:

- **Independent variables:** The arithmetic mean of the corporate governance disclosure variable was (0.76) with a standard deviation (0.21) and the coefficient of variation indicating acceptable consistency in the data of this variable which was (31.56). While the arithmetic mean of the social responsibility disclosure variable was (0.50) with a standard deviation (0.16) and with a coefficient of variation indicating acceptable consistency in the data of this variable of (32.46). Whereas the variable for disclosing future information reached its arithmetic mean (0.38) with a standard deviation of (0.14). It was noted that there is consistency in the data of this variable, where the coefficient of variation for its data reached (36.21).
- **Dependent Variables:** The arithmetic mean of the cost of capital variable was (6.50) with a standard deviation of (2.01) and a coefficient of variation indicating acceptable consistency in the data of this variable amounted to (30.96). While the company's value variable reached (21.51) with a standard deviation (67.31) and a

high coefficient of variation of (312.92) indicating dispersion (divergence) in the data of this variable.

- Ruling Variables:** The arithmetic mean of the company size variable reached (9548156) with a standard deviation (21818130.38) and a high coefficient of variation indicating the dispersion of data for this variable amounting to (228.51). Whereas the arithmetic mean of the variable rate of return on assets reached (434.38) with a standard deviation (1582.60) and with a high coefficient of variation that indicates a high dispersion in the data of this variable which reached (364.34). The financial leverage variable reached an arithmetic mean of (41.62) with a standard deviation of (38.46) and a coefficient of variation (92.40) indicating dispersion in the data of this variable.

Hypothesis Testing and Discussing the Study Results

The research relied on three hypotheses, the first was concerned with preliminary inference about the existence of statistical relationships between the independent variable, which was expressed by three independent indices (influencing) and the dependent variables (affected). While the second and third hypotheses were concerned with evaluating and testing the existence of an effect of the independent variable, which was expressed by three quantitative indices and governing variables in the dependent variables separately, as follows:

- Evaluation and Testing of the First Hypothesis**

This hypothesis states that: "there is no correlation between the independent variable (disclosure according to integrated reports) and the dependent variables (cost of capital) and (company value)". Accordingly, the statistical method (Pearson Correlation Coefficient) will be used with the aim of evaluating and testing the correlation between the variables, as shown in the correlation matrix below:

Table 3 Pearson Correlation Coefficient Matrix

	WACC	Tobin's Q
CG	0.026	0.110
CRG	-0.023	0.081
IF	0.425*	0.239

The mark (*) indicates that the correlation is significant (statistically significant) assuming a level of significance (0.05), meaning that the (P-Value) of the correlation coefficient test of significance is less than (0.05).
 The mark (**) indicates that the correlation is significant (statistically significant) assuming a level of significance (0.01), meaning that the (P-Value) of the correlation coefficient test of significance is less than (0.01).
 The lack of one of the two signs referred to above indicates that the correlation is not significant (not statistically significant), that is, there is no correlation.

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

It is noticed from the results of the correlation coefficient (Pearson) between accounting disclosure indices according to integrated business reports and the dependent variables (cost of capital, company value) that there are no significant correlations (statistically significant) between each of (disclosure of corporate governance, disclosure of social responsibility) with the dependent variables (cost of capital, value of the company). It is noted that there is a significant correlation (statistically significant) below the level of significance (0.05) between the future information disclosure index and the dependent variable of the cost of capital, where the correlation coefficient between them reached (0.425), which is an average direct correlation coefficient between the two variables. While it is noted that there is no correlation between each of the future information disclosure index and the dependent variable of the value of the company. Therefore, the first hypothesis is proven in total with an exception of the relationship shown in the correlation matrix between the future information disclosure index and the dependent variable of the cost of capital.

- **Evaluation and Testing of the Second Hypothesis**

This hypothesis states that: (there is no statistically significant effect of disclosure according to "integrated business reports" on the cost of capital). Accordingly, the statistical method (multiple linear regression) will be used in order to evaluate and test the effect of independent indices on the dependent variable of the cost of capital in the presence of the controlling variables, as shown in the following multiple linear regression model:

$$WACC = B_0 + B_1 CG + B_2 CRG + B_3 IF + B_4 Size + B_5 Lev + B_6 Roa + error$$

Table 4 The Results of Multiple Linear Regression Analysis (WACC)

Effective Variables	Dependent Variable: Cost of Capital (WACC)				
	F	P-Value	R ²	Adjusted R ²	Durbin-Watson
		11.17	0	0.77	0.70
Regression Parameter					
	Parameter	Parameter Value	T	P-Value	VIF
	B ₀	7.865	5.654	0	/
CG	B ₁	-1.152	-0.957	0.350	1.728
CRG	B ₂	-1.593	-0.912	0.373	2.422
IF	B ₃	1.075	0.443	0.662	8.051
Size	B ₄	0.00000008	3.499	0.002	5.443
Lev	B ₅	-0.001	-2.708	0.014	1.528
Roa	B ₆	-0.018	-2.659	0.015	1.383

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

It is noted from the above table that there is a significant effect (statistically significant) below the level (0.01) of the accounting disclosure indices according to the integrated business reports and the governing variables combined in the dependent variable of the cost of capital, where the calculated (F) value reached (11.17) which is a statistically significant value under the level (0.01) where the associated (P-Value) was less than (0.01), which means that the multiple linear regression model is significant (statistically significant) at the overall level. (Durbin-Watson) test value of (1.80) was within the range (1.5-2.5) which means that the multiple linear regression model does not have the problem of autocorrelation between the variables. While the values of the inflation factor index (VIF) were for most variables within the acceptable range (less than 5), except for the variables (disclosure of future information, and the size of the company) greater than (5). Therefore, the model has a polylinear problem.

The value of the coefficient of determination (R²) was about (77%), while the corrected determination coefficient (Adjusted R²) reached about (70%), and since there are some parameters that are not statistically significant, the corrected determination coefficient will be adopted as it is not affected by the number of variables in the model, unlike the coefficient of determination. Accordingly, the variables in the model explain about (70%) of the changes that occur in the dependent variable, this is at the macro level, but at the micro level, it is noted that there are some non-significant (non-statistically significant) regression parameters due to the (P-Value) accompanying the (T-Test) that is greater than the significance level of (0.05). The indices representing the independent variable were not significant (not statistically significant), and the governing variables were significant (statistically significant). With the aim of making the model significant at the macro and micro levels, and to address the problem of linear multiplicity that has been identified, the analysis of (Multiple Linear Regression Model) will be used by Stepwise method. This method eliminates non-significant variables and keeps the most significant variables (and its outputs are closer to representing reality). The results of the multiple linear regression analysis in this way are shown below:

Table 5 WSCC Reverse Elimination Method

Variables Entering the Model	Dependent Variable: Cost of Capital (WSCC)				
	F	P-Value	R ²	Adjusted R ²	Durbin-Watson
		20.54	0	0.76	0.73
Regression Parameter					
	Parameter	Parameter Value	T	P-Value	VIF
	B₀	6.678	17.267	0	/
Size	B₄	0.0000001	5.469	0	3.977
Lev	B₅	-0.001	-3.876	0.001	3.406
Roa	B₆	-0.018	-2.923	0.008	1.331

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

It is noticed from the above table that there is a significant effect (statistically significant) below the level (0.01) for the governing or controlling variables in the dependent variable, the cost of capital, where the calculated (F) value reached (20.54), which is a statistically significant value below the level (0.01), where the value of the accompanying (P-Value) is less than (0.01). This means that the multiple linear regression model is significant (statistically significant) with the presence of the governing variables (company size, rate of return on assets, financial leverage) and excluding the three independent variable indices (disclosure of corporate governance, "disclosure of social responsibility", and future information disclosure). The value of the (Durbin-Watson) test of (1.67) was within the range (1.5-2.5), which means that the multiple linear regression model does not have the problem of autocorrelation between variables. While the values of the inflation factor index (VIF) were for all the variables included in the model within the acceptable range (less than 5), and accordingly, the model does not have the problem of polylinearity. The value of the coefficient of determination (R²) was about (76%), and the corrected determination coefficient (Adjusted R²) was about (73%). So, the control variables explain about (73%) of the changes that occur in the dependent variable (cost of capital), while the remaining (27%) is due to variables outside this study and the random error factor. The regression parameters by the inverse elimination method were significant (statistically significant) for all the variables entering into the model as the values of (P-Value) accompanying the (T) Test are less than the significance level of (0.01). Thus, the final form of the multiple regression model is by the method of inverse elimination according to the following formula:

$$\mathbf{WACC = 6.678 + 0.0000001 Size - 0.001 Lev - 0.018 Roa}$$

Accordingly, it turns out that the indices of the independent variable (disclosure of corporate governance, disclosure of social responsibility and disclosure of future information) do not affect the dependent variable (cost of capital). The effect of the rate of return on assets and financial leverage is opposite and higher than the effect of company size.

- **Evaluation and Testing of the Third Hypothesis**

This hypothesis states that (there is no statistically significant effect of disclosure according to "integrated business reports" on maximizing the value of the company). Therefore, the statistical method (multiple linear regression) will be used in order to evaluate and test the effect of independent indices on the dependent variable and

maximizing the value of the company in the presence of the controlling variables, as shown in the following multiple linear regression model:

$$\text{Tobin's Q} = B_0 + B_1 \text{CG} + B_2 \text{CRG} + B_3 \text{IF} + B_4 \text{Size} + B_5 \text{Lev} + B_6 \text{Roa} + \text{error}$$

Table 6 Linear Regression Analysis Results (Tobin's Q)

Effective Variables	Dependent Variable: Company Value Maximization (Tobin's Q)				
	F	P-Value	R ²	Adjusted R ²	Durbin-Watson
	2397.55	0	0.99	0.99	2.06
Regression Parameter					
	Parameter	Parameter Value	T	P-Value	VIF
	B ₀	-8.877	-2.457	0.023	/
CG	B ₁	1.242	0.397	0.696	1.383
CRG	B ₂	2.543	0.560	0.581	1.728
IF	B ₃	9.795	1.555	0.136	2.422
Size	B ₄	0.000001	14.871	0	8.051
Lev	B ₅	0.029	35.439	0	5.443
Roa	B ₆	0.035	1.940	0.067	1.528

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

It is noted from the above table that there is a significant effect (statistically significant) below the level (0.01) of the accounting disclosure indices according to the integrated business reports and the governing variables combined in the dependent variable of the cost of capital, where the calculated (F) value reached (2397.55) which is a statistically significant value below the level of (0.01) where the associated (P-Value) was less than (0.01), which means that the multiple linear regression model is significant (statistically significant) at the overall level. The (Durbin-Watson) test value of (2.60) was outside the range (1.5-2.5), which means that the multiple linear regression model has the problem of autocorrelation between the variables. Whereas the values of the inflation factor index (VIF) were for most variables within the acceptable range (less than 5), except for the variables (company size, rate of return on assets) greater than (5). Therefore, the model has a polylinear problem.

The value of the determination coefficient (R²) was about (99%), and the corrected determination coefficient (Adjusted R²) was about (99%). Here, there is a consistency in the value of each of the coefficient of determination and the corrected coefficient of determination. This is due to the problem of autocorrelation and multi-linearity that the model has. This is at the macro level, but at the micro level, it is noted that there are some non-significant (not statistically significant) regression parameters, since the (P-Value) associated with the (T) Test is greater than the significance level of (0.05), where the

indices that represent the independent variable were not significant (not statistically significant), and the governing variables are significant (statistically significant) with the exception of financial leverage. Since the model has the problems of autocorrelation and multilinearity, the variables that cause these problems should be eliminated. So, to address this problem and in order to make the model significant at the macro and micro levels, multiple linear regression analysis (Stepwise) will be used where this method eliminates the insignificant variables and keeps the most significant variables (its outputs are closer to representing reality). The results of the multiple linear regression analysis in this way are as shown below:

Table 7 Shows the method of Backward Elimination of (Tobin's Q)

Variables Entering the Model	Dependent Variable: Company Value Maximization (Tobin's Q)					
	F	P-Value	R ²	Adjusted R ²	Durbin-Watson	
		4579.53	0	0.99	0.98	1.72
	Regression Parameters					
	Parameter	Parameter Value	T	P-Value	VIF	
	B ₀	-6.792	-3.510	0.002	/	
Size	B ₃	14.87	2.81	0.01	1.628	
Lev	B ₄	0.000001	16.65	0	4.789	
Roa	B ₆	0.030	39.350	0	4.398	

Source: "Prepared by the researchers based on the outputs of the statistical program" (SPSS, V. 26).

It is noticed from the above table that there is a significant effect (statistically significant) below the level (0.01) of the future information disclosure index in the dependent variable of maximizing the value of the company, which is one of the indices of the independent variable. While the other indices that represent the independent variable (disclosure of corporate governance, disclosure of social responsibility) were excluded from the model as they are not significant (not statistically significant). It also is noted that there is an effect of two of the governing variables in the dependent variable, which are: (company size and financial leverage), where the calculated (F) value reached (4579.53), which is a statistically significant value below the level of (0.01) where the associated (P-Value) was less than (0.01), which means that the multiple linear regression model is significant (statistically significant).

The (Durbin-Watson) test value of (1.72) was within the range (1.5-2.5), which means that the multiple linear regression model does not have the problem of autocorrelation between variables. Whereas the values of the inflation factor index (VIF) were for all the variables included in the model within the acceptable range (less than 5), and accordingly, the model does not have the problem of multilinearity. The value of the coefficient of determination (R²) was about (99%), and the corrected determination coefficient

(Adjusted R2) was about (98%). Accordingly, the control variables explain about (98%) of the changes that occur in the dependent variable (maximizing the value of the company), while the remaining (1%) is due to variables outside this study and the random error factor. The regression parameters by the Backward Elimination method were significant (statistically significant) for all the variables entering into the model as the values of (P-Value) accompanying the (T) Test are less than or equal to the significance level of (0.01). Therefore, the final form of the multiple regression model is by the method of Backward Elimination according to the following formula:

$$\text{Tobin's Q} = -6.792 + 14.87 IF + 0.000001 \text{ Size} + 0.018 \text{ Roa}$$

Thus, it turns out that the index of the independent variable (disclosure of future information) affects the dependent variable (cost of capital) in a direct effect that is the highest among the variables entering into the model. Whereas the governing variables (financial leverage, company size) affect the dependent variable where the effect of the size of the company was of a very low direct effect. While the effect of financial leverage has a higher direct effect than the effect of the company's size.

Conclusion

This study aimed at analyzing the impact of accounting disclosure according to integrated business reports on maximizing the value of the company and the cost of capital in Iraq Stock Exchange using a sample of (27) observations in the time period from (2016) to (2019). The study attempts to show the interrelationships between the level of accounting disclosure according to "integrated reports" and the statement of its effects on maximizing the value of the company and reduce the cost of capital as well as to show its reflections on stakeholders. The study concluded that accounting disclosure indices according to integrated business reports contribute to achieving many benefits as a result of what disclosure provides according to integrated business reports from an overview of the company's strategy and the extent to which it is "related to the company's" ability to maximize value, which is effectively reflected on the quality of the company's profits and reducing the cost of its capital. This is achieved through the financial and non-financial data it provides and performance evaluation indices such as maintaining the safety of the environment surrounding the company and preserving natural resources, understanding the societal classes and expectations of stakeholders, and the threats that the company is likely to face besides the effects resulting from them in the future. Thus, it helps in making decisions and reducing the inconsistency of data. Therefore, the study recommends the need to study the relationship between disclosure according to

"integrated business reports" and the quality of "accounting information" and to show its effects on the users of this data in addition to learning about its impact on reducing information consistency for the purposes of investment decisions.

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