Impact of the Accounting Environment on the Preparation of Financial Reports in Commercial Banks

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***Abstract*— Due to the wide scope of the accounting environment, the purpose of this study is to explain a number of components of the accounting environment and their impact on the financial reporting of commercial banks. The components (liquidity, financial leverage, profitability, profit management, company size, company life cycle, corporate governance) are randomly selected from the background of the research and each research record is presented. Considering the aim of this study is to investigate the relationship between the two main variables of the research 1- accounting environment (independent variable) 2- preparing financial reports of commercial banks (dependent variable). Therefore, descriptive - correlation method has been used. Also, the library method has been used to collect the content related to theoretical foundations and research background. The statistical population of the study is 40 branches of commercial banks located in Australia. In this research, randomly, 7 variables were selected from the research background that were components of the accounting environment and then a researcher-made questionnaire with appropriate validity and reliability of about 0.1 was obtained by the research participants. After reviewing the collected data, we have tried to apply the multivariate regression test in SPSS software. Regression results showed that two independent variables (profit management, company life cycle) have a positive and significant relationship with the dependent variable (financial reporting of commercial banks) in the present research. Earnings_manage variable with 0.048 is smaller than 0.05 and shows that there is a significant relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Also, Reg_date_on_s_exchange variable with a correlation coefficient of 0.000 is less than 0.05, indicating that there is a significant relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Other variables such as financial leverage, liquidity, etc. have not shown any significant relationship.**

***Keywords*—** *Accounting environment, liquidity, profit management, company life cycle, commercial banks*

1. Introduction

The increased demand for comparability in financial reports has been due to increased international business activity and greater participation in global financial markets. If the business unit chooses international accounting compliant accounting policies, the ability to compare reporting with other companies using international standards increases [1].

In the 1970s, "Accounting is a service activity that provides quantitative information (financial nature) of economic units." The purpose of the provision of information is to use it in economic decision-making. In the following years, accounting was defined as the language of business and accounting as an official information system. All these attitudes raised the value of accounting between existing knowledge to a considerable degree. Recognizing and introducing the accounting environment and the main actors in this environment has led many questions and issues to be raised by academic lecturers and professional accountants through academic associations and professional associations to solve these issues and over time, new issues and new questions and new solutions are presented [2].

The accounting environment includes three main user groups, reporter units, and accounting profession. Each of these groups has been designated for specific purposes, for example, one obvious assumption of accounting is that financial information belongs to units with legal, contractual or administrative structures. The financial information of these units is provided to users through financial reports. The purpose of this statement is to provide the necessary criteria for the identification of public sector entities that must prepare and submit financial reports for the purpose of fulfilling their duty of accountability. The range of a reporter unit specifies subsets, events, exchanges, and activities that will be reflected in its

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financial report. The reporter unit should be determined in a way that the financial reports present a satisfactory picture of its financial position and performance [2].
One of the main ways financial analysts use their financial statements in evaluating companies. Analysts take a company's financial statements and analyze them with comparative measures. In analyzing companies try to find out the status of profitability, financial risk, production and sales situation, the status of the company's debt and margin is fully reviewed. The stakeholders of the company, including shareholders, creditors and traders, can use a financial statement analysis to put their company in a good position. If the company's financial risk is high, shareholders may sell their stocks, or creditors try to get less credit or take higher returns against their lending. Commercial banks are considered as a service provider in accepting deposits, providing commercial loans and direct investment, have a sophisticated accounting department, and providing financial reports as part of their significant accounting activities.
The question now is how can the accounting environment affect the financial reporting of commercial banks?
The purpose of this paper is to explain the groups related to the accounting environment and to answer the research question.
Due to the wide scope of the accounting environment, the purpose of this study is to explain a number of components of the accounting environment and their impact on the financial reporting of commercial banks.

2. Accounting environment

As mentioned earlier, the accounting environment consists of three groups that we are going to introduce them.

2.1 Accounting information users

The users of accounting information are the same economic decision makers that make up a broad range. Each group of decision makers is looking for information according to their needs and interests. Investors, credits, government, managers, reporter's competitors, customers and in many cases the general public are information users. Regarding the type of information use and in terms of environmental and regulatory constraints on accounting, users are divided into two categories: in-company and outsourced. The managers, advisers and staff of each reporter unit, including accountants, are in-house users. This group is also a provider of information and is responsible for the accuracy of the information reported. As such, they are both producers and consumers of information. The interests of this group are mainly aimed at increasing salaries and other material benefits and also using the reporter unit's facilities for more prosperity and social status. These interests are in conflict with the interests of different groups of external users. Hence, there are several issues to resolve or reduce this conflict of interest. Investors and reporter unit creditors are well aware of this issue and take into account their decisions. Outsourced users depend on the extent of the development of each country's economy. In countries with a solid capital market and competition in the realm of the economy, the securities market is the main user of information. Usually in these countries, the securities market is the symbol of the capital market and the shares of the majority of goods and services (reporter units) are traded on this market. Although the capital market consists of a set of individual investors, the use of this set of information is larger than the sum of individual investors. In other words, synergy occurs in the use of information. The more competition is in the market, use of information is more efficient. In less developed countries, which still do not have a solid capital market and does not boom, and the securities market forms a small share of the entire economy, economic decision makers are generally government officials, and in the small private sector of these countries, investor persons are the users of accounting information. The government needs information for economic planning, as well as for managing its economic units, as well as for calculating taxes, the issues that are highlighted in the developed economies in terms of users of financial reports, is expressed as short. In these countries, it is the information receiver of the securities market, and as the basis of the private economy, all investors are involved in this market. The huge number of investors makes the price of securities based on supply and demand, which means that the price reflects all the past and present information. In this way, the market performance of the information is very important. Information asymmetry in such a market is a major issue. Information asymmetry can exist between different groups of investors, between managers and investors, between institutional investors and ordinary investors, and so on between different groups (such as small savings of people who are invested In this market, The House of Representatives) should lay down laws and regulations to protect the public interest. Since the cost of setting up, implementing and monitoring the disclosure of financial reports from the tax base, the production of more (less) than needs becomes a big issue. Hence, the identification of users of accounting information in terms of the formulation of financial reporting objectives is very important.

2.2 Reporter units

One of the main actors in the accounting environment is reporter units. Businesses in a competitive market are trying to release their financial and non-financial information voluntarily to the public. At the same time, they are aware that their rivals exploit this information. As economic competition intensifies, it does not appear that there is a need for regulations from the government or government-affiliated organizations to be established by the parliament, which obliges reporting units to publish financial information. Because with new technologies and expanding the range of mass communication devices in the near future in all areas information will come to users and users will not seek information. In other words, the cost of receiving information is very small. However, history has shown that governments are in favor of the general investor (in the good sense), or to maintain and increase their power (in the bad sense) in times of financial crisis, acting to make regulations to disclose information of economic units. Typically, in the United States, the capital market (securities market) is a major part of the country's economy and the competition is also high, in the financial crisis of 1930-1930, after extensive surveys, the law and regulations of disclosure of information for companies admitted to the stock exchange. In other words, it is assumed that the reporting units do not disclose information in the absence of voluntary regulations. This issue involves a number of issues. A few basic questions arise: Is it necessary to make regulations? If it is necessary for the public sector to regulate with the private sector? How does the government make regulations, how much is the cost of implementation, implementation and supervision? What is the amount of information to be published? Each of the questions posed by him poses some questions which, in the next chapters of the book, will answer some of the questions with reasoning.

2.3 Accounting profession

Information derived from the accounting information system is transmitted to financial decision makers through the financial statements, with the opinion of the independent auditor of the reporter unit. If the information is not sufficient or false and misleading. Decisions will also be false and non-economic. Therefore, the user (economic decision maker) has the right to demand that the language be derived from an incorrect decision, based on this information, from the authorities of the signatories of the financial statements. Although the responsibility for the financial statements lies with the board of directors of the reporter unit, but the supplier (accountants and independent auditors have a heavy responsibility), there are several issues that may be highlighted by the following:

1- Determine what reference should be made to the accounting procedures and the type and form of reporting.
2- How is the demand for accounting information maintained and increased?

To solve the first problem, the formation of professional associations and, consequently, the development of accounting standards is essential. In this way, your accountants will be immune. The bigger and stronger the professional associations and the more accurate accounting standards, the more immunity will be achieved. To solve the second problem, it is necessary to provide the necessary quality and price information. If one of the quality criteria is to have better, more accurate, and more durable standards, it will require the formulation of a conceptual framework for financial reporting. The elaboration of this framework will bring new issues. Therefore, there are numerous issues in accounting and different solutions to solve problems. This process of problem-solving and solutions is ongoing. Science starts with a problem. In any case, users are demanding more information and quality. If the price of this information is paid by the final consumers of the goods and services produced by the reporter unit, economic decision makers will request more and more information, but if the price is paid by the economic decision maker, each user will request information as much as he/she needs. Now, the questions are about how much information and quality are provided? What are the qualitative characteristics of information and especially financial information? And there are hundreds of other questions. Every knowledge comes from a series of related issues.

3 Literature Review

The accounting environment includes several components, each of which has the potential to affect the preparation of a financial report. In this section, factors affecting the type of audit opinion are deduced from the research background and are presented and described in terms of liquidity criteria, financial leverage, profitability, corporate governance, earnings management, company size and corporate life. The sum of these components includes the independent variables of the present research.

Aghalor describes the financial accounting process in a study entitled "Assessing the financial performance and economic value of companies in the management of capital, accounting, economic, financial, and accounting criteria" for descriptive purposes, to clarify the way companies evaluate their performance and valuation. Describes the theory of financial and non-financial criteria; accounting and economics models; traditional profit-based financial indicators and value-based new financial indicators; and accounting, economic, financial and compilation approaches for evaluating financial performance and corporate value in capital management; and explaining the relationship between these indices and their ability to explain their ability. The results of his research showed that the reporting of reporting units contributed to the dynamism and transparency of the community's economy and also contributed to the competitiveness of companies [4].

Liu et al[1]. (2018) investigated the impact of changes in accounting rules on key users in a study entitled "Technology Managers in the Changing Accounting Information Environment: Impact of the adoption of IFRS on CIO Cost Recovery". The results of their research showed that the compensation (cost) after the adoption of the International Financial Reporting Standards (IFRS) has increased compared to the previous one [5].

Valerian, in a paper entitled "The Role of Reporter Units in Audit Institutions", examines the role of reporter units in audit institutions. The results of his research showed that reporter unit employees can be effective in preventing financial calculation errors by equipping themselves with accurate software updates and data analysis. [6].

3.1 Liquidity

Liquidity criteria represent short-term liquidity of the company and an indicator for assessing the ability to pay off urgent payments or settling short-term obligations. Basically, the larger liquidity criteria provide more certainty about the availability of cash assets available to repay short-term debt. Therefore, the desirability of these criteria has led to a threat to the continuity of companies and modification of the accounts of auditors. [6], [7], [8], [9], [10].

3.2 Financial leverage

If auditors find signs of a failure to repay their debts in their proceedings, this will likely result in adjusting the financial report. The results of some researches indicate that there is a positive and significant relationship between leveraged corporate standards and the probability of issuing conditional audit reports. While Spathis et al. (2003) believe that there is no significant relationship between leverage ratios and contingent audit opinion. Nevertheless, according to the results of the research, Bani Mahd et al. (2014), there is a positive and significant relationship between the debt ratio as one of the financial leverage variables of the company and the number of clauses in the audit report condition. On this basis, there is expected to be such a relationship between the financial leverage and the bases for adjusting the financial reporting associated with accounting estimates [11], [12], [13], [14].

3.3 Profitability

Some studies indicate the ability of profitability ratios to predict the financial and economic status of companies. The results of the research show that by decreasing the profitability of companies, the probability of receiving a conditional audit report increases However, does not consider audit opinion to be a factor in profitability. The results of Bani Mahd indicate a positive and significant relationship between profitability ratios and the number of clauses in the audit report condition. Also, the findings of Bani Mahd and Moradzadeh Fard indicate that there is a negative and significant relationship between poor performance (loss of company) and the type of audit opinion. Given that the performance of the business unit is widely influenced by the judgments made in accounting estimates, it is therefore expected that the profitability criteria will affect the bases for adjusting financial reporting associated with accounting estimates [15], [16], [17].

3.4 Corporate Governance

From the conclusion, the theoretical foundations of corporate governance policies are such that corporate ownership of a high corporate governance rank will increase the reliability and reliability of the accounting information they provide. In other words, with increasing the quality of accounting information, the probability of occurrence of fraud, distortion and other types of abuse in the financial statements of this group of companies is minimized and this results in a reduced audit opinion. Disagreements between the management and the auditor are likely to lead to a change in the auditor. In other words, client management will change the auditor to prevent the receipt of a modified report in the coming years. The results of the studies indicate that there is a positive and significant relationship between the changes in the auditor and the issuance of a revised audit report[18], [19], [20]. According to the results of studies on the factors affecting the type of audit opinion, if the company receives the revised audit report, the probability of receiving the adjusted report will increase in the following year [21], [22],

[23]. Considering the size and reputation of the audit firms and the differences in their experiences and their ability and knowledge of the use of judgment in the process of commenting on the financial statements, it can be concluded that the type of audit firm can be one of the factors influencing the reporting Auditing The results of the research show that there is a significant relationship between the type of audit firm and the probability of issuing a revised audit report On the other hand, evidence suggests the greater effectiveness of auditing by industry-specific auditors, and structural changes in audit firms to achieve industry expertise suggest that the industry's auditor's expertise plays an important role in the quality of auditing [24]. Also, given the fact that accounting estimates are heavily influenced by individual management judgments, and with the change in company management, it is likely that adjusting the policies applied by the new management would lead to a modification of the audit opinion in terms of the quality of the estimates In order to investigate this issue, the change management variable has been used. Consequently, corporate governance criteria can be considered among the factors influencing the bases for adjusting financial reporting associated with accounting estimates.

3.5 Size of the company

Due to the establishment of strong internal control systems in large companies, the probability of receiving a revised audit report in these companies decreases with the reduction of the probability of errors and distortions in their financial statements (Irish, 2003). The results of the studies show that there is a positive and significant relationship between the size of the company and the type of audit opinion as well as the number of clauses in the audit report condition [25]. However, the results of other studies indicate that there is no significant relationship between the size of the unit and the opinion of the auditors [26]. According to the above, it is expected that there is a significant relationship between the size of the company and the bases for adjusting the financial report related to the accounting estimates.

3.6 Company Life Cycle (Insert date)

Companies incorporated in capital markets will have a higher financial reporting quality due to some reporting requirements and monitoring their information transparency in order to safeguard investors' rights, which ultimately increases the likelihood of receiving audited accounts by these companies. The results of Bagherpour suggest that there is a positive relationship between the stock market life of listed companies and the likelihood of receiving audited accounts. Nevertheless, the results of Bani Mahd suggest that there is a negative and significant relationship between the company's business life and the type of audit opinion. Zurigat believes that there is no significant relationship between company life and audit opinion. Accordingly, the present study tries to examine the effects of company life on the basics of adjusting financial reporting related to accounting estimates.

3.7 Profit management

Individual management judgments in the area of accounting estimates such as changing accounting methods, selling assets and long-term investments, changing business operations, and using accruals, are among the methods used by management to manage earnings. All of these indicate the factors for issuing a revised audit report (limitation in handling, ambiguity, and disagreement with management). Hence, earnings management can be one of the factors influencing financial statements fraud and issuing bases for adjusting financial reporting associated with accounting estimates. Tutu argue that corporate profit management practices do not necessarily lead to receiving revised audit reports. The results of Heydarpur and Tohidlou show that there is a positive and significant relationship between accruals-earnings management and audited opinion. Also, the results of Bani Mahd show that there is a significant relationship between the number of audit trails before making comments and managing profits in the business unit. [27], [28], [29], [30].

4. Conceptual model of research

Considering the obtained components, the conceptual model of the research was drawn up as follows.

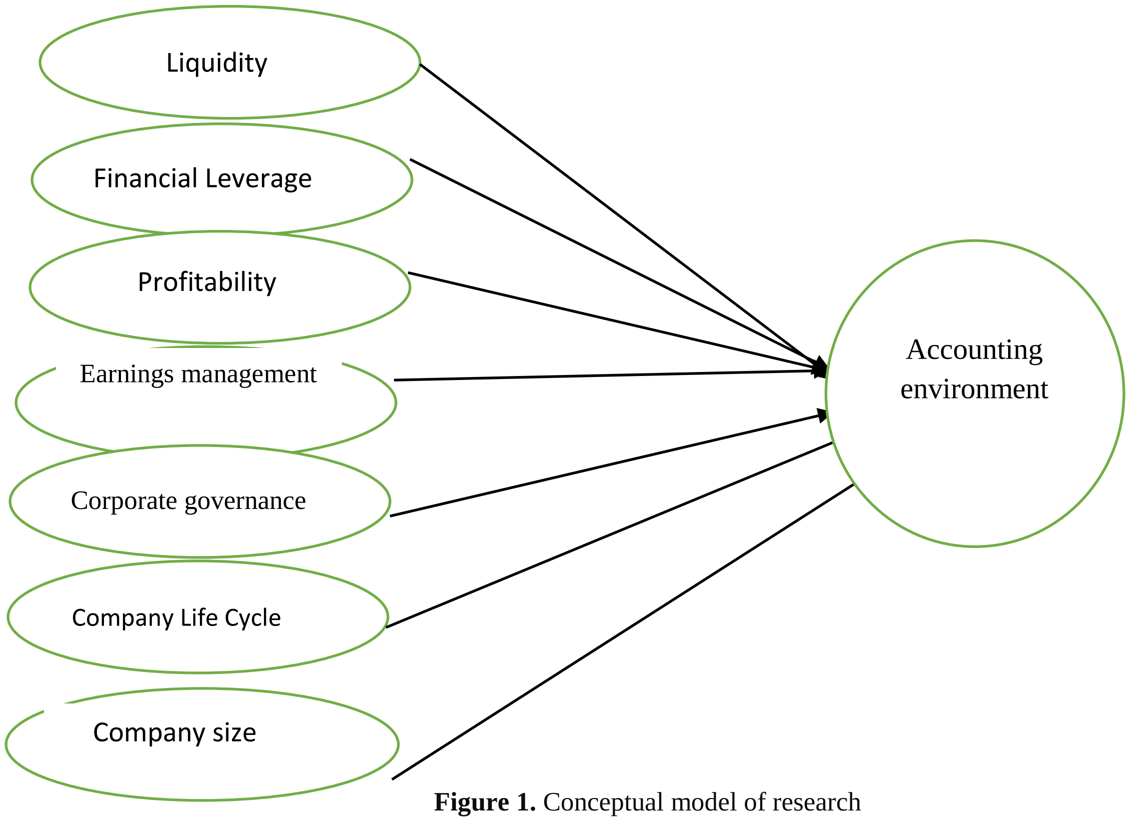

Figure 1. Conceptual model of research

5. Research Principles

1. The commercial banks' liquidity appears to be affected by the financial reporting of commercial banks.
2. The financial leverage of commercial banks seems to have an impact on the financial reporting of commercial banks.
3. The profitability of commercial banks appears to affect the preparation of commercial banks' financial reports.
4. The corporate governance of commercial banks seems to have an impact on the financial reporting of commercial banks.
5. Earnings management seems to be effective in preparing financial reporting for commercial banks.
6. The size of the commercial banks seems to be influencing the financial reporting of commercial banks.
7. The business life of commercial banks seems to have an impact on the financial reporting of commercial banks.

6. Research Method

Considering the fact that in our research we have sought to investigate the existence of the relationship between the two main variables of research, the accounting environment (independent variable), the preparation of financial reporting of commercial banks (dependent variable). Therefore, in Australia.
The data collection tool was a distributed researcher-made questionnaire that was provided to the supervisor of each branch of the bank. SPSS 22 descriptive-correlation method has been used. Also, the library method has been used to collect relevant theoretical basics and research background.
The statistical population of the study is 40 branches of commercial banks located

software was used to analyze the data collected by questionnaires.

6.1 Validity and reliability of the questionnaire

Validity of the questionnaire was approved by several professors and experts. Cronbach's alpha method was used to measure the reliability of the questionnaire. The result of the alpha of Cronbach alley in Table 1 and Cronbach's alpha is each of the components of the accounting environment shown in Table 2-8.

Table 1. Total Cronbach's alpha

Cronbach's Alpha	N of Items
.809	23

Table 2. Cronbach's Alpha of Liquidity Variable

Cronbach's Alpha	N of Items
.660	2

Table 3. Cronbach's alpha of financial leverage variable

Cronbach's Alpha	N of Items
.633	2

Table 4. Cronbach's Alpha of Profitability Variable

Cronbach's Alpha	N of Items
.508	4

Table 5. Cronbach's alpha of profit management variable

Cronbach's Alpha	N of Items
.603	2

Table 6. Cronbach's alpha of corporate governance variable

Cronbach's Alpha	N of Items
.649	4

Table 7. Cronbach's alpha of company size variable

Cronbach's Alpha	N of Items
.550	3

Table 8. Cronbach's alpha of company life cycle variable

Cronbach's Alpha	N of Items
.602	6

Table 9. Cronbach's alpha of Associate Financial Reporting Commercial Banks variable

Cronbach's Alpha	N of Items
.697	7

7. Research findings

Linear multi-variable regression test was used to analyze the research data. The results are presented in SPSS software.

Table 10. Regression model table

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.983	.978	.51177

a. Predictors: (Constant), Reg_date_on_s_exchange, Liquidity, Sovereignty, Earnings_manage, Financial_Lev, Company_size, Profitability

Table 11. Variance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	340.538	7	48.648	185.746	.000[b]
	Residual	5.762	22	.262		
	Total	346.300	29			

a. Dependent Variable: financial_report

b. Predictors: (Constant), Reg_date_on_s_exchange, Liquidity, Sovereignty, Earnings_manage, Financial_Lev, Company_size, Profitability

Table 12. Correlation Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.932	.811		1.149	.263
	Liquidity	-.016	.024	-.031	-.656	.518
	Financial_Lev	-.045	.041	-.074	-1.082	.291
	Profitability	.108	.063	.120	1.727	.098
	Earnings_manage	.185	.088	.085	2.097	.048
	Sovereignty	.086	.059	.051	1.448	.162
	Company_size	.018	.098	.010	.178	.860
	Reg_date_on_s_exchange	.814	.066	.861	12.293	.000

a. Dependent Variable: financial_report

As shown in Table 12, in the Sig column only two independent variables have a positive and significant relationship with the dependent variable of the present study. The variable (Earnings_manage) with 0.048 is smaller than 0.05 and shows that there is a meaningful relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Also, the company's volatility variable (Reg_date_on_s_exchange) with a correlation coefficient of 0.000 was smaller than 0.05, indicating that there is a significant relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Other variables studied such as financial leverage, liquidity, etc. have not shown any meaningful relationship.

8. Reporter unit and preparing financial reports in commercial banks

The definitions of accounting users, reporter units, and accounting professions show that a reporter unit can have an impact on corporate finance reporting, for the purposes it is defined for. Therefore, in order to determine the impact of the accounting environment on the preparation of a financial report, we focus more on the effects of the reporter unit, which is part of the accounting environment, on preparing a financial report of commercial banks.

8.1 Types of analysis of financial statements

The analysis of financial statements is divided into two groups of horizontal analysis and vertical analysis.

8..1.1 Horizontal analysis

This type of analysis of financial statements data for several financial periods is based on base year information, and success in the financial period is compared with previous year's data and is divided into two categories of comparative financial statements and process reviews

8.1.1.1 Comparative financial statements

Analyzing financial statements in two consecutive terms, financial analysts compute the absolute change in the figures of financial statements as well as changing from one year to the next, thus extracting more comprehensive information from the financial statements.

8.1.1.2 Review the process

In this review, the process of reviewing the important items in the financial statements based on the base year is presented, which is why business units often provide comparative figures for successive 5 to 10 years in order to make a more comparative comparison. This analysis is more important than an analysis of comparative financial statements in two consecutive terms, since periods more reflect the trend of the figures, the change from a financial period to the next financial period may not necessarily be part of a cluster trend because this change may have been created in abnormal economic conditions with the occurrence of several repetitive tempering events, for example, a significant increase in earnings per share this year may be due to the sale of securities purchased several years ago, which will not be repeated in the years to come, so comparing net profit over a period of 5 years may reveal the fact that the increase Profits this year have not been in the normal operation.

Example 1: Income and loss statement for the five consecutive years of Company X is as follows:

Table 13. Profit and loss account for X Company from 2013 to 2017

	2013	2014	2015	2016	2017
Sale	871505	978692	1107128	1208061	1159863
The cost of the sold goods	663840	760213	882362	966568	952176
General administrative expenses	93801	107484	107140	132077	150665
Interest expense	8400	8151	9526	16038	21891
income tax	46600	43900	42300	35300	6300
Net profit	58864	58944	65800	58078	28831

Table 14. Analysis of the profit and loss account for the years 2016 and 2017 is as follows

	2016	2017	Change amount	Change percentage
Sale	1208061	1159863	(48198)	(%4)
The cost of the sold goods	966568	952176	(14392)	(1.5)
General administrative expenses	132077	150665	18588	14
Interest expense	16038	21891	5853	36
income tax	35300	6300	(29000)	(82)
Net profit	58078	28831	(29247)	(50)

Note: In-parentheses indicate a decrease compared to the previous year, and figures outside the parenthesis indicate an increase compared to the previous year.

Table 15. Review the process of five year profit and loss account of X Company as follows

	2013	2014	2015	2016	2017
Sale	%100	%112	%127	%139	%133
The cost of the sold goods	100	115	133	146	143
General administrative expenses	100	114	114	140	160
Interest expense	100	97	113	191	261
income tax	100	94	91	76	14
Net profit	100	100	112	99	49

The above example is an example of the function of the reporter unit in general. This output shows that the reporter unit has a positive impact on the process of preparing financial reporting in commercial banks.

9. Conclusion

Definitions of accounting users, reporter units, and accounting professions indicate that the reporting entity can have an impact on preparing corporate finance reports for the purposes for which it is defined. In this research, randomly from the research background, seven variables were considered as components of the accounting environment and then a researcher-made questionnaire with an appropriate validity and reliability of about 0.1 was obtained by the participants of the study. After examining the collected data, we used multivariate regression test in SPSS software. Regression results showed that two independent variables (profit management, company life cycle) have a positive and significant relationship with the dependent variable (financial reporting of commercial banks) in the present research. The Earnings_manage variable is smaller than 0.048 from 0.05 and shows that there is a meaningful relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Also, the variables of corporate life cycle (Reg_date_on_s_exchange) with a correlation coefficient of 0.000 are smaller than 0.05 and this shows that there is a meaningful relationship between this independent variable and the dependent variable (financial reporting of commercial banks). Other variables such as financial leverage, liquidity, etc. have not shown any meaningful relationship. The results of this study have been consistent with the profit management variable with the results of Tutu Also, in terms of the life cycle of the company, it coincides with the results of the research by Bani Mahd.

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