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Quality Of Comprehensive Reports Under Sustainability Accounting And International Standards /Proposed Model

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Abstract

The aim of this research is to improve the quality of reports under the application of sustainability accounting and international standards (IS). The preparation of comprehensive reports are used to consolidate their presentation and incorporate all dimensions of sustainability accounting of economic, environmental, social, technological, governance and risk. The comprehensive reports are prepared for the industrial economic entities under accounting for sustainability and international standards in order to avoid the deficiencies of the reports prepared according to the unified accounting system and local standards. It is shown that the preparation of comprehensive reports under the accounting of sustainability and international standards improves the quality of these reports. The researchers made several recommendations, the most important of which are the industrial economic entities, the application of sustainability accounting and the international standards for the purpose of preparing comprehensive reports to provide useful information to stakeholders.

Keywords : sustainability accounting, international standards, comprehensive reports, information quality.

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1. Introduction

The business environment is witnessing rapid developments as a result of many developments (technological, social, global economic openness, environmental) reflected in the accounting profession. This is evident in the different measurement and reporting bases, as its function is not limited to measuring and reporting the financial performance of the economic entity. The functions of the economic entity include: how the economic entity deals with financial and non-financial facts, and the sustainable performance of the entity, as well as the interest of professional organizations in the need to standardize accounting practices in different countries of the world through the development of international standards of information through the provision of standardized reports which are comparable contribute to encouraging foreign investment.

Therefore, the information provided by the traditional accounting system applied in the Iraqi environment and based on the local accounting rules issued by the Iraqi Accounting and Control Standards Board has become inadequate and limited and does not keep abreast of these developments and thus will negatively affect the decisions of its users.

The importance of this research is that it aims to demonstrate the quality of comprehensive reports under the application of international standards, including the dimensions of sustainability accounting (economic, environmental, social, technological, governance, and risk).

The research methodology contains the following:

First: The problem of research:

The problem of research is that the financial reports prepared by the Iraqi industrial companies according to the unified accounting system and the local accounting rules do not provide sufficient and useful information to users related to sustainable development and not based on international standards. The following are the research questions:

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-Is the preparation of financial reports by industrial companies in accordance with the unified accounting system and local accounting rules useful for stakeholders in making their decisions?

-Is there a possibility to apply sustainability accounting and international standards in industrial companies? Does its application provide quality information through comprehensive reports?

Second: The Importance of Research

The importance of research at the present time highlights the importance of relying on international accounting and financial reporting standards, which has become an imperative requirement for the accounting profession to keep abreast of environmental developments so that the accounting system will be able to provide useful information to its users. Dimensions of sustainability accounting (Economic, environmental, social, technological, governance, and risk) to keep abreast of developments in highly developed environments accounting in other countries to provide high-quality information through comprehensive reports of these entities, capable of impacting In stakeholder decisions.

Third: Research Objectives:

The research aims to achieve the following objectives:

-The most important deficiencies in the unified accounting system based on the local accounting rules.

-Recognize the importance of sustainability accounting and its dimensions in communicating information useful to decision makers.

-To clarify the importance of applying international accounting and financial reporting standards in the Iraqi environment.

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-The importance of the quality of comprehensive reports in the application of accounting sustainability and international accounting and financial reporting standards in rationalizing the decisions of stakeholders.

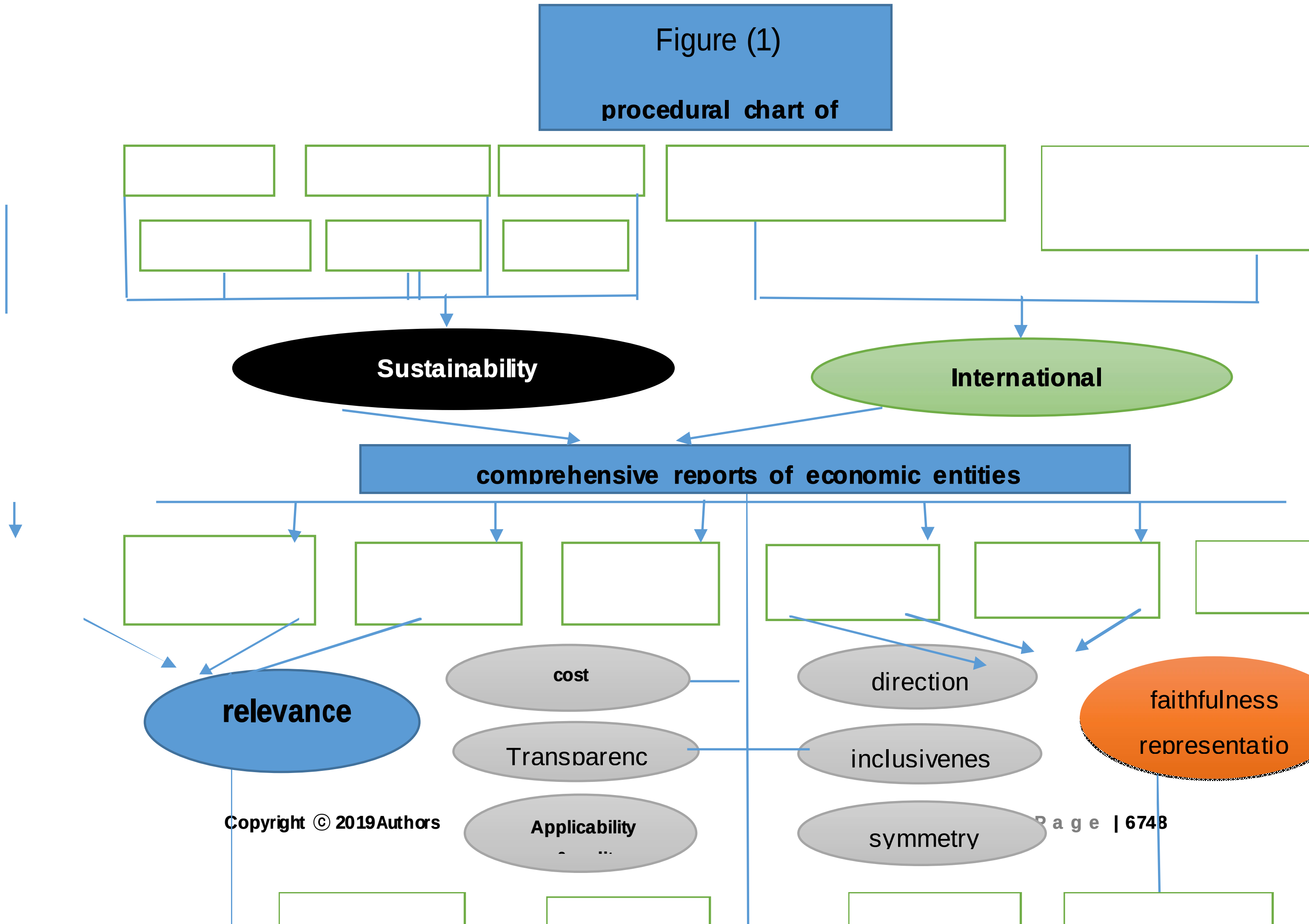
Fourth:The hypothesis of research:

The research seeks to test the following hypothesis:

The application of sustainability accounting and international accounting and financial reporting standards contributes to the improvement of the comprehensive reports of industrial economic entities.

Fifth: The procedural plan for the research

The research idea can be clarified through the following procedural chart:



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2. Literature review

A. Definition of sustainable development: Several definitions of the concept of sustainable development have defined it as the development based on the principle of optimum utilization of available resources with a view to raising the standard of living to include future generations alongside the present generation (Shafie, 2012: 13). Current needs without compromising the ability of future generations to meet their own needs (SASB, 2013: 7).

From the above it is clear that sustainable development is the process of optimizing the exploitation of resources in all economic and environmental dimensions

Sustainable development is the process of optimizing resources in all economic, environmental, social, technological, governance and risk dimensions that meet the needs of current generations without compromising the ability of future generations to meet their needs.

B.Principles of sustainable development

Some researchers believe that the principles of sustainable development are as follows (Badawi and Beltagy, 2013: 23):

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-Implement and maintain ethical practices and corporate governance systems.

-Integrate considerations of sustainable development into the decision-making process within the economic entity.

-Supporting basic human rights and respecting the cultures, customs and values of all stakeholders.

-Implementing risk management strategies based on sound scientific information.

- Continuous improvement of performance, health maintenance, and environmental performance.

- To contribute to the economic, social and institutional development of the communities in which the entity; (Effective and transparent) provides reports to stakeholders.

C.Objective of Sustainable Development

The objectives of sustainable development can be summarized in the following (Shafie, 2012: 20):

(A) Planning objectives related to the biosphere:

-Minimizing pollution, preserving genetic resources in the environment and protecting the rights of future generations.

-Conservation of resources, environmental balance, and the preservation of the integrity of the basic environmental processes on which man depends on development such as land, agriculture and climate protection from global warming.

(B) Planning objectives related to the technology used to promote the use of modern technology, promote clean technology that does not pollute the environment, and use technology that reduces pollution.

The objectives of social justice among generations, achieving broad popular participation among different classes, participation of women, rationalizing the use of all resources, sustainability and continuity, development of cultural, civilizational and environmental aspects, revitalizing optimism and trust, and finding good models for development. Depends on natural resources only.

(C) Economic objectives: the optimal exploitation of economic resources.

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D. Dimensions of sustainable development:

The views of researchers differ in determining the dimensions of sustainable development. Some of them are identified by three dimensions: (Badawi and Beltagy, 2013: 21)

***Social dimension**: It is intended to work faithfully with governmental and non-governmental organizations and individuals to solve problems related to unemployment, local and regional development, health care and wealth, social cohesion and distribution of services, as well as welfare through access to health and education services, security standards and respect for human rights.

* **Economic dimension**: It is intended to employ the financial, material and human resources to optimize the economic, competitive and innovative development.

* **Environmental dimension**: It is intended to preserve the sources of natural wealth, the beauty of nature, the quality of water, air, soil, climate change and biodiversity through its efficient use.

As it is strongly believed that the effectiveness of sustainable development depends on the concerted efforts in three areas in the social field, the economic field and the environmental field, through the interrelated activities between them, since the integration of the social dimension and the environmental dimension achieve the sustainability of social justice and integration of the social dimension and economic dimension acceptable to all parties and the integration of the environmental and economic dimension to achieve the sustainability of the economy and environment (Valles et al., 2012: 48).

Some of the researchers add a fourth dimension to sustainable development as well as the above dimensions (economic, social and environmental) is the technological dimension, which is concerned with the transition to cleaner and efficient technologies that move society to an era that uses the least amount of energy and resources to reduce gases and pollutants. Cleaner technology, reducing emissions and alternative energy, introducing improved technologies and legal provisions, preventing ozone layer degradation, as well as benefiting from Nologia information and communication in the delivery of sustainability information electronically to stakeholders, whether this information files or visible in order to increase awareness of the culture and stakeholders to rationalize their decisions (Taraf and Hassanein 2012: 117).

E. Sustainability Accounting

Sustainability accounting has a root in financial and management accounting, through which information can be provided to all stakeholders to support decision-making processes in accordance with the principles of sustainability. With regard to the history of accounting systems, there are three distinct disciplines (Hyrslova et al., 2015: 607-608):

-Traditional accounting: focuses mainly on the economic (financial) aspects of economic entities.

-Environmental Accounting: Focuses on environmental issues and analyzes the economic impacts of major environmental activities in economic entities.

In both traditional and environmental systems, social issues are dealt with only marginally, meaning not focusing on them in a major way.

- Sustainability accounting: covers the three pillars (economic, environmental and social) for sustainable development and their interrelationship.

The researchers believe that Sustainability accountability focuses on all dimensions - economic, environmental, social, technological, governance and risk - to provide comprehensive information on the sustainable performance of the entity to all stakeholders.

F.Definition of sustainability accounting: Some researchers believe that sustainability accounting is an information system that deals with the functions of measuring the economic, environmental and social performance of the economic entity and communicating the results to the stakeholders so as to assess the entities contribution to achieve sustainable development (Badawi and Beltagy, 2013: 38). Financial information and sustainability information can be evaluated side by side and provide a

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comprehensive presentation of entities performance and value creation, both financial and non-financial, and across all forms of capital (SASB, 2013: 3).

Sustainability Accounting is concerned with recording, compiling, analyzing and summarizing events in various economic, social, environmental and technological fields as well as risk and governance to provide useful information on sustainable performance through comprehensive reports to stakeholders to rationalize their decisions.

G. Objectives of Sustainability Accounting: Accounting for sustainability seeks to achieve the following (Hyrslova et al.,2015: 608):

- Develop the accounting system horizons.

-Improve the economic performance of the economic entity.

Others believe that the purpose of sustainability accounting is to assess the environmental, social and governance performance of economic entities by calculating their management of various forms of non-financial capital associated with sustainability - environmental, human and social - and corporate governance and risk management issues, The development of an integrated business strategy for corporate governance, risk assessment of sustainability and opportunities inherent in investment decisions (SASB, 2013: 3).

The accounting system provides information to all interested parties to support decision-making processes in accordance with the principles of sustainability (Hyrslova et al., 2015: 608).

The main objective of sustainability accounting is to provide comprehensive information on the sustainable performance of the entity, including all economic, environmental, social, technological, governance and risk dimensions.

Some dimensions of sustainability accounting have been addressed in the dimensions of sustainable development. As for the other dimensions of technology represented in the use of software, computer, communication and social communication technology to provide timely information and video information for the entities activity to increase stakeholder awareness In terms

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of sustainable performance, risk should provide information on the risks to the entity or non-compliance of the entities with their responsibility to fulfill sustainable development, while governance is to establish controls and procedures to achieve a balance between all interested parties.

Sustainability reports are the final outputs of sustainability accounting as an accounting information system whose function is based on the measurement and delivery process. Accounting measurement is the translation of the verbal description into a numerical description (Zogby, 2011: 55), which translates the events in cash expressions and a clear and understandable quantity for users, (Weygandt et al., 2002: 2). This information is communicated through sustainability reports including the financial statements, tables attached to them, the auditor's report and the report of the board of directors. These reports are integrated with the dimensions of sustainability (economic, environmental and social).

In order to provide confidence in the economic entity and its activities, there must be rules or criteria for the report on sustainability, some of which are linked to the standards of the international financial report, which will be mentioned later.

H. Sustainability Accounting Standards Board:

The Sustainability Accounting Standards Board (SASB) was established in 2011, an independent, non-profit organization to develop sustainability accounting standards that meet the needs of investors by providing high-quality disclosure of sustainability information. Standards focus on trends and uncertainties which are likely to affect the financial position or operational performance of the entity and will therefore be considered to be significant under the Standard. SASB is certified in benchmarking by the American National Standards Institute (ANSI) (SASB, 2013: 3).

The Sustainability Accounting Standards Board (SASB) presents sustainability accounting standards for use by US listed companies in disclosing relatively important sustainability issues for investors and the public. Standards for mandatory disclosure to the Securities and Exchange Commission (SEC) have

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been designed, such as the 10-K and f 20-model. When developing standards SASB considers the following basic principles (SASB, 2013: 13):

A. Applicability to investors.

B. Relevance across industry: applied to most, if not all, companies within the industry.

C. Potential to influence value creation or risk mitigation.

D. Benefits that exceed expected costs.

E. Can be affected by economic entities: SASB assesses whether performance on the case is measurable.

F. Reflect the views of shareholders and all stakeholders' views when considering issues and developing standards.

Sustainability accounting standards are known to be of three main dimensions: economic, environmental and social, which are issued by the SASB and the Global Sustainability Reporting Initiative (GRI).

I.**Factors supporting to the emergence of sustainable development into accounting practice**:Supporting factors are (Parkin, 2003: 8-10):

•Saving money: The efficiency of resources and cost savings can be determined by routinely collecting information on relevant environmental and social expenditures and linking them to financial benefits and environmental and social performance.

•Governance: The corporate governance world is changing through changes in disclosure that point to the need for more comprehensive social, environmental and ethical risk reports (SEE).

•Reputation: Financial analysts and investors show greater interest in using data outside traditional accounting when evaluating an economic entity including the essence of customer work, brand value and access to new markets. Some units rely on the Dow Jones Sustainability Index.

•Risk Management: There is increasing pressure to manage and report on non-financial risks.

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The researchers believe that sustainability accounting for their dimensions can improve the quality of reports in all economic entities in order to provide useful information to stakeholders.

J. International Accounting and Financial Reporting Standards:

The accounting standard is defined as the standard for accounting in the performance of their work whether in accounting practices related to the handling of events or the preparation of financial reports of the economic entity (Hindawi, 2010: 27-28).

The International accounting and Financial Reporting Standards are defined as the standards issued by the International Accounting Standards Board (IASB), which are of high quality and are understandable and implemented by all economic entities wishing to apply international standards in all countries with a view to make the principles of recognition, measurement and disclosure uniform in all economic entities (Saleh and Fatihah, 2010).

Belkaoui believes that accounting standards are the primary control in the work of accountants, which are constantly changing (canceling, adding, modifying or all together). Therefore, professional accounting organizations and committees seek to prepare practical and appropriate standards to guide the work of accountants, which are generally accepted by all parties involved in making (Belkaoui, 2000: 8)

The formulation and development of accounting standards in line with economic, social and political changes is one of the most important activities practiced by accountants,whether academic or professional(Meigs and Meigs,1988:37)

IASB: The need for more standardized standards led to the establishment of the International Accounting Standards Committee (IASC) in 1973 following an agreement between the leading professional associations and institutes in Australia, Canada, France, Germany, Ireland, Japan, Mexico, New Zealand, United Kingdom, United States) (Doupnik & perera, 2007: 81).

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The objective of the committee was to prepare and publish accounting standards for public interest that should be considered when presenting financial statements to be high quality, understandable, comparable and transparent information to assist users in making decisions (Choi et al., 2004: 359).

The International Accounting Standards Committee (IASC) has gained widespread recognition of its competence and has been joined by a large number of professional associations in most of the world, including Europe, Asia or elsewhere. In 1982, all the professional accounting bodies that were members of the International Federation of Accountants (Worldwide)) to the International Accounting Standards Committee (IASC) and has issued 41 international accounting standards (Doupnik & perera, 2007: 85).

In 2000, the IASC was restructured and renamed the International Accounting Standards Board (IASB), which in April 2001 was responsible for the issuance of international accounting standards rather than the Standards Committee. The Board adopted all accounting standards issued by the International Standards Committee. It also issued 17 international standards for financial reporting (Nobes & Paeker, 2010: 97).

K. Objectives of International Accounting and Financial Reporting Standards: International standards aim to achieve the following (Doupnik & perera, 2007: 81) (Schroeder et al., 2009: 24):

First: Preparing and publishing accounting standards that guide the preparation of financial statements to achieve the public interest while working towards international acceptance of these standards and their application globally.

Second: Improving and harmonizing the accounting regulations, rules and procedures related to the preparation and presentation of the financial statements.

The role of sustainability accounting and international standards in improving the quality of reports:

L. financial reports:

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Financial reports are defined as a means of communicating information prepared by the economic entity to the beneficiaries which contains of the financial statements, the auditor's report, the report of the board of directors, the report of the executive management (Schroeder et al., 2009: 570-571).

These reports are the principal means of disclosing financial and non-financial information. The financial statements represent the essential part of the financial statements (Shami , 2009: 50).

Based on the above, it can be said that the financial reports of the economic entities are represented in the annual report prepared at the end of the financial period, which contains the financial statements and the tables attached thereto, the report of the auditor and the report of the administration.

M.Objectives of financial reports:

There are several financial reporting objectives that can be explained by (Kieso et al.,2007:4):

a. Providing useful information in rationalizing investment and credit decisions for current and prospective investors and lenders.

B. Provide useful information that helps investors, lenders and other users to estimate the size, timing and degree of doubts associated with future cash flows.

T. Provide information on the resources and obligations of the entity and the changes that occur.

The researchers agree that the objectives of the financial reports are to provide useful information to investors, lenders and other users to make rational decisions.

N.Information to be disclosed in financial reports :

Information is disclosed through the following (Schroeder et al., 2010: 639):

A - Financial Statements: The following is a statement:

-The statement of financial position is defined as a statement showing the assets, liabilities and equity of a particular entity at a specified date in order to determine the financial position of the entity (weygandt et al, 2002: 22).

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-Income statement: It is defined as the income statement of a specific entity in order to determine the outcome of an activity (profit or loss) over a certain period of time (Ali et al, 2015: 45).

-Statement of stakeholders Equity: is the summary of changes in equity of a particular entity over a certain period of time (weygandt et al, 2002: 22).

-Cash flow statement: A summary of cash inflows and outflows of the operating, investment and financing activities of a particular entity over a given period of time (weygandt et al, 2002: 22).

Notes: The notes include additional information for those presented in the financial statements, providing explanations and detailed or analytical explanations of the items disclosed in those statements and information on items eligible for recognition in these statements (AACPA, 2009: 2786).

O. Report of the Auditor: This report is the opinion of the auditor on the financial statements prepared by management, specifically whether they are presented fairly and in accordance with generally accepted accounting principles and must that auditor be independent and prepare reports in accordance with accepted audit standards (Schroeder, 2009: 575).

Report of the Board of Directors: This report is a discussion and analysis of the administration, which is mainly in assessing the reasons and explanations of the justification for the performance of the economic entity during the previous period (improvement or deterioration) (Schroeder, 2009: 575).

P. Comprehensive Reports: The annual comprehensive reports of economic entities with accountability of sustainability and international standards to provide useful information to stakeholders as they include the dimensions of accounting sustainability of economic, environmental, social, technological, governance and risk, and thus provide financial and non-financial information as opposed to annual financial reports Which focus on financial information, and that these reports are presented in accordance with International accounting and Financial Reporting Standards (IFRS) and, in particular, IAS 1 Presentation of Financial Statements and Related Standards

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for the Purpose of Consolidation In all economic entities at the international level to provide useful and comparable information.

The comprehensive sustainability report contains the financial statements and schedules attached thereto, the auditor's report and the report of the Board of Directors, including the removal of past sustainability, as well as its consolidation in accordance with the requirements of international standards.

The Sustainability Report provides an overview of the company's foundation, nature of business, sustainability, sustainability strategy, risk and opportunity to provide a bright future, determination of the report's content, scope, limits and performance indicators, and sustainability-focused sustainability governance that includes the Responsible Sustainability Committee Is responsible for guiding and overseeing the sustainability program of the company, developing policies and performance standards and meeting monthly to monitor progress in sustainability and indicators in accordance with the Global Reporting Initiative standards, On the environment and human resources of the company, the economy of entity and society to achieve sustainable development (Petrochemical Industries Company, 2013: 23).

The annual statements of industrial companies are prepared according to sustainability accounting and international standards by focusing on the income statement and balance sheet as follows:

-Income statement in accordance with international standards adjusted for sustainable activities.

-The statement of financial position in accordance with international standards modified by sustainable activities.

-Financial statement of impacts of non-fulfillment of sustainable activities.

Q.Features and objectives of comprehensive reports

Sustainability Reports in comprehensive reporting has many advantages and objectives that can be illustrated by the following:(Muller& Sebastián ,2011: 10) (Latfi, 2011: 28-29):

-Increase of the reputation of the economic entity and its brand.

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-Ability to improve the level of impact on society, and make the activities of economic entity, which lead to environmental and social effects legitimate and in line with the requirements of sustainability.

-Assess and manage risks and opportunities for the entity and obtain new opportunities.

-Meeting investor expectations

-Involve stakeholders in the exchange of information.

-Details of the entities work on environmental, health and safety issues.

-Consolidate the principles of governance in order to achieve sustainable development.

-Increase of transparency and accountability within the economic entity.

-Support of the controls and motivate employees and provide information on internal operations of the entity.

-Prepare indicators and evidence of overall performance.

The preparation of comprehensive reports according to international standards achieves the following advantages:

-Consolidate comprehensive reports prepared by economic entity.

-Comparability of information.

-Improve the quality of the information contained in the reports.

-Increase its relative importance to international investors and multinational companies.

Information can be provided under the sustainability accounting and international standards through video reporting to provide useful, simple and clear information to all stakeholders to increase their awareness and culture and thus rationalize their decisions.

R.Audit and other assurance: The quality of reports to stakeholders is the responsibility of the management, and the quality and credibility of the reports can be enhanced by an independent party (external auditor) who ensures to conduct a comprehensive process evaluation including management selection of accounting and reporting methods and must be conducted in accordance with the standards of professional conduct of integrity objectivity, independence, professionalism, competence and professional conduct, including the rigor, judgment, importance, confidentiality and due diligence of stakeholders (Mathews & Reynolds, 2001: 19-20).

The calls are based on greater emphasis on sustainability information, however specific to assertions, guesses, etc. There is an urgent need to conduct accounting research to assess the perceived needs of investors and creditors for proven sustainability information, how to use it, and market reaction to information (Gary et al., 2012: 107-108).

As well as to confirm this information contained in comprehensive reports by internationally recognized auditors to provide confidence in this information and in line with international and sustainable standards with a view to rationalizing stakeholder decisions.

S.**Quality of information in comprehensive reports:** To ensure the provision of quality information in comprehensive reports (sustainability reports) prepared according to international standards, this information should have a set of qualitative characteristics. The SASB has employed criteria to ensure that the adopted standards produce High quality information for decision makers, and these metrics are evaluated according to the following characteristics (SASB, 2013: 12):

-Relevance: The proposed scale describes the performance of the relatively important subject or performance agent.

- Useful: The entity provides useful information to influence decisions.
- Applicable: The SCA is applicable to most companies in the industry.
- Cost-efficiency: Data is already collected by most companies or can be collected in a timely and cost-effective manner.
- Comparable: Allows data comparison between peers within the industry.
- Completeness: Standards provide sufficient information to understand and interpret performance related to a relatively important issue.
- Direction: The completeness provides clarity about whether there is an improvement in performance or deterioration.

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- Auditable: The data in this standard can be validated and / or certified by the auditors.
- Neutral: The data should report the performance with reasonable credibility and emphasize the objective measure rather than the valuable judgments.

The transparency, comprehensiveness and symmetry, transparency means providing full and understandable information about sustainable activities to all stakeholders, the press, public opinion and citizens who wish to view the work and the related aspects of both positive and negative aspects without concealment.

Inclusiveness means the ability of the information to give a comprehensive picture of the overall performance of the economic entity, so that the Department can succeed in the tasks and decisions.

The symmetry means that information is provided to all decision makers with the same amount and time, and should be free from the risks of distinguishing managers from investors or distinguishing investors from other investors.The FASB and the IASB have also set out a set of qualitative characteristics of accounting information that include (Donleavy, 2016: 26):

(A) Relevance: means the ability to make a difference in decisions made by users or should affect user decisions. The following sub-characteristics include: Predictive Value: Helps users evaluate past and current events to predict future events.

-Feedback value: helps users to confirm or correct previous expectations.

-Materiality: Information is important in the case of adding or deleting a specific element will affect of users decisions.

(B) Faithfulness Representation: means that the figures and descriptions appearing in the reports correspond to the economic events and transactions occurring, and include the following sub-characteristics:

-Completeness: Provide sufficient information relevant to user decisions.

-Neutrality: Information must be provided to all users of the same amount and time without discrimination of one category over another.

-Free from errors, must be accurate and free of any error.

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Some characteristics are not necessary in the frame, but desirable characteristics are still:

A. Comparability: It means that the information of a particular entity for the current period can be compared with the same entity information in the previous period and compared to other entity information for the same period.

B. Verifiability: The same accounting methods are used by independent qualified persons to obtain the same results.

C. Understandability : Indicates that information can be comprehensive and clear to people who have reasonable knowledge of business and economic activities.

D. Timeliness: means providing information to decision makers before they lose their ability to influence their decisions.

From the above, the researchers believe that the comprehensive reports should include accounting information that has the appropriate qualitative characteristics is relevance (predictive value, feedback value, materiality), faithfulness representation (completeness, neutrality, free from error), comparability, timeliness , understandability, verifiability, Transparency, inclusiveness, symmetry, applicability, scrutiny, direction, cost effectiveness under the sustainability accounting and international standards to ensure the quality of those reports and providing uniform, comprehensive and useful information to users to rationalize their decisions.

3. A proposed model under the comprehensive reports:

The researchers will present a proposed model for comprehensive reports under the sustainability accounting and international standards through:

First: presenting the annual statements by focusing on the income statement and balance sheet as follows:

The industrial companies prepare the annual financial reports according to the unified accounting system based on the local accounting rules issued by the Iraqi Accounting and Control Standards Board and thus focus on the financial performance without that include the dimensions of sustainability accounting and not according to international standards.

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The researchers will present a model for comprehensive reports of industrial companies, including the dimensions of sustainability accounting and the application of international standards and compare them with current financial reports, focusing on the income statement and the statement of financial position.

X Industrial Company **The income statement in accordance with local standards For the year ended December 31/12/2019**	**X Industrial Company** **The income statement in accordance with international standards is adjusted for sustainable activitiesFor the year ended 31/12/2019**
Current income Revenue from current activity Interest and lease of land Income from financial investments Total revenue Current expenses Salaries and wages Commodity inputs Service requirements Contracting and services Purchases of Goods for Salev depreciations Taxes and fees Total expenses Excess (deficit) of current activity / operational activity Add conversion and other income Transforming income Other income Transfers and other expenses Transforming expenses Other expenses Total transfers and other expenses Net (deficit) Current operations / total activity	Income from operating activities Subtract: Cost of goods Sold Gross income Gains and other income Subtract: marketing expenses Administrative expenses Other expenses Financing expenses Share of the company in the profits of subsidiary and associate Profit for the period before tax subtract: the burden of responsibility for sustainable development -Environmental contributions -Social contributions -HR -Technological -Risks -Governance The total burden of responsibility for sustainable development Profit for the period adjusted for sustainability activities subtract: Income tax expense Profit for the period Other comprehensive income Unrealized gains on valuation of financial assets available for sale Revaluation surplus Share of the entity in other comprehensive

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	income of associates Other comprehensive income for the year Total comprehensive income for the year Profit period / Distributor to the following: portion of parent company shares portion of non-controlling interests Total income is divided into the following: Parent company shares stakeholders Non-controlling interests shares stakeholders

X Industrial Company **Balance sheet in accordance with local standards and the unified accounting system** **On 31/12/2019** Assets fixed assets Fixed assets at book value Deferred revenue expenditure Projects under implementation Long - term granted loans Long term financial investments Total fixed assets Current assets Inventory (at cost) Documentary credits for purchase of materials Short - term granted loans Short term financial investments Debtors Money Total Current Assets Total Assets Sources of funding Sources of long-term financing capital Reserves) Cumulative deficit(Long - term allocations Long term received loans Total sources of long-term financing sources of short-term financing Short - term allocations	**X Industrial Company** **Statement of financial position in accordance with international standards adjusted for sustainable activities** **On 31/12/20**19 Assets Current Assets Inventory Trade receivables and Other receivables Prepaid expenses Cash and cash equivalents Total current assets Non-current assets Property, plant and equipment (net) goodwill Other intangible assets Investments in associates Investments held for sale Long - term granted loans Assets for sustainability Net assets for environmental contributions Net assets for social contributions Net assets for human resources Net assets for technology Net risk assets Total assets for sustainability Total non - current assets Total assets Current liabilities Trade payables and other payables Short term received loans

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Short term received loans Credit banks Creditors Total sources of financing	The rolling portion of long-term loans Tax payable (current) Payable Expenses Total current liabilities Long-term commitments long term received loans Deferred tax liabilities Long-term benefits Against the financing of assets for sustainable activities Total non - current liabilities Total liabilities Owners equity Equity attributable to the parent company's shareholders Share capital Additional capital Revaluation surplus Legal reserve (mandatory) Retained earnings Non-controlling interests (minority) Total equity Total liabilities and equity

-Financial statement of impacts of non-performance of sustainable activities: This statement shows the value of impacts due to non-fulfillment of social responsibility, which can be illustrated by the following.

X Industrial Company
Financial statement of impact of non-performance of sustainable activities
For the year ended 31/12/2019

Details
First: The field of environmental contributions:
value of damage to individuals and resources due to water and air pollution
Loss of damage waste purification
Second: The field of social contributions:
value of the damage due to the lack of training courses for the residents of the area
Value of damage due to non-employment of disabled persons
Value of damage due to lack of transportation (delay of staff)
Value of damage due to failure to provide childcare services (impact on staff)
Third: The field of Human Resources :

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Value of damage due to lack of development of staff
value of damage due to discontinuation of treatment
value of damage to the lack of a suitable environment for staff (work injuries) led to:
Partial disability or Total disability
Early death
Fourth: The field of Technological:
Value of damage due to non-use of modern technology
Value of damage due to non-use of clean technology
Fifth: Risks
The value of the damage of not achieving the standard levels of quality
The value of the damage due to product insecurity
Sixth: Governance
value of damage unilateral decisions
Cost of courts
Total negative impacts due to non-fulfillment of sustainability

-Report of the auditor: The auditor shall indicate his opinions on the statements prepared by the administration and specifically whether they are prepared fairly and in accordance with the standards of sustainability accounting and international standards and the audit should be carried out in accordance with international auditing standards by an independent auditor.

-Report of the Board of Directors: A discussion and analysis of the management, which is concerned with evaluating the reasons and justifications of the performance of the entity during the period and the range of its commitment to the principles of sustainability accounting and international standards.

Second: Evaluation of the quality of the accounting information contained in the comprehensive reports

Information quality levels can be divided according to the five-dimensional Likert scale to the following:

Table (1) Level, measure and quality range

Quality Level	Measure	Range
Very low quality	1	1-1.8
Low quality	2	1.9-2.6
Acceptable quality	3	2.7-3.4

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High quality	4	3.5-4.2
Very high quality	5	4.3-5

The qualitative characteristics of accounting information was calculated by determining the degree of accounting information that is provided through the applicable accounting system whether the system is conventional or proposed according to the following:

Table (2) Proposed measures of information provided

Information provided	Pro me
Comprehensive accounting information in accordance with international standards including sustainability accounting dimensions	
Accounting information in accordance with International Accounting and financial reporting Standards	
Accounting information according to sustainability accounting	
Accounting information according to US or regional standards	
Accounting information in accordance with local accounting standards	

The quality of the reports can be clarified under the current reality and the proposed model by calculating the quality of the qualitative characteristics of the accounting information under local accounting standards and with the accounting of sustainability and international standards as it comes.

Table (3) The degree of quality of qualitative characteristics under the current reality and the proposed model

(1)	(2) Characteristic	(3) relative weight	current reality		proposed model	
			(4) Quality degree	(5)=(3)*(4) Final degree	(6) Quality degree	(7)=(3)*(6 Final degree
1	**Relevant**					
1-1	Predictive value	2	2	4	5	10
1-2	Feedback value	2	2	4	5	10
1-3	Materiality	2	2	4	5	10
2	**Faithfulness representation**					
2-1	Completeness	2	2	4	5	10
2-2	Neutrality	2	2	4	5	10
2-3	free from error	2	2	4	5	10
3	**Enhancement characteristics**					

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3-1	Comparability	**1**	**2**	**2**	**5**	**5**
3-2	Verifiability	**1**	**2**	**2**	**5**	**5**
3-3	Timeliness	**1**	**5**	**5**	**5**	**5**
3-4	Understandability	**1**	**2**	**2**	**5**	**5**
4	**Other basic characteristics**					
4-1	Inclusiveness	**2**	**0**	**0**	**5**	**10**
4-2	Applicability and auditing	**2**	**0**	**0**	**5**	**10**
4-3	Transparency	**2**	**0**	**0**	**5**	**10**
4-4	Symmetry (reducing information risk)	**2**	**0**	**0**	**5**	**10**
4-5	Direction	**2**	**0**	**0**	**5**	**10**
4-6	effective cost	**2**	**0**	**0**	**5**	**10**
Total		**28**		**35**		**140**

The relative weight of the characteristics of the basic information was determined by weight (2) and the desired characteristics were weighed by (1). The quality degree was determined for all the characteristics based on the table (2) above based on the information provided, while the final degree (column 5) of the current reality and (Column 7) of the proposed model by multiplying the relative weight (column 3) in the quality degree (column 4 current reality and column 6 of the proposed model).

Quality degree of qualitative characteristics under the current reality = <u>total final degree</u> =

Total relative weight

35 / 28 = 1.107

Quality degree of qualitative characteristics under the proposed model =

140 / 28 = 5

- Results Analysis : It is noted from the reports prepared by industrial companies that they provide limited and insufficient information to decision makers because they are not useful in decision-making because they do not contain the information of sustainability and is not prepared in accordance with international standards, while the comprehensive reports prepared under the accounting of sustainability and International standards is useful because it

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encompasses all dimensions of accounting of sustainability, uniformity and symmetry under international standards.

As for the quality of the reports, according to local standards, the quality of the characteristics of 1.107 was within the low quality level according to table (1) above, while the quality of the information in the comprehensive reports was 5 at a very high quality level according to table (1) above.

Based on the information provided in the previous investigation, the following basic hypothesis is proven:

The application of sustainability accounting and international accounting and financial reporting standards and contributes to the preparation of reports of industrial economic entities.

4.Conclusions and recommendations

A.Conclusions **:**Based on the information contained in the previous investigation, the following conclusions were reached:

-Accounting sustainability dimensions of economic, environmental, social, technological, governance and risk provide useful information on entity performance.

-The application of international accounting and financial reporting standards results in the provision of standardized, comparable information.

-Reports prepared by industrial economic entity do not provide information on sustainable performance under accounting for sustainability and are not in line with international standards.

-Assessing the quality of information based on the qualitative characteristics proposed by researchers provides useful information to stakeholders and helps to assess the quality of reports.

.-The preparation of comprehensive reports under the sustainability accounting and international accounting and financial reporting standards will improve the quality of these reports.

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B. Recommendations: In the light of the conclusions reached, the authors recommend that:

-The industrial economic entities and all other entities shall apply the accounting of sustainability in all its dimensions to provide useful information on the performance of the entities.

-The industrial economic entities and all other entities shall apply the International Accounting and Financial Reporting Standards with a view to providing standardized and comparable information.

-Industrial economic entities and all other entities should provide useful information on sustainable performance in sustainability accounting and international standards.

-Industrial economic entities and all other entities must adopt the qualitative characteristics proposed by researchers in assessing the quality of information and comprehensive reports.

-Industrial economic entities should apply sustainability accounting and international accounting standards for the purpose of preparing comprehensive reports to provide useful information to stakeholders.

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Supplement

Table of cost details for sustainable activities Shown in the income statement	**The table details the assets and liabilities of the sustainable activities shown in the balance sheet**
The burden of responsibility for sustainable development	the findings The burden of responsibility for

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Environmental contributions: Cost of discovering new sources of energy Cost of water and air pollution control Cost of liquid waste treatment Cost of improving the aesthetic appearance of the environment **.Social contributions**: Donations to public schools, orphanages, displaced people and popular mobilization Employment differentials increase Employment Disabilities Additional grants for employees Difference in transport and communication services Cost of Housing Services Cost of child care center workers Cost of strengthening public service bodies and institutions Cost of recreational services for residents of the region Cost of health services to residents of the area Cost of housing services **Human Resources**: Cost of staff training, language and computer courses and development programming Cost of participation in local and international conferences and seminars Cost of educational and health services for employees cost of training is non-working cost of industrial security requirements **.Technology:** cost of using clean technology, software, computers and modern technical methods **Risks:** Cost control over product quality Cost of control over the standard specifications of product quality Cost of control over plant operations cost of controlling sudden stops Cost control to achieve acceptable levels of product quality **Governance**: Cost of implementing corporate governance The total burden of responsibility for sustainable development	sustainable development assets **Net assets for environmental contributions:** Pollution control buildings Waste purification equipment Expenses to improve the aesthetic appearance of the environment **Net assets for social contributions**: Buildings of the Child Welfare Center Residential buildings for workers Facilities and entertainment Health care facilities Transport and transportation Medical Equipment Medical supplies stock **Net assets for human resources:** Building and Construction Training Center Training tools and equipment Equipment and control equipment for working environment Inventory of personnel protection tasks **Net assets for technology:** Modern computer hardware Modern technical equipment **Risks** Control devices to prevent fraud Total net assets for sustainable activities Liabilities Against the financing of assets for sustainable activities