



THE EFFECT OF MANAGERIAL ABILITY ON THE TIMELINESS FOR ISSUING THE AUDITOR'S REPORT BY APPLYING IT TO A SAMPLE OF INDUSTRIAL SECTOR COMPANIES LISTED IN THE IRAQ STOCK EXCHANGE

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ABSTRACT

The research aims to measure the effect of managerial ability on the timeliness for issuing the auditor's report for industrial sector companies listed on the Iraqi Stock Exchange, as the activity of companies and the large number of competitors make the CEO take the reins regarding submitting the auditor's report sooner than is usual. The research sample consists of 10 industrial companies listed on the Iraqi Stock Exchange for the period from 2011 to 2020. For the purpose of achieving the research objectives, a model (Demerjian et. al., 2012) was used to measure administrative capacity, and the timeliness for issuing the auditor's report was measured through the measure of the duration of issuing the auditor's report. The researchers reached a set of conclusions, the most important of which is that there is a statistically significant effect between managerial ability and the timeliness for issuing the auditor's report.

KEYWORDS: managerial ability, timeliness, auditor's report

I. INTRODUCTION

The high managerial ability is considered one of the important things in making decisions within the economic unit, as the high capacity facilitates in making better decisions for the economic unit as well as leads to an improvement in the performance of the economic unit through the experience that characterizes the executive director, who enables him to take the lead in matters related to taking The best tasks related to submitting the auditor's report early, as this report is considered as a link between the activity of the economic unit and the disclosure of information to the relevant parties, To achieve the objectives of the study, we test the following hypotheses: The research has one basic hypothesis that "there is no statistically significant effect between the managerial ability and the timeliness for issuing the auditor's report."

II. LITERATURE REVIEW

1. The Concept of Managerial Ability

Most research on the decisions of economic units focuses on the characteristics possessed by executive managers, and at the level of economic units, many researchers have sought to study the influence of executive directors on the decisions of economic units (Huang & Sun, 2017: 2), and in this context, the accounting literature has focused on the important role of managerial ability. In improving the performance of the economic unit and improving the quality of financial reports, which is reflected in the performance of managers, which can provide external parties with interests with real information about their economic units in a more reliable way, and will contribute to reducing uncertainty in the information reported by the capital markets. (Puwanenthiren, 2019: 7-8)

It must be emphasized that managerial ability reflects a set of administrative characteristics and the availability of skills represented by good reputation and talent that can affect the decision-making process of the economic unit, which is consistent with the idea that differences in economic units come from the reputation or experience of the executive managers. (Andreou et. al., 2017: 5)



Administrative decisions within the economic unit may be linked to organizational practices, and are represented by operational, investment and financing decisions, and allow managers to be sources of value creation in the economic unit. If managers have sufficient experience and skill, they will make decisions positively. (Mashabat, 2021: 6)

It is obvious that the executives who have high management ability are likely to provide profits of high quality, which leads to non-reporting of financial reports. (Demerjian et. al., 2013: 465)

On the other hand, many studies based on the theory of economic efficiency showed that managers with high managerial ability provide better management in terms of knowledge, experience, skill, and performance than managers with low managerial ability. (Isa and Hashad, 2021: 324)

Between (Salehi et. al., 2020: 690) the definition of managerial ability as the optimal use of resources by managers, which means at a constant level of resources, the maximum return can be reached or less resources must be used to reach the return.

In addition, (Anggraini & Sholihin, 2021: 4) indicated that the managerial ability is represented in the ability to organize projects, and it consists of the ability to employ skilled labor and the ability to stimulate the morale of employees.

As a result, a number of researchers showed several terms synonymous with managerial ability :-

- Administrative skill :- It is the typical behaviors of managers that allow them to impose their methods, tactics and tools on the economic unit. (Popescu et. al., 2020: 3)
- Administrative efficiency :- It is the ability of a manager to perform a job successfully, showing success desired results (goals) without wasting valuable resources such as time, energy, or other human resources. (Sedyastuti et al., 2021: 250)
- Administrative effectiveness :- It is the manager's ability to achieve desired results and it is entirely related to the achievement of organizational goals. (Adewusi & Haliso, 2022: 35)
- Administrative reputation: - It represents the evaluation by external parties of the necessary capabilities of managers, the talent, and the strength of personality that they possess in light of the information available to those parties, so it is assumed that administrative ability leads to improving administrative reputation (Meligi, 2019: 304).
- Administrative overconfidence: It is one of the personal and behavioral characteristics of the executive director. Overconfident executive managers exaggerate their abilities and that their decisions are reflected in the unit's performance. The results reached by relevant studies may vary regarding the importance of administrative overconfidence, as some of them indicated that Excessive administrative confidence leads to greater innovative success and is measured by research and development expenditures. That is, excessive administrative confidence causes increased spending on innovation, obtaining and owning more patents, as well as exploiting growth opportunities more effectively and enhancing the value of the unit, with a positive relationship between it and the level of the governorate On debt. (Malmendier & Taylor, 2015:3-4)

2. The Concept of the Timeliness for Issuing the Auditor's Report

It is known that the International Accounting Standards Board (IASB) seeks to meet the requirements of decision makers. In order for financial information to be timeliness, faithfully reflect what it represents, and be useful, it must possess comparability and verifiability, as well as timeliness. The conceptual framework for the joint project in 2010 was considered timeliness. It reflects a qualitative characteristic that improves the relevance of financial information. (Alqaraleh & Nour, 2020: 288)

Of course, publishing financial reports is necessary for the economic unit, as it represents an important source for reporting on the performance, financial situation, and related changes, as well as the unit's cash flows. Failure of information users to obtain financial reports in a timely manner could lead to inappropriate decisions being made, as The passage of time after the events for which financial reports were prepared can reduce the usefulness of the information to its users. (Eri Ayu et.al., 2021: 3001)



There is no doubt that adherence to timeliness is one of the components of the qualitative characteristics of accounting information. According to the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), with the passage of time, accounting information tends to become outdated and that meaningless information is less important to creditors. And investors in the current economic climate. (Almuzaifer, 2018: 99)

Timeliness for the preparation of financial statements is an essential pillar of the capital market, as it maintains the wheel of proving human survival in all the repercussions of neoclassical economic activities for rational future investment decisions. Effective and efficient economic assessment of past, present and future prediction. The importance of, and reliability in, useful financial information are crucial to the appropriate timing. One of the primary tasks of good timing is to make information available in a timely manner near the end of the fiscal year. (Aliyu et.al., 2021: 129-130)

As a result, accounting regulators in both developed and emerging markets place a high value on the timely information that global investors are essential to the development of emerging market economies. (Alsmady, 2018: 277)

The value of financial information is determined by the amount of time it takes to prepare it and present it to stakeholders and decision makers. With rapid growth and complexity, investors need timely and relevant information. Timely financial information builds investor confidence in the operations of the economic unit, and the economic unit must publish its financial information as soon as possible after the end of the fiscal year. The economic unit is responsible for the timeliness in preparation for the presentation of the annual reports. It also depicts the economic unit's willingness to announce performance and earnings information to stakeholders in order to make informed decisions. According to the conceptual framework for financial reporting, timing is defined as the provision of information to decision makers at sufficient time to influence their decisions. (Zandi & Abdullah, 2019: 128)

Between (Kieso et.al., 2014: 36) the definition of timeliness as providing information to decision-makers at the appropriate time in order to maintain its influence, the ability of information at the appropriate time to influence decisions can be increased, while the value of information can diminish when it is not at the right time.

In addition, he added (Onaiza, 2021: 184) a concept of timeliness that requires providing information to users at the appropriate time for the purposes of accountability and decision-making, before the information loses its value and usefulness in influencing their decisions, in general, the older the information, the less useful it is.

The importance of information may be greatly affected by the timing of financial statements. In today's business climate, shareholders, creditors, and investors pressure economic units to submit financial statements in a timely manner. In the absence of up-to-date accounting information, financial market participants cannot make accurate and rational decisions. (Özcan, 2019: 492)

Timeliness has been considered as one of the qualitative characteristics of financial reports for general purposes that increase the knowledge of users to make effective economic decisions to evaluate the prediction of the past, present and future. (Aliyu et.al., 2021: 130)

III. MATERIALS AND METHODS

1. Measure the Study Variables

1.1. Measure Managerial Ability

One of the most prominent models used to measure managerial ability is the model of Demerjian et. al. , 2012, which is measured according to the data envelope analysis (DEA) method of two stages:

The First Stage

In it, the quantity of inputs and outputs is measured, where the inputs represent seven elements, where if (DEA) is a value equal to one correct for the decision-making units that represent the most efficient units, and the values less than one correct indicate the least efficient units. (García-Meca & García-Sánchez, 2018: 547)



It is calculated through the following equation: - (Demerjian et. al., 2012: 1234)

Firm efficiency = Sales / COGS + SG&A + PPE + Ops Lease + R & D + Goodwill + Other intang

Firm efficiency The true efficiency of an economic unit per year t

Sales The sales of the economic unit in year t

COGS is the cost of goods sold per economic unit in year t

SG&A Marketing and administrative expenses per economic unit per year t

PPE net property, plant and equipment per economic unit in year t

Ops Lease Operating rent per economic unit per year t

R & D Research and development expenses per economic unit per year t

Goodwill: Store reputation per economic unit per year t

Otherintang Other intangible assets per economic unit in year t

The Second Phase

The total efficiency of the economic unit that was evaluated in the first stage is the characteristics of the economic unit and the managerial ability of the managers so that the degree of managerial ability that modifies the general efficiency of the economic unit can be estimated by excluding some factors that support or do not support the extent to which the total efficiency of the economic unit reaches for the purpose of reaching the capacity Administration for managers. (Curi & Lozano - Vivas, 2020: 7)

The managerial ability may be separated from the estimated efficiency of the economic unit by using the (Tobit) regression equation to exclude the effects of the main characteristics of the economic unit that may affect the administrative effort. (Wang et. al., 2017: 7)

It is done according to the following equation: - (Demerjian et. al., 2012: 1237)

$$\text{Firm efficiency} = \beta_0 + \beta_1 \text{Ln}(\text{Total Assets}) + \beta_2 \text{Market Share} + \beta_3 \text{Free Cash Flow} + \beta_4 \text{Ln}(\text{Age}) + \beta_5 \text{Business Segment Concentration} + \beta_6 \text{Foreign Currency Indicator} + \varepsilon$$

Firm efficiency: the estimated efficiency of the economic unit

Ln(Total Assets): The natural logarithm of the total assets

Market Share: The market share is produced by dividing the revenues of the economic unit by the total revenues of the economic unit in the same industry.

Free Cash Flow: It is a dummy variable that takes the number 1 when it is positive and takes the number zero when it is negative. It can be measured through the following equation:- (Kieso et. al., 2020: 409)

Net cash generated by operating activities by operating activities - capital expenditures - cash dividends = free cash flow

Ln(Age): The natural logarithm of the age of the economic unit, which is 1 in addition to the number of years at the time of public subscription, and it is zero in the private economic units.

Business Segment Concentration: Individual business sector sales in addition to total sales.

Foreign Currency Indicator: The foreign currency indicator, which is a fake indicator, takes the number 1 when there are settlements in foreign currencies, and takes the number zero in the absence of it.

E: the remainder of the estimation of the equation is attributed to managerial ability.

1.2. Measure Timeliness for Issuing the Auditor's Report

In addition, a measure of the duration of issuing the auditor's report (Reporting Lag) was used, which represents the period from the end of the fiscal year to the date of publication of the auditor's report in the Financial Market Authority. It is also a common measure in studies that dealt with the appropriate timing for issuing financial reports, as this measure is represented by calculating The period for issuing the auditor's report is from the end of the year on 12/31 until the issuance of the auditor's report, according to the period specified by Disclosure Instructions No. 8 of 2010, updated for the year 2015.



2. Hypothesis Testing

- 2.1. Measuring the managerial ability of executive managers in the economic units of the research sample. The Tobit regression equation was used by the Eviews 12 program for the purpose of extracting the TOBIT regression equation, which represents the managerial ability, where the difference between the real and estimated values is represented. Table (1) shows the results of the descriptive statistics of the degree of managerial ability

Table (1) descriptive statistics to show the degree of managerial ability of managers of economic units, the research sample

Companies	N	Mean	Std. Deviation	Max	Min
Modern tailoring	10	0	0.160097	0.36250	-0.23507
National Metal Industries and Bicycles	10	0	0.055849	0.08814	-0.08516
Iraqi Engineering Works	10	0	0.190622	0.26986	-0.30190
Iraqi carpets and furnishings	10	0	0.030664	0.04229	-0.04368
Al-Kindi for the production of vaccines and veterinary medicines	10	0	0.251661	0.45767	-0.43242
Al-Mansour for pharmaceutical industries, medical supplies, cosmetics and sterile water	10	0	0.057044	0.13025	-0.07378
Crescent Industrial	10	-0.227749	0.079043	-0.07641	-0.36719
Production of ready-made garments and general trade	10	-0.182105	0.499337	0.49193	-0.8681
Baghdad for the manufacture of packaging materials	10	0	0.204198	0.27375	-0.32230
Baghdad Soft Drinks	10	-0.090948	0.450745	0.41349	-0.53028

Source: Prepared by the two researchers

As an explanation of Table (1), we can say that the arithmetic mean of the managerial ability in the economic units of the research sample was zero or close to zero, as the Industrial Crescent possessed the least arithmetic mean of the managerial ability. Executives in economic units, a research sample.

2.2. Measuring the timeliness for issuing the auditor's report for the industrial units, the research sample, if Table (2) shows the results of the descriptive statistics

Table (2) descriptive statistics for the timeliness for issuing the auditor's report

Economic units	N	Mean	Std. Deviation	Max	Min
Modern tailoring	10	88.80	23.446	125	50
National Metal Industries and Bicycles	10	239.30	77.460	366	111
Iraqi Engineering Works	10	281.30	184.263	706	141
Iraqi carpets and furnishings	10	89	23.252	128	53
Al-Kindi for the production of vaccines and veterinary medicines	10	287.60	85.743	455	141
Al-Mansour for pharmaceutical industries, medical supplies, cosmetics and sterile water	10	73.3	61.161	234	29
Crescent Industrial	10	325.80	151.709	595	166
Production of ready-made garments and general trade	10	201.50	68.072	331	106
Baghdad for the manufacture of packaging materials	10	55.90	16.703	76	28
Baghdad Soft Drinks	10	82.80	33.433	141	39

Source: prepared by the researchers based on SPSS Statistics 28



Through the results of the above table regarding the timeliness for issuing the auditor's report, Al Hilal Industrial achieved the highest arithmetic mean of 325.80 days, and the highest period of 595 days, while Al Mansour Pharmaceutical Industries, medical supplies, cosmetics, and sterile water achieved the lowest period of 29 days, as well as the lowest average. My account is 73.3 days old.

As this period represents 595, it is the delay in submitting the data of the economic unit to the Bureau of Financial Supervision due to a shortage in the financial statements for the year 2018 and the company's failure to comply with the instructions of the Federal Bureau of Financial Supervision.

2.3. Measuring the impact of managerial ability on the timeliness for issuing the auditor's report, as table (3) shows the results of the regression analysis

Table (3) the results of the regression analysis of the impact of managerial ability on the timeliness for the issuance of the annual financial report

Variables	Constant	Beta	t-test	Indication	R Square	F-test	Indication
	167.029		12.589*	moral	0.041	4.159	Statistically significant (having an effect)
Managerial ability		-0.202	-2.039*	moral			

Source: prepared by the researcher based on the results of SPSS Statistics 28

Tabular F value at the level of significance (0.05) and degrees of freedom (1, 98) = 3.938

t value at the significance level (0.05)

We note from the table above that the calculated value of F is (4.159), which is greater than its tabular value at the level of significance (0.05), which indicates the rejection of the above hypothesis. This means that there is a statistically significant effect of the managerial ability in the timeliness for issuing the auditor's report, and that the explanatory power of the independent variable The managerial ability in the dependent variable is the timeliness for issuing the auditor's report through the coefficient of determination, which was approximately 4.1%.

IV. CONCLUSIONS

1. The executive director is distinguished in carrying out his work within the economic unit as the decision-maker, which includes choosing appropriate strategies and setting future plans. As a result, he should be a manager with sufficient experience and skill to be able to perform all these tasks. The ability of the executive director was measured through a model (Demerjian et.al., 2012), which measures the efficiency of economic units through two stages, as this model takes multiple variables that affect the efficiency of the economic unit for the purpose of highlighting the ability of the executive director independently away from other variables that affect the efficiency of economic units.
2. The timing of the auditor is considered the axis of important matters related to the outcome of the economic unit's work during a period of 12 months, and the issuance of the report at the appropriate time is one of the pillars stipulated by the Iraqi legislator, as Article 74 of the Securities Law of 2004 indicated that a maximum period of 150 days was specified for the purpose of issuing the report Timeliness was measured by measuring the period of issuance of the auditor's report.
3. The results of measuring the impact of managerial ability on the timeliness for issuing the auditor's report for the economic units of the research sample show a statistically significant relationship between the variables of managerial ability and the timeliness for issuing the auditor's report.

Based on the conclusions reached by the two researchers, the economic units should commit to submitting the auditor's report at an early date so that the relevant parties can make decisions related to the outcome of their work.

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