

The Impact of Forward-Looking Disclosure and Audit Quality on Accounting Conservatism: A Study in Banks Listed on the Iraq Stock Exchange

Affaq Thanoon Ibrahim

Department of Accounting College of Administration and Economics
Tikrit University – Iraq
Email: afaqalbadri@tu.edu.iq

Raida Chakroun

Associate professor at the Department of Accounting, Institute of High Commercial Studies of Carthage, University of Carthage, Tunisia
LIGUE laboratory, LR99ES24, ISCAE, University of Manouba, Tunisia
Email: hamdan.obeed@uofallujah.edu.iq

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Abstract

Audit quality and accounting conservatism are critical factors essential for the effective functioning of organizations and have thus attracted considerable attention from researchers. This study investigates the influence of forward-looking disclosure and audit quality on accounting conservatism among listed banks in Iraq. Additionally, it examines the moderating role of corporate social responsibility (CSR) in the relationships between forward-looking disclosure, audit quality, and accounting conservatism within these institutions. Data were collected via surveys administered to employees of selected banks. The study employed Smart-PLS to assess data reliability and to analyse relationships among variables. Findings reveal a positive association between forward-looking disclosure, audit quality, and accounting conservatism within the context of Iraqi banks. Furthermore, CSR was found to significantly moderate the relationships between forward-looking disclosure, audit quality, and accounting conservatism. These results provide

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guidance for policymakers aiming to enhance accounting conservatism through improvements in forward-looking disclosure and audit quality.

Keywords: Forward-Looking Disclosure, Audit Quality, Accounting Conservatism, Listed Banks in Iraq

Introduction

Any organization is reliant on its stakeholders like customers, employees, investors, suppliers, governments, communities, and trade associations etc. to operate and expand business as well as achieve business objectives. The stakeholders' decision-making which influences the company's potential is affected by the reports officially shared by the company. The company financial reports may have positive or negative responses from the stakeholders and it is up-to the accounting principles applied by the accountants or financial officers ([Haider et al., 2021](#)). Accounting conservatism is one of the major book-keeping concepts giving guidelines which emphasize a high level of verification before making a claim to any profit in their books of accounts. It is to consider the worst-case factors linked to a company's financial condition. All known and expected losses are recorded, but in the case of revenues, entries are not passed, until they are sure to be received. Overstating losses and understating gains depict that applying accounting conservatism while reporting shows lower financial future benefits and lower net income. In actual, capturing a miserable picture of a company's financial aspects bring different benefits ([Nur et al., 2023](#)). It encourages company management to make thoughtful choices while making business decisions.

Moreover, there is the large scope for occurring pleasant surprises instead of rising disappointing shocks, leaving a considerable influence on share values. Similar to all standardized procedures, these rules ought to create facility for investors in comparison of financial outcomes across various sectors and time periods ([Wu et al., 2022](#)). Like other business organizations banks are also established and carry on wealth invested by shareholders, investors or lenders. In addition, it deals with money like receiving money as deposits, saving wealth, transferring money, and give money as loans etc. For rendering several financial services, banks require stakeholders' confidence. Entities which are satisfied with banking financial future and their share in the bank profits show confidence in a bank. Accounting conservatism which overcomes sudden risks exposures, reduces upsetting news, and enhances pleasant surprises is significant to create confidence in banks' stakeholders ([Sakawa & Watanabel, 2020](#)). Forward-looking disclosure and audit quality are the two factors which matter in the implementation of accounting conservatism. Forward-looking disclosure is reporting information concerning future, prospects, financial outcomes, anticipated savings, market conditions or industry, future product demand and pricing, divestitures and acquisitions, litigation's anticipated results, and general economic conditions. Forward-looking disclosure is required by the stakeholders, especially those having financial interests in the company, to be aware of the company's future, and their financial potential.

The fulfilment of this requirement, motivates company to effectively execute accounting conservatism for imparting positivity in stakeholders ([Derakhshan et al., 2022](#)). An audit is the examination or inspection of a company's financial accounts. Its objective is to express views on the accuracy and fairness of financial statements according to appropriate accounting principles. Audit quality means the audit team works efficiently and achieves the audit objective effectively. In case the audit quality is good, it is assured that all the rules projected by the applied accounting principles like accounting conservatism are complied with. Thus, improving audit quality, accounting conservatism in the company is assured ([Kronenberger & Laux, 2022](#)). In the present study, the major concern is to check the banking performance for accounting conservatism in Iraq. Iraq is the rapidly growing country running an upper-middle-income economy. Iraq is at the number among countries for its nominal gross

domestic product of \$297.341 billion in 2022. The rank of Iraq for its purchasing par parity of \$512.926 billion is 4th largest in world for the same year. Iraqi economy has a burgeoning banking system (Ali & Flayyih, 2021). Iraq is on the initial stage as meeting the international standard specific for technology innovation adoption and banking services.

However, the banking sector faces several unresolved issues. People in Iraq, still rely on cash payments instead of availing themselves of banking services. Only 23% of the Iraqi population were linked to 2017 as per information from the World Bank. There has been a lack in the financial advancement because of the problems like weak trust in banking industry and inability to understand, cashless payment methods (Mousa et al., 2021). Even though, Iraq has 7 state-owned banks (SOB), 53 privately owned banks (PSOB), and 14 foreign bank branches, there are only 74 total banking institutions within the country. However, in recent years, the country's GDP has only included 1.95% share from the banking economic sector. In the overall country, there are 904 banking locations. Although most of the banks are operating in two regions Baghdad and Basra covering 37.1% and 9.3% of all branches, respectively (Othman et al., 2020). In Iraq, the leading banking firms are the Agricultural Cooperative Bank of Iraq, Babylon Bank, Basrah International Bank for Investment, Bank of Baghdad, Bank of Iraq, Dar Es Salaam Investment Bank, Iraqi Islamic Bank, Gulf Commercial Bank, Islamic Cooperation Investment Bank, Industrial Bank of Iraq, Rafidain Bank, Rasheed Bank, Trade Bank of Iraq, Real Estate Bank of Iraq, Warka Bank, etc. (Jadah et al., 2020).

Although, the Iraqi banking sector is a burgeoning one and have an increasing contribution to country GDP. Still the performance of banks is not enough to accomplish economic requirements and succeed in competition with other banking sectors in the world. The major reason is the lack of trust between banks and the stakeholders. The current study presents solutions in the form of banks efficiency in accounting conservatism. The objective of the study is to analyse the impact of forward-looking disclosure and audit quality on accounting conservatism. The study aim is also to evaluate the role of CSR between forward-looking disclosure and audit quality on accounting conservatism. The current article is a significant contribution to literature as it examines accounting conservatism from new perspectives. Numerous studies are found in the literature dealing with the influence of financial disclosure on accounting conservatism. But there are a few studies which showed the concern for evaluating the association of forward-looking disclosure with accounting conservatism. The present article, which gives insights into the association of forward-looking disclosure with accounting conservatism, is a significant contribution to literature. Second, forward-looking disclosure that is closure to financial statement or information and audit quality that is about company inspection are less discussed simultaneously while the evaluation of accounting conservatism is required.

The present study recording the impact of both the forward-looking disclosure and audit quality on accounting conservatism adds to literature. Third, there has been discussion about the direct association of CSR with accounting conservatism. There is little knowledge about the moderating role of CSR among the forward-looking disclosure, audit quality, and accounting conservatism. The present study evaluating CSR as moderator between the aforementioned factors is distinctive. Fourth, the current study is also exceptional for testing the research model in the banking context in Iraq. The present study is composed of five parts. In the second part, literature review is conducted and hypotheses for the relationship among CSR, forward-looking disclosure, audit quality, and accounting conservatism were constructed. In the third part, methods selected for conducting the research are explained in short. In the fourth part, after testing hypotheses, results are put forward. Later, results are discussed with reference to similar previous studies as well as study conclusion, implications, and limitations are given.

Literature Review

Accounting conservatism is one of the fundamental accounting principles. It explains the rules that all risks, liabilities, and losses are recognized which company fears to face in upcoming time even though those are not sure to occur. But the expected revenues are not recorded in the books of accounts unless these are received by the company. Some factors like CSR (company's self-regulation considering their accountability to itself, customers, and other stakeholders), forward-looking disclosure (reporting future concerning information via financial statements), and audit quality (audit effectiveness with quality audit outcomes contribute to adoption of accounting conservatism. Several previous studies have captured the picture of the relationship among CSR, forward-looking disclosure, audit quality, and accounting conservatism. In the following paragraphs, the views of different studies about these factors are given to construct the hypotheses about these factors' relationship. The stakeholders are curious about company performance and the ability to pay them back. For evaluation of profit on their real amount, they require information linked to the company's future. The financial documents are the major source of information for stakeholders ([Abdelazim et al., 2023](#)).

The company's inclination to disclose the facts related to their future performance gives a chance to stakeholders to determine the success of their dealings with the company. The want of future awareness by stakeholders, motivate the company management to follow the principle of accounting conservatism so that the stakeholders may not get disappointed in future and retain with the company ([D'Augusta & DeAngelis, 2020](#)). [Ge et al. \(2019\)](#), examines the forward-looking disclosure, investor sentiment, and accounting conservatism. The literature on the topics, financial disclosure, investors' sentiment, and accounting conservatism were conducted. The study implies that investors have a share in a company's equity and are concerned about the company performance, profitability, and the surety of the return on their investment. The forward-looking disclosure is conducted to satisfy the investors' sentiments and meet their desire to be informed of the company's future. The need for forward-looking disclosure puts an emphasis on company management to take steps to apply accounting conservatism. An article was written by [Jaggi et al. \(2021\)](#), to investigate the relationship between forward-looking disclosure like management earnings forecasts and accounting conservatism. Cost of capital (COC), opportunistic (OPP), and disclosure or abstain (DOA) under 1933 Securities Exchange Act were selected as proxies to forward-looking disclosure. The study implies that when in a financial or non-financial institution, there is inclination to provide forward-looking information from financial reporting to stakeholders, there is greater possibility of implementing the rules under accounting conservatism which is closure to show an authentic picture of company future. Reviewing the above studies, this hypothesis is formed:

H1: Forward-Looking Disclosure is positively linked to Accounting Conservatism

Audit is a combination of practices performed by an independent, authorized, and qualified team to examine the books of accounts and evaluate the performance of employees influencing these accounts. If a company takes care of the audit quality, the professional capabilities and neutrality of the auditors is confirmed and thus, the performance of accountants is evaluated effectively. In this situation, the possibility of shirking working, ignorance, or misstatement is lower and accounting conservatism rules are followed effectively while accountants are performing their duties well. That's why, audit quality improves company efficiency in accounting conservatism ([Al Ani & Chong, 2021](#)). [Daryaei et al. \(2020\)](#), investigates about the association between audit quality, the value of cash, and conservative accounting in emerging Islamic Stock markets. The research was conducted in Tehran taking the firms listed on the Stock Exchange for the time between 2008 and 2017. From the cross-sectional analysis, the research outcomes showed a positive influence of audit quality on accounting conservatism. The study reveals that when a company has an internal audit team with qualified independent members and maintains the quality of audit report, it carries a strict check on employees in the accounting department. As a

result, accountants remain alert while performing book-keeping entries and consider the health of the statements. It helps satisfy the requirement of accounting conservatism. A research was conducted by [Alia et al. \(2020\)](#), evaluates the association of audit quality, audit committee, and accounting conservatism. The study sample includes 34 companies listed on Palestine Exchange (PEX) and 184 firm-year observations for the time of 2011 and 2016 were collected for analysis. The study demonstrates that under quality auditing, auditors are sure to have specialized qualifications, experience in their field, mutual collaboration, honesty, and independence. The audit procedures are performed effectively, and the validity of the results is also assured. As a result, employees can't show negligence in applying accounting principles like accounting conservatism. [Mahmod and ALkabbji \(2020\)](#), integrates the association of external auditing quality and audit committee on accounting conservatism and firm performance. The study sample is comprised of 54 industrial firms listed at Amman Stock Exchange. The results showed that the rise in the audit results in a rise in the level of accounting. Hence, the following hypothesis can be established:

H2: Audit Quality is positively linked to Accounting Conservatism

The companies engaged in CSR, forms rules and regulations, controls different business departments and checks the performance of personnel there. Accounting department is not an exception as the financial statements produced by the department determines company financial future and stakeholders' financial gains from company ([Zaman et al., 2022](#)). Under CSR, management considering the significance of company information to stakeholders, not only focus on disclosure of facts and figures related to the past or current situation of the company. But tends to provide information linked to its future. Hence, CSR encourages forward-looking disclosure. Moreover, the company decides to disclosure company facts in such a way as the stakeholders may not face upsets rather, they may experience pleasant surprises. Thus, under CSR, the role of forward looking disclosure improves ([Boulhaga et al., 2023](#)). [Velte \(2022\)](#), explains that the companies which are managed and controlled under CSR business model, not only struggle for the current earnings or gains, their policies have an emphasis on social welfare to sustain their business. These companies are concerned about stakeholders' welfare and take care of their interests in the business. This all leads to a good information quality to stakeholders in the form of forward-looking disclosure. In addition, CSR allows accounting principles like accounting conservatism which are close to stakeholders' welfare. Consequently, CSR regulations and the requirement of forward-looking disclosure put pressure and creates facility for the execution of accounting conservatism. [Anagnostopoulou et al. \(2021\)](#), states that a company needs financial resources through shares or debenture and maintain the balance of investment in return of share in profits. CSR encourages companies to be honest and open to investors and inform them to their satisfaction. These companies assure us that company reports provide forward-looking information to investors. Apart from this, CSR calls for the well-being of people associated with the company along with accomplishing the economic goals. The companies engaged in CSR want to give positive perspectives to stakeholders and apply accounting conservatism. Hence, the role of forward-looking disclosure in achieving efficiency in accounting conservatism. The above-mentioned literature helps construct the hypothesis:

H3: CSR is a significant moderator between Forward-Looking Disclosure and Accounting Conservatism

CSR is a self-regulating business model for companies, where internal control, company ethical behaviour, and security to people in business social circle, are emphasized upon while the fundamental business functions are being performed. The need for fair performance of employees and correct formation of books of accounts, urges company management to appoint an efficient audit team and checks the audit quality ([Burke et al., 2020](#)). Side by side, CSR demands the management to adopt accounting standards for recording the financial facts and figures, standards which are commonly acknowledged, easily comparable, and universally accepted. It is to avoid the chances of mistakes,

frauds, make the documents understandable by stakeholders, and increases validity of the information shared by companies. Being forced by CSR regulations, companies prefer to adopt accounting conservatism (Guo et al., 2020). It denotes that CSR execution strengthens the relationship between audit quality and accounting conservatism. Pan and Zhao (2022), identifies the relationship among CSR audit quality and accounting conservatism. Data for the study were collected from China. In accounts' management department, the execution of CSR creates self-regulating consciousness in organizational personnel and motivate them to increases the quality of auditing because boosts the effectiveness of company statements and all financial business aspects. In case the audit quality is improved, accountants are monitored strictly, and they are instructed to follow accounting principles like accounting conservatism. In this way, CSR improves the relationship between CSR, audit quality, and accounting conservatism. Hong (2020), makes an analysis of association among CSR, audit quality, and accounting conservatism. The research was conducted in Korea for the listed companies in Korea Stock Exchange. The study conveys that CSR, a business regulating concept, forces the companies to create consciousness of their responsibilities and carry business practices being accountable to themselves, stakeholders, society, and environment. While CSR is being implemented, self-regulation on regular basis, maintains the work efficiency of organizational personnel and reduces illegal practices. It adds to the quality of audit outcomes whenever it is conducted. Also, CSR encourages the organizational personnel to apply accounting principles like accounting conservatism. CSR strengthens the linkage among CSR, audit quality, and accounting conservatism. Based on the literature explained above, the following hypothesis is being formulated.

H4: CSR is a significant moderator between Audit Quality and Accounting Conservatism

Research Methods

The article examines the impact of forward-looking disclosure and audit quality on the accounting conservatism and investigates the moderating role of CSR among forward-looking disclosure, audit quality and accounting conservatism of listed banks in Iraq. The study gathered data from the respondents of the employees of the selected banks using surveys. The items were used to measure the variables like forward-looking disclosure has six items (Abdelazim et al., 2023), audit quality has four items (Mansur et al., 2022), CSR has five items (Wut & Ng, 2023) and accounting conservatism has six items (Senan, 2024). These are given in Figure 1. The employees of the listed and selected banks are the respondents of the study. The surveys were distributed to the selected ones using visits to their banks and using mail. The employees were chosen using simple random sampling. The researchers have sent 508 surveys but only 290 were received and represents 57.09 percent response rate. Moreover, the article also used the smart-PLS to check the data reliability along with association among variables. It is the most commonly used tool provide best results using complex models (Hair Jr et al., 2020). Finally, the article used two predictors named forward-looking disclosure (FLD) and audit quality (AQ) while the study also used one mediating variable named CSR and used one predictive variable named accounting conservatism (AC).

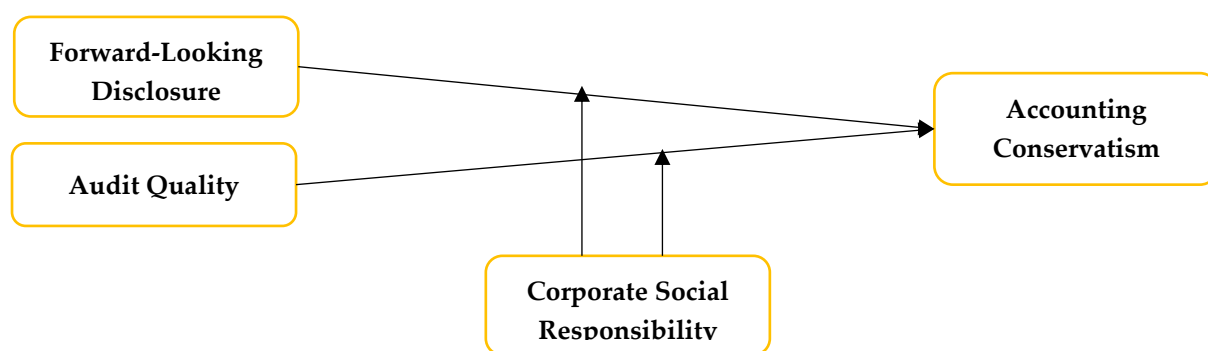


Figure 1: Research Model

Research Findings

The study examines the correlation between the items of the variables called convergent validity. These are given in [Table 1](#).

Table 1: Convergent Validity

Constructs	Items	Loadings	Alpha	CR	AVE
Accounting Conservatism	AC1	0.847	0.909	0.929	0.687
	AC2	0.808			
	AC3	0.821			
	AC4	0.863			
	AC5	0.768			
	AC6	0.862			
Audit Quality	AQ1	0.811	0.827	0.882	0.653
	AQ2	0.828			
	AQ3	0.776			
	AQ4	0.816			
Corporate Social Responsibility	CSR1	0.842	0.911	0.933	0.737
	CSR2	0.877			
	CSR3	0.869			
	CSR4	0.826			
	CSR5	0.879			
Forward-Looking Disclosure	FLD1	0.919	0.970	0.976	0.871
	FLD2	0.939			
	FLD3	0.941			
	FLD4	0.922			
	FLD5	0.935			
	FLD6	0.942			

It is checked using Alpha along with composite reliability (CR) and the figures are bigger than 0.70. In addition, it is checked using factor loadings along with average variance extracted (AVE) and the figures are bigger than 0.50. These figures indicated a high correlation between items and shows valid convergent validity. The study examines the correlation between the variables called discriminant validity. It is checked using Fornell Larcker and the first figure in the column is larger than the other figures in the same column. These figures indicated a low correlation between variables and shows valid discriminant validity. These are given in [Table 2](#).

Table 2: Fornell Larcker

	AC	AQ	CSR	FLD
AC	0.829			
AQ	-0.165	0.808		
CSR	0.394	-0.118	0.859	
FLD	0.437	-0.128	0.414	0.933

The study examines the correlation between the variables called discriminant validity. It is checked using cross-loadings and the figures that show the correlation with construct itself are larger than the figures the show the correlation with other constructs. These figures indicated a low correlation between variables and shows valid discriminant validity. These are given in [Table 3](#).

Table 3: Cross-Loadings

	AC	AQ	CSR	FLD
AC1	0.847	-0.117	0.339	0.349
AC2	0.808	-0.156	0.318	0.407
AC3	0.821	-0.155	0.339	0.336
AC4	0.863	-0.128	0.298	0.310
AC5	0.768	-0.140	0.356	0.433
AC6	0.862	-0.117	0.290	0.303
AQ1	-0.106	0.811	-0.073	-0.094
AQ2	-0.140	0.828	-0.126	-0.154
AQ3	-0.096	0.776	-0.037	-0.049
AQ4	-0.168	0.816	-0.117	-0.099
CSR1	0.339	-0.097	0.842	0.346
CSR2	0.339	-0.111	0.877	0.347
CSR3	0.318	-0.120	0.869	0.336
CSR4	0.299	-0.064	0.826	0.374
CSR5	0.386	-0.111	0.879	0.374
FLD1	0.392	-0.150	0.384	0.919
FLD2	0.404	-0.118	0.410	0.939
FLD3	0.425	-0.095	0.365	0.941
FLD4	0.392	-0.147	0.386	0.922
FLD5	0.407	-0.114	0.408	0.935
FLD6	0.427	-0.096	0.366	0.942

The study examines the correlation between the variables called discriminant validity. It is checked using Heterotrait Monotrait (HTMT) ratio and the figures are less than 0.85. These are given in Table 4. These figures indicated a low correlation between variables and shows valid discriminant validity.

Table 4: Heterotrait Monotrait Ratio

	AC	AQ	CSR	FLD
AC				
AQ	0.180			
CSR	0.426	0.124		
FLD	0.457	0.137	0.441	

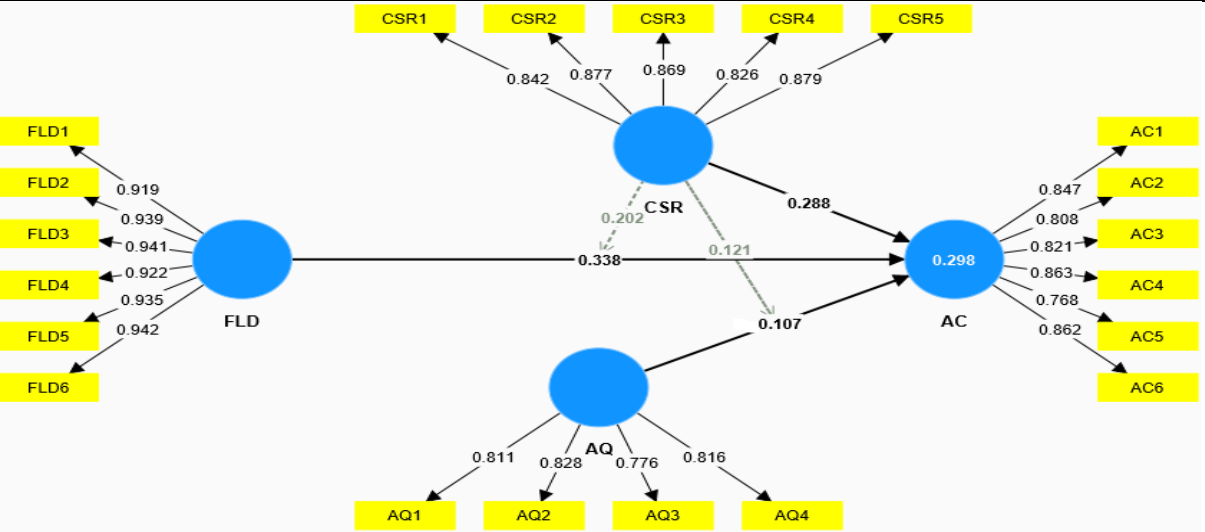
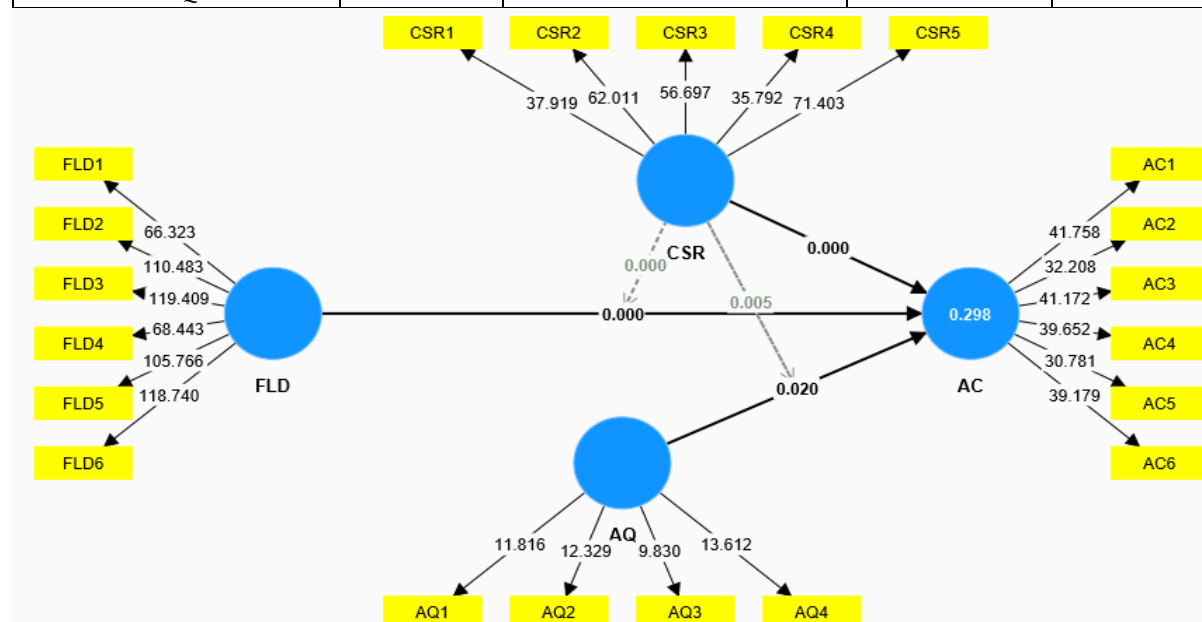


Figure 2: Measurement Assessment Model

Finally, the path analysis shows the association among variables. The results indicated that the forward-looking disclosure and audit quality have a positive nexus with accounting conservatism of listed banks in Iraq and accept H1 and H2. The results also exposed that the CSR significantly moderates among forward-looking disclosure, audit quality and accounting conservatism of listed banks in Iraq and accept H3 and H4. These associations are given in Table 5.

Table 5: Path Analysis

Relationships	Beta	Standard deviation	T Statistics	P Values
AQ -> AC	0.107	0.045	2.371	0.020
CSR -> AC	0.288	0.050	5.803	0.000
FLD -> AC	0.338	0.068	4.969	0.000
CSR x FLD -> AC	0.202	0.055	3.694	0.000
CSR x AQ -> AC	0.121	0.042	2.884	0.005


Figure 3: Structural Assessment Model

Discussion

The study results revealed that forward-looking disclosure is positively linked to accounting conservatism. These results are supported by Henry et al. (2023), which claims that when personnel responsible for financial reporting, takes care of forward-looking disclosure, they make change in accounting procedure accordingly. Hence, there is a greater possibility that accounting conservatism may be applied. These results are also in line with Shen et al. (2021), which examines the forward looking information impact on accounting conservatism. The study implies that the want for forward-looking disclosure from stakeholders to make a right judgment about company future, forces them to follow the guidelines of accounting conservatism. The study results also agree with Farooq et al. (2024), which reveals that if the financial statements gives forward-looking information it must be as to result in stakeholders' satisfaction and for this, accounting conservatism concept is preferred for book-keeping. The study results revealed that audit quality is positively linked to accounting conservatism. These results are supported by Zadeh et al. (2022), which posits that the company where audit quality is maintained, avoidance from accounting principles is less likely. So, the level of accounting conservatism is also sustained. These results are also in line with Rizkiana and Suripto (2022), which proclaims that during the inspection of books of accounts, all financial matters, and the performance of the people influencing in this regard, it is examined that all the regulations declared by the company

directors are imposed.

Hence, the accounting principles including accounting conservatism are obeyed in accountancy. The study results also agree with [Siregar et al. \(2023\)](#), which is about audit quality influence on accounting conservatism. The study claims that the companies where quality of the audit is maintained, accountancy practices are examined and all accounting principles mentioned in company articles are assured to be applied. In this situation, accounting conservatism is followed. The study results revealed that CSR is a significant moderator between forward-looking disclosure and accounting conservatism. These results are also in line with [Muhammad et al. \(2024\)](#), which highlights that the execution of CSR by company administrators, create an organizational climate where the policy of forward-looking disclosure, can be flourished. Likewise, CSR illuminates the significance of accounting conservatism. It leads to the improvement in the role of forward-looking disclosure in imposing accounting conservatism. These results are supported by [Aprilia and Rahayu \(2023\)](#). According to this study, if a company is acting upon CSR regulations, it is bound to care for the wants and needs of its stakeholders. The stakeholders who have financial interests in a company making investment in any way need to have updated and future reflecting information from company books of accounts. In this situation, the company performs forward-looking disclosure. Similarly, as the investors or financiers want pleasant surprises from the company, it arouses the need for accounting conservatism.

Thus, CSR improves the relationship between forward-looking disclosure and accounting conservatism. The study results also agree with [Brahem et al. \(2024\)](#), which also claims that when CSR is imposed within an organization, forward-looking disclosure is carried out and the requirement of accounting conservatism fulfilled. The study results revealed that CSR is a significant moderator between audit quality and accounting conservatism. These results are supported by [Shaw et al. \(2021\)](#), which examines the role of CSR in relationship between audit quality and accounting conservatism. The study implies that in case a company is following the principles illuminated by CSR, it evaluates and tries to improve audit quality which improves accounting efficiency and implements accounting conservatism. These results are also in line with [Shobandiyah and Rahmadhani \(2024\)](#), which indicates that the execution of CSR in accounting policies, creates motivation in organizational personnel to add to the audit quality as it accelerates the effectiveness of the inspection of books of accounts and company financial matters. In result of the improved audit quality, there is a strict check on accountants, and they are bound to act according to set accountancy principles. Thus, accounting conservatism is effectively implemented. The study results also match with [Ali \(2022\)](#), which is about the association among CSR and accounting conservatism. The study explains that when companies are self-regulated under CSR, they maintain audit quality and execute accounting conservatism.

Implications

The present study is a directive to academics and researchers as it makes significant literary contributions. It records the impacts of forward-looking disclosure and audit quality on accounting conservatism. Unlike the previous literature, the study checks the CSR implementation as a moderator between forward-looking disclosure, audit quality and accounting conservatism. The present article also has considerable significance to the companies as it gives guidelines to the management on how to improve the level of accounting conservatism. The study implies that the companies must be concerned about and assure forward-looking information disclosure to their stakeholders so that the principle is assured to be followed. The present study also guides that company management must take steps to assure an improvement in audit quality to assure accounting efficiency and the rise in the level of accounting conservatism. There is also a guideline that the companies' administrators form their policies considering CSR. Thus, the companies may conduct forward-looking disclosure and increase the level of accounting conservatism. Moreover, the study posits that companies must perform CSR practices and thereby, they must assure the achievement of high audit quality. The resultant audit

quality may be useful in implementing accounting conservatism.

Conclusion

The aim to conduct the quantitative research was to examine the association of forward-looking disclosure and audit quality with accounting conservatism. One of the research goals was to evaluate the role of CSR execution between forward-looking disclosure, audit quality, and accounting conservatism. The primary data were collected from banking institutions operating banking services in Iraq and structured questionnaires were used as data collection tools. The research analysis tested hypotheses and showed a positive association of forward-looking disclosure and audit quality with accounting conservatism. The study revealed that when the company management have the policy to provide forward-looking information about the company through its financial statements issued in market, the members of accounting department are bound to follow the principle of accounting conservatism effectively. Hence, forward-looking disclosure by company assures accounting conservatism implementation. The study also concluded that when the company management is conscious of the performance of auditors and evaluates the quality of audit procedures as well as the outcomes of audit reports, it could discourage the personnel of accounting department to avoid accounting principles. As a result, accounting conservatism is followed responsibly. The results also demonstrated that CSR plays a moderating role between forward-looking disclosure, audit quality, and accounting conservatism. The study stated that the firms integrated under CSR feel their responsibilities to stakeholders and show themselves active in forward-looking disclosure as well as evaluate the audit of business financial accounts. As a result, the company personnel follow accounting conservatism.

Limitations

Although the present study has great significance, still it confronts some limitations. First, the study framework describes the relationship of just two factors like forward-looking disclosure and audit quality with accounting conservatism. Some factors like internal auditing, corporate governance, international accounting standards, and market reaction are also affecting accounting conservatism. So, in future, there is need for debate on association of these factors with accounting conservatism. Second, for conducting this study, only survey method with questionnaires was used for data collection. For more valid and effective results, mixed methods of data collection, like interviews, experiments, and questionnaires must be used.

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