

# The Effect of Business Model and Strict Accounting Uniformity on Qualitative Characteristics of Accounting Information

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The main objective of this paper is to determine the role of accounting practices (Business Model and accounting uniformity) in supporting the decision-making process, via the improvement of financial reporting practices that can be used to assess a company's financial position and performance. The quantitative approach was selected as the research method for this study. The sample in this study is the academic staff in Iraqi universities. The data were collected using paper-based and Internet-based questionnaires. A total of 49 complete questionnaires were subsequently used for analyses. The research findings indicate that the adoption of a uniform accounting system in Iraq under a centralised economy had significantly increased the qualitative characteristics of accounting information, while other the findings show a non-significantly effect of the business model on the accounting information characteristics. The conducting of such researches in the field provides novelty in the literature among both emerging and developed economies. This is because, to the best knowledge of the researchers, there is no prior empirical study (within the literature) that combines these variables and evaluates their empirical significance.

**Keywords:** *Business Model, Strict Accounting Uniformity, Accounting Measurement, Accounting Information Characteristics.*

## Background

In the context of commenting on the discussion paper "*Review of the conceptual framework for financial reporting*" issued by IASB in 2013, one of the questions (Q23) presented in the paper asks respondents to provide a definition of the concept of business model (IASB, 2013). The answers received in the paper, which were chosen according to the geographical region in which the accounting body is located, and which can reflect international consensus on dealing with this concept, include the following: clarifying the way the company operates and adding value (Deloitte Touché Tohmatsu Limited-UK and Canadian bankers association), or how it creates value, how the company generates its cash flows (EFRAG), or how assets contribute to the future cash flow and how the company pays its liabilities (Accounting Standards Board of Japan).

All of the above-mentioned are fully consistent with the accounting objectives, especially those related to helping determine a company's cash flows as presented in the list of concepts No.8. "Investors, lenders and other creditors" expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity. Consequently, existing and potential investors, lenders and other creditors need information to help them assess the prospects for future net cash inflows to an entity (FASB, 2010: OB3).

Diversity in the available definitions also leads to confusion in terminology, as business model, strategy, business concept, revenue model and economic model are often used interchangeably within the academic literature. Therefore, it should not come as a surprise that no generally accepted definition of the term 'business model' has emerged (Morris et al., 2005). However, Malone et al. (2006) state that common to all of these definitions of business and e-business models is an emphasis on how a firm makes money.

Shafer et al., (2005) in their study reviewed the existing literature that describes and defines the components of the business model. The components are classified into four main categories: strategic options, value chain, value creation and value grabbing. The study concludes that over the past years there is growth in the discussion of business models, and there is still a lot of confusion about what business models are and how they can be used.

Measurement (and the related accounting policy choice) is an obvious place where the business model can play a role, because current IFRS require, or permit, different measurement requirements depending on how an asset or a liability, or a group of assets or liabilities, contribute to the entity's cash generation. Accounting standards setters should systematically verify the list of attributes that identify differences in economic effects, value creation and cash flow generation that could justify a different accounting treatment.

Differences in the accounting treatment should be consistent with the way business models influence value creation and cash flows generation, in order to ensure a relevant and faithful representation (EFRAG, 2013).

The primary criteria for evaluating possible measurement bases, derived from the conceptual frameworks, are: 1) decision usefulness; 2) qualitative characteristics of useful information, understandability, relevance predictive value, feedback value, timeliness, reliability, representational faithfulness, neutrality, verifiability and comparability; 3) concepts of assets and liabilities, and how the expected cash-equivalent flow attribute of assets and liabilities is measured; and, 4) cost/benefit considerations. The criteria for the choice of the measurement approach are determined by standard setters. The starting point should always be the information needs of the users of financial information. However, there are different groups of accounting information users that have different interests and different needs. The final selection of the criteria is always dependent on the decision of the standard setters, who may and in fact must give priority to the interests of certain groups of the accounting information users (Strouhal, 2015).

This study discusses studies reported in the literature on the business model, accounting uniformity, accounting information characteristics and accounting measurement. Accounting is a science of measuring the economic system. It is an applied science, measuring and evidencing activities in a company. The accounting system takes a valuable expression of measurement results (Sadowska and Lulek, 2016).

### **Business Model, Accounting Measurement, and Accounting Information Characteristics**

The use of the concept of the business model in academia and its presence in literature is fast becoming evident. Its presence in literature is multi-faceted, and this study determines the extent that the IFRS framework accounts for the concept of business models (Disle et al., 2016). Linder and Cantrell (2000) state that "[y]et, despite all the ink spilt and words [...] spoken, business models are still relatively poorly understood" (Osterwalder et al., 2005, Bergh & Kahrs, 2015). The lack of consensus among the academic community of a business model definition is evident in the literature. However, due to its modern usage in financial reporting, its proper definition warrants further research where the definition of a business model remains scarce in the literature, especially in the context of accounting and financial reporting. Therefore, the term is now becoming an essential subject of research. Business models encompass topics such as e-commerce business, information systems and business management, and the past half-decade has seen a surge in the use of the term 'business model' in financial reporting (Sorrentino and Smarra, 2015).

According to Chesbrough (2007), every company has a business model, whether they articulate it or not. This section will therefore outline the factors propelling business models to the forefront of financial reporting; its concept and historical evolution, insights on the literature on empirical business models, and the knowledge gap on the subject (Stalder, 2018). Many current organisations include the term “business model” in their respective financial reports, such as the Institute of Certified Accountants in England and Wales (ICAEW), the European Financial Reporting Advisory Group (EFRAG) and the International Accounting Standards Board (IASB). For example, ICAEW clearly point out in two separate studies (2008, 2010):

*“there is [...] one way to relating accounting measurement and company theory to each other... [which] is via [the] business model...”, and “Factually, it seems to be impossible to devise a sensible approach to financial reporting measurement that does not reflect firms’ business models”.*

The bulletin “The role of the business model in financial reporting” (EFRAG, 2013) outlines that a “business model should play a role in financial reporting” via debates on notions, and financial reports using business models are expected to have improved qualitative characteristics of accounting information, as per the Conceptual Framework for Accounting and Financial Reporting (IASB). IASB utilised the term ‘business model’ for the first time in its International Financial Reporting Standard (9) (2009), stipulating that:

*“Financial assets for any company shall be subsequently measured, either at fair value or at amortised cost based on 1) the entity’s business model for managing the financial assets and 2) the contractual cash flow characteristics of the financial asset.”*

A study conducted by Singleton-Green (2014) argues that financial reporting already reflects business models of firms and further makes arguments that support the view that “the different measurement bases should be used to reflect different business models”. As long as different business models involve different assets and transactions, the proposed approach distinguishes between assets that are transformed by a firm’s in-firm processes and those that are not. Historical cost measurements would usually be appropriate for the former, while market price measurements (fair value) for the latter. The ultimate goal is to produce more useful information for users. The study suggests that the economic theory of the firm may help explain empirical findings as to which measurement bases provide the most useful information, and therefore help to determine the questions of an accounting policy that have not yet been resolved.

Leisenring et al. (2012) detail modelling financial reporting on the management's intent vis-à-vis the use, transfer, or other disposition of an asset/liability. They point out that the

literature on business model is nascent and widespread. They also provide several examples of this approach; International Financial Reporting Standards and US Generally Accepted Accounting Principles that permit or require intent-based accounting (e.g., IAS17, IAS37, IAS16, IFRS3, IFRS8, SFAS6, and IFRS9), and conclude that financial reporting standards include explicit or implicit regulations as per its business models. This extends to the process of recognition, measurement, presentation, disclosure and classification, which will be framed within the context of the reporting practice.

Jones (2014) analyses the International Accounting Standards Board's proposal for the integration of the business model concept into its Conceptual Framework for financial reporting. He points out the ways where the business model can be explicitly or implicitly inculcated into international accounting standards, then analyses the many proposed definitions of "business models." He later addresses the use of the business model concept in existing IAS/IFRS, then summarises the advantages and disadvantages of accounting for an organisation's business model when developing IAS/IFRS, and follows with the definitions of business models used by other organisations/researchers. It was concluded that instead of integrating the concept of a business model into the Conceptual Framework, the IASB should construct a singular definition of the business model and apply it throughout the IFRS. A business model can be elucidated via organisational activities in the pursuit of its goals, which makes business models a fact as opposed to an assertion. When assessing a business model, all relevant and available evidence should be taken into account.

Sorrentino and Smarra (2015) attempt to define the term business model in the context of financial reporting. They rightfully point out that the term itself is somewhat equivocal; however, it is almost impossible to pinpoint the true meaning of the term in the literature due to the recent use of the term 'business model' in financial reporting. They report that in the past half-decade, the vocabulary of financial reporting had been made more productive by the introduction of the term 'business model. Analysis of the meaning of the term in the context of financial reporting and from elucidating the comments in the letter "Review of the Conceptual Framework for Financial Reporting", (issued by the International Accounting Standards Board, July 2013), they outline that the majority of definitions reported by the respondents agreed with the identification of the term "business model" with the basic concepts of cash flow generation and value creation (in the literature). The primary point highlighted in their work is that firms execute their respective businesses differently, with different goals and results and the lack of a unified definition of the term "business model" seems to matter little in this case, and will not serve to enhance our current understanding of financial reporting issues.

Lassini et al. (2016) point out that financial accounting research is currently comfortable in including business model constructs; however, financial reporting's ability to define the

characteristics of business models remain unverified. They empirically elucidate the links between business models and accounting choices via a sample of 103 European listed companies that were gathered using an innovative, non-linear algorithm (self-organising maps) that utilises pertinent industrial, strategic, governance, and financial variables to define the multiple dimensions of a business model. The accounting choices (accounting measurement, accounting treatment, and disclosure level) made by companies belonging to the different identified business models were analysed. A comprehensive analysis of the company models and their respective accounting choices revealed no relationships, which empirically confirmed the inability of financial reporting to elucidate a company's business model accurately.

In the discussion paper of use in the business model in IAS & IFRS, the board does not define the term (or concept meant by the term) "business model concept." However, when summarising the discussion paper, the IASB points out that they are considering the addition of the business model concept into the Conceptual Framework because "financial statements can be made more relevant if the IASB considers, when it develops or revises particular standards, how an entity conducts its business activities" (IASB, 2013).

One of the most prominent references to the concept of the business model in IFRS is outlined in item 4.1.1, where it says,

*"An entity shall classify financial assets as subsequently measured at amortised cost and fair value via 1) the entity's business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial asset".*

Item 4.1.2 outlines that:

*"A financial asset shall be measured at amortised cost if both of the following conditions are met: 1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and, 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.",* while item 4.14 highlights, *"A financial asset shall be measured at fair value unless it is measured at amortised cost in with paragraph 4.1.2".*

The abovementioned definitions could well classify the same item as inventory, manufacturing asset, or equipment based on a company's business model.

There are criteria containing provisions that must be met to realise accounting processing, as small changes in orders could result in significant changes to accounting treatments. Reliance

on criteria is similar to the reliance on an organisational business model vis-à-vis accounting practices. A typical example is the International Standard 17, which “contains two knife-edge conditions that distinguish a Capital Lease and an Operating Lease (The term of the lease is greater than or equal to 75% of the useful life of the asset, and the present value of the lease payments is greater than or equal to 90% of the asset’s fair market value).”

In Item 10 of the IAS 8, item 12 explains the considerations by the management in such circumstances when making judgments as described in paragraph 10; IAS 16 defines the property, plant, and equipment as tangible items held for use in the production, supply of goods or services, rental to others, or used in administration for more than one accounting period.

Acceptable industrial practices reflect the unified approach agreed upon by other entities of a given industry, all of which are more likely to share similar business models. These examples show that IFRS is made up of explicit or implicit judgments based on a company's business model, which guides the recognition, measurement and disclosure process, including classification. Accounting based on a business model is more informationally relevant as it determines the value (cash flows) from a particular accounting item based on a specific view (IAS8, 2009). IFRS include implicit regulations based on the business model of an entity, which means that the business model guides the process of recognition, measurement and presentation in financial statements.

Essentially, this part details the theoretical background of a business model concept and its role in financial reporting. It was found that the concept is gaining traction as per scholarship views. It is therefore unsurprising that there is no single definition or business model accepted by the academic community. However, in the management and accounting disciplines, focus on value creation and cash flow generation is prevalent when accepting and implementing business models. Therefore, the general conclusion derived from the literature seems to be that a business model encompasses a plan to create, present and acquire value to generate the revenue required to cover costs, create added-value and efficiently and effectively generate cash flows.

### **Accounting Uniformity, Measurement and Accounting Information Characteristics**

The pursuit of uniformity in accounting practice has been a prominent theme in financial reporting during the past half-century (Sunder, 2010). Gray defines uniformity as “a preference for the enforcement [of] uniform accounting practices between companies and for the consistent use of such practices over time as opposed to flexibility consistent with the special perceived circumstances of companies”. He goes on to describe two types of

accounting uniformity; “Inter-company Uniformity,” which ensures that companies will utilise similar practices when preparing annual financial reports, and “Inter-Temporal Uniformity,” which guarantees the consistency of organisational practices over time. The third form of uniformity is the “Inter-Country Uniformity.” Politics and culture define a degree of accounting uniformity. Generally, the degree of accounting uniformity is higher when an economy is centralised (Gray, 1988).

However, it should be noted here that the reference is to uniformity of practice, of process or method, not necessarily to uniformity of output. Gray (1988) has contemplated different interpretations of uniformity and flexibility. The former ranged from strict inter-company/inter-temporal uniformity to a consistency between companies over time and the concern for comparability between companies, to the relative flexibility of accounting practices to suit the circumstances of individual companies.

There are some good reasons why uniformity might be preferred above flexibility to attain comparability. Flexibility is the reverse. First of all, flexibility can result in inappropriate differences in the accounting methods used, due to differences in management judgement or due to account manipulation. Second, flexibility has some practical problems. As stated before, it is difficult to define the relevant circumstances that should be taken into account. It is also not clear when circumstances are the same. In the extreme, all companies operate under unique circumstances, and no transaction is the same. It would, therefore, be very difficult to control whether two companies use different accounting methods, due to differences in circumstances or due to account manipulation. Furthermore, users would have to understand all the different accounting methods used. Flexibility would also complicate the collection of useful data by governments and economists, the education of accounting students and the training and replacement of accounting employees. All of the above makes clear that some form of uniformity is necessary.

However, uniformity has some disadvantages too. Uniformity would produce merely the appearance of uniformity because no standards could possibly contain all the existing and future complexities. In addition, uniformity can reduce comparability by making unlike things look alike. Furthermore, uniformity ignores the signalling value of choices managers make and stands in the way of experimentation and progress (Cole, et al., 2012). And uniformity is often interpreted differently (Robert & Satter, 1999): (1) uniformity among companies results in the government's demands for accounting information; (2) uniformity backs to the conceptual model which links between community culture and accounting value; and (3) uniformity in accounting can be significantly positively related to cultural dimensions. Some scholars are against accounting uniformity (Hendrickson, 1990) and they forward the following arguments:

*Accounting may be placing [a] rigid[] framework of rules and procedures that may make financial statements less comparable; (2) [it m]ay affect management freedom and its fundamental rights to choose information; and (3) [it m]ay impede progress and prevent[...] desired changes.*

Ezejelue (2008) opines that there are many environmental factors which are thought to contribute to the dissimilarity in financial reporting that exist across countries. Some of the commonly mentioned factors include the legal system, and cultural, political, economic and inflation factors. However, Gernon and Meek (as cited in Okoye, 2009) group accounting into three major models based on certain distinguishing features of accounting, with close identification of national patterns that conform to identified features like a legal compliance model, a fair presentation model and an inflation-adjusted model. Other models of accounting include the Communist model, the mixed economy model; and the international standard model. Therefore, there has been considerable debate over accounting values and the desire for uniformity, consistency and comparability in developing countries (see for example, Mc Comb, 1979; Sudarwan and Fogarty, 1996; Chanchani and Willett, 2004). Historically, extreme examples of this have been provided in some European countries in which the use of standardised charts of accounts were made mandatory in the interest of interfirm comparability but at the expense of relevance and often reliability as well. That kind of uniformity may even adversely affect comparability of information if it conceals real differences between enterprises (FASB, 2008).

In Iraq, accounting plays a vital role in quantifying economic activities via a comprehensive legal structure encompassing the entirety of national transactions, which results in specific financial statements and unified accounting practices across the country. The Iraqi unified accounting system was devised at a time when the economy was centrally planned and there was a concern for law and order and rigid codes to govern behaviour, written law and regulation, in addition to conformity and the search for ultimate, absolute truths and values, which were all perceived to support uniformity (Askary, et al., 2008).

Before 2003, the Iraqi government owned all the productive resources and supplied all capital needs. Under this model, high uniformity in accounting practice is required for tight central economic control, and the primary users of accounting information are government planners. Financial statements (which normally include budgetary information) are not prepared for outside users but for various agency administrators and government planners. After 2003, the Iraqi model transferred to a mixed economy model. A mixed economic system is an economic system that features characteristics of both capitalism and socialism. It allows a level of private economic freedom on one hand in the use of capital; on the other hand, it encourages governments to interfere in economic activities in order to achieve social

aims. This type of economy is less efficient than capitalism but more efficient than socialism. In this type of accounting model, the privately-owned companies use the International Financial Reporting Standards (IFRS), such as some of the banks, while the government-owned organisations use the developed accounting model from the Ministry of Finance in their financial reporting.

### Research Framework and Hypotheses

In this study, the theoretical framework was developed based on the literature on the (BM), (AU), (AM) and (AIC) as shown in the below figure:

**Figure 1.** Schematic diagram of research framework

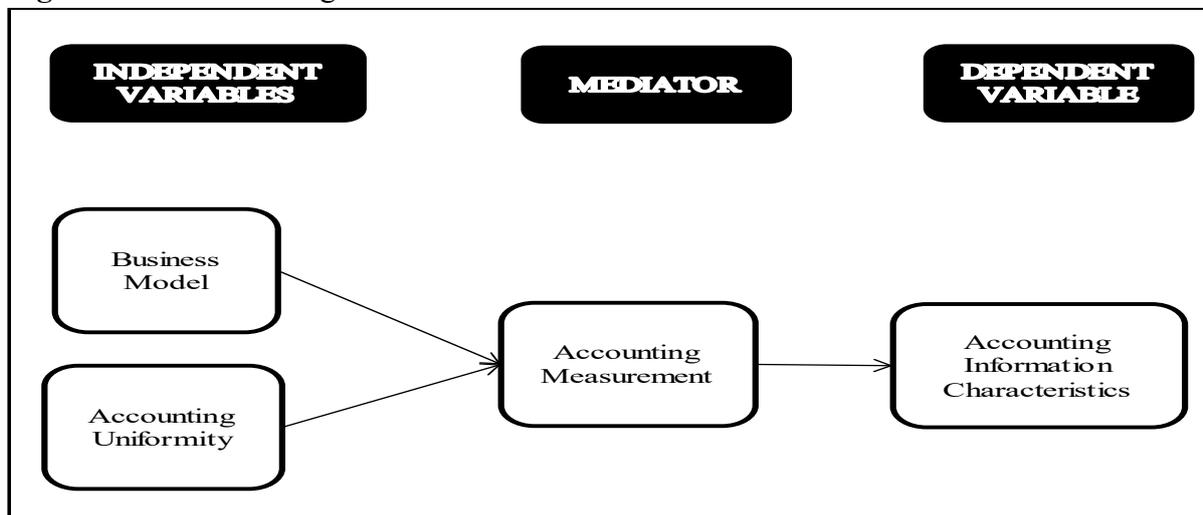


Figure 1 provides details of the conceptual research framework to test the postulated hypotheses of the study. The hypotheses were developed to examine the effect of the following factors (BM on AM), the effect of (AU on AM) and the effect of (AM on AIC). The hypotheses were also developed to determine if the role of (AM) mediates the effect of the following factors (BM) on (AIC), and also if the role of (AM) mediates the effect of the following factors (AU) on (AIC). The following table details the postulated hypotheses of the study:

**Table 1:** Hypotheses of the study

<i>H1</i>	<i>There is a significant effect of a BM on AM</i>
<i>H2</i>	<i>There is a significant effect of a AU on AM</i>
<i>H3</i>	<i>There is a significant effect of a AM on AIC</i>
<i>H4</i>	<i>AM mediate the effect of a BM on AIC</i>
<i>H5</i>	<i>AM mediate the effect of a AU on AIC</i>

## Results and Discussion

This section details the main results of the study. The quantitative approach was used to acquire an experiential overview of the role of factors (business model, accounting uniformity) in accounting measurement to improving the characteristics of financial reporting. This study does so in the form of two themes; first, analysis of the respondents' demographics, second, descriptive analysis to answer the research questions using SmartPLS 3.2.7 software.

The sample in this study is the academic staff in Iraqi universities. The data were collected using paper-based and Internet-based questionnaires. Data collection was conducted in this study via sending the paper-based questionnaires to the respondents by hand and emailing the respondents the internet-based questionnaires, deposited in Google drive, for them to download and complete. Seventy (70) completed questionnaires were collected from the targeted respondents, and 21 of them were excluded due to the participants answering the questionnaire lacking the knowledge to answer the questions correctly. A total of 49 complete questionnaires were subsequently used for analyses. Roscoe (1975) proposed that a sample size of 30-500 is suitable for most studies (Sekaran, 2003), and sizes smaller than 30 and larger than 500 are seldom justifiable. Samples larger than 30 ensure that the researcher benefits from the central limit theorem (Roscoe, 1975; Abranovic, 1997), while a sample of 500 guarantees that the errors will not exceed 10 percent of its standard deviation ~98 percent of the time (Hill, 1998). The questionnaires were sent to the arbitrators either by way of direct distribution of a hard copy or by email. The following is a presentation of the demographic characteristics of the sample.

### *Respondent Demographics*

This study involved the participation of academic staffs as respondents, and Table 2 illustrates the descriptive statistics of the 49 respondents of this study. The table shows there is a variation between age groups; the age group 46-55 accounted for 70 percent of the total sample. This study focused on higher age groups because they have the experience to answer

the questions. There are also differences between males and females, where the former makes up 71 percent of the total sample, while the latter makes up the rest. Of the respondents, 59 percent are PhD holders, while the others reported having Master's degrees. Professors account for 10 percent of the respondents, Associate Professors account for 65 percent of the respondents, and the rest are senior lecturers.

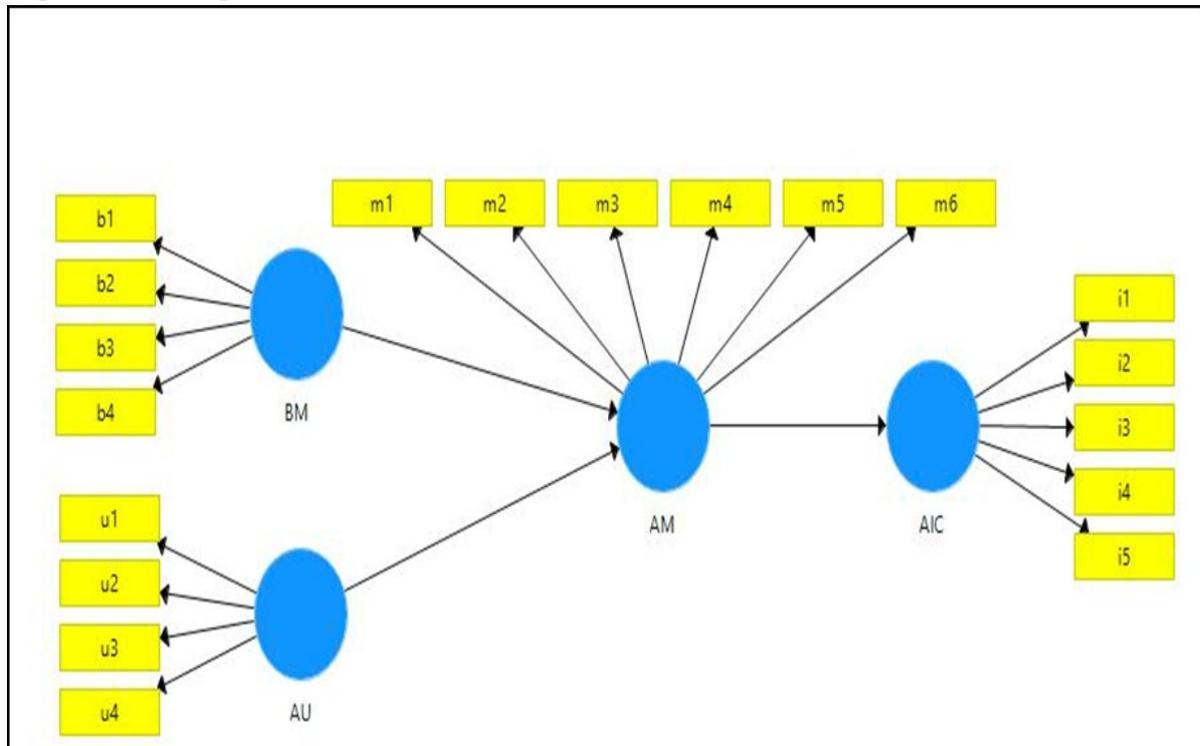
**Table 2:** Profile of the respondents (n=49)

No	Variable	Description	Number of Respondents	%
1	Gender	Male	35	71%
		Female	14	29%
2	Age	Less 35 Years	4	8%
		36-45	7	14%
		46-55	34	70%
		More 65 Years	4	8%
3	Qualification	PhD	29	59%
		Master	20	41%
4	The scientific title	Prof	5	10%
		Prof Asst.	32	65%
		Senior Lecturer	12	25%
5	Experience	More 10 Years	1	2%
		20-Nov	14	29%
		21-30	29	59%
		More 30 Years	5	10%

### ***PLS Model Assessment***

This study used Smart PLS version 3.2.7 to analyse the quantitative data of the survey questionnaire. The study suggested a two-step analytical procedure. First, the measurement model was evaluated, followed by the structural model, as suggested by Anderson and Gerbing (1988). Second, the bootstrapping method was used to determine the significance level of loadings, weights and path coefficients, as suggested by Chin (1998). Figure 2 provides more details of the conceptual research framework to test the postulated hypotheses of the study.

**Figure 2.** Conceptual research framework



### ***Measurement Model***

The construct validity of specific indicators can be assessed by examining the respective cross-loadings and factor loadings, where it has been recommended that the loading of higher than 0.50 on two or more factors is considered significant (Hair et al., 2014). Table 3 confirms the validity of the construct for this study. All the results are greater than 0.50.

**Table 3:** Loadings and cross-loadings (n=49)

Items	AIC	AM	AU	BM
I1	0.783	0.582	0.417	0.434
I2	0.868	0.698	0.621	0.642
I3	0.812	0.638	0.512	0.551
I4	0.748	0.606	0.673	0.642
I5	0.837	0.633	0.616	0.553
M1	0.595	0.774	0.631	0.566
M2	0.673	0.911	0.671	0.568
M3	0.62	0.891	0.729	0.546
M4	0.761	0.814	0.586	0.574
M5	0.608	0.889	0.678	0.414
M6	0.71	0.813	0.715	0.571
U1	0.716	0.743	0.874	0.685
U2	0.516	0.605	0.854	0.592
U3	0.612	0.708	0.831	0.763
U4	0.41	0.487	0.712	0.429
B1	0.476	0.519	0.725	0.807
B2	0.477	0.451	0.507	0.811
B3	0.672	0.534	0.565	0.855
B4	0.671	0.595	0.733	0.849

To evaluate the convergent validity of reflective constructs, researchers consider the outer loadings of the indicators as the estimated relationships in the reflective measurement models (that is, arrows from the latent variable to its indicators). Therefore, the convergent validity should exceed 0.708 since its squared is 0.50; 0.70 is close enough to 0.708, making it acceptable (Hair et al., 2017). When the items have different frequency distributions, Tabachnick and Fidell (2007) suggest using more stringent cut-offs, going from 0.32 (poor), 0.45 (fair), 0.55 (good), 0.63 (very good) or 0.71 (excellent). The values are illustrated in Table 4, which shows that all the loadings values have exceeded 0.71 and therefore are excellent.

**Table 4:** Result of measurement model-convergent validity (n=49)

Latent variable	Question Items	Main Loading	AVE	Composite Reliability
BM (Business Model)	B1	0.807	0.69	0.899
	B2	0.811		
	B3	0.855		
	B4	0.849		
AU (Accounting Uniformity)	U1	0.874	0.673	0.891
	U2	0.854		
	U3	0.831		
	U4	0.712		
AM (Accounting Measurement)	M1	0.774	0.723	0.94
	M2	0.911		
	M3	0.891		
	M4	0.814		
	M5	0.889		
	M6	0.813		
AIC (Accounting Information Characteristics)	I1	0.783	0.657	0.905
	I2	0.868		
	I3	0.812		
	I4	0.748		
	I5	0.837		

Table 5 shows that the AVE values (in bold figures) are a better representative of the variance of its indicator compared with that of other latent variables, that is, the cut-off value of each factor loading is greater than 0.80. This shows that the reliability of each item is very good and gives reinforcement to the allocation for each item on the specified latent construct.

**Table 5:** Discriminant validity of Fornell-Larcker Criterion (n=49)

	AM	AU	BM	AIC
AM (Accounting Measurement)	<b>0.811</b>			
AU (Accounting Uniformity)	0.781	<b>0.85</b>		
BM (Business Model)	0.703	0.788	<b>0.82</b>	
AIC (Accounting Information Characteristics)	0.699	0.637	0.769	<b>0.831</b>

### Structural Model

The second step after satisfying the requirements of validity and reliability of the measurement model is to assess the structural model. The structural model was assessed in this study as suggested by Sarstedt (2014) and Hair et al. (2016), to measure the paths coefficient and their significance first, then to assess the coefficient of determination R<sup>2</sup> after assessing the model's predictive relevance Q<sup>2</sup>, and finally effect size f<sup>2</sup>.

This study used Path-Coefficients to test the postulated hypotheses (H1-H3). Table 6 in the appendix shows the results of the hypotheses' testing. Figure 2 shows the direct effects and path coefficients to examine the effect of factors (BM and AU) on (AM) and to examine the effect of (AM) on (AIC). The results show that (AM→AIC) and (AU→AM) were found to support the hypotheses, while (BM→AM) does not support the hypotheses. Table 6 illustrates that H1 and H2 were significant at a  $p < .05$ . This shows that (AU) influences on (AM) and (AM) influences on (AIC). On the other hand, (BM) was non-significant at a  $p > .05$ .

**Table 6:** Significance of direct effects - path coefficients (n=49)

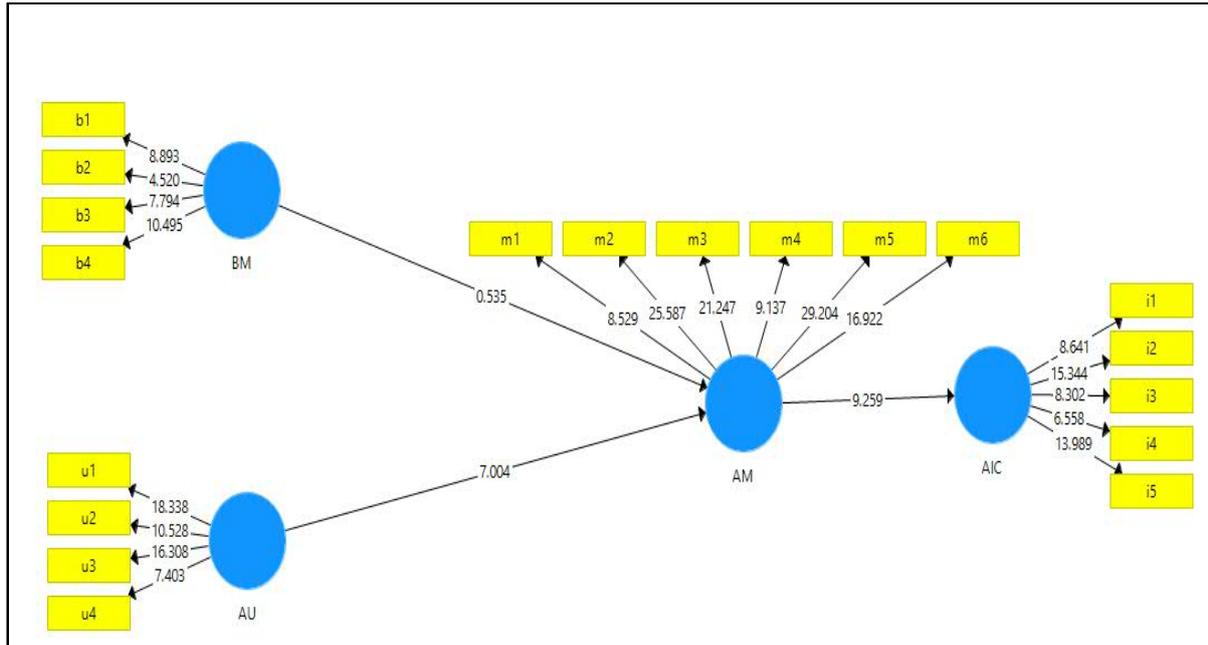
Hypothesis	Path	Beta value	SE	t-value	P-Values	Result
H1	AM→AIC	0.781	0.084	9.259***	0.000	<b>Supported</b>
H2	AU→AM	0.73	0.104	7.004***	0.000	<b>Supported</b>
H3	BM→AM	0.076	0.142	0.535	0.593	Not Supported

**Note:** \* $p < 0.05$ ,  $t > 1.645$ , \*\* $p < 0.01$ ,  $t > 2.33$ , \*\*\* $p < 0.001$ ,  $t > 3.33$ (one-tailed); SE: Standard Error

The results of the path coefficient analysis show that (AM) has a significant effect on (AIC). The result shows that accounting measurement bases will increase the qualitative characteristics of useful information, and increase the understandability, relevance predictive value, feedback value, timeliness, reliability, representational faithfulness, neutrality, verifiability and comparability. This is consistent with the hypothesis proposed in the current study, which implies that (AM) has impacts on (AIC). Second, another determinant that might impact (AU) on (AM). The explanation of this result shows that the accounting uniformity is associating with accounting measurement as a significant relationship. This is consistent with studies by Gray, 1988; Robert & Satter, 1999; Sunder, 2010, and the hypothesis proposed in the current study. This implies that the (AM) have impacts on (AIC) and (AU) have effects on (AM). Finally, the findings of the third dimension do not support the effect of (BM) on (AM). The results can be explained by looking at the path coefficient

analysis in Table 6, as it shows a non-significant effect of (BM) on (AM). The use of “business model” in this case seems to matter as non-significant, and will not serve to enhance accounting measurement. The result, however, differed from the objective set by this study and the literature. A possible explanation for this result is a lack of knowledge among the academic community in Iraq concerning the business model.

**Figure 3.** PLS-Path analysis of t-values (n=308)



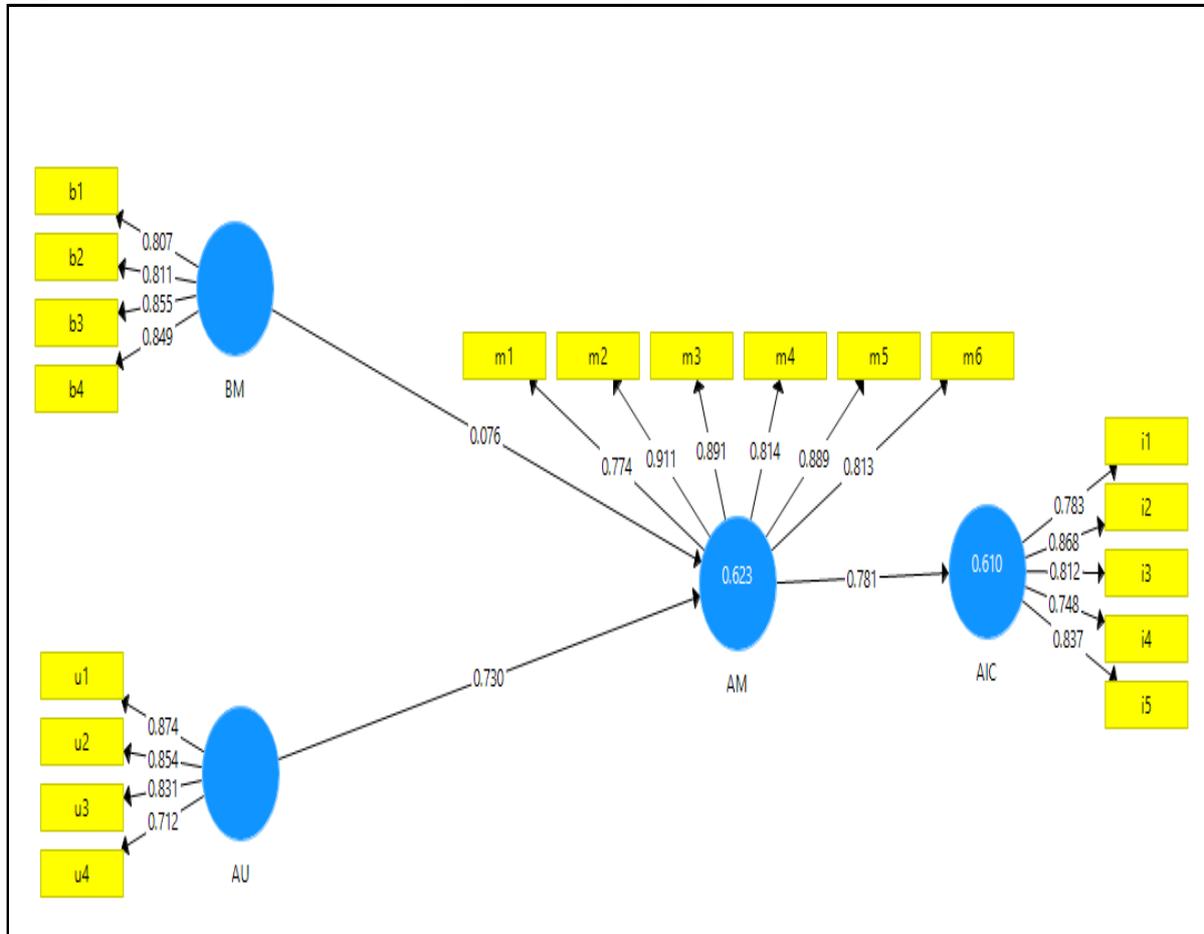
The values of R<sup>2</sup>, which is a measure of the model’s predictive accuracy, its adjusted version, and Q<sup>2</sup>, as the main output of blindfolding module in Smart-PLS, represent the model’s predictive relevance (Hair et al., 2014). In this study, the endogenous variables, namely (AIC and AM) have an R<sup>2</sup> value of 0.610 and 0.623 and a Q<sup>2</sup> value of 0.371 and 0.419, respectively, as shown in Table 7. Chin (1998) suggests that R<sup>2</sup> squared values exceeding 0.67 are defined as a large effect size, 0.33 a medium effect size and 0.19 is considered a small effect size, while under 0.19 is unacceptable. This reflects the fact that the endogenous variables of this study have a moderate effect size on the latent variables. Q<sup>2</sup> values greater than zero indicate that the exogenous constructs have predictive relevance for the endogenous construct (Hair et al., 2013). The Q<sup>2</sup> of AIC (Q<sup>2</sup>=0.371>0) and the Q<sup>2</sup> of AM (Q<sup>2</sup>=0.419>0) signify that the research model has good predictive relevance as shown in Table 7 and Figures 4 and 5.

**Table 7:** R-Square value and Q-Square value (n=49)

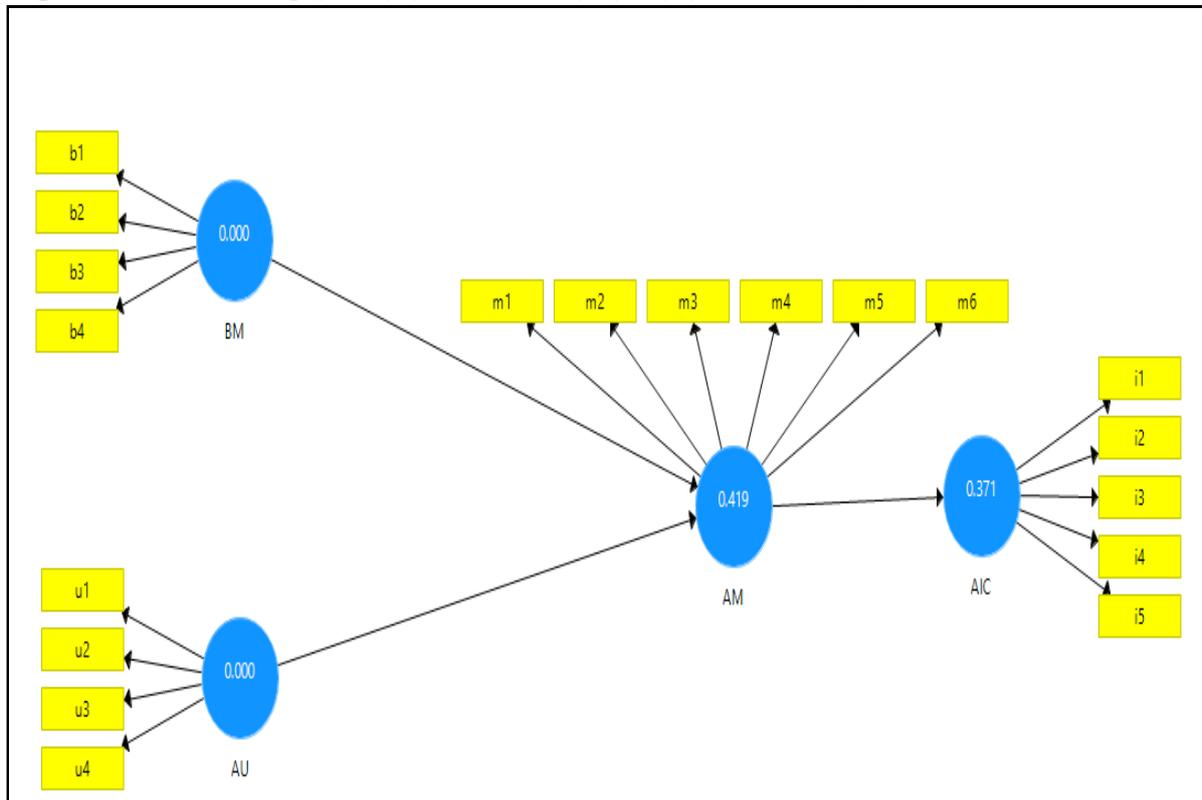
Endogenous Variables	R-Square	Q-Square
AIC (Accounting Information Characteristics)	0.61	0.371
AM (Accounting Measurement)	0.623	0.419

Small:  $0.0 < Q^2 \text{ effect size} < 0.15$ ; Medium:  $0.15 < Q^2 \text{ effect size} < 0.35$ ; Large:  $Q^2 \text{ effect size} > 0.35$

**Figure 4.** PLS-Path analysis of R-square value (n=49)



**Figure 5.** Blindfolding (MVs) ( $Q^2=0.189>0$ ); (DV) ( $Q^2=0.206>0$ )



According to Chin (1998), effect size  $f^2$  exceeding 0.35 is considered large, while  $f^2$  between 0.15-0.35 is a medium effect size and  $f^2$  0.02-0.15 is a small effect size. The values that are less than 0.02 are negligible. In this study, the examination of the results reflects that the  $f^2$  effect for all the variables varies between large and small, as shown in Table 8.

**Table 8:**  $f$ -Square

Latent Variables	AIC	AM	AU	BM
AIC(Accounting Information Characteristics)				
AM (Accounting Measurement)	<b>1.564</b>			
AU(Accounting Uniformity)		<b>0.578</b>		
BM(Business Model)		0.006		

**Note:** 0.02 Small, 0.15 Medium, >0.35 Large

GOF is a geometric mean of the average commonality and the average  $R^2$  of endogenous latent variables and represents an index for validating the PLS model globally looking for a compromise between the performance of the measurement and the structural model, respectively (Bhakar, et al., 2012; Reise and Revicki, 2014). A GOF above 0.36 is excellent,

according to the rule of thumb of the PLS model (Wetzels et al., 2009). The overall GOF or global validation of the PLS model for this study is 65.5 percent and 66.2 percent, which is excellent. See Table 9.

**Table 9:** Goodness of Fit (GOF)

Dependent Variables	Average of AVE	Average of R-Square	GoF
AIC(Accounting Information Characteristics)	0.705	0.61	0.655
AM (Accounting Measurement)	0.705	0.623	0.662

### Mediation Analysis

Table 10 illustrates that H4 was significant at a  $p < .05$ . This clearly indicates that (AM) is fully mediating the effect of (AU) on (AIC), while H5 shows that (AM) was non-significant mediating the effect of (BM) on (AIC) at a  $p .05 >$ .

**Table 10:** Significance of indirect effects - Path coefficients (n=49)

Hypothesis	Path	Beta value	SE	t-value	P-Values	Result
H4	AU→AM→AIC	0.57	0.093	6.161**	0.000	Supported
H5	BM→AM→AIC	0.059	0.111	0.532	0.595	Not Supported

**Note:** \* $p < 0.05$ ,  $t > 1.96$ , \*\* $p < 0.01$ ,  $t > 2.58$  (two-tailed)

Concerning the mediating role of (AM) on the effect of (AU) on (AIC), the results show that accounting uniformity plays a significant role in accounting measurement and then will affect the accounting information characteristics. The quantitative result of this study shows that the adoption of a uniform accounting system in Iraq under a centralised economy has led to a strengthening of the qualitative characteristics of accounting information provided by Iraqi economic entities because this approach will elucidate the cash flows generated by specific accounting item (assets and liabilities), which means that the accounting information is more beneficial to the companies using them. From the respondents' point of view (who are well acquainted with the strict accounting uniformity), accounting uniformity would produce substantial information for government bodies, who would not necessarily be part of the investors or lenders. A possible explanation for this result is that uniformity goes back to the conceptual model which links between community culture and accounting value and is significantly positively related to cultural dimensions of community, as mentioned earlier.

This is in line with the studies conducting by Gray, 1988, Robert and Satter, 1999 and Sunder, 2010.

Regarding the mediating role of (AM) on the effect of (BM) on (AIC), the results show that business model will play a non-significant role in accounting measurement and will not affect the accounting information characteristics. The quantitative result of this study has differed from the results of the studies conducted by other researchers, which called for the use of a business model in accounting structure and financial reporting, which implicitly impacts in accounting measurement and then in accounting information characteristics. A possible explanation for this result is that there is a lack of knowledge among the academic community in Iraq concerning the business model concept due to its modern usage in measurement and financial reporting. Therefore, the respondents answered that there is a non-significant effect of the business model on the accounting information characteristics. In summary, the results of this study are inconsistent with the researchers' opinions who support the concept of a business model and its effect on the qualitative characteristics of accounting information.

## **Conclusion**

Based on the study results, the following conclusions have been made:

1. The concept of business model is gaining traction as per scholarship views since it seems that a business model encompasses a plan to create, present and acquire value to generate the revenue required to cover costs, create added-value, and efficiently and effectively generate cash flows. It can also improve the qualitative characteristics of accounting information.
2. Uniformity is often interpreted differently since uniformity among companies results in the government's demands for accounting information and uniformity backs the conceptual model, which links between community culture and accounting value.
3. Accounting uniformity can produce substantial information for government bodies only, and not necessarily for the needs of investors or lenders. This goes back to the conceptual model, which is significantly related to cultural dimensions of the community.
4. There is a lack of knowledge among the academic community in Iraq concerning the business model concept due to its modern usage in measurement and financial reporting.

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