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Measuring the Effect of Quarterly Financial Reports by Tele-communications Companies on the Size of Investment

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This research deals with the definition of measuring the impact of progress reports on the volume of investment in Iraqi telecommunications companies (Asiacell). The objective of the research is to demonstrate the role of progress reports in attracting investments, to identify the positive and negative effects of measurement and the impact of these reports on the volume of investment in the company. In theory, the concept and objectives of progress reports and the problems faced by companies in the preparation of these reports, were discussed, as well as the statement of the inputs for the preparation of progress reports, based on scientific sources and previous research. In order to test the research hypothesis and discuss the progress reports for the years 2017 and 2018, a number of conclusions and recommendations have been reached to support the research hypothesis. The most important of these results is that there is no activation of the progress reports in the Asia cell, after the analytical study showed a general increase in surplus activity compared to each of the previous phases. Problems in the technical aspects of the preparation and implementation of progress report include the inability to know the measurement effect of the accounting numbers contained in the financial reports presented. The most prominent of these recommendations is the need for the Asia cell to prepare interim long-term reports in order to help investors predict future cash flows, thereby increasing the volume of investment, and the selection of the types and methods of progress reports that correspond to the objectives of the joint-stock companies. Also, the procedures to be followed in the preparation of these reports is determined by the deadline for submitting estimates of the various activities and financial resources therein.

Introduction

The reports carried out in most international companies play an effective role in attracting investors, which leads to increase capital and expansion of investments related to the activity of these companies. After 2003, Iraq witnessed the entry of international companies to invest in various fields, but the small size of investors can be seen due to several factors, the most important of which is the lack of culture among the general public about the returns of their investments and the failure of the media to highlight the benefits and returns from investing their money, by submitting reports that include measurement. Clear and transparent to the community and supported by evidence and accounting numbers away from percentages, may not be understood by the general public and the objective of the financial statements is to attract new investors.

Therefore, the current research attempts to give clear numbers for the increase in cash flows and revenues through the assessment of the lists of revenues and cash flows. Therefore, this research deals with the definition of accounting measurement and the concept, objectives, determinants and entrances of the progress reports, the definition of the company research and discusses the numbers shown in the list of activity income and cash flows.

Research methodology and previous studies

1. The importance of the research
   The importance of research comes through the progress of financial reports submitted to users and through the advantages provided by the accounting measurement. These reports include financial figures and reflect the reality of the activity of the company during the financial reporting period.
2. Research Objectives:
   The research aims to:
   a. State the role of the progress reports in attracting investments to the joint stock company.
   b. State the positive and negative effects of measurement and the impact of these reports on the volume of investment in companies.
   c. Measure the extent to which investors rely on progress reports.
3. Research problem:
   The problem of research is summarised, in the absence of a fixed date, binding for all companies to submit progress reports and this is observed in the reports of the company research sample. This is because there is no report for the last quarter until 1/3/2019, published in the Iraqi market for securities as a result of the absence of a law requiring companies to submit a report.
4. Research hypothesis:

The research is based on the main premise that the progress reports, prepared on the basis of scientific and clear measurement of users, contribute to increase the volume of investment for joint stock companies.

Previous Studies

1. A study by Corala and Pawnal (1994), on the application of disclosure in both the United States and the United Kingdom, in terms of frequency and timing of disclosure, and testing the difference in the rules of disclosure between professional organisations and the extent of application of these rules in both countries, the study showed that there is an obligation in the United States of America, for accounting disclosure rules, which are higher than in Britain. There is a real mismatch of disclosure rules in the interim or annual reports of foreign companies in both countries, and investors in both countries demand more disclosure in financial reports.
2. A study (Day, 1986), which aimed at examining the extent to which financial analysts and ordinary investors benefit from the financial statements contained in the annual financial reports in Britain, showed that investors consider the annual financial statements as one of the sources of information that help them in making investment decisions. Investment decision makers place the utmost importance on the Board of Directors' report and the publication of interim financial reports, whether quarterly or semi-annually, to assist in forecasting the Company's financial position.

The importance of accounting measurement for quarterly financial reports and it's impact on the volume of investment

The concept of accounting measurement has been defined by several definitions, including:

- The process of determining the monetary values of the elements to be recognised in the financial statements that will appear in the balance sheet and income statement (Vehmanen, 2007: 3);
- Measurement is the tabulation and appointment process for financial figures (Hendriksen, 1992: 130);
- Accountants agree on the relationship of tabulation to the accounting measurement process as interrelated.

From the two definitions above, it can be said that measurement is the process of determining and categorising the financial elements of financial statements.

Concept and Objectives of Interim Financial Reporting

Concept of Interim Financial Reporting

IAS 34 defined Interim Financial Reporting as "a financial report that contains either a complete or an abbreviated set of financial statements for an interim period, and has defined that the interim period is shorter than a full financial year".

Financial reports provide information that helps decision-making to internal and external entities through the following elements :

a. The period for which the report is prepared shall be less than one fiscal year and may be monthly, quarterly or semi-annual according to the laws of each country.
b. These reports differ from those that are special-purpose or that are intended for internal use even if they are periodic.
c. These reports are used for internal and external use.
d. The purpose of the progress reports is to provide users of financial statements with information that will help them to make better decisions under uncertain circumstances, especially in financial markets.
e. These reports provide accounting data with the appropriate timeliness and timeliness of decision making. From the above, it is clear about the role played by the progress reports to make decisions for the relevant authorities.

Objectives of Interim Financial Reporting

The objectives of the interim financial reports are similar to those of the annual financial reports, and their primary objective is to provide information to users from within and outside the economic unit.

1. Provide the accounting information necessary to rationalise the decisions taken by current and prospective investors throughout the year is often quarterly.
2. Interim financial reports assist users of financial reports in estimating the amount and timing of cash flows and the degree of assurance involved.
3. The interim financial reports provide information that helps in assessing the Company's performance and its ability to win investors during the reporting period.
4. Provide information on economic resources, liabilities, property rights, changes therein and other information that determine the degree of liquidity during the reporting period.

The researchers believe that the above objectives are all aimed at providing information about the activity of the economic unit during a certain period, in order to help the relevant authorities make decisions related to the activity of the company, as well as to help the management of the company to plan and take future decisions. In addition, these reports contribute to the achievement of one of the most important characteristics of accounting information and is the appropriate timing for the preparation and presentation of data. As well as through the objectives above, note the role of these reports in attracting investors, due to the size and nature of information. Information is provided through the reliability of measuring the volume of activity of the unit and measures the financial return from investment in it.

Problems facing the preparation of progress reports

Among the most important problems that accompany the progress reporting are: (chaney & jeter, 2002: 57)

Problems related to the treatment of certain expenses incurred during the interim period include:

- Deferred expenses such as advertising expenses, required by the general rules to address these expenses as deferred in the interim financial reporting period .
- Expenses subject to settlement at the end of the period. Such as doubtful debts, directors' remuneration and inventory deficits that are usually not known with great certainty until the end of the financial year. These items should be assessed and best distributed over the interim financial periods.
- Income taxes adopted in the calculation, as the rate of tax on income varies the economic units. Often this rate is progressive, which raises some problems in the preparation of interim financial reports.
- Problems related to unusual items or events, which are material gains and losses that are unusual and non-recurring. These items are dealt with in the preparation of interim financial reports by fully establishing them in the period of occurrence, or distributing them proportionally over the four interim periods during the financial year.

Or their effects may be disclosed in the physical notes, and perhaps the most commonly traded treatment currently in place in practice requires the recognition of losses and gains in the interim period in which they occurred rather than attempting to distribute them diligently over interim periods, and in line with the method currently used to address unusual items in Annual financial reports. Some accountants prefer to exclude unusual items from net interim income. This may lead to distorting the forecast value of interim financial reports, while some accountants consider this exclusion inappropriate because it violates the report on the actual results involved.

The Board of Principles of Accounting (APB) issued a recommendation in this area and within the accounting opinion (20), clarified that there is no need to amend the interim financial information for the previous periods if the accounting policies are changed in a certain interim period. Contrary to some of those interested in this area, who pointed out the importance of calculating the effect of changes in accounting policies for certain situations they believe are material enough to require the presentation of the financial statements retrospectively for all years, especially when switching to the use of a method that is finally given first (lifo). They prefer this to any other method of valuation of inventory at the end of the period, as well as the change in the method of accounting treatment for long-term construction contracts, and the shift from or to the total cost method in the extractive industries (Schroeder et al. 2006: 224).

If there has been a change in the use of accounting policies during the first interim period of the year, the cumulative effect of such change is reflected in the balance of retained earnings for the first period, and thus is reflected in the statement of income for the first interim period (Jeter& Chaney 2000: 677)

There is no cumulative effect of the change reflected in the net income of the interim period, in which the change occurred in the second or third interim period. However, the financial information for the interim period preceding the change from the current year is presented in accordance with the appropriate new accounting policy, which shows the cumulative effect of the change on retained earnings at the beginning of the year, and is reflected in the reorganised net income for the first interim period (Mottola, 1981: 8-10).

A change in accounting estimates, such as a change in the useful life of fixed assets that are subject to depreciation, or a change in the value of their debts, requires that the profits of the interim period in which the change occurred and subsequent periods of change occur are noted. For this reason, most economic units adopt a policy of change in accounting policies during the first interim period, in order to examine the complexities they face, if the change in subsequent periods occurs (Seigle, Shim 2006: 48).

Problems associated with changing certain accounting methods, such as replacing inventory valuation methods at the end of the period, and inventory, is a key element in most economic and commercial units. Therefore, valuation of inventories is one of the most important factors affecting the net income of an economic unit and its financial position. Inventories should be measured and disclosed in the interim financial reports using the same accounting principles as the measurement and disclosures used at the end of the financial year.

The economic unit provides estimates and net dependency costs of inventories in the interim financial reports more than in the annual financial reports.

Introduction to Interim Financial Reporting (Mashhadani, 2011: 299)

a. Discrete approach

The independence of the interim period is based on the assumption that each interim financial period is an independent financial period, as if it were the same as the financial year. According to the Interim Period Interim Report, the primary objective of the interim financial reporting is to express the results of the financial position of the entity, in light of what has actually happened. It should not affect the accounting measurement and reporting of these events.

b. Integral approach

In accordance with the concept of integration, each interim period is treated as an integral part of the annual financial period. The results of the interim financial periods are integrated into the results of the annual financial period, and accounting policies that differ from those used in the preparation of annual financial reports may be used. This approach assists in obtaining a sound forecast of net annual income using the results of any interim period, as well as the ease of comparing the results of the periods with the corresponding periods in previous years. However it is disadvantaged by the large number of operations related to the calculation of primary income and the estimates, thus increasing the burden that occurs to the accountant and the possibility of errors in progress reports.

c. Combination approach

The idea of a common approach is to combine the two previous entries, which means that the same accounting policies applied in the preparation of annual financial reports can be used in the preparation of interim financial reports in the treatment of certain elements of financial statements, and the use of different accounting policies when processing others. Interim accounting is used in forecasting interim financial results. (Ikbada, 2014: 24)

The impact of the submission of interim financial reports on the volume of investment of companies

1. Asiacell Communications is considered one of the first companies that practiced the telecommunication activity in Iraq since its establishment on 25/7/2007. It’s headquarters are in Iraq .
2. The results of the analytical study: to measure the impact of the reports carried on the volume of investment. For the purpose of measuring the impact of progress reports on the volume of investment, the researchers selected Asiacell Communications Company and presented the progress reports for two years, for the purpose of identifying the volume of investment and the impact of these reports on investors.

The tables below show the importance of the interim reports in increasing the volume of investment by providing real figures of the size of the surplus and cash flow at each stage. This surplus can contribute to attract investment to the company by providing a report on the distributions of the surplus to investors, i.e. a progress report on the distributions for each quarter of the year. Investor confidence can be supported by the presence of capital recovery, if the company provides an additional report on the extent of the contribution of Iraqi or international insurance companies to insure the company's activities.

The two tables below and the figures indicate an increase in the volume of revenues and the increasing volume of cash flow, which were identified through explicit measurement (i.e. real numbers and not percentages). All this leads to an increase in the volume of investment in the company's activities and this fulfills the research hypothesis.

Table 1: Cash flow statement for the years 2017/2018

2018			2017				Surplus after tax	Accounting Guide Number	Detection number
Third quarter	second quarter	first quarter	Fourth quarter	Third quarter	second quarter	first quarter			
136669	68515	48766	38477	21954	10634	136669	Excess activity		
							Cash flow from operating activities		
333347	225653	114376	488611	369383	248610	333347	Depreciation		
(6601)	(5311)	(3151)	(13559)	(2506)	(9161)	(6601)	Increase) in receivables)		
(6803)	(9858)	22580	63661	57112	43726	(6803)	Decrease) increase in creditor)		
2032	2721	1714	331	(520)	(2359)	2032	Decrease (increase) in inventory		
458644	30789	184285	577521	445423	291450	458644	Net cash flows from operating activities		
							Cash flow from investing activities		
(43535)	(31807)	(16607)	(69557)	(72659)	85301	(43535)	Net increase in fixed assets and projects under construction		
(43535)	(31807)	(16607)	(69557)	(72659)	85301	(43535)	Net cash flows from investing activities		
							Cash flow from financing activities		
(24663)	(25163)	(2373)	(13520)	(8257)	(8697)	(24663)	(Decrease) in loans received		
(7653)	(30508)	(76096)	33832	7677	(10329)	(7653)	(Decrease) increase in allocations		

(51570)	(51525)	(16231)	(279204)	(200453)	(195495)	(51570)	Distribution of cash dividends paid to shareholders		
(83886)	(187194)	(94700)	(258892)	(201033)	(214521)	(83886)	Net cash flows used in financing activities		
331223	167184	72978	249072	171731	(8372)	331223	Increase (decrease) in cash		
852664	852664	852664	603592	603592	603592	852664	Cash balance is added as at the beginning of the period		
1183887	1016482	925642	852664	775323	595220	1183887	Cash balance as at the end of the period		

Table 2: A two-year current operations statement 2017/2018

Detection number	Accounting Guide Number	The statement	2017				2018		
			First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
		Current Revenue							
		Revenue from current activity	357436	369067	386566	1490.711	362543	359415	382661
		Download current expenses Salaries and wages	25196	24662	24593	95630	24059	24004	27500
		Commodity Supplies	320	397	182	1351	358	233	256
		Service supplies	-	-	-	-	28343	39868	50390
		Contracting and services (support contracts)	59545	62605	69895	259726	8431	9098	7557

		Purchases for sale and operating expenses	11061	12174	9797	40879	52801	53382	53967
		Depreciation	12620 5	122405	59060	23191 2	11437 6	11084 8	10812 3
		Taxes and Fees	54972	57291	120773	48861 1	57760	56882	60486
		Total current expenses	33353 7	336251	59358	22975 7	28612 8	29433 5	30827 9
		Surplus of current operations (Phase I	23899	32836	343658	13478 66	76415	68299	74382
		Other transfer income is added Other revenue	198	167	258	871	508	630	666
		Total transfer and other revenues	198	167	258	871	508	630	666
		Benefits City	3492	3415	3122	12870	2330	2064	1468
		Transfer expenses	1239	3532	5715	15137	669	1382	1775
		Capital Expenses	-	167		169	-	-	2
		Total capital and other expenses	4731	7114	8837	28176	2999	3446	3245
		Surplus of current operations (Phase II)	19366	25889	34329	11554 0	73924	63374	71803
		Tax 15%	20905) (	(3883)	(5150)	1733) (1	1108) (9	(9341)	1077) (0
		The registered tax is less than previous years	14593) (	13240) (	17859) (	5973) (2	1406) (9	1311) (4	1294) (9
		Surplus after tax	1868	8766	11320	38477	48766	39819	48084

Results

1. Asiacell prepares interim reports for certain periods. Short periods are often three months and these are divided into control periods.
2. Lack of qualifications in the preparation and implementation of progress reports leads to inaccuracy in the estimation of items of the progress reports.
3. The existence of problems in the technical aspects of the preparation and implementation of progress reports, including the inability to know the impact of measurement of accounting numbers contained in the financial reports submitted, is explicit.
4. Inability of investors who do not have a clear picture of the actual return on investment due to the lack of reporting on the return on investments, and the existence of a guarantee to recover the invested capital, as a result of the loss of confidence between the public and the authorities to prepare and audit financial reports (loss of confidence can be justified by the public's relationship with the authorities inside the state).

Recommendations

1. The need for Asiacell to prepare interim reports and long-term reports to help investors predict future cash flows, which increases the volume of investmen
2. Selecting types and methods of progress reports that are in line with the objectives of the joint-stock companies, determining the procedures to be followed in preparing these reports and determining the deadline for submitting estimates for the various activities and financial resources therein.
3. Working to increase the role of participation of all administrative levels in the preparation of progress reports in all joint stock companies listed on the stock market.
4. The need to use the data resulting from the progress reports in assessing the overall performance of the company, in addition to evaluating the performance of the various functions in the unit and its managers.
5. Provide special reports to prospective investors, including measurement of the volume of revenue and cash flows, interim and annual, and return on investment through the media, with a guarantee of funds invested, in cooperation with national insurance companies to increase investor confidence and having access to additional capital, which leads to increase the market share of the company.

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