Migration Letters

Volume: 20, No: S5(2023), pp. 377-394

ISSN: 1741-8984 (Print) ISSN: 1741-8992 (Online)
www.migrationletters.com

The Impact of the Job Origin of the Executive Director on the Quality of Financial Reporting

Etidal Adel Masawel Al-Abadi[1], Dr. Fatima Jassim Muhammad[2]

Abstract

The research aims to study and measure the effect of job origin (internal, external) of the executive director on the quality of financial reporting, and to identify the most important source of the executive director's power that has the greatest impact on the quality of financial reporting in non-financial companies operating in the Iraq Stock Exchange for the period 2010-2019 and identifying the most important models for measuring the quality of financial reporting represented by the characteristics (honest representation, appropriate timing). The study concluded that there is a significant effect between the job origin of the executive director in the quality of financial reporting. As for the most important recommendations that the research came up with, the importance of promoting the executive director from within because of its positive effects on the quality of financial reporting, because of the knowledge and understanding of the strategic directions of the company and knowledge of the reality of the company's operational activities, in addition to the direct association with the company's board of directors.

Keywords: *Executive Director, Quality of Financial Reporting, Job Origin (Internal, External).*

1. Introduction

The CEO is one of the main determinants of corporate success and sustainability of its performance at the present time, after the business environment has become characterized by rapid movement towards internationalization and diversification (Kazemi & Ghaemi, 2016). It is wasteful and contributes to creating value for the company at the end (Berglund et al., 2018; Ma el. at, 2019), and accounting literature is concerned with the important role of the executive director’s job origin in improving the quality of financial reporting through the quality of financial reports (Puwanenthiren et al, 2019).

2. Methodology of The Study

2.1 Problem of The Study

Recent years have witnessed a great interest on the part of the accounting literature in examining the characteristics of the executive director represented by (administrative ownership, turnover rate of the executive director, independence of the board of directors, duplication of the executive director, the job origin of the executive director being internal or external, educational level, experience, gender, period of stay Executive

[1] Researcher, Department of Accounting, College of Administration & Economics, University of Basrah, Basrah, Iraq, atedaladel@gmail.com

[2] Professor, Department of Accounting, College of Administration & Economics, University of Basrah, Basrah, Iraq, Faimaj16@gmail.com

Director) on administrative decisions and business results, so the study problem can be formulated with the following question:

Is there an effect of the CEO's job origin on the quality of financial reporting?

2.2 Importance of The Study

The importance of the research comes in addressing a contemporary problem, as it seeks to study the nature of the relationship and the impact of the job origin of the executive director and the quality of financial reporting for a group of non-financial companies operating in the Iraq Stock Exchange.

2.3 The Objectives of The Study

Based on the nature of the problem and its importance, the research seeks to clarify the status of the executive director, and the job origin and its impact on the quality of financial reporting in general. Several sub-objectives branch out from the general objective:

1- Measuring the manager's strength represented by the executive director's job origin, internal or external.

2- Measuring the quality of financial reporting represented by honest representation and appropriate timing.

2.4 The Hypothesis of The Study

Main Hypothesis:

H1: There is no statistically significant effect of the CEO’s job origin on the quality of financial reporting.

Sub-Hypothesis:

H1a: There is no statistically significant effect of the executive director's job origin on the characteristic of honest representation.

- H1b: There is no statistically significant effect of the executive director's job origin on the characteristic of appropriate timing.

2.5 Previous Studies

Table (1)

1- An Arabic study (Fareed Muharram Farid Ibrahim, 2019)	
Study Title	The impact of the CEO's risk incentives on the characteristics of accounting information, an applied guide from the Egyptian Stock Exchange.
Purpose of the Study	Measuring the impact of risk incentives among executives on both (the degree of profit fluctuations, the continuity of profits) of the current company in the future, and finally the quality of the company's total receivables during the year.
Study Method and Sample	The study was conducted on a sample of 60 financial and non-financial shareholding companies registered in the Egyptian Stock Exchange and whose shares are traded within the EGX-100 index, during the period from 2006-2018, divided into (13) sectors.
The Most Important Conclusions	There is a significant positive effect of the level of risk incentives for the CEO as an independent variable in the returns of shares owned by

Reached by The Study	executives during the year on the degree of fluctuations in the profits of Egyptian shareholding companies as a dependent variable and taking a deviation every 4 years. The study also found a significant positive effect for the level of risk incentives for the Executive Director As an independent variable measured by the value of fluctuations in the returns of shares owned by executives during the year on the continuation of the current profits in the Egyptian joint stock companies in the future as a dependent variable, the study concluded that there is a significant effect of the risk incentives of the executive director on the characteristics of accounting information.
2- An Arabic study (Nidal Omar Zaloum / 2020)	
Study Title	The Role of the Job Origin of the CEO in Earnings Management Practices: An Applied Study on Industrial and Service Companies Listed on the Amman Stock Exchange
Purpose of the Study	Testing the job origin of the CEO in earnings management practices for non-financial companies listed on the Amman Stock Exchange, in addition to identifying the role of earnings management practices for external executives in future performance.
Study Method and Sample	Sectional time series data were used for the period from 2009-2018, and to test the role of the CEO's job origin in the earnings management practices, in addition to the role of the external CEO's earnings management practices in the future performance of the company, and the two-stage least squares and least squares methods were used.
The Most Important Conclusions Reached by The Study	There is a direct effect of appointing the external executive director on the earnings management practices of non-financial companies in the Amman Stock Exchange. To focus their attention on the role of the CEO's career asset in the earnings management practices of their companies.
3- (Poppy Nurmayanti & Fu'ad Rakhman/2017)	
Study Title	CEO Origin, CEO Tenure, and Earning Quality: Empirical Evidence from Indonesia
Purpose of the Study	A study of whether the origin of the executive director and the period of work of the executive director affect the quality of profits
Study Method and Sample	The researcher used a sample of companies listed on the Indonesia Stock Exchange between 2012-2014, and companies in the financial sector and companies less than two years old were excluded, using the Dechow & Dichev model to calculate the estimated receivables.
The Most Important Conclusions	Comparing internal and external executives, the study found that the internal CEO tends to report profits with higher quality, and that the

Reached by The Study	effect of CEO origin is prevalent only in the first years of his term, and after 5 years, the study did not find any significant difference in the quality of profits between companies that have internal managers and those with external executives.
4- (Sani Saidu/2019)	
Study Title	CEO Characteristics and firm Performance: focus on Origin, Education and Ownership
Purpose of the Study	Studying the impact of the CEO's ownership, education, and origin on the company's performance
Study Method and Sample	The study uses a sample of companies in the financial sector listed on the Nigerian Stock Exchange for the period from 2011-2016 for a period of 6 years and used three variables (the origin of the CEO, education, and ownership) in relation to the company's performance.
The Most Important Conclusions Reached by The Study	The education of the CEO improves profitability, and the stock performance improves when the CEO has previous experience in the company before being appointed to the position of CEO, and the results will be useful to shareholders in making an informed decision, and the study focuses on management ownership because it forms the foundations of agency theory
5- A local study (Abbas Fadel Jiyad, Mahmoud Taha Mahmoud/2019)	
Study Title	The impact of the qualitative characteristics of accounting information in improving the quality of financial reports: a study in a sample of private banks operating in the Iraqi market
Purpose of the Study	Measuring the impact of the qualitative characteristics of accounting information in improving the quality of financial reports issued by a sample of private banks
Study Method and Sample	The study sample included 4 private banks listed in the Iraq Stock Exchange by means of a questionnaire to measure the impact of basic characteristics and their components such as comprehensibility, suitability, and reliability on the quality of financial reports.
The Most Important Conclusions Reached by The Study	There is a high impact of the primary and secondary characteristics of accounting information in improving the quality of financial reports.
6- A local study (Al-Sheikh, 2019)	
Study Title	The role of quality financial reporting in attracting foreign direct investment.
Purpose of the Study	Identifying the relationship between the quality of financial reporting and its dimensions (credibility, timeliness, appropriateness) and foreign

	direct investment in Iraq.
Study Method and Sample	Using the descriptive analytical approach based on all data and subjecting them to statistical treatment. A sample of 45 employees in the Investment Authority was selected by adopting a questionnaire that included 25 items, and the results were extracted using the SPSS statistical program.
The Most Important Conclusions Reached by The Study	The most important of which were: the existence of a statistically significant correlation between the dimensions of the quality of financial reporting and foreign investment, and the existence of a close correlation between financial reporting and fairness in presenting financial elements in reports and the quality of accounting information presented in those reports.

3. Theoretical Framework

3.1 Job Origin of The Executive Director (Internal or External)

The job origin means the appointment of the executive director from inside or outside the company, and the internal executive director means that person who has been promoted to the position of executive director, because of his levels of service in the company, while the external executive director is the opposite of the internal executive director, that is, he is appointed from outside the company, the job origin of the executive director is one of the demographic characteristics that affect the decisions taken by the executive director, including accounting decisions, which prompts executives appointed from abroad who have been promoted from within to influence the quality of accounting information the practice of earnings management or the quality of profits In light of this, many studies came with different interpretations of the importance of the executive director’s job origin, because of his important role 1- for the board of directors, 2- for the strategic functions he occupies, such as maintaining and implementing the company’s short and long-term vision, as well as 3- because of his important role in The company's performance, continuity and permanence, the CEO plays an important role in ensuring the provision of high-quality financial reports, as the CEO plays one of the difficult roles of the Board of Directors, the CEO is appointed either from within the company's workforce or is appointed from outside the company, and there are different interpretations Whereas, the CEO who is promoted to this position has some form of advantage over his contemporaries, and some studies describe this advantage as the power they possess (Pathan, 2009; Zhang & Rajagoplan, 2010), where a study (Paul Brockman & Gopal, 2019) indicated that the promotion of the executive director from within the company enhances the manager's competence in understanding how to link the company's performance to the financial statements, and (Kotter, 1995)1- that the promotion of the CEO from Inside the company is necessary and important because he has more knowledge and know-how than the external CEO about the company's products, customers, and competitors. 2- The promotion of the CEO from within is necessary because he has a social network that is necessary and helps him to carry out tasks smoothly, and on the other hand, the external CEO makes their view of the company more objective and oriented towards results only (focusing on short-term goals), and he considers (Kotter, 1995) the need to appoint an external CEO becomes necessary when the internal CEO has negative influence on the board of directors, which encourages investors to remove the internal CEO and introduce a new face (external CEO) to the board of directors.

The researcher believes that the sources of strength of the executive director can be classified into two categories.

1. Sources derived from the administrative immunization of the executive director, including (education, financial and accounting experience, reputation, gender, age, and job origin of the executive director).

2. Sources derived from the administrative immunization of the executive director, including (administrative ownership, independence of the board of directors, the term of stay of the executive director, duplication of the executive director).

3.2 Quality of Financial Reporting

Quality is defined linguistically as “it is a degree or level of excellence in something” (Oxford, 1988:659), and was defined (Chandrupatle, 2009: 2), and the American Society for Quality Control (ASQC) and the European Organization for Quality Control (EOQC) Quality is defined as a set of advantages and characteristics that affect the ability of a service or product to meet certain needs (Al-Azzawi, 2010: 15).

As for financial reporting, it is an integrated accounting information system that works on preparing financial reports about the company's activity in order to deliver a clear and unbiased picture to all beneficiaries in strategic decision-making processes and reduce uncertainty about lenders and investors, by organizing accounting information according to international standards for analysis. And discussing it appropriately and reliably (Al-Najjar, 2010: 26), he defined (FASB) in his statement No. (1) entitled “The Concept of Financial Reporting in Economic Units” Reporting as: the activities that are approved to serve the needs of users of the financial information that they need in the company, and he also considers That the financial reporting process is broader than the financial reports, and that there is financial information such as appended lists, reporting on reserves and management analyzes that are included in the annual report, and letters addressed to shareholders, which are preferable to be submitted with the financial statements (Al-Mazouri and Al-Shujairi, 2010: 2).

As for the quality of financial reporting, it was defined as delivering useful and quality financial information to all parties according to consolidated financial statements in order to rationalize their decisions and reduce credit and investment risks, and to show a clear picture of the company's financial position, without any bias to any party (Thabit, Ibrahim, Abdul Razzaq, 2020), and defined (Notbohm et al., 2019) that when corporate managers have a conservative personal ideology, the level of quality of financial reporting is high.

3.3 Characteristic of Honest Representation

Financial reports must express economic phenomena in words and numbers, and in order for financial information to be useful, it must not only reflect the appropriate phenomena, but must also truthfully express the phenomena (the economic essence) that it aims to express. Paragraphs 59.4 to 63.3 of the framework have emphasized Conceptual In the circumstances in which the economic essence of financial transactions is the same as their legal form, limiting the provision of information with the legal form will not truthfully express the economic phenomenon, and the information has the characteristic of true representation when the information published in the financial reports coincides with the company’s economic events and operations, i.e. matching The numbers and descriptions of the operations published with the actual events of the company, and in order for the information to express an honest representation must be available and the financial reports must be useful, so that they faithfully represent the phenomena that they intend to represent, and in order for the representation to be sufficiently honest, it must be characterized by three characteristics: It must be complete , neutral, and free from errors that depict the economic essence of the basic transaction, and the events and circumstances that are always similar in terms of their legal form (Al-Saeed et al., 2013:

30), and (IASB, 2018: 15) defined the conceptual framework as honest representation so that the information is characterized by the characteristic of true representation It must be complete, impartial, and error-free, and for the information to have the characteristic of true representation when the information published in the financial reports matches the company's economic events and operations, i.e. matching numbers and descriptions of the published operations with the actual events of the company, and for the information to express a true representation, it must be available:

First: Completeness: It means that the financial report includes all the necessary information for the user to understand the phenomenon being photographed, including all the necessary description, expression, and detail in those reports (Achim & Chis, 2014:95).

Second: Neutrality: It means impartiality, and it also means that the necessary information must be communicated to the user in order to understand the phenomenon that was represented, including all descriptions and interpretations, and interest in certain accounting information, and the preference of a particular party or party over another party, and that the information be factual and real. Or intended to avoid intentional bias aimed at reaching prior results or influencing the behavior of the user of this information in a certain direction, and the neutral description is free from bias in the selection or presentation of financial information, as the neutral description is not biased, weighted, confirmed, uncertain, or Manipulated in any other way to increase the likelihood of receiving financial information positively or not positively by users.

Third: Being free from errors: Honest representation does not mean being free from errors, because most financial reports are measured through different estimates and the provisions of corporate management have a major role in them, so the process of avoiding arithmetic, technical and formal errors is a necessary matter that must be adopted by corporate departments from By clarifying the limits and nature of the estimate (Al-Obaidi, 2014: 51), where (Nobes & Stadler, 2015) confirmed that the characteristic of the faithful representation of information is at a high level, which is one of the reasons for disclosing the change in accounting policies and estimates, and reducing bias, which in turn will reflect an increase in The level of transparency and comparison. The following table shows the dimensions of honest representation.

Table (2) Dimensions of The Characteristic of Honest Representation

Characteristic	**The Main Dimensions**	**Sub Dimensions**
Accounting policies and adjustments	Financial reports must show all accounting policies and adjustments	1- Clarifying the chosen accounting policies 2- The basis for approving the accounting amendments 3- Clarifying the determinants of the basis for approving accounting policies and adjustments 4- Factors influencing a decision to adopt certain accounting policies and adjustments Reasons for changes in accounting policies and adjustments

Related disclosures	Financial reports must disclose all relevant financial information and operations	Submitting an independent report from the Audit Committee on transactions with related parties
The ability to predict the future of the company	The ability to predict the future of the company	The ability to predict the future of the company

3.4 Appropriate Timing

The usefulness of the information is closely related to whether the time of disclosure to the stakeholders results in their effective integration of this information into the decision-making processes, and the appropriate timing of the announcement indicates the regularity of the reports, in addition to the extent to which it is close to the realistic events detailed in the report (Reporting Initiative, 2013: 12-16 Global), and the need for information is a necessary need, especially that information that quickly loses its importance as a result of possible environmental changes, and the International Accounting Standards Board (IASB) defines the appropriate timing as one of the characteristics that determine the appropriateness of accounting information, as the timing of the announcement of the financial report is one of The most important measures that are used for their benefit, the shorter the time period in which financial reports are presented, the more useful and beneficial they are, especially the information related to the market. Effective unless the appropriate timing of information presentation is taken into account, and the timing of the financial statements has received great attention by professional bodies, and according to the conceptual framework of the International Accounting Standards Board IASB, temporality means: providing information to decision makers in a timely manner, in a way that affects the form and nature of decisions, and in a manner In general, information loses its value the longer it is prepared (IASB, 2010: 18), however, the conceptual framework did not neglect the old information, but rather believes that this information may help its user to make comparisons and evaluate information trends, and (Toshi, 2015) believes that the picture of the quality of reporting Corporate finance can be seen in the frequent and timely disclosures of administrative efficiency and administrative effectiveness, so the timeliness of information helps its users in making investment and borrowing decisions, as (Leventis et al., 2014) emphasized that the use of timely information helps in credit arrangements, which gives importance (Nasser et al., 2009) believes that the characteristic of timing comes after the characteristic of honest representation, and Table (3) shows the dimensions of the characteristic of appropriate timing.

Table (3) Dimensions of The Appropriate Timing Characteristic

Characteristic	**Main Information Dimensions**	**Sub Information**
The timing of publishing the financial statements	Publication of the annual financial statements after three months of the fiscal year	Audited annual reports and finalizing them three months before the end of the year
	future profit Number of Shares Earnings per share closing price opening price market return	Annual reports published with three months to the end of the year

3.5 The Job Origin of The Executive Director (Internal and External) And the Quality of Financial Reporting

The selection or promotion of the CEO from within or from the outside is a fundamental pillar in the life of the company (Setyawan & Anggraita, 2017). From outside, the promotion of the executive director from within in many companies is due to first: the executive director from within has a better knowledge and understanding of all the company’s activities than the promotion of the executive director from outside. Second: the abundance of costs. Third: the promotion of the executive director from within has Familiarity with the company’s systems, policies, culture, and organizational structure, which enhances his ability to implement strategies and make decisions in a manner consistent with the company’s vision and goals. Fourth: The promotion of the CEO from within is based on his business record, his contribution to the company, and his ability to lead successfully. From the inside, a number of advantages were achieved, including continuity and stability in the leadership of the company, because he has close relations with the employees and members of the Board of Directors. Sixth: The importance of promoting the CEO from the inside due to his internal experience and its great role in providing accounting information of high quality. As the study of Bill et al. (2016), Huang et al., 2014) There is an increasing interest of many companies in the demographic (personal) characteristics of the CEO and its impact on financial reports, including financial and non-financial information, as the study (Cheng & Lo, 2006) confirmed that the job origin of the CEO (internal or external) is one of the demographic characteristics that can affect the decision-making of the company, such as accounting and financial decisions, and thus affect the quality of financial reporting, so the researcher believes that the job origin of the CEO receives due attention because of its impact on the company's performance and continuity.

4. Practical Perspective

4.1 Measuring the Quality of Financial Reporting Through the Qualitative Characteristics of Accounting Information

The main approach to measuring the quality of financial reporting is related to the qualitative characteristics of the accounting information that were disclosed in the company's financial reports, which enhance the facilitation of the process of assessing the usefulness of financial reporting, and below is the measure of that quality (Herath, 2017):

First - Measuring the Quality of Financial Reporting Based on The Scale of The Honest Representation Characteristic

(Kirschenhriter & Melumad, 2001) developed the income smoothing model as part of a strategy to enhance balance, to increase the inferred accuracy of reported profits, and (Hunt et al., 2000) considers when choosing the effect of income smoothing for the honest representation characteristic due to two sources: 1- The approved accounting rules Which in turn reduces volatility in earnings, as operating cash flows are converted into income before discretionary accruals. 2- Administrative efforts to ensure the continuity of profits (income) in the future, by calculating discretionary dues before disclosing the reported profits, a number of researchers stressed to test the strength and authority of the executive director on the media content of the income smoothing practice, as they noticed that the managers have high strength and authority that enables them In order to improve the media content of the income smoothing practice while keeping the risks associated with that practice at a minimum level (Demerjian et al., 2020; Baik et al., 2020), and this is reflected in job stability, Income Smoothing Measurement: Income smoothing will be measured as a tool that reflects The characteristic of honest representation through the income smoothing scale (Fransic, 2004), which is one of the measures that are related to the growth of profits, by finding the ratio of the standard deviation of accounting profits to the standard deviation of operating cash flows for each company during ten years from (2010-2015), (Fransic, 2004; Eliwa et al., 2016; Baik et al., 2018; Dou et al., 2013), and this method contributes to improving the faithful representation of data and reducing the negative effects of outliers on the quality of the regression model (Baik et al. ,2020 ; Eliwa et al. 2016), which can be measured by the following equation:

truthful representation $_{j,}$	t=σ (Earn $_{j,}$ t /Total Asset $_{j,}$ t-1) ÷ σ (CFO $_{j,}$ t / Total Assets $_{j,}$ t-1)

Since:

σ (Earn $_j$, t /Total Asset $_j$, t-1): The standard deviation of the company's net profit for the same year

Divided by the company's total assets for the previous year.

σ (CFO $_j$, t / Total Assets $_j$, t-1): The standard deviation of a company's operating cash flows in the same year divided by the company's total assets for the previous year

The more the ratio of the standard deviation of accounting profits to the standard deviation of operating cash flows is achieved, the more this indicates a decrease in profit volatility and an increase in the practice of income smoothing. The result of the equation to (0) is a variable count (quality of financial reporting) that it has a strong truthful representation characteristic, and vice versa whenever the result of the above equation is far from (0), the truthful representation characteristic is weak.

Second - Measuring the Quality of Financial Reporting by Relying on The Timeliness Characteristic Scale

The appropriate timing characteristic is measured based on the scale (Basu, 1997), which indicates that the asymmetry in the timing of recognition of economic events is largely reflected in the company's profits, that is, not good stock returns will be fully reflected in the profits of the same period, while stock returns The good will be reflected incompletely in the same period, and this model is measured by the following equation:

$$\boxed{X_{i,t}/P_{i,t-1} = \alpha 0 + \alpha 1 DR_{i,t} + \beta 0 R_{i,t} + \beta 1 (R_{i,t} * DR_{i,t})}$$

Since:

X i,t: The earnings per ordinary share of company i for period t, is equal to the net profit for extraordinary items divided by the number of ordinary shares.

P i, t-1: The share price at the beginning of period (t) of company (i)

R i,t: The share return is measured by the difference between the market price of the share at the end of the period and its beginning with the addition of dividends.

DR i,t: Dummy variable is equal to (1) if R i,t is less than zero, and (0) if R i,t is greater than zero.

According to this model, the higher the ratio between profits and returns, the more this indicates the appropriate timing of profits, and this is reflected in the quality of financial reporting, as it is timely.

The Main Hypothesis: - There Is No Statistically Significant Effect of The Executive Director's Job Origin (Internal or External) On the Quality of Financial Reporting

To test this hypothesis, the following "linear regression" model was formulated:

$$QOFR_{it} = B_0 + B_1\, ICEO_{it} + B_2\, Sec_{it} + B_3\, Gro_{it} + B_4\, Lev_{it} + \varepsilon_{it}$$

Using the SPSS statistical program, the results were as follows:

Table (4) Summary of The Main Hypothesis Testing Model

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.692[a]	.479	.463	.732
a. Predictors: (Constant), Lev, Gro, Sec, ICeo				
b. Dependent Variable: QOFR				

Table (4) shows a summary of the above model, that the correlation value (R) between the variables amounted to 0.692, and the coefficient of determination, R Square, was 0.479, which represents the "explanatory power" of the model used, that is, the sub-independent variable (the job origin of the executive director) is internal, External) and the control variables explain 47.9% of the main dependent variable (the quality of financial reporting) and the remainder is due to other factors, and the standard deviation of the Std.

Table (5) The Main Hypothesis Test Variance

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.564	4	16.641	31.014	.000
	Residual	72.436	135	.537		
	Total	139.000	139			

Table (5) shows the above ANOVA variance that the calculated value of F amounted to 31.014, which is greater than its tabular value calculated according to the degrees of freedom df (135.4), which amounts to 2.37 at the level of significance of 5% (0.05), and that the level of significance of the Sig test amounted to 0.000, which is less than The value of the predetermined accepted error in social sciences is 0.05, which indicates the suitability of the statistical model used to test the hypothesis.

Table (6) Coefficients of the Regression Function for the Main Hypothesis

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-9.768E-17	.062		.000	1.000
	ICeo	.356	.072	.356	4.969	.000
	Sec	-.229	.071	-.229	-3.227	.002
	Gro	.112	.064	.112	1.751	.082
	Lev	.566	.064	.566	8.841	.000
a. Dependent Variable: QOFR						

As table (6) shows the coefficients of the regression function, the value of the slope of the regression equation was 0.356, which shows the effect of the sub-independent variable (the job origin of the executive director (internal, external) on the main dependent variable (the quality of financial reporting) (by coefficient B), and the value indicates The coefficient indicates that there is a direct effect between the dependent and independent variables, or in other words, that any increase in the sub-independent variable (the job origin of the CEO (internal, external) by one degree leads to an increase of 35.6% in the main dependent variable (quality of financial reporting) with The stability of all other independent variables, and the following figure confirms the direct relationship between the two variables, as the upward trend of the curve indicates that relationship:

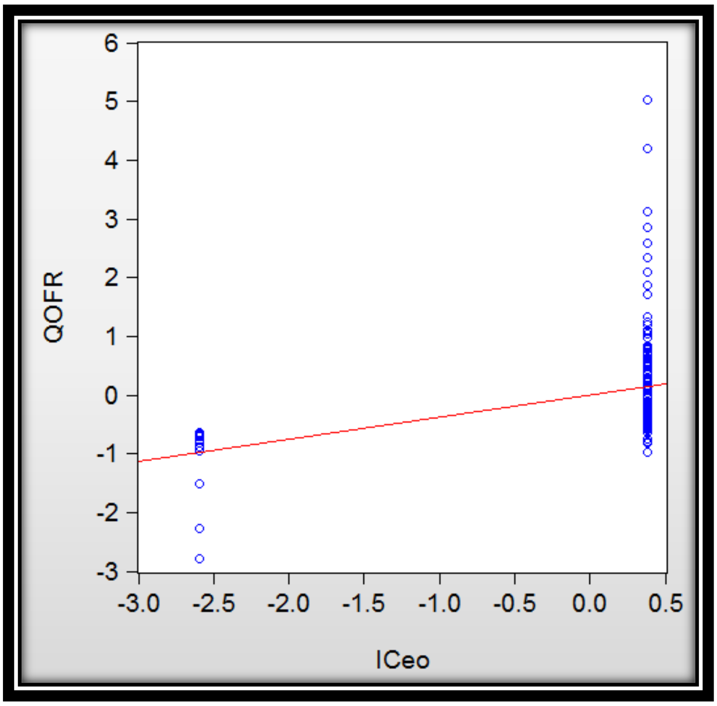

Figure (1) The Influence Relationship Between the Internal Executive Director and The Quality of Financial Reporting

Table (6) indicates that the T value of the ICEO variable amounted to 4.969, with a significant level of 0.000, which is less than the accepted error level in the social sciences, which was previously determined by 0.05. Significant significance of the job origin of the executive director (internal, external) in the quality of financial reporting) to prove the effect statistically.

As for the controlling variables, the sector to which the company belongs and the financial leverage had a statistically significant effect because the level of significance of its T statistic for them was less than 0.05, and the growth variable did not have a significant effect because the significance of its T statistic for it was greater than 0.05.

Figure (2) presents the histogram, which shows the normal distribution of the statistical residuals of the regression equation, which shows the accuracy of the previous regression equation. The figure shows that the regression analysis test conditions are met graphically through the distribution of points around the straight line, and this proves that the statistical residuals follow the normal distribution.

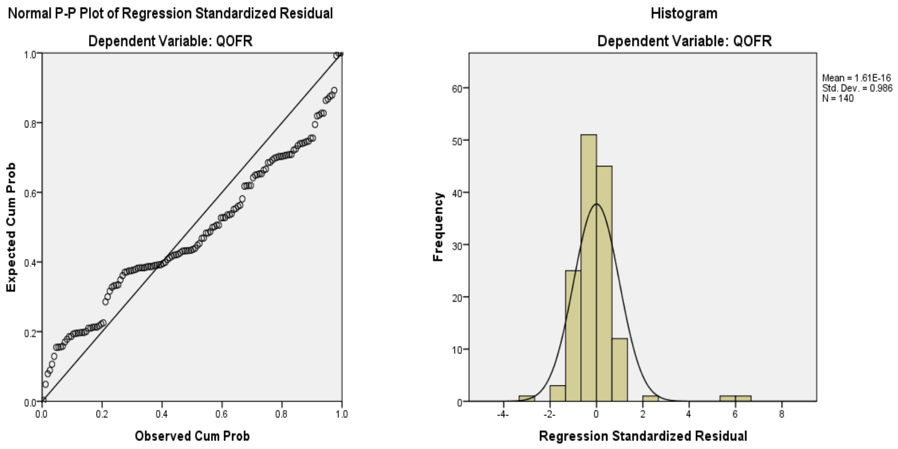

Figure (2) Histogram and Normal Distribution of The Main Hypothesis Residuals

The First Sub-Hypothesis: - There Is No Statistically Significant Effect of The Executive Director's Occupational Origin (Internal or External) On the Faithful Representation of Accounting Information

To test this hypothesis, the following "linear regression" model was formulated:

$$FR_{it} = B_0 + B_1\ ICEO_{it} + B_2\ Sec_{it} + B_3\ Gro_{it} + B_4\ Lev_{it} + \varepsilon_{it}$$

Using the SPSS statistical program, the results were as follows:

Table (7) Results of Testing the First Sub-Hypothesis

R	R Square	Adjusted R Square	Std. Error of the Estimate
.487	.237	.215	.886

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	32.965	4	8.241	10.492	.000
Residual	106.035	135	.785		
Total	139.000	139			

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.616E-16	.075		.000	1.000
ICeo	.350	.087	.350	4.039	.002
Sec	-.325	.086	-.325	-3.782	.000
Gro	.008	.077	.008	.101	.920
Lev	.343	.077	.343	4.428	.000

Table (7) shows that the value of the correlation ((R) between the variables amounted to 0.487, and that the coefficient of determination R Square amounted to 0.237, which represents the "explanatory power" of the model used, that is, the sub-independent variable (the job origin of the executive director (internal, external) and the control variables explain The value of 23.7% of the dependent variable (true representation) and the remaining is due to other factors, and the standard deviation of the Estimate error was 0.886.

The table also shows that the calculated F value amounted to 10.492, which is greater than its tabular value of 2.37, and that the significance level of the Sig test amounted to

0.000, which is less than the predetermined acceptable error value in social sciences by 0.05, and this indicates the suitability of the statistical model used to test the hypothesis.

The table above indicates that the significance of the T statistic for the ICEO variable amounted to 0.002, which is smaller than the accepted error level in the social sciences, which was previously determined by 0.05. The job of the executive director (internal, external) in the faithful representation of accounting information) the effect was proven statistically, and the value of the slope of the regression equation was 0.350, which shows the effect of the sub-independent variable (the job origin of the executive director (internal, external)) on the sub-dependent variable (true representation) (by coefficient B), and the positive value of the coefficient indicates that there is a direct effect between the dependent and independent variables, or in other words, any increase in the sub-independent variable (the job origin of the CEO (internal, external)) by one degree leads to an increase of 35% in The sub-dependent variable (the faithful representation of accounting information).

As for the controlling variables, the sector to which the company belongs and the financial leverage had a statistically significant effect because the level of significance of its T statistic for them was less than 0.05, and the growth variable did not have a significant effect because the significance of its T statistic for it was greater than 0.05.

The Second Sub-Hypothesis: - There Is No Statistically Significant Effect of The Executive Director's Job Origin (Internal or External) In the Appropriate Timing of The Accounting Information

To test this hypothesis, the following "linear regression" model was formulated:

$$Tim_{it} = B_0 + B_1\ ICEO_{it} + B_2\ Sec_{it} + B_3\ Gro_{it} + B_4\ Lev_{it} + \varepsilon_{it}$$

Using the SPSS statistical program, the results were as follows:

Table (8) Results of Testing the Second Sub-Hypothesis

R	R Square	Adjusted R Square	Std. Error of the Estimate
.872	.760	.753	.497

	Sum of Squares	df	Mean Square	F	Sig.
Regression	105.603	4	26.401	106.720	.000
Residual	33.397	135	.247		
Total	139.000	139			

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-4.021E-16	.042		.000	1.000
ICeo	.117	.049	.117	2.411	.017
Sec	-.007	.048	-.007	-.149	.882
Gro	-.010	.043	-.010	-.219	.827
Lev	.846	.043	.846	19.462	.000

Table (8) shows that the value of the correlation ((R) between the variables amounted to 0.872, and that the coefficient of determination R Square amounted to 0.760, which represents the "explanatory power" of the model used, that is, the sub-independent variable (the job origin of the executive director (internal, external) and the control variables explain The value of 76% of the sub-dependent variable (appropriate timing) and the remaining is due to other factors, and the standard deviation of the Estimate Error was 0.497.

The table also shows that the calculated F value amounted to 107.720, which is greater than its tabular value of 2.37, and that the significance level of the F test amounted to 0.000, which is less than the predetermined acceptable error value in social sciences by 0.05, and this indicates the suitability of the statistical model used to test the hypothesis.

The table above indicates that the significance of the T statistic for the ICEO variable amounted to 0.017, which is smaller than the accepted error level in the social sciences, which was previously determined by 0.05. The job of the executive director (internal, external) at the appropriate time for the accounting information) the effect has been proven statistically, and the value of the slope of the regression equation reached 0.117, which shows the effect of the sub-independent variable (the job origin of the executive director (internal, external)) on the sub-dependent variable (appropriate timing) (by coefficient B), and the positive value of the coefficient indicates that there is a direct effect between the dependent and independent variables, or in other words, any increase in the sub-independent variable (the job origin of the CEO (internal, external)) by one degree leads to an increase of 11.7% in The sub dependent variable (the appropriate timing of accounting information).

As for the controlling variables, financial leverage had a statistically significant effect because the level of significance of its T statistic was less than 0.05, and neither the sector to which the company belongs, nor growth had a significant effect because the significance of its T statistic for them was greater than 0.05.

5. Conclusions and Recommendations

5.1 Conclusions

1- There is a significant effect of the executive director's job origin (internal or external) on the quality of financial reporting, and that the managers who are appointed from within the company have a deeper understanding of the nature of the company's work and demonstrate their administrative capabilities in making decisions that affect the financial results of the company, and it is likely that They prepare higher quality financial reports than external executives.

a. There is a significant effect of the functional origin of the executive director (internal or external) in the faithful representation of the accounting information.

b. There is a significant impact of the job origin of the executive director (internal, external) in the appropriate timing of the accounting information.

2- In the light of what was presented in the theoretical and applied aspects of the research, the researcher concluded that there is a strong influence of the executive director on the appropriate timing, as well as its impact on honest representation and to a lesser extent.

3- The researcher believes that (the job origin) is that the internal executive director has experience and in-depth knowledge of the company's products, value chain, operations, organizational climate, company culture, and ease of access to information. The researcher believes that the promotion of the internal executive director will carry significant internal experience that affects the quality of financial reporting. Just as the internal experience of the CEO to the CEO will improve the quality of corporate financial reporting, we also see that an increase in the quality of financial reporting will lead to a decrease in the cost of capital and an increase in investment levels.

5.2 Recommendations

According to the previous results, a set of recommendations can be suggested:

1- In view of the importance of the availability of appropriate information for users of financial reports to rationalize their economic decisions, the researcher recommends the need for the regulatory and supervisory authorities in Iraq to measure the quality of financial reporting for the financial reports of companies registered in the Iraq Stock Exchange.

2- Focusing on the entrance of the qualitative characteristics of accounting information, as it is the best entrance for measuring the quality of financial reporting, because it depends on the qualitative characteristics of accounting information, which in turn contributes to improving the decision-making process for many users.

3- The researcher recommends the importance of promoting the executive director from within, because of its positive effects on the quality of financial reports. The internal CEO reports more quality than the external CEO.

References

1- Abbas Fadel Jiyad, Mahmoud Taha Mahmoud (2019) “The Impact of the Qualitative Characteristics of Accounting Information on Improving the Quality of Financial Reports: A Study in a Sample of Private Banks Operating in the Iraqi Market,” University of Basra, College of Administration and Economics, Journal of Economic Sciences, Volume 14, Issue 55, pp. 123-144.

2- Achim, A.M.& Chis,A.C.(2014) “Financial Accounting quality and defining characteristics “ SEA-Practical Application of Science, Vol .II,Issue 3(5),pp.93-98.

3- Al-Azzawi, Muhammad Abdel-Wahhab (2010), "Total Quality Management - An Applied Strategic Approach", first edition, Dar Ithraa for Publishing and Distribution, Amman, Jordan.

4- Al-Mazouri, Abed, Al-Shujairi, Muhammad (2010). The impact of the quality of financial reporting on the value of the establishment: an applied study on a sample of companies listed on the Iraq Stock Exchange. Duhok University, Iraq, pp. 1-28.

5- Al-Najjar, Imad Ghafouri Abboud (2010), “Contemporary trends in financial reporting according to performance evaluation techniques - an applied study, PhD thesis in accounting, College of Administration and Economics, University of Baghdad, Iraq.

6- Al-Obeidi, Abdul-Rahman Saeed Ali (2014) “Predictive financial statements and their role in rationalizing investment decisions - by application to the North Bank for Finance and Investment”. Master’s thesis, College of Administration and Economics, Accounting Sciences, University of Baghdad, p. 51.

7- Al-Saeed, Moataz Amin, Al-Essa Muhammad Salem, and Al-Smadi Muhammad Nour (2013) “The impact of applying international financial reporting standards on the quality of accounting information contained in the financial statements of investment companies in the Amman market, Journal of the College of Commerce for Scientific Research. Alexandria University, Issue 1, Volume 50, pp. 25-54.

8- Al-Sheikh, Ali Nazim Abdul-Amir (2019) “The role of quality financial reporting in attracting foreign direct investment: a prospective study of the opinions of a sample of Muthanna investment employees,” Muthanna Journal of Economic and Administrative Sciences, Volume 9, Number 4, pp. 80-91, p12.

9- Baik, B., Choi, S., & Farber, D. B. (2020). Managerial ability and income smoothing. The Accounting Review, 95(4), 1–22.

10- Basu, S. 1997, ‘The Conservatism Principle and the Asymmetric Timeliness of Earnings’, Journal of Accounting and Economics, 24(1), 3–37.

11- Berglund, N. R., Herrmann, D. R., & Lawson, B. P. (2018). Managerial ability and the accuracy of the going concern opinion. Accounting and the Public Interest, 18(1), 29-52.

12- Bills, K., Lisic, L., & Seidel, T. (2016). Do CEO succession and succession planning affect stakeholders’ perceptions of financial reporting risk? Evidence from audit fees. The Accounting Review, 92(4), 27-52.

13- Caramanis, C., Dedoulis, E., & Leventis, S. (2015). Transplanting Anglo-American accounting oversight boards to a diverse institutional context. Accounting, Organizations and Society, 42, 12-31.

14- Chandrupatie, Tirupathi, R., (2009)" quality and reliability in engineering ", Cambridge university press, Rowan university, USA.

15- Demerjian, P., Lewis-Western, M., & McVay, S. (2020). How does intentional earnings smoothing vary with managerial ability. Journal of Accounting, Auditing, and Finance, 35(2), 406–437.

16- Dou, Y., Hope, O. K., Thomas, W.B., & Zou, Y. (2013). Block holder Heterogeneity and Financial Reporting Quality. SSRN Electronic Journal,43(7),872-902.

17- Eliwa, Y., Haslam, J., & Abraham, S. (2016). The association between earnings quality and the cost of equity capital: Evidence from the UK. International Review of Financial Analysis, 48, 125–139.

18- Farid Muharram, Farid Ibrahim, (2019) "The Impact of Risk Incentives of the Executive Director on the Characteristics of Accounting Information: An Applied Guide from the Egyptian Stock Exchange."

19- Francis, J., LaFond, R., Olsson, P. M., & Schipper, K. (2004). Costs of equity and earnings attributes. The accounting review, VOL79 NO (4), pp 967-1010.

20- Global Reporting initiative (2013) Global reporting initiative and reporting Guidelines on Sustainability state secretariat for Economic Affairs SECO, EA. Amsterdam, The Netherlands.

21- Herath, S. K., & Albarqi, N. (2017). Financial reporting quality: A literature review. International Journal of Business Management and Commerce, 2(2).

22- Huang, H. W., Parker, R., Yan, Y.-C., & Lin, Y.-H. (2014). CEO turnover and audit pricing. Accounting Horizons, 28, 297-312.

23- Hunt, A., S. Moyer, and T. Shevlin. 2000. Earnings volatility, earnings management, and equity value. Working paper, University of Washington.

24- IASB, 2018, "conceptual framework for financial reporting ".

25- John P.Kotter(1995),"On Chang", why transformation Efforts Fail. www.hbr.org.

26- Kazemi, K., Gheami, F., (2016)" A study on the relationship between managerial ability and stock price crash risk of the listed firms on the Tehran Stock Exchange (using data envelopment analysis), International Journal of Humanities and Cultural studies. (1):1380-1392.

27- Kirschenheiter, M., Melumad, N., 2001. Can "big bath" and earnings smoothing co-exist as equilibrium financial reporting strategies? J. Account. Res. 40, 761–796.

28- Ma, Z., K., Novoselov; K.,Zhou and Y., Zhou .(2019)." Managerial academic experience, external monitoring, and financial reporting quality ". Journal of Business Finance and Accounting. 46(7,8): 843- 875.

29- Nasser Muhammad Ali Al-Majahli, Characteristics of accounting information and its impact on decision-making, an unpublished master's thesis in accounting, Hajj Lakhdar University, Batna, 2008/2009, p. 59.

30- Nidal Omar Zalloum, (2020) "The Role of the Chief Executive Officer's Job Origin in Earnings Management Practices: An Applied Study on Industrial and Service Companies Listed on the Amman Stock Exchange," Scientific Journal of King Faisal University, Humanities and Administrative Sciences Branch, Volume (electronic publication), No. (electronic publication).

31- Nobes, C.W., & Stadler.C.(2015)" The qualitative characteristics of financial information, and managers' accounting decisions: evidence from IFRS policy changes. Accounting and Business Research,45(5),572- 601.

32- Notbohm, M., K Campbell, and A. R. Smedema.2018. Management's personal ideology and financial reporting quality. Available at: https://doi.org/10.1007/s11156-018:1-51.

33- Oxford dictionary, third edition, (1988)

34- Pathan, S. (2009). Strong boards, CEO power and bank risk-taking. Journal of Banking and Finance, 33(7), 1340–1350, https://doi.org/10.1016/j.jbankfin.2009.02.001.

35- Paul Brockman,Gopal Krishnan,(2019) " Implication of CEO Succession Origin and In-House Experience for Audit Pricing", Journal of Accounting ,Auditing &Finance,1-32.

36- Poppy Nurmayanti, M., Fu'ad Rakhman (2017)," CEO Origin, CEO tenure, and earning quality: empirical evidence from Indonesia", SHS Web of conferences (34).

37- Puwanenthiren, P., M., Dang; D., Henry; P., Puwanenthiren and M., Al Mamun. (2019). "Does managerial ability matter for the choice of seasoned equity offerings?". North American Journal of Economics and Finance. 47. 442-460.

38- Q. Cheng and K. Lo. Journal of Accounting Research. 44, 5, 815-848. (2006)

39- Reyad, Sameh M. Reda, (2014), The Role of Auditing Quality as tool of Corporate Governance in Enhancing Earning Quality: Evidence from Egypt, International Management Review, Vol (9), No (2), (83-93).

40- Sani Saidu. (2019),' CEO characteristics and firm performance: focus on origin, education, and ownership) Saidu Journal of Global Entrepreneurship Research (2019) 9:29 https://doi.org/10.1186/s40497-019-0153-7.

41- Setiawan, R., & Gestanti, L. (2017). CEO Education, Karakteristik Perusahaan dan Kinerja Perusahaan. Jurnal Ilmiah Manajemen, 2(2), 101–109.

42- Thabet, Hassan Thabet, Ibrahim, Laith Khalil, Abd al-Razzaq, Duraid Adel (2020) "The effects of the quality of financial reporting on electronic commerce activities," Journal of the Baghdad College of University Economic Sciences, Issue (5), on the scientific conference of the Department of Accounting Sciences.

43- Zhang, Y., & Rajagopalan, N. (2010). Once an outsider, always an outsider? CEO origin, strategic change, and firm performance. Strategic Management Journal, 31(2010), 334–346, https://doi.org/10.1002/smj.