T.C.
UNIVERSTIY OF GAZIANTEP
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF BUSINESS ADMINISTRATION

THE IMPACT OF CORPORATE GOVERNANCE ON QUALITY OF FINANCIAL REPORTS: AN EVIDENCE FROM IRAQ

Master Thesis
In
Department of Business Administration

MOHAMMED AZAD MUSTAFA

Supervisor: Assist. Prof. Dr. Ş. Gül REİS

GAZİANTEP
August 2017

T.C.

GAZİANTEP ÜNİVERSİTESİ

SOSYAL BİLİMLER ENSTİTÜSÜ

İŞLETME ANABİLİM DALI

KURUMSAL YÖNETİŞİMİN FİNANSAL RAPORLARIN KALİTESİ ÜZERİNDEKİ ETKİSİ: IRAK UYGULAMASI

Mohammed Azad MUSTAFA

Tez Savunma Tarihi: 17/08/2017

Sosyal Bilimler Enstitüsü Onayı

Doç.Dr. Zekiye ANTAKYALIOĞLU
SBE Müdürü

Bu tezin Yüksek Lisans tezi olarak gerekli şartları sağladığını onaylarım.

Prof. Dr. Arif ÖZSAĞIR
Enstitü ABD Başkanı

Bu tez tarafımca okunmuş, kapsamı ve niteliği açısından bir Yüksek Lisans tezi olarak kabul edilmiştir.

Yrd.Doç.Dr. Ş. Gül REİS

Tez Danışmanı

Bu tez tarafımızca okunmuş, kapsam ve niteliği açısından bir Yüksek Lisans tezi olarak kabul edilmiştir.

Jüri Üyeleri	İmzası
Prof. Dr. Ömer ÖZÇIÇEK	....
Yrd.Doç.Dr. Ş. Gül REİS	....
Yrd. Doç.Dr.Yunus KILIÇ	....

T.C.

UNIVERSITY OF GAZIANTEP

GRADUATE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF BUSINESS ABMISTRATION

Name of the thesis: THE IMPACT OF CORPORATE GOVERNANCE ON QUALITY OF FINANCIAL REPORTS: AN EVIDENCE FROM IRAQ

MOHAMMED AZAD MUSTAFA

Date of Viva: 17/8/2017

Approval of the Graduate School of Social Sciences

Assoc. Prof. Dr. Zekiye ANTAKYALIOĞLU
Director of the Institute

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master's of Business Administration Science.

Prof. Dr. Arif ÖZSAĞIR
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, in scope and quality, as a thesis for the degree of Master's of Business Administration Science.

Assist. Prof. Dr. Ş. Gül REİS

Supervisor

Examining Committee Members:	**Signature**
Prof. Dr. Ömer ÖZÇIÇEK	....
Assist. Prof. Dr. Ş. Gül REİS	....
Assist. Prof. Dr.Yunus KILIÇ	....

DECLARATION OF ORIGINAL AUTHORSHIP

I declare that the Master Thesis entitled “The Impact Of Corporate Governance On Quality Of Financial Reports: An Evidence From Iraq” is my own work uniquely, and certify hereby that lest specified, all the work employed in this thesis is my own independent study and it’s not been acquiesced for the accolade of any other degree at any institute department, excluding where unpaid acknowledgment in the text.

Signature
Mohammad Azad MUSTAFA
17/08/2017

DEDICATIONS

This thesis is dedicated to my dear parent's. Your constant and involvements provision are mostly valued.

As well to my brothers and sister, you are the supports my in life that I will constantly learn on, this research wanted not must been successfully finished without your huge providing, love, and patience. Thank you for your lovely and beautiful presence, thank you for giving a sense to my life.

ACKNOWLEDGEMENTS

I most sincerely wish to express my intense gratitude to the people who in show a way or another offered me the help of any kind when conducting this study.

I would like to grateful my deep appreciation to my supervisor Assist. Prof. Dr. Ş. Gül REİS, for her guidance, assistance, and patience during this work. As through her guidance, I learned many things.

I also escalate the thankful of Assist. Lecturer Mr. Hussein Mustafa, for his continuous and instruction provision instruction regarding the applied part of the thesis.

And finally but not least, I need to thank my parents for their generous encouragement.

ÖZET

KURUMSAL YÖNETİŞİMİN FİNANSAL RAPORLARIN KALİTESİ ÜZERİNDEKİ ETKİSİ: IRAK'TAN BİR KANIT

MUSTAFA, Mohammed Azad
Yüksek Lisans Tezi, İngilizce İşletme
Tez Danışmanı: Yrd. Doç. Dr. Ş. Gül REİS
17 Ağustos 2017, 69 sayfa

Bu çalışmanın amacı, kurumsal yönetişimin Irak'taki özel şirketlerin mali raporlarının kalitesi üzerine etkisini incelemektir. Bu çalışmanın önemi, adalet, eşitlik, şeffaflık, sorumluluk, hesap verebilirlik ve bağımsızlık altboyutları olan kurumsal yönetişim uygulanmasının olumlu etkilerini ve finansal raporların kalitesinin artırılmasına ilişkin hususlardan söz etmektir. Mevcut çalışmanın amacına ulaşmak için Irak özel şirketlerinde 109 yönetim kurulu üyesi ve orta düzey yöneticilerden oluşan bir örneklem seçilmiştir. Katılımcılar kendinden yanıtlı ve internet üzerinden e-mail yoluyla iletilen olan anket formlarına cevap vererek bu çalışmaya katkıda bulunmuşlardır. Bu çalışmada bağımsız değişken kurumsal yönetişim ve finansal raporların kalitesi bağımlı değişkeni temsil etmektedir.

Kurumsal yönetişim ile finansal raporların kalitesi arasındaki ilişkiye odaklanan çeşitli sorular vasıtasıyla çalışmanın sorunsalı incelenmiştir. Buna göre, kavramsal bir taslak tasarlanmış ve çeşitli hipotezler üretilmiştir. Hipotezlerin kabul edilip edilmediğinden emin olmak için çeşitli istatistiksel testler uygulanmıştır. İstatistiksel testlerin sonuçları, bağımlı değişkenler ile bağımsız değişkenler arasında yüksek korelasyonların varlığını göstermektedir. Bunnun yanı sıra, kurumsal yönetişim finansal raporların kalitesi üzerinde pozitif ve anlamlı bir etkiye sahiptir.

Anahtar Kelimeler: Kurumsal Yönetişim, Adalet ve Eşitlik, Şeffaflık, Sorumluluk ve Hesap verebilirlik, Bağımsızlık ve Finansal Raporların Kalitesi.

ABSTRACT

THE IMPACT OF CORPORATE GOVERNANCE ON QUALITY OF FINANCIAL REPORTS: AN EVIDENCE FROM IRAQ

MUSTAFA, Mohammed Azad
Master in Business Administration
Supervisor: Assist. Prof. Dr. Ş. Gül REİS
August 2017, 69 pages

The purpose of the study is to examine the impact of corporate governance on the quality of financial reports of Iraqi private companies. The importance of the study is to mention on the positive effects of applying corporate governance which has dimension like fairness, equity, transparency, responsibility, accountability and independence, and the aspects in enhancing the quality of the financial reports. In order to reach the current study's purpose, a sample of 109 board of directors and medium executive administration members selected from Iraqi private companies. They contribute through answering the questionnaire statements which self-administers and spread via the internet by email. The independent variable is corporate governance in this study and the quality of financial reports represents the dependent variable.

The problem studies determine examining lot of questions concentrating on nature of impact and the relationship between corporate governance and the quality of financial reports. Accordingly, a conceptual outline is designed for the study and numerous hypotheses are produced. In order to declaration if the hypotheses are accept or not, are expose to statistical tests. The statistical tests study results show that the high correlations between the dependent variables and the independent variables. In addition, it is found that corporate governance plays a positive significance impact on quality of financial reports.

Keywords: Corporate Governance, Fairness and Equity, Transparency, Responsibility and Accountability, Independence, and Quality of Financial Reports.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

SECTION ONE

INTRODUCTION

This study is to converse the impact of corporate governance on the quality of financial reports of Iraqi private companies across the country. Thus, the corporate governance in the private sector companies acquires interest for many countries of the world. That includes Iraq, because it plays an essential role in the economic activity besides increasing investments. In addition to regaining the users' trust in the financial reports in terms of accuracy and integrity of the knowledge disclosed by the economic unit management through financial statements and publish reports.

Corporate governance is a beneficial and new tool aiming at combining the integrity of the financial entity. It sets controls that serve the public interest and the private rights of the shareholders. It strengthens internal accuracy and monitors the application of the policies. As well as specifying the roles and terms of reference for each of the stakeholders, shareholders, executive board, and board of directors. All through confirming the significance of fairness, equity, transparency, responsibility, accountability and independence.

The importance of this study is to concentrate on the positive effects of applying corporate governance besides its aspects in enhancing the quality of the financial reports. Which in turn contributes in increasing the market opportunities by enhancing investment standards and attracting foreign capital and local investment.

In order to reach the current study's purpose, a sample of 109 board of directors and medium executive administration members are selected from Iraqi private companies. They contribute through answering the questionnaire statements which are self-administered and spread via the internet by email. The questionnaire of corporate governance is obtained in case by (Amar Gill, 2001:202). And for quality of financial reports in case thesis by (Ferdy Geert et al, 2009:36). During conducting this study, the independent variable is corporate governance while the dependent variable represents the quality of financial reports.

As for the methodology part, we find the problem of the study through examining numerous questions concentrating on the nature of impact and the relationship among corporate governance and the quality of financial reports. Accordingly, a conceptual outline is designed for the study and numerous hypotheses are produced. In order to ensure if the hypotheses are accepted or not, they are exposed to numerous tests statistics.

Most of the literature found in this subject are generally based on case studies from other countries. While this study examines the Iraqi companies. And the reason that we cannot find many studies on this subject in Iraq is due the delays in apply of corporate governance in Iraq. And what makes this study uniquely special and an addition to literature is the fact that it is based on a questionnaire distributed in Iraq.

Thus, the results of the study contribute to the existing literature by providing evidence on the relationship and impact between corporate governance and quality of financial reports in Iraq.

1.1. PURPOSES OF THE STUDY

The purposes of this study are to investigate the impact of corporate governance on the quality of financial reports of private sector companies across Iraq. And to identify the bases and rules necessary to establish an elaborate system for fairness, equity, transparency, responsibility, accountability and independence attune to the demands of corporate governance. And to recognize the procedures and systems of a successful business and its impact in activating corporate governance principles and mechanisms. Moreover, to present the impact that the professional standards reflect and their relations to the applications of corporate governance and the quality of financial reports in private sector companies across Iraq.

1.2. IMPORTANCE OF THE STUDY

The investigating the impact of corporate governance on financial quality reports of private sector companies across Iraq. Therefore, the outcomes of the present study want to contribute to improving understanding of corporate governance practices in Iraqi companies across the country. And their consideration of the ways they can implement governance rules in order to improve the companies' reports. Consequently, Iraqi companies may find the study very valuable to their operations. As it proves that activating corporate governance and initiating its principles will develop the performance of the companies' management by reflecting positively on the quality of their financial reports and increasing capital flow on the long term.

1.3. STUDY CONCEPTUAL SCHEME

In accordance with literature review, a conceptual scheme is drawn and intend for education. Keeping that comportment in mind, the study commits to explore the impact of corporate governance on the quality of financial reports in private sector companies across Iraq. Which gives a conceptualization of the basic models link to the subject of this study and the relatives among them. Here, the hypotheses explaining, conceptual scheme, association and impact among the study variables are illustrate in. We collect the model information for dependent variable which is the quality of financial reports from (Akeju and Babatunde 2017, Klai and Omri 2011).And we collect the model information for independent variables which include (Fairness and Equity, Transparency, Responsibility and Accountability and Independence) from (Kantudu and Samaila 2015, Klai and Omri 2011, Rahman et al 2016, Myring and Shortridge 2010).

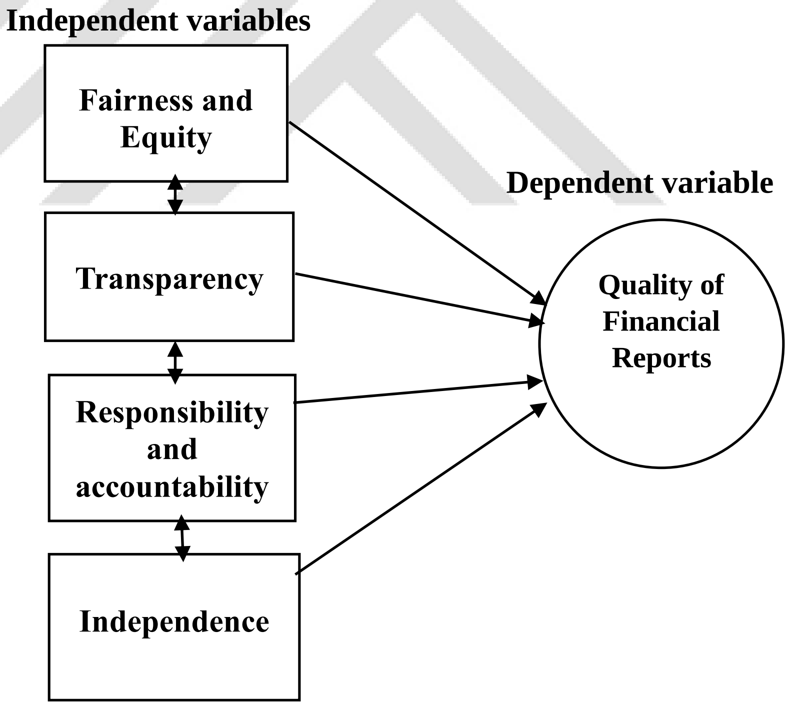

Figure 1.1: The conceptual scheme of the study - Develop by researcher base on literature

1.4. THE STUDY HYPOTHESES

Due to the many issues facing the economic unit's results from the ceremonial role taken by the board of directors in the company. Which massively weakens the application of corporate governance principles. And results into reducing the quality and accuracy of financial reports issue by the economic unit. A general attention is steer towards the effective application of corporate governance and its role in risk management. Thus, came the direction towards enhancing the quality of financial reports.

Therefore, we may conclude the study problem as the impact of corporate governance on the quality of financial reporting. And the extent possible to apply corporate governance principles in harmony with financial disclosure, transparency, equity and accountability in all economic units. And this is an essential introduction towards increasing the effectiveness of financial reporting. This can be achieved by following the guidance of corporate governance principles to support the economic units to achieve the best practices for utilizing the resources provide for the economic activity. We can form the following question for the study problem;

What is the impact of corporate governance on the quality of financial reports? An evidence from Iraq. From this main question emerge the following sub-questions:

1. What is the extent of effect from applying firm and effective corporate governance principles on the quality of financial reporting?
2. What is the extent of effect from protecting the investors and shareholders on the quality of financial reporting?
3. What is the extent of effect from fair and equity in dealing with all the shareholders on the quality of financial reporting?
4. What is the extent of effect of stakeholders' role on the quality of financial reporting?
5. What is the scope of effect from disclosure and transparency on the quality of financial reporting?

Theoretically, the study is proof of the approach that corporate governance aspects such as: fairness and equity, transparency, responsibility and accountability, and independence, impact the quality of financial reports in the Iraqi private companies across the country. Therefore, the study pursues to testing the following hypothesis base on the above study problem and purposes:

H1. There is a positive correlation between corporate governance and the quality of financial reports of the Iraqi private companies across the country.

H1.a There is a positive relation between fairness and equity on one hand and the quality of financial reports in the Iraqi private companies on the other.

H1.b There is a positive relation between transparency and the quality of financial reports of the Iraqi private companies.

H1.c There is a positive relation between responsibility and accountability on one hand and the quality of financial reports of the Iraqi private companies on the other.

H1.d There is a positive relation between independence and quality on one hand and the quality of financial reports of the Iraqi private companies on the other.

H2 There is a statistically significant impact of corporate governance on the quality of financial reports of the Iraqi private companies across the country.

1.5. THE LIMITATION OF THE STUDY

It is separate limits of the study to the limits as follows: First, time limitations: characterize by the duration of the study useful to these enterprises to questions via email, which ongoing through preliminary emailing to enterprises to categorize the study questions and interviewing the leaders to discuss their suggestions and opinions concerning the study and its resolutions, return them back and moreover distributing the questionnaires.

Second, the human limitations: that comprise human boundaries to look at the leaders of a sample which are Iraqi private companies.

Third, the spatial limitations, the study statements must exist to apply on a sample of Iraqi private companies across the country to catch out determine the impact of corporate governance and relations on the financial quality reports.

SECTION TWO

LITERATURE REVIEW

2.1. CORPORATE GOVERNANCE

The definitions many studies focused on the importance of commitment towards the principles of corporate governance. And examined its impact on increasing the confidence of investors in the financial reports issued by the corporate. And consequently the capacity of the countries to attract new investors being locals or foreigners. And the consequences it results in the development of economies pertaining to these countries. And this attend by numerous countries and international organizations which adapt the concept of corporate governance. That achieve when the scientific bodies and governmental establishments issued a collection of rules, laws, rules, and reports which confirmed the importance of corporates' commitment to apply those principles.

Hardman (1996) extends on this while stating that corporate governance in all subdivision is concerned by the way activities and control directors of the business and certify that the directors to whom they delegate numerous purposes are answerable, (Hardman, 1996:۲۳۸)

Rezaee (2007:49) argued that corporate governance is usually seen as an instrument to synchronize each stockholder with management. Certainly part of corporate governance is to create a long-term value for stockholders and decrease agency cost with the focus on both board of directors' and senior executives' managerial purposes and monitoring accountability (Dharmastuti and Wahyudi, 2013:132). Corporate Governance is about constructing reliability, certifying accountability and transparency while keeping a lively channel for information disclosure that inspires perfect company performance. So corporate governance is intended to construct belief and sustain sureness amongst the numerous groups that require access to information about the business (Paul et al. 2015:153).

There are many reports referring to the governance rules in the past but the official and comprehensive report issued in 1987. When the national commission in fraudulent reporting of financial, subsidiary to the American institute of certified public accountants (AICPA), issued its report regarding the forged financial reports, famously known as the Treadway commission report. Which includes recommendations related to the regulations of corporate governance. And all of its associates including the prevention of cheating and manipulation in the preparation of financial reports. Through considering the concept of the internal audit systems. And the preparation of rules regulating the work of the financial committees in the companies in order to boost the quality of financial reports in front of their boards of directors (Grundfest and Berueffy, 1989:9).

In the United Kingdom, there are many reports which ensure the importance of commitment to the principles and rules of corporate governance. Where London Stock Exchange played a prominent role in this field. The Cadbury report issue to confirm the importance of corporate governance to increase the trust of financiers in the process of financial reports preparation (Youssef, 2010).The next Table summarizes the most important reports concerning this on the international level (Al-Mutairi,2002:11).

Table 2.1: The Most Important Reports issued at the State level.

Report Title	**Country**	**Release year**
King, the second report in 2002, which replaced the King's first report, issued in 1994.	South Africa	in March 2002 and 1994
The report titled: five years to the day. which replaced the Toronto Report	Canada	June 1999 and December 1994
CVM Report Recommendations on Corporate Governance	Brazil	June 2002
Corporate Governance - Volume one: In principle Corporate Governance - Volume two: In Practice	Australia	Newly
Report of Vento the second (Vento Report II, 1999) which replaced report Vento the first (Vento report I, 1995)	France	July 1999 and1995
Report: (The Combined Code Principles of Good Governance and Practice), Which was based on the Cadbury Report of 1992	United kingdom	2000
Statement on the best practices in public companies titled: Best Practices in Public Companies	Poland	Newly
Statement of principles of corporate management methods. "Principles On Governance in Greek: Corporate recommendations for it is Competitive Transformation"	Greece	October 1999
(German Code of Corporate Governance GCCD)	Germany	2000
Code Fore Good Corporate Governance.	Indonesia	March 2000
Corporate Governance Forums of Japan.	Japan	1998
The Governance of Spanish Companies.	Spain	1998

It is noteworthy that there is no single definition approved by all economists, advocates, and experts on the world level for the term of corporate governance. That might be as a result of its intervention in organizational, economic, financial and social matters of the companies. The facts which touch the society and economy as a total.

Good governance should avail appropriate and sound incentives for the board and administration of the company. This aims to achieve the objectives of the companies and the shareholders. In addition, it should facilitate the process of effective control (OECD, 2004).

Corporate governance utilizes certain techniques through which it compels the company management attempt all possible ways to meet the profit promised to the investors and report the events frankly (Shleifer and Vishny. 1997:737).

The objective of corporate governance is to support the national and international investors, customers and staff members, supervisors and the public in meeting the expected from the organization (Commission of the German Corporate Governance Code, 2005). Pursuant to the above definitions, the researcher found that for activating the principles of governance, there must be effective instruments that follow up on the tasks of the economic units and study the best ways to straighten the performance in accordance with the approved standards.

Corporate governance is about constructing credibility, accountability and confirming transparency. All while preserving an active station of data disclosure. So corporate governance is used to inspire belief and achieve sureness among the numerous groups that make up an organization. (Paul et al. 2015:153).

2.1.1. The Concept of Corporate governance

Corporate governance as a controversial subject also entails several controversial concepts. This is seen by specialized international organizations and by the researchers in the field of corporate governance. These concepts center around the clarification of the concepts associated with it. Which in general forms the conceptual framework (Sreeti 2015:4). Such topics will benefit in solving the problems experienced by the companies while conducting the business tasks. And the concepts are such as:

2.1.1.1. Fairness and Equity

Concentrating on the justice at corporate governance, it aspires mutual respect and recognition of the rights of all parties of interest on the basis of equality. Including the interests of the minority shareholders in the companies. Justice and fairness refer to the impartiality and integrity in treating all the parties with a common interest (Oliver et al, 2014:111).

Santiago-Castro investigates the relations between the expropriation of another shareholders' rights and strong presentation in Latin American markets. He catches that an absence of investor protection in emerging markets cause expropriation of minority shareholders' rights (Santiago-Castro et al. 2011:439).

2.1.1.2. Transparency and Disclosure

Transparency is considered the imperative concept sought for in corporate governance. And in general, it indicates establishing a structure allowing a large volume of information freedom under the shadow of the authority of law and the international standards of transparency, clearance, and accuracy of information. So that the beneficiaries can reach the correct decision more easily. All facts should be put forward for research, accountability, and discussion (O'Toole and Bennis, 2009:54).

Chi states that improved transparency and revelation practices establish a firmer corporate governance practice. Which indicates to good corporate performance. Chi suggests that the quality of corporate disclosure practice has an encouraging relation with firm performance. Chiang also catch that corporate transparency has an important optimistic relation with firm performance. Finally, we conclude that transparency is one of the important indicators for evaluating corporate performance (Chiang et al, 2005:95). Also Patel asserts that improved disclosure and advanced transparency decreases the information asymmetry among the business's management and stakeholders (Patel and Bwakira, 2002:325).

2.1.1.3. Responsibility and Accountability

The first principle of the Organization for Economic Co-operation and Development (OECD) for corporate governance indicates the following:

It is a must in the corporate governance framework to be compatible with the law and to sharply separate the responsibilities of the different authorities: executive, supervisory and regulatory. The framework of corporate governance must contain strategic route and guidance for the company. It should also include accountability of the board of directors on their responsibilities before the company and shareholders (OECD, 2004).

The concept of responsibility is associated with the concept of accountability. Which necessitates the accountability of those who make decisions as well as those executing the tasks of the company. They must be responsible for the consequences of their actions and the results of them (Khoury, 2003:3).

Therefore, corporate governance is recognized on a customary of facets to improve accountability of the different parties in the economic entity. This is achieved via creating mechanisms to control management processes. All to confirm that the firm decisions are shaped in accordance to the laws and regulations and the decision makers would answer to the stakeholders on the logic behind taking them (Tricker, 1994:6). Accountability is defined by many researchers as the mechanism designed to guarantee to direct the works of the organization towards achieving its goals specified in advance while keeping the interests of business beneficiaries in mind. All while knowing who made what to be able to hold him/her accountable in case of wrong decisions (Khoury, 2003:3). Accountability has three main trends towards interest owners: knowledge, compliance and performance, as illustrated in the following figure:

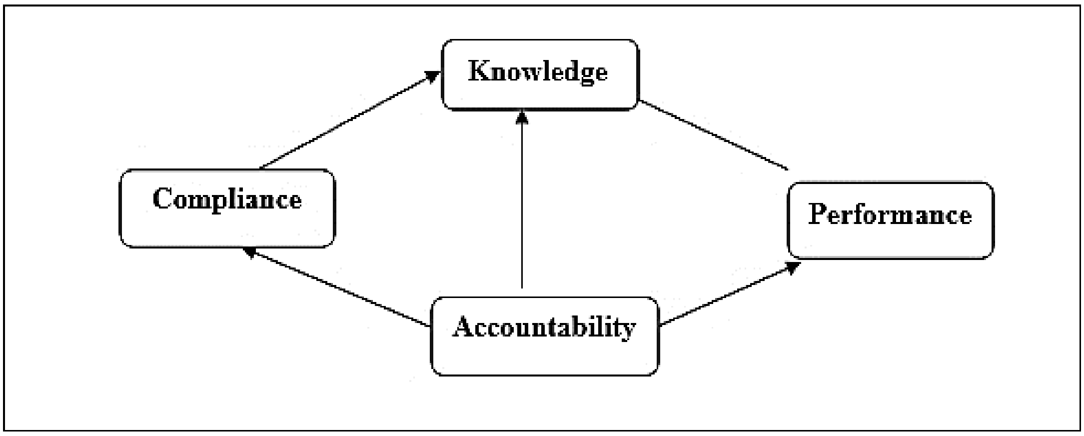

Figure 2.1: The Three Trends of Accountability
Source: Hassan, Nabaz Mahmood (2009). The Role of Corporate Governance in Enhancing Disclosure and Transparency a Study in a Sample of Commercial Banks.

2.1.1.4. Independence

It can be defined as the freedom to express an opinion accessed through a conscious study in light of scientific norms and principles. Which means the necessity of liberation from all restrictions that confine the possibility of giving the right opinion and consequently the right result.

It is confirmed that the board should form a checking committee of at smallest three of the non-executive managers. And they should be independent of the administration so the committee is given autonomy to check and monitor. This gives the committee a strong relation with the board (Cadbury, 1992:20).

2.1.2. Importance of Corporate Governance

There is an increasing interest in corporate governance in the current years by researchers and persons interested in the international organizations. A number of workshops, conferences and seminars are held on the subject of corporate governance in the developed countries. Whereas in the developing countries, there is still a clear failure in this direction. The researches and studies carried out through OECD emphasized on the role of corporate governance towards improving efficiency in emerging markets in the world (OECD, 2004).

The recent financial crisis triggered by corruption and mismanagement led to difficulty in attracting sufficient levels of capital and investment. As the crises levied the investors to lose billions of dollars. And led to sabotaging the financial feasibility of companies. It also contributed negatively in current shareholders' activeness and competition for obtaining shares. The investment institutions and their founders announced clearly that they are not prepared to bear the penalties of corruption and mismanagement. And the investors would no longer commit to any amount of funding before obtaining evidence and proof that the companies are managed in accordance with sound business practices. Which leads to reducing the possibilities of corruption and mismanagement to the least extent possible (Doda and Moisiu, 2015:87).

Corporate governance is significant to the public and the private subdivision businesses. In both sectors it is of extreme importance to implement the rules of corporate governance in order to eliminate administrative corruption. Thus, proper corporate governance helps to ensure public access to fair returns of the national funds. The importance of corporate governance emerges as the result of it creating specific ways to help companies and national economies to attract investment. Consequently, it supports the long-term economic performance and competitiveness. Corporate governance also has the importance of working in the principle of transparency and the presence of qualified administration. And it prevents combining the company's owners with its management. It also identifies the rights of the owners of the companies and creates audit committees to follow it up properly (Catherine and Sullivan, 2003:9).

The concept of corporate governance is important in administrative reform. It organizes administrative systems in the countries on sound scientific bases that ensure achieving the desired goals. Which means organizing the system to include the methods and ways of working as well as organizing employees' affairs. It also tackles the concept that regards the government or the society as a scheme composed of various constructions which adapt variation to achieve purposes. And the structures remain coordinated and coherent towards each other. Thus, any imperfection in one of them leads to the disruption of the other structures. Which means that the complete concept revolves around the introduction of regulatory patterns. In accumulation to achieving the supervisory, advisory and administrative relations within these organizations. As well as to provide active and informed leaders believing in these policies. All while focusing on position of human resources as an essential component in the corporations (Gregory et al 1999:12).

We can conclude from the former that the main objective of corporate governance is the success of the economic unit in obtaining the required capital to achieve its objectives and goals effectively.

Objectives and benefits of corporate governance that the concepts used to specify these goals, benefits and motives, vary but they are all within the benefits and objectives. If governance did not have the objectives and benefits that it promises, most of the economic units or rather the states would not have sought to encode various legislations to apply it. That said, the benefits can be expressed in the following points: (Khalil, 2005:15).

1- Improving the competitiveness of economic units and increasing their value.

2- Imposing effective control on the performance of economic units and supporting accountability.

3- Ensuring operational performance, financial, and monetary review for the economic unit.

4- Estimating the presentation of senior management and accountability.

5- Excavating the concept of abidance by the law, ensuing standards and agreed upon principles to maximize the economic profit of the unit.

6- Increasing investor assurance in the capital markets.

7- Accessing appropriate finance records and to predict the expected risks.

8- Achieving justice, transparency and fighting corruption.

9- Taking into account the benefits of the various parties and activating communication through them.

Characteristics of Corporate Governance According to John Colley, in his book about corporate governance, the successful model of governance covers the following characteristics (Colley, et al, 2005:2)

1- Strong and effective board of directors which properly performs its responsibilities effectively.

2- Executive managers which are selected by the board and are properly authorized to manage the company.

3- The work selected by the executive managers must be executed after taking the advice and the approval of the board.

4- A good working method is chosen by the executive manager and the administration team within the boundaries of the board's approval and advice.

5- Sufficient and suitable disclosure on the performance of the company.

Appropriate disclosure about the performance of the business is vital for the shareholders and the financial society. As such information is difficult to know from the inside of the company unless governance system works in a real way. However, there are evidence and clues that when applying governance on several provisions and its routine evaluation processes, there might be an influence on the company's dynamic of works (Charkham, 2005:672).

And Hammad describes corporate governance as the set of characteristics which form the cornerstones of the organization. And that if it misses one, it will have an effect on the others. These characteristics are as follows (Hammad, 2005:4).

1- Discipline: to follow the proper and appropriate ethical conduct.

2- Transparency: providing a correct and clear image of what is happening in the organization.

3- Independence: no unnecessary compression properties.

4- Accountability: possibility of evaluating and measuring the activity of the board of directors and executive management.

5- Responsibility: responsibility to all stakeholders in the organization.

6- Justice: the necessity of respecting the rights of all stakeholder groups.

7- Social responsibility: looking at the company as a citizen.

Corporate governance refers to the following characteristics that can be summarized in the following figure:

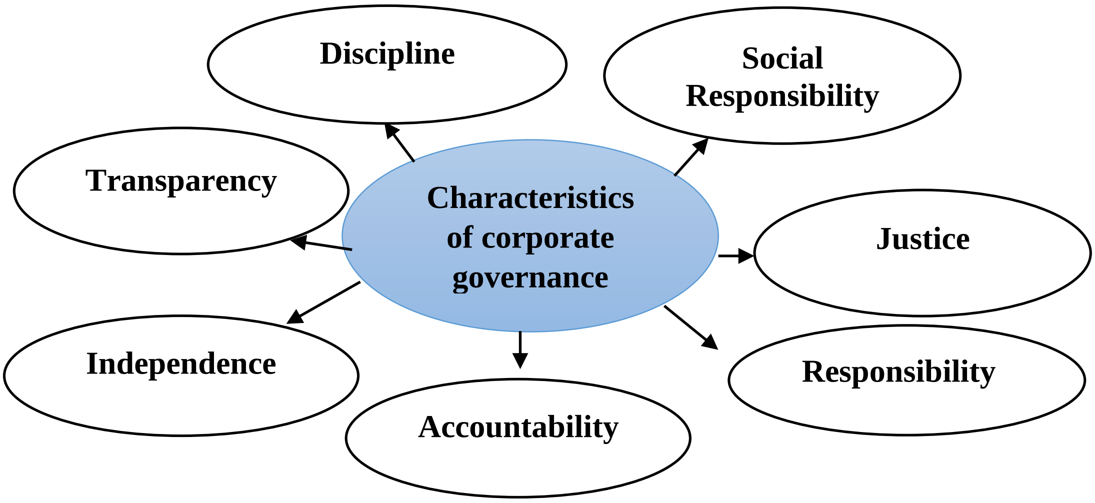

Figure 2.2: The Characteristics of Corporate Governance

2.1.3. Rules of Corporate Governance:

To achieve the objectives of corporate governance, there must be well-established rules. Which contribute in founding a sound system that boosts the opportunities for success and economic reform. The OECD, jointly with national governments and world organizations in concern, has set a collection of guidelines and standards known as the rules of corporate governance. The application of these norms turned to be an instrument to promote confidence in companies listed in the financial market. As well as an index of level of information access in accordance to corporate governance professional rules involving well management, transparency, accountability and corruption fighting procedures. All of which contribute to economy growth. The special rules of the corporate governance are divided into six main groups as described by the Organization for Economic Co-operation and Development (OECD, 2004).

2.1.3.1. Establishing an Effective Framework for Corporate Governance

This principle emphasizes that corporate governance construction works on boosting the level of efficiency and transparency of the markets. And to be compatible in accordance to the articles of the law. It noticeably describes the split of responsibilities among the numerous bodies accountable for management and controlling it in addition to the responsibility to apply regulations. Thus it has stressed on the following (OECD, 2004):

A. The governance structure should be developed. Taking into account the impact on macroeconomic and market reliability and the incentives provided by market contributors. In addition to promotion of market transparency and market efficiency (Mawlud, 2011:42).

B. The lawful and controlling rations that upset the practice of corporate governance must be compatible with the rules of law and should commit to its implementation (OECD, 2004)

C. The legislations should clearly indicate the division of responsibilities between the various bodies along with ensuring the benefits of the public (Abu-Hamam, 2009:43).

D. The regulatory and supervisory bodies responsible for law enforcement would require the authority and reliability and the necessary funds to carry out their responsibilities in a certified and impartial mode (OECD, 2004).

2.1.3.2. Shareholders Right

The shareholders rights the corporate governance framework must certify the protection of shareholders' rights:

A. The basic rights of the shareholders include the following (OECD, 2004):

(1) Confident methods of possession registration.

(2) To freely transfer possession of shares.

(3) To access the company data in a timely manner and on steady basis.

(4) Contribute and vote at the general meetings of shareholders.

(5) Election of board members.

(6) Access to portions of the company's earnings.

B. To participate and achieve sufficient info about the decisions relating to fundamental changes in the Company, including: (OECD, 2004).

(1) The amendments to the statute or in the establishment of the company or other basic documents of the Company.

(2) Additional shares.

(3) Any unusual financial dealings that may affect the trade of the organization.

C. The shareholders must be given the chance to effectively participate and vote in the overall meetings of shareholders. They should also be informed of the rules governing shareholders' meetings, including voting rules as follows: (Mawlud, 2011)

(1) Shareholders should be provided with adequate information in a timely manner, on the dates, places, and agendas of public meetings. In addition to obtaining full information in a timely manner on matters aimed at taking decisions during the meetings.

(2) The shareholders must have the opportunity to enquire from the board of directors. And to add agenda items to the public meetings provided that reasonable limits be placed to do so.

(3) The shareholders must be able to inflect actions in a personal capacity or by delegation.

D. The structures and the capital arrangement should be disclosed to enable specific numbers of the shareholders to practice a level of auditing inadequate with their property rights.

E. The market controlling over the companies should be allowed to operate effectively and transparently

F. Ensuring clear drafting and disclosure of procedures and rules related to acquisition of rights on the industries in the capital markets. In addition to the rules related to unions organizing trading with great proportions of properties in the industry.

G. Anti-takeover mechanisms must not be used to immunize the executive management against accountability.

H. The shareholders, including founding financiers should take into account the costs and profits associated with the exercise of their voting rights (OECD, 2004).

2.1.3.3. Equal Treatment with Shareholders

The structure of corporate governance would ensure equal treatment for all shareholders, including minority and external shareholders. And all shareholders would obligate the prospect to obtain a tangible compensation in case of violation to their rights (Kabbajh, 2008:29). Such equal treatment would include but is not limited to:

1. The shareholders belonging to the same category should be dealt with equally.
2. All shareholders should possess the same elective rights. And all of them would stay able to access the information related to the election rights granted to all categories of shareholders. And that should be before they procure the shares. In addition, any proposed changes in the voting rights should be described to the shareholders.
3. It is necessary that the voting process is done by trustees or commissioners in a way agreed upon with the owners of the shares.
4. The procedures and processes relating to general meetings of the shareholders should ensure equivalent action of all shareholders. Moreover, the procedures of the

company should not be difficult or include an increase in the cost of the process of voting.

5. It is imperative to prevent stock trading in a way not characterized by disclosure or transparency.

6. It is essential to ask of the members of the board of directors or executives to disclose the existence of any personal interests that may relate to the operations or matters affecting the company

2.1.3.4. The Role of Stakeholders in the Corporate Governance

The outline of corporate governance must include recognition of the rights of the stakeholders as recognized by law. It should also inspire cooperation between stakeholders and companies in making wealth, jobs and sustainability of existing plans on completely fiscal basis (Gillian, et al. 2008:3).

1- The framework of corporate governance ensures respecting the rights of the stakeholders protected by the law.

2- Whenever the law protects the rights of the non-owner stakeholders, those should have an opportunity to receive compensations in situations of desecration of their rights.

3- The framework of corporate governance should allow the existence of mechanisms for the participation of stakeholders in improving performance levels.

4- Whenever stakeholders participate in the process of corporate governance, we must ensure that they have access to information relating to this.

2.1.3.5. Disclosure and Transparency

The corporate governance framework must ensure the verification of correct disclosure in time on all matters related to the establishment of the company. Including the financial position of the company, the performance and the equity method and the exercise of power (Khalil, 2005:15).

A. Disclosure would embrace, but is not limited to the following information:

- Financial and operating outcomes of the organization.
- The goals of the company.
- The right of the majority in terms of contribution, and voting rights.
- Board members and key executives, salaries, and benefits granted to them.
- Expected risk factors.
- Financial Issues related to workers and other shareholders.
- Structures and policies of corporate governance.

B. There should be a review of the information. And to disclose them in a manner consistent with financial and accounting quality standards. It should also meet the requirements of the style of non-financial disclosure and the requirements of audits.

C. An annual audit must be acknowledged by an independent auditor. To inform the external auditor of the methods used in the groundwork and presentation of the financial statements.

D. The distribution channels of information would ensure for potential users to access information in time and at the appropriate cost (Abu-Hamam, 2009:43).

2.1.3.6. Responsibilities of the Board

The outline of corporate governance would allow the availability of strategic guidelines to guide companies. Also, it must certify the actual follow-up of the business administration through the board of directors and ensure the accountability of the board of directors by the shareholders (Larcker, 2009:5).

A. Board members would work on the base of the all readiness of information. As well as on the basis of goodwill. And compliance with the applicable rules. As they must work to achieve the benefits of the shareholders and the company.

B. Whenever the decisions of the board of directors produce divergent effects on the various categories of shareholders, the board should work on achieving equal treatment for shareholders.

C. The board of directors must certify compatibility through applicable laws and take into account the concerns of all stakeholders.

D. The board of directors must exercise a set of basic functions, including:

1. Review and direct the company’s strategy, action plans, risk policy, annual budgets and plans of activity. And to develop performance goals and follow their implementation and assess the performance of the company. It should also undertake the supervision of capital spending, acquisitions and asset sales.

2. The selection of main executives, salaries report and the benefits granted to them. And following them up and to replace them whenever required and to follow functional succession plans.

3. Review the levels of salaries and benefits of the executives and board members.

And to ensure the formality and transparency of the process of the nomination of memberships of the board of directors.

4. Following up and managing conflicts of interests of the executive managers, the board of directors' members and the shareholders. Among those: the misuse of the assets of the company and conducting transactions for relevant parties.

5. Confirm the integrity of financial and accounting reporting of the company. Which includes the existence of an independent auditor, creating convenient control systems for risk follow-up, financial control and abiding by the provisions of the law.
6. To follow-up on the efficiency of corporate governance adapted by the board. And accordingly to make the changes required.
7. Supervising the process of disclosure and communications.
A.The board of directors should be able to apply and impartially organize the affairs of the company. And that should be done independently of the executive management particularly (Abu-Hamam, 2009:45).
1. The board of directors would perceive the possibility of appointing a sufficient number of non-executive members who are known for their capacity for independent assessment of actions in case of conflict of interest. Examples of such key responsibilities (financial statements, the nomination of executives and reports of rewarding board members).
2. For verifying taking-over and such responsibilities. And verifying the members of the board of directors which should ensure getting the possibility to obtain accurate and relevant information in a timely manner (Gillian, 2008:3).

Thus, it is evident that there is no unique form of sound methods of corporate governance. And what is mentioned of its principles only represents a definition of some common components that define the methods to sound corporate governance. And the formulation of these principles has been made in a manner that would absorb the different models of existing companies. The purpose for the presence of a unified methodology to corporate governance is due to the difference in the structures of ownership in the companies. As each structure model confronts a special challenge. In addition to that, the size of the economic unit, environmental factors for each economic unit and laws and regulations applicable in its country, all play a role in varying the scope of the effects of each corporate governance principle.

The principles are neither binding nor do they aim to provide detailed guidance on the national legislation. The purpose of them presents itself to be as reference points. And to be used by the employees in their preparation of the manner and means with which they can control the companies. And also it can be used by policy-makers in preparing the legal and regulatory frameworks for corporate governance methods (Gillian, 2008:4).

Pursuant to the above said we could conclude that corporate governance arises on the conformity of interests of the various parties related to the foundation. Which constitutes the plenary session, the Board of Directors, shareholders, employees, new investors, auditors and tax departments, control authorities, the securities commission, the central bank, other banks, and insurance.

Proper corporate governance provides the appropriate incentives for all parties to reach harmony with the legitimate goals of the company. And it ensures the preservation of the rights of all parties collaborating with them. Which aspires towards the main objective, namely, to make profits and distribute them. And to rationalize the decisions of boards of directors and distance them from personal interests and fancies (Gillian, 2008:5). And Figure 2.3 shows the basic principles of corporate governance issued by the organization for cooperation and development

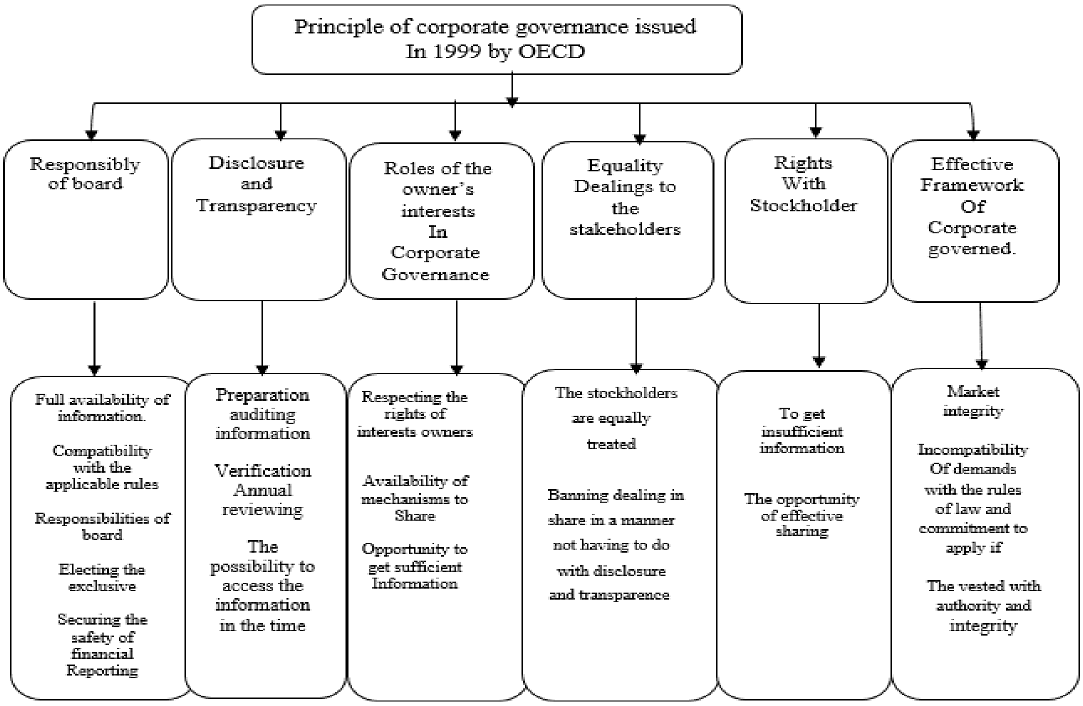

Figure 2.3: The Basic Principles Of Corporate Governance Developed Based on (OECD)

Source: Mawlud, Dawod (2011). The impact of corporate governance on the effectiveness of internal audit. General Federation of Accountants and Auditors Erbil, Iraq

2.1.4. Corporate Governance Implements

There are some major parties are pretentious by and touch the correct implementing of the corporate governance and determines to a great degree how achievement or non-achievement in applying the proper corporate governance, these parties are.

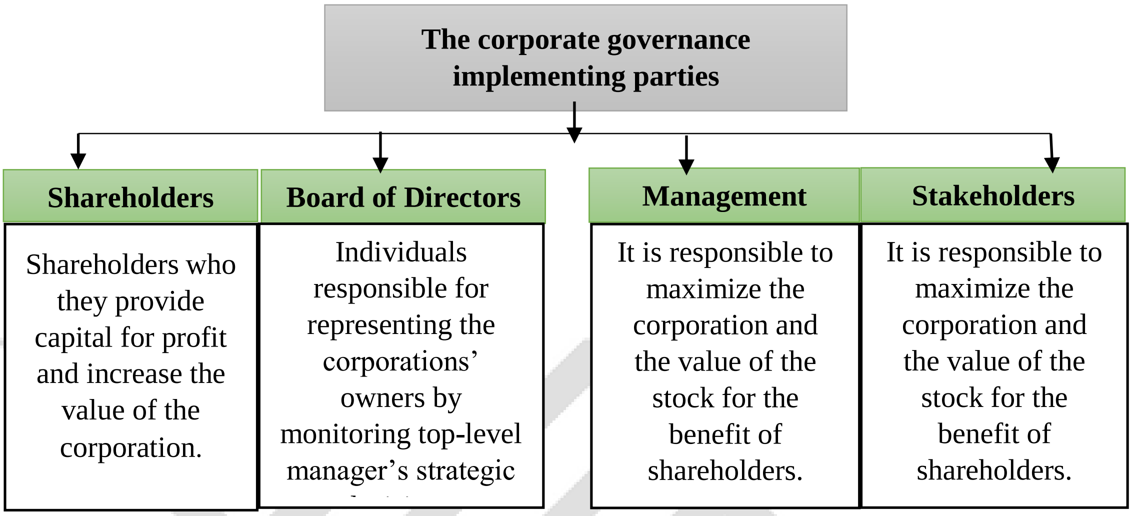

Figure 2.4: The Corporate Governance Implementing Parties

Shareholders: those who afford capital for the corporation through their possession of shares and to exploit the value of the corporation in the extended run, which determines the extent of continuity in return for adequate profits for their investments and they need the right to select the members of the board of directors the right to save their rights, (Hussein, 2005:5).

The board of directors, who represent the shareholders, the Board is the one who selects executives as well as control over their performance and policy-making for the corporation and how to maintain shareholders' equity (Sheikh, 2012:56).

According to (Wheelen and Hunger, 2014:45) the board of directors, formerly, has a requirement to accept all resolutions that might trace the long-run enactment of the firm. This means that the company is profoundly administered by the board of director's supervision top management, with the accident of the shareholder. The term corporate governance mentions to the relations amongst these sets in determining the trend and enactment of the corporation.

Management: The management is the Responsible in the company to submit reports on the effective functioning of the Board of Directors, and the management also accountable for exploiting profits corporation (the bank) and growth their value addition to its responsibility towards transparency and disclosure in info published through shareholders, and management is the link amongst the other parties with board of directors and other parties dealing with the corporation, (Suleiman, 2006:147).

As well top management tasks, especially those of the CEO, contains receipt effects accomplished over and through others in command to meet the corporate objectives. Top management's job is then multidimensional and is oriented to the welfare of the total organization. Exact top management works vary from firm to firm and are recognized from an analysis of the key activates of the corporation, strategies, mission, objectives (Hitt et al, 2007:56).

Stakeholders: a group of parties' interests within the corporation (the bank) such as creditors, suppliers, and employees, the interests of these parties may be different and sometimes contradictory. Corporate governance concept is influenced heavily by the relationships between these parties (Ali and Shahata, 2007:١١)

2.1.5. Theories of Corporate Governance

There are seven essential theories upon which the theoretical basis of corporate governance is set. Namely: agency theory, stewardship theory, stakeholder's theory, political theory, social contract theory, legitimacy theory and resource dependency theory as describe in the following:

2.1.5.1. Agency Theory

The agency theory is considered as among basic theories upon which the corporate governance is based on. And the problems resulting from the agency are viewed as some of the greatest important objectives which corporate governance is aiming to solve.

The agency theory deals in the economics and the behaviors among the management of the company on one side and the shareholders on the other. As for the role of management, it consists of that it is authorized by the shareholders to manage the available resources of the company. And to negotiate on their behalf with all the parties relevant to the company in a way to achieve positive results exceeding the cost of the alternative opportunities where the investment of these resources could have been invested in. with regards to that, the shareholders would expect that management would misuse these recourses. So the balance for the interest of all parties will be verified by signing various contracts comprising conditions that stop or at least hinder such opportunistic behaviors on the part of management. (Lutfe, 2006: ١٤)

The shareholders, on the other hand, being the party which bears the risks of bad decisions. The results of which will be reflected in a way or another on the rate of return on the average investment. And consequently the market importance of the company shares. So the role of the shareholders will be determined by voting and control the commitment of the company in the contractual terms with them. In addition to evaluating the periodical performance of the company to maintain the value of their shares. For achieving this purpose, they use many mechanisms to achieve the objectives of this control. These mechanisms were determined as Corporate Governance (Shleifer and Vishny. 1997:737).

The agency theory bases on a party that seeks to exploit its personal utility and to achieve its interests even if at the expense of others. So from here, the agency problems aroused. The agency theory tries to solve outstanding problems among the principal and the agent by separating the property from the management (Hammad, 2005:68).

The current international discussion concerning the corporate governance does not mostly revolve around educating the enactment of the board and the value of the shareholder ultimately. Rather they tackle more important cases such as agency theory, rights of voting and encoding a law more inclined to the regulation (Garratt, 2004:7).

The agency theory is related to the contracts signed among the shareholders and the administrators. Therefore, it deals with the contracts of the administrative performance, insurance contracts, financial reporting and the rules of corporate governance to elect and control the board of the directors (Kaen, 2003:19).

There are some problems which face agency theory. The most imperative problems is the ethical risks problem. Which is identified as the situation wherein the company management works for its own interest in a way not noticeable by the shareholders and at the expenditure of the shareholders. Such situation arouses as an outcome of two main reasons. The first is that there are huge costs for the shareholders to control the works of the company management. Second is that the shareholders do not necessarily have the adequate experience to check if the works of the company management are in their interest and consequently such controlling might be useless (Tamimi, 2008:41).

Also, there are two types of problems that hinder the work of the managers. Which are considered as a type of administrative failure? If occurred, these problems will obstruct the managers' works as proxies of the shareholders (Martin & Moldoveanu, 2001:38)

(1) Failure cases related to the administrative capacity. And they are called honest mistakes, i.e. non-deliberate mistakes. Which have to do with the counting errors and the administrative procedure.

(2) Cases of failure related to administrative lack of integrity such as (lies, slanders, embezzlement, and fraud. Which are related to the misbehavior of some managers? The fact which affects the assets values of the company negatively.

(3) As shown in the figure number (2.5), the agency cost resulting from the conflict of benefits among the business organization and the shareholders could be decreased by finding balance among the costs of the agency and the costs of contracting and engagements.

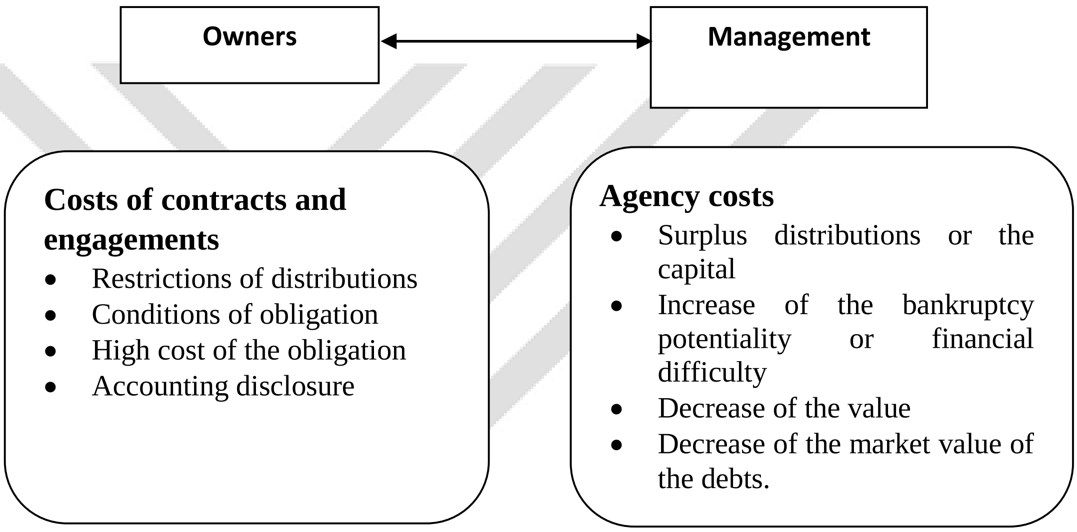

Figure 2.5: Agency Costs Conflicts of Interests between Owners and Administration

On the basis of what has mentioned above, the problems resulting from the agency will be solved through corporate governance mechanisms. Corporate governance emphases on protective the rights of shareholders and the interest holders. And that is regarded as an explanation to the problem of the encounter of interests (Hassan, 2009: ٢١).

2.1.5.2. Stewardship Theory

The theory of stewardship debates against the agency theory as it suggests that managerial opportunism is irrelevant. This theory generally represents the below summary as vital to certify active corporate governance practices in a company, (Muth et al, 1998:5)

- This theory suggests a tight link between the accomplishment of the economic entity and the satisfaction of the steward. Therefore, a principal would overpower the transaction by taking into consideration that aiming towards executive and organizational goals meets his personal needs.

- Stewardship academics observe that abiding by corporate governance tools is in parallel with this approach.

Therefore, the corporate governance controls contribute into reducing a steward's negligence and to peruse organizational goals. Although, experimental academics are divided on whether to accept executives to be considered as agents or stewards. It is through this that researchers attempt to find the most efficient approach to apply corporate governance. Hence, authors psychological mechanisms and discuss situational basic the two models of man: agent and steward (Davis et al, 1997:26).

However, financial income is surely not the only incentive for executive performance. Moreover, executives need a level of discretion in order to efficiently lead the company towards its objective for the interest of the investors (Clarke, 2004:11).

2.1.5.٣. Stockholders Theory

The theory of stockholders appears as a mixture of concepts. It merges philosophy, ethics, political theory, economic theory, the law, and others. There are many definitions for the theory of stockholders. However, all these definitions share a general characteristic. Namely the acknowledgment of the stockholders to go into reciprocal relations (Solomon, 2004:23). On the basis of this theory, the management of the company has an ethical liability to achieve benefits for all the stockholders. The stockholders represent persons or groups having a commitment in the unit (O'Brien, 2000:8).

The relation of the stockholders can be described as one of the reciprocal relations. When a group of the stockholders offers various contributions to the company and in return, the group expects to achieve its private interests through the incentives and the compensations offered by the company. Likewise, the concept of Stockholders includes many parties including ordinary citizens who are considered as some of the stockholders as long as they pay taxes and avail the national infrastructure on which the company works. Thus they expect that the companies work for boosting their wellbeing. (Solomon 2004:24).

The stockholders are acquiring an increasing attention by the investors equally an effect of the high nature of investment and the emergence of the institutional investor. And this aspect concentrates on protecting the investors and to treat them

Fairly and with integrity by the unit. So that the unit can achieve success, financially speaking. And at the same time, unit’s determination be able to see the requirements of the social responsibilities levied upon it by the other stockholders (Milstan, 2004:4).

Especially after the narrow concept of social responsibility turned to be inadequate. Stockholders would pressure company management to meet the following requirements: (Ghaban, ٢٠٠٢:18)

(1) To achieve profits and serve the working human resources. As no company can continue and exist without the availability of enough manpower surplus or some regulatory activities pertaining to the working human resources.

(2) Serving the consumers, which means the degree of satiating the consumer from the product and maintain his confidence in advertising.

(3) To achieve luxury to the local community by creating work opportunities. And providing local services for training and appointing the disabled. In addition to charity contributions.

(4) Serving the surrounding environment by paying attention to the regulatory environmental rules. And avoiding the negative practices concerning air, water, and soil pollution, noise, and the ill exploitation of the environment.

It is noteworthy mentioning that the four main requirements mentioned above can be met and achieved by adopting a collection of mandatory and voluntary social activities not imposed by the laws and regulations.

Through respect to the association of the agency theory with the theory of stockholders (Solomon, 2004:27)

(1) The theory of stockholders is considered as the necessary result of the agency theory and it is an adequate method to create a general theory for the economic unit.

(2) On modifying the agency theory properly, it will be a determinant similar to the theory of stockholders in the best conditions.

(3) Assumptions around human implicit and behavior motivation in the agency theory exist contradictory. And all theories round the company must achieve a minimum of implicit morality. Which includes some of the rights, principles and fundamental assumptions to human behavior. And it might be inevitable but to modify and repair the other traditional theories of the economic unit.

2.1.5.4. Political Theory

This theory introduces the idea of relying on getting the votes of the investors instead of acquiring voting right. Therefore, with politics affecting the economic entity, it will have an effect in shaping the corporate governance practices within it. In such cases, the interest of the public will be given higher priority as the government is involved in shaping the company's policy and is affecting its decisions in light of the needs of the public (Pound, 1983:237).

Generally, within the political theory application we find that company policy, income and incentives are distributed in accordance to the government's wish. Thus, this model drastically affects the application of corporate governance. In such cases, governments apply firm pressure on economic entities. That would even include the government's direct involvement in corporate governance rules and the company's performance (Hawley and Williams, 1996:206).

2.1.5.5. Social Contract Theory

Another approach to classify corporate governance practices found in previously conducted studies is the social contract theory. In this theory, society is viewed as a set of social contracts made among the individuals of the society and the society as well in some theoretical approaches, it is thought of social responsibility as a contract term between an economic entity and the society in which it conducts business (Gray, et al 1996:47).

(Donaldson 1983:31). Introduced a comprehensively detailed introduction to the theory of social contract to set the path for firms' management to take morally acceptable decisions. Their description covered both in the specific surrounding environment boundary and in the broader concept of supporting the local communities and the social responsibility towards them.

2.1.5.6. Legitimacy Theory

Legitimacy theory can be described as the expectation and realization that the decisions taken by the economic entity are required, right, and suitable in accordance with the social and cultural habits, beliefs, set of best practices and standards (Suchman 1995:571). Just like the social contract theory, the legitimacy theory describes corporate governance on the foundation of the existence of a social contract between the community and the economic entity. Since the company gets the license to perform its business within the community, the company is totally held accountable in front of the economy for the way it performs its business and the traces it leaves in the environment and what it can offer in return. For it is the community's space, resources and market that is utilized by the company to produce profit (Deegan 2002:312).

For the firm's goal should not only be financial profit, but it should be first to build a good reputation within the community by being proper and legitimate (Ramanathan, 1976:280). The legitimacy theory highlights the significance of public interest beyond just considering the rights of the shareholders. In such models, incompliance with the community rules can get the firm's business to face sanctions that can result into the firm losing its business or portions of the market. Most researchers emphasize on corporate governance's role in imposing strict financial disclosure procedure in financial reports to make sure the firm's practices are legitimate in accordance to the society's standards (Deegan 2002:312).

2.1.5.7. Resource Dependency Theory

This theory tackles the correlation of the economic entity and external resources in the business environment. According to this theory, the board of directors of the company play an essential role in securing such relations with outer resources required to keep the business running (Pfeffer. 1978:29). Therefore, the board of directors works to stabilize resource channels vital to the firm's survival. argues that such recourse links based governance participate in lowering the business tasks costs and contributes into reducing cost fluctuation by building a network of coexistent relations (Hillman et al. 2000:235).

Such dependent relations would get stronger based on the resource's significance to the firm's business, the scarcity of the resource in the market and its availability in the surrounding environment (Donaldson et al. 1991:49). For an essential part of management is reducing uncertainty by securing resources which include: data, knowledge, dealers, costumers, government lobbyists and cultural unions. All of which contribute into making the firm more legitimate and less uncertain (Gales et al. 1994). Therefore, it is considered that the expected outcome from linking the economic entity with outer resources is to reduce the costs to procuring the resources required to conduct the firm's business. Therefore, this approach encourages appointing directors on various boards to enlarge their relations network which in turn can secure firmer resource channels (Hillman et al. 2000:235).

2.2. THE QUALITY OF FINANCIAL REPORTS

2.2.1. The Concept of Quality of Financial Reporting

Corporations are often faced with a tough decision in terms of the quality of financial data disclosed in their public financial reports. Which balances the projected profits compared to the risked costs of revealing high-quality information. Reporting high-quality financial information is expected to decrease information vagueness between the corporation and its stockholders. In addition to minimizing organization costs. In light of these advantages, it would be expected for corporations to decide to offer the best quality of financial reporting possible. Regardless of some costs rising from releasing such info. So, one wanted presume to witness a corner solution wherever reports are issued in best quality (Beuselinck et. al. 2007:261).

However, in practice, this does not happen because of the costs accompanying disclosure. For example direct costs (nonproprietary), proprietary and litigation costs. Knowing the extent of such expenses, corporations would elect an internal solution to quality of financial reporting. Thus, while examining the elements that control a corporation's financial reporting tactic decision, the related costs must be reflected. Thus, we reach a profit model that illustrates the consequences of these factors and costs on other variables that cause more severe fluctuations in financial reporting quality (Abu-Hamam, 2009:56).

The extent of branded costs relays to the corporation's development chances. The extra pioneering an economy is and the extra severely it trusts on immaterial data, the extra a corporation must invest to keep its exclusive rank and snatch upcoming prospects. Knowing that such upcoming prospects are completely connected with proprietary costs, using growing, which is described as the present year's ratio change in trades, as a commission for upcoming prospects that the corporation is required to guard (Jurij et al., 2016:2).

It is presumed that it will be negatively related with the extent of upcoming cash flow expectation. It is known that standing competition in a corporation's merchandise market is related to proprietary costs. Competition thus affects a corporation's reporting disclosure strategy (Van Beest et al., 2009:3).

Nevertheless, forecasts related to the connection between merchandise market competition and disclosure are varied. Some approaches foresee that more competition within the merchandise markets leads to more disclosure (Darrough and Stoughton, 1990:219). Detecting an endogenous disclosure cost demonstrates that recent competitors might avoid upcoming admission by issuing more informative reports in more competitive businesses. Oppositely, detecting an exogenous cost of disclosure proposes that present competition in the merchandise market discourages disclosures. And it is foreseen that corporations offer less informative reports in a more competitive merchandise markets (Verrecchia, 1983:179).

2.2.2. Factors Affect to Quality Financial of Reports

The quality of financial reports is considered the main target which the companies are seeking to achieve. However, there are many factors which affect the process of producing and delivering information. As listed below (Bauwhede, 2001:3)

1. The materialistic factors: consists of all financial components such as the manual and automatic tools and instruments of accounting which are used in producing the financial information.
2. The human factors: consist of a group of people responsible for activating the accounting system and its components.
3. The financial factors: it includes all available funds for the system to do its tasks and duties.
4. The database: consists of a group of applied procedures and necessary data to operate the system and achieving goals.

2.2.3. Characteristics of the Quality of Financial Reports

2.2.3.1. Relevance

A financial report is considered relevant if it is able to make a difference in the process of decision making. For this difference to be real, a financial report must include either predictive insight or confirmatory insight or both. A financial report holds predictive insight if it is capable of predicting future conclusions. Which in turn gets employed by users with access to the reports for building their own predictions and understanding of the insights. On the other hand, a report holds confirmatory insight if it indicates a response to past assessments (McDaniel et al., 2002: 139).

Furthermore, the predictive and confirmatory insights of financial reports are interconnected. Countless decisions by the investors and creditors are made based on forecasts concerning the percentage and delay of the interest return on an equity investment or credit instrument. Thus, financial reporting is valuable since it is used to draw predictions about the expected outcomes of upcoming or current events based on past events insights. When such predictions are also confirmed by the current events, it indicates that the financial reports also have confirmatory insights. Confirmatory insights can be employed to confirm or correct previous decisions based on what has actually occurred (Hung et. al. 2007).

Closely connected to relevance, we find materiality as a characteristic of financial reporting. As per FASB's conceptual framework for financial reporting, information is material if concealing it or falsifying it might change decisions taken by the users of the financial reports. Therefore, materiality is an entity-specific characteristic (Jonas and Blanchet, 2000:353).

2.2.3.2. Faithful Representation and Reliability

FASB mentions that for it to be valuable, financial reporting not only need to present relevant insights, but it also must authentically present the phenomena which it purports to present. To be a flawlessly authentic illustration, data presented in a financial report has to be comprehensive, unbiased and errorless. A comprehensive report consists of all required information for its reader to comprehend a phenomenon being represented, containing all essential explanations, descriptions, and particulars. Additionally, to accomplish authentic illustration, an unbiased interpretation is obligatory (FASB, 2010).

Unbiased reporting does not mean including information with no drive or effect upon conduct. Oppositely, as it is already mentioned above, relevant reporting has to be able to influence the users' decisions. An unbiased representation is not falsified to change or deceive users into making wrong decisions (Andra, 2014:95).

Information has the characteristic of reliability when it does not contain material error and when it is neutral. And when it can be relayed upon by users to present authentic data which it either is obliged to show or could reasonably be expected to illustrate. Substance over form, detachment, practicality, and comprehensiveness are also features of authentic representation. Nevertheless, because IASB did not do well in defining reliability in a clear manner, it remains a confusing term, not fully comprehended by the users of financial reports (Kim et. al. 2011:585). Authentic representation is a phrase used also when attempting to describe the meaning of reliability. It is worth mentioning that previously IASB utilized the word reliability to refer to what is recently described as authentic representation. That is the reason behind IASB's seeking for an alternative word that would better illustrate the meaning. And thus the term authentic representation already introduce. The term authentic representation includes the essential features which in the past were considered as the characteristics of reliability (IASB, 2008).

While attempting to measure authentic representation, we fail to find certain methods in texts to quantify it in an experimental manner. However, we discover that relevance alone can be considered as a method for calculating authentic representation. Experimental calculation academics have collected substantial proof to back relevant and authentically represented financial reports by the use of relationship between variations in the prices of merchandise in the market and fairness or loans mechanisms. In addition to the essential quality features of financial reports, FASB’s context also highlights the augmenting quality features (Mbobo and Ekpo 2016:2).

2.2.3.3. Comparability

The decisions of financial reports users implicate selection among substitutes. Which is the reason behind financial reporting being valuable when they are capable of being crossed with comparable reports on other merchandise or on the same, from past terms of time. Comparability assists the users to distinguish and comprehend resemblances and variances in order to recognize patterns which they can use to make profitable decisions. The term comparability moreover states the method of comparing different businesses among each other to produce valuable Intel (Schipper, 2003:61).

Comparability’s quality is assessed by the use of items concerning to a consistent assessment of financial rules and regulations and comparing different companies. Consistency, despite being linked with comparability, does vary from it. Consistency deals with utilizing the same means of measurement on similar entities. Which can be achieved in two approaches: between a term and another for the same reported item or in the same term between a different numbers of economic units. (Braam and Beest,2013:11) Furthermore, comparability is what is desired to be achieved whilst consistency is merely the means to reach that goal. In addition, it is worth mentioning that comparability is different to uniformity, for to be capable of comparing entities, similar items must appear similar and unalike items must appear unalike (Van Beest et. al. 2009:14).

While a single financial event can be authentically represented in various methods, allowing substitute financial approaches for the same financial event weakens comparability. Comparability is unusable if the two essential features of relevance and authentic representation are not met for it is closely linked to them. For comparable data is not useable if it is missing relevance and it will be misleading if it is presented in an unauthentic manner. Thus, comparability is found to be an improving qualitative feature opposite of being an essential characteristic (Abu Hamam 2009:57).

2.2.3.4. Verifiability

Studies in economics and finance aspects define verifiability as the capability to confirm that the data embodies what it implicates to represent or that the selected approach of accounting is apply free of errors and unaffected by bias. Verifiability is aimed at reassuring users that the data authentically represents the truth of the situation (Andra, 2014:96).

In order to verify a set of information, one of two ways can be used, direct or indirect. Direct verification method involves confirming data by the use of direct approaches, such as monitoring, recalculation or quantifying. While indirect verification method adapts verifying the information presented by utilizing a formula, model or different procedures to recalculate the sums by following the same approaches followed or claimed to have been followed by the report issuer (Marzena, 2012:١١٦).

However, for some events and data there is no way to get them verified. What we referred to here is undescribed and indirect financial reports. In such events, to assist users in deciding whether to use data or not, it is usually essential to reveal the preliminary assumptions, the approaches used to compile the data and the influences and conditions that ought to exist for the data to be valid (Gadau, 2012:127).

2.2.3.5. Timeliness

Timeliness is defined as releasing the data and making it available in issued reports while it still has the capability to effect the decision making process. Normally, the older a set of information is, the fewer effect it will inflict on decisions. Nevertheless, in certain cases, data remains to be timely for a long time after they occurred. This is the case especially when users wish to recognize and evaluate patterns. In order to draw assumptions for the future built on events occurred in the past. Some discuss that timeliness can be considered as a feature of relevance. Several defendants highlight that timeliness cannot be a feature of relevance in the same way that predictive and confirmatory features are. Timeliness is necessary but is not as essential as relevance and authentic representation (Evi, 2013:18).

2.2.3.6. Understandability

In order for information to be understandable, a theoretical outline for financial reporting asserts that it has to be categorized, described and rendered plainly and briefly. While for certain businesses it can still be very complex, technical and cover numerous particulars and, still, be very fast. In such events, any obtainable data can assist the user to comprehend the business. The answer is not to eliminate such data from the financial reports to avoid confusing the user, rather it is to represent all the accessible particulars. It is expected that the user of the financial reports should have at minimum an elementary understanding of commerce and finance and a enthusiasm to learn the data with sensible attentiveness (Connolly and Dhanani, 2009:5).

In regards to understandability, we find certain estimations according to which no new financial approach should be applied except if the user holds the knowledge required to comprehend it. Which indicates that despite whether or not the approach will add a reliable value, while the user is confirmed not to have the required knowledge, it should not be employed (Rowena, 2010:42).

Ensuing in this manner, it indicates that understandability is more significant than relevance. Yet we must always consider that relevance is an essential feature of financial reporting, whereas understandability is an improving one. Data that is hard to comprehend must be described and clarified as evidently as applicable. In case users do not fully comprehend the data in the financial reports, they must pursue the guidance of consultants and specialists in the business sector, so that they comprehend all the complicated business transactions and procedures (Akinyemi, 2012:20).

2.3. THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND QUALITY OF FINANCIAL REPORTING

The proper application of effective corporate governance is a main to reaching the financial quality reporting and the accuracy and the information resulting from it. For it is considered the elementary standards of governance by highlighting the correctness and objectiveness of reports of financial. In addition to abiding by the laws and legislations. Thus there is a tight relationship among the program of the rules of corporate governance and accounting data in the financial reports. And the direct impact of the application of corporate governance rules is to restore confidence in financial reports. Which confirms that transparency and disclosure, and the phenomenon of corporate governance are two faces of the same coin. Each one of them affects the other and is affected by it (Klai and Omri, 2011:158).

The comprehensive application of the standards of financial reporting would be the best tool for measuring the extent of expected effects of risks from various sizes. Such as risk for liquidity, market, interest, rate, exchange rates and business management. As well as its role in the forecasting process which is considered for the analysis of investment decision in the stock market. Which relies on a base theory that that all securities have real value that can be accessed through financial reporting. This is achieved by studying accounting earnings, the rate of distributions, growth rate, and some accounting ratios. And financial reporting affects the investor’s decisions by providing them with information about companies that compromise their shares in the market of financial. This is followed already building sale decision or purchase in command to rationalize and support that decision (Khalil, 2003:59).

The best important motive for the application of governance procedures for companies and financial markets is to maintain the sureness of the dealers such as investors, shareholders and companies’ management in these markets. In order to avoid exposure to collapses or failures due to lack of data and financial reports inaccuracy, lack of transparency and accountability. Therefore, the accuracy and objectivity of financial reporting in addition to a commitment to regulations and laws, supplied by the state and specialized and associations of professional, have a clear effect to activate the market of stock and increase trading (Cohen et. al. 2004:15).

2.4. Effects of Governance Rules on the Quality of Financial Reporting

The application of a strong system for good financial reporting quality promotes real transparency of listed companies in the market. It is considered a key to the capability of shareholders to exercise rights of their property in the proper way. Experience shows that the good accounting quality information stated in the reports of financial is a controlling tool to check on the performance of companies and protecting the investor’s rights. Where the system can adequately disclose information that arrives in a timely manner for them. Which contributes to attracting to maintain sureness in the markets of capital. In compare, the weakness or lacking accounting information, delay in making it available to shareholders and non-transparent performs fund to unethical performance and in reducing the level of transparency and market integrity (Kelton and Yang 2008:14).

The importance of financial quality reporting appears mostly when an increasing need for funding arises in the company. The financial quality reporting is a requirement for the establishment of capital markets. Often we have professional bodies or semi-governmental authorities overseeing those markets. Which obliges registered companies in the financial market to survey the procedures, basic laws, rules and practices determined by the profession. Consequently, gaining published financial reports credibility, quality, and usability to all their users (Hanan, 2003:150).

As the financial market acting a main part in economic development, the financial quality reporting is a necessary requirement in order to reflect the real situation of companies in that market. This includes their compliance by the regulations and laws imposed by the responsible establishments in order to ensure the proper management in a scientific manner. Which leads to protect the funds invested by the shareholders and provide transparent information for all parties involved. All while, a good financial report provides a tool for judging the performance of the board and company management and hold them accountable. Thus the companies' abidance to apply corporate governance principles leads to raising the quality of financial reports (Sloan, 2001:335).

2.5. PREVIOUS STUDIES

Akeju and Babatunde (2017) found that corporate governance improves the quality of financial reports in Nigeria. Babatunde and Akeju applied multiple regression analysis to reach that conclusion. A sample consistng of 40 listed corporations in the Nigerian stock exchange market was examined and tested against their hypotheses.

Similarly, Nuraini (2015) proved that the application of internal corporate governance rules raise the transparency, accountability and improve the timeliness of financial reports in Indonesia. Nuraini employed descriptive analysis and path analysis methods to reach this convulsion. The data was tested against the hypothesis through Lisrel 8.70 software. Also, Rahman et al. (2016) investigates the relation between corporate governance code application in Japan and enhancing the quality of financial reporting in Japan. And according to an investigation into the relation between corporate governance and financial reports quality in the United States by Myring and Shortridge (2010), mixed proof was discovered emphasizing that the firm application of corporate governance rules affects the level of disclosure quality in the financial reports. It is worth mentioning that they utilized ranked regression analysis to reach this conclusion.

Also, Klai and Omri (2011) suggest in their paper that the corporate governance mechanisms affect the quality of financial reporting in Tunisia. They employed multiple regression models to support their study results. Moreover, “one of the desirable properties of corporate governance is to improve financial reporting quality for facilitating efficient resource allocation decisions by corporate managers” Habib and Jiang (2015). Their paper employs a study of observed archival literature in regards to corporate governance effects on the financial quality reports in China. It is worth mentioning that due to the dominance of state control over corporations in China, these findings might not be very reliable to other markets.

Furthermore, Razali and Arshad (2014) study the effects of corporate governance applications on the chance of publishing false information in financial reports. For this purpose they employ an analysis method combining Beneish M-score model and Altman’s Z-score model. They study the yearly reports of 227 public companies in Malaysia for the years 2010-2011. They found that firm corporate governance structures diminish the chance of financial reports representing fake information. Thus they conclude that strong corporate governance practices result in more credible and valid financial reporting.

Also, Abu-Risheh and Al-Sa'eed (2012), examine the relationship between firm corporate governance structures and financial reporting quality of listed companies in Jordan. For this study they utilize correlation analysis to test the variables dependency through 160 questionnaires distributed to external auditors. They found accordingly a significant relation between financial reporting quality and corporate governance structures such as directors’ board’s transparency and independence and independent auditors.

Similarly, Fathi (2013), examines the relations between the corporate governance system and the quality of financial reporting for a sample of listed companies in France. For the purpose of comparison, Fathi quantifies the financial reporting quality by discretionary accruals while corporate governance system is measured by the global index. In accordance it is found that corporate governance extent of application and financial reporting quality are positively related.

Also, Abu-Hamam (2009), studies the effects of corporate governance application on the quality of financial reports in Palestine. For this purpose, the researcher distributed a questionnaire to 150 member of the boards of directors of the companies in the study sample. Though adapting analytical descriptive method, Abu-Hamam found the application of corporate governance to greatly improve the quality of financial reports.

Relatedly in a market close to my case study Iraq both geographically and culturally like Jordan, it is found by (Al Sufy and Almbaideen ,2013), that having a firm implementation of corporate governance principles would indeed impact the quality of financial reporting via increasing reporting accuracy and thus improving the value of the financial reports. It is worth mentioning that Al Sufy and Almbaideen utilized the descriptive analytical method in their study by driving the results through SPSS for data analysis and hypotheses testing. In regards to the reliability the researchers reported that the case study was existing to the Committee on Arbitration of Isra University professors have Oharo to some observations in the case study Vtm introduce, amended and formerly Atmadhzh study on a group of industrial companies and the number of $5 companies Vtm the adoption of such a study" Al Sufy and Almbaideen (2013). However, multivariate regression model was adopted by Gois (2014) to examine the implications of corporate governance application on the quality of financial reports in companies in Portugal. In this study the researcher uncover that modifications in the board of directors members does not affect reporting quality in the sample examined.

On the other hand, Norwani and Mohamad (2011), argue that failure in corporate governance parts leads to failure in reporting of financial. Thus such failure will decrease financial reports quality and reliability. Norwani and Mohamad examine multiple case studies of companies in Malaysia to support their theory. Relying on international companies with public records as real life case studies did provide a reliable and trustworthy findings for this study. Also Obona and Ebimobowei (2012) argue that for a stakeholder, taking a financial decision is built upon the issued financial reports. Thus, it is important that such reports are issued based on standard and ethical qualities to enable all the stakeholders to comprehend them and trust in them. Also, (Adegbie and Fofah, 2016) examined the relations between ethics, corporate governance practices and quality of financial reporting in the banks in Nigeria through the use of variance analysis (ANOVA). It was found as a result of the study that firm corporate governance applications lead to adopting more ethical practices which in turn leads to issuing better quality financial reports.

However, also in a country neighbor to Iraq, (Chalaki et al,2012) suggest contrarily that aspects of corporate governance such as ownership board size, independence, board concentration and institutional ownership do not have any result on the financial quality reporting. Chalaki and Didar used historical data thus it is a post facto research. The data collected was tested against their theories using SPSS and EViews software. The research findings, in my opinion, are not very reliable since old data has been used as reported by the researcher.

In an investigation by Kantudu and Samaila (2015), they examine the relations among the properties of the board of directors, independency of auditors and the quality of financial reports in Nigerian oil companies. They employ multiple regression analyzing method. The research concludes that the separation of power, directors' independency, auditors' independency and manager shareholders have an effect on the quality of financial reporting in the study sample.

Finally, a sample of Nigerian manufacturing firms is analyzed via correlation with pooled balance panel data by Hassan and Bello (2013) against company characteristics and the quality of financial reports. The study uncovers a tight positive connection between company characteristics and the quality of financial reporting in the study sample. In addition, it finds that revenue and directors' independency are positively connected to revenue quality while a reverse connection is detected between liquidity and the quality of financial reports in Nigerian manufacturing firms.

SECTION THREE
METHODOLOGY

3.1. STUDY DESIGN

The present study design to inspect the impact of corporate governance on the quality of financial reports: an evidence from Iraq. Therefore, the study establish correlational study design as it follow to define and establish the relations between the study variables and their components. Specifically, corporate governance and financial quality reports. The design is more applicable as it certifying respondents to give their relate data and information on the issue of importance to the study. This is done through survey questionnaire-scale which design on data collection method.

3.2. STUDY SAMPLE

The population for this study involve Iraqi private companies across the country are 30 companies in various industries. Thus, the private companies are select to the population of the study as the company's directors are possible to be well-inform on corporate governance and the financial quality reports. As they have knowledge on this current practice. Iraqi companies are the precisely target population size, this study pursues to explore their director's attitudes and thoughts on their good governance practice. Hence they can afford the data and information require to support the study purpose and answer its questions, and these two reasons substantiate the selection of the population of the study. Thus, 120 board of directors' members and medium executive administration managers contribute through answering back to the questionnaire statements which are distribute via the internet and self-administer. The directors and medium executive administration willingly accept the incitement to participate in the study. Accordingly, the responses rate is 90.83 percent. However, 11 responses out of the paper questionnaire are invalid and exclude from the sample. Therefore, the overall valid questionnaires are 109 which forms the sample of the study.

3.3. DATA COLLECTION INSTRUMENT

The study use questionnaire as a data gathering method and to measure the main variables in the study and to gather data from the sample population. The study select the questionnaire scale as a method for gathering data because of its relevance for the study approach and design and for the possible benefits it provides. Thus, the questionnaire separate to three sections. Each section of the questionnaire contain questions that could measure the variables definite in the questions and hypotheses of the study, as given in Table 3.1 and see the appendix 1 which illustrates the questionnaire form.

Table 3.1: The Questionnaire Structure

Major Variables	Sub- Variables Components	No of Statements	Scale Symbol	Sources
First: Demographical data	Age, Education qualification, and Level in Management	3		By Researcher
Second: Corporate Governance	Fairness and Equity Transparency Responsibility and Accountability Independence	6 7 7 6	X1-X6 X7-X13 X14-X20 X21-X26	Amar Gill (2001).
Third: Quality of Financial Reports	Sixteen Statements	16	Y1-Y16	Ferdy et al. (2009)

Source**:** Amar Gill (2001). Corporate governance in emerging markets. Class Emerging Market.pp:202

Source**:** Ferdy,Geert & Suzanne, 2009:The quality of Financial Reporting measuring qualitative characteristic.(http://www.ru.nl/economie/onderzoek/nice-working-papers).pp:36

3.4. SCALES

The questionnaire in the survey requires three sections. First, the demographic variable which includes age, genders, function … etc. Second, it is a corporate governance divide to the four parts Fairness and Equity, Transparency, Independence, Responsibility and Accountability which has 26 items that are modify from the factor questionnaires (Amar Gill, 2001:202). However the third variable scales is quality of finance report which has 16 items that are modify from the factor questionnaires for (Ferdy, Geert et al 2009:36). The items in the second and third sections are measure by using a 5-point of Likert **scale** ranging from “strongly disagree” 1 to “strongly agree” 5.

3.5. RELIABILITY AND VALIDITY

As summarize in Table 3.2 the questionnaire reliability check to assure the quality of the create data. the purpose of the study, Cronbach's Alpha tests the steadiness of the scale, which show how well the items measuring, and its score for the corporate governance modules are 0.931, 0.936, 0.954 and 0.934 respectively, then financial quality reports exist 0.982, which show a high level of internal constancy in the entire set of items of the questionnaire. Therefore, the questionnaire use to accumulate could be consider highly reliable.

Table 3.2: Reliability Statistics

Variables	Cronbach's Alpha	No. of Items	N
Fairness and Equity	**0.931**	6	109
Transparency	**0.936**	7	109
Responsibility and Accountability	**0.954**	7	109
Independence	**0.934**	7	109
Quality of Financial Reports	**0.982**	16	109

The validity of the scale is to check and conclude a multiplicity of behaviors. First of all, it is worth revealing that nearly all of the things in survey scale are adapt from similar studies that already validity check. Since some of the items are change or efficient the researcher. We check the validity of the questionnaire scale and conclude making it check and assess by specialists which are call content or face validity.

3.6. DATA ANALYSIS

Parametric statistical techniques exist to test the study hypotheses. The descriptive statistics stay use quantitatively describe the imperative features of the variables by mean, standard deviations and t-tests. Also, the correlation analysis exist charity to recognize the relations among the dependent and independent variables using spearman correlation analysis. Correlation analysis illustrates just the degree of relations among variables and does not certificate the researcher to make fundamental inferences as regards the relations among variables. Thus, Factor analysis and multiple linear progression analysis are also use to test hypothesis and to explain the relations among corporate governance variables and financial quality reports measures by observing the effect of some selection of variables. SPSS V-24 software is used to analysis and the effects are present using Tables.

3.7. ANALYSIS AND FINDING

This aims of this parts are to illustrate a descriptive statistics for the demographic data gathered from the respondent's Iraqi private companies' leaders across the country. The demographic data comprises of frequency distributions. Then at the second section statistical results from the data analysis are presented through testing descriptive statistics, factor analysis, and correlation and regression analyses.

3.7.1. DESCRIPTVE STATISTICS

The demographic data elaborate in the study are explore and collects to deliver a solid demonstration of the sample in the study. The following demographic data was collect: level in management from Iraqi private companies' leaders. Education Qualification and Age

As summarize in Table 3.3 the frequency of participant's ages, 33.9% or 37 individuals are age between 41-50 years old, while 29.4% or 32 individuals are age 30-40 years old; besides 19.3% age 51 and above years; however 17.% or 19 individuals of the total sample are age below 30 years.

Table 3.3: Frequency Table for Age Groups

		Frequency	Percent
Valid	**Below 30 years**	**19**	**17.4**
	30-40	**32**	**29.4**
	41-50	**37**	**33.9**
	51 and above	**21**	**19.3**
	Total	**109**	**100.0**

As given in a Table 3.4 the frequency of the respondents allowing to their education qualification, it is show that of the total respondents: 42.2 % or 46 companies' leaders are Bachelor Degree holders; while 36.7 % or 40 individuals of the respondents of Master Degree holders. Besides, 21.1 % or 23 leaders of Ph.D. holders

Table 3.4: Frequency Table for Education Qualification

		Frequency	Percent
Valid	**Bachelor**	**46**	**42.2**
	Master Degree	**40**	**36.7**
	Ph.D.	**23**	**21.1**
	Total	**109**	**100.0**

As indicate in Table 3.5 utmost the private companies' leaders who donate in the survey are in Medium Executive Administration level of companies' management at a rate of 67.9% and minimum of them are Board of Directors members, and at a rate of 32.1% or 35 directors.

Table 3.5: Frequency for level in Management

		Frequency	Percent
Valid	**Board of Directors**	**35**	**32.1**
	Medium Executive Administration	**74**	**67.9**
	Total	**109**	**100.0**

This section analysis the propose of hypothesis, therefore these prove on contributors answer are enquire to rate the importance of the corporate governance components Transparency, Independence, Fairness and Equity, Responsibility and Accountability and financial quality reports on five- point Likert Scale. Accordingly, descriptive statistics is use to quantitatively style the imperative features of the variables using mean, standard deviations.

3.7.1.1. Description Statistics of the Corporate Governance

As summarize in Table 3.6 the descriptive statistics mean and standard deviation for the fairness and equity are 4.082 and 0.829 respectively. So, 81.6% of the overall responses identify that fairness and equity important, although 18.4% specify that this component wasn't imperative. The result also indicates that X_5 riches this component "the head of Investor relationships report to either the CEO or board members." Where M=4.16 and SD= 0.935. Besides the smallest frequent compare to others is X_2"voting methods easily accessible." M= 4.03, and SD= 0.976.

Table 3.6: Analysis Result of the Fairness and Equity n=109

No. of items	Explanation of items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Rate of Agree
		1	2	3	4	5			
X1	All equity holders have the right to call general meetings	**5**	**3**	**8**	**52**	**41**	**4.11**	**.985**	**82.2**
X2	The voting methods easily accessible.	**2**	**6**	**20**	**40**	**41**	**4.03**	**.976**	**80.6**
X3	The necessary information for general meetings made available prior to the general meeting.	**3**	**4**	**14**	**52**	**36**	**4.05**	**.927**	**81.0**
X4	Senior management is unquestionably seen as trying to ensure fair value is reflected in the market price of the stock.	**2**	**4**	**22**	**34**	**47**	**4.10**	**.971**	**82.0**
X5	The head of Investor relations reports to either the CEO or a board of director members.	**2**	**4**	**16**	**40**	**47**	**4.16**	**.935**	**83.2**
X6	There has been no questions or perceived controversy over whether the company has issued depositary receipts that benefited primarily major shareholders.	**3**	**4**	**19**	**41**	**42**	**4.06**	**.980**	**81.2**
	Overall Component						**4.08**	**.8291**	**81.6%**

$$^{*}\textbf{Rate of agreement} = \frac{\textbf{\textit{Mean*100}}}{\textbf{\textit{5 (Five- point Likert Scale)}}}$$

As it is present in Table 3.7 the mean and standard deviation score are 4.03 and 0.857 respectively, although 80.6% of the total responses state that companies' transparency important, however, 19.4% disagree. The result appearances that X_9 riches this component "the company publicizes semiannual reports within two months of the end of the half year." M= 4.10, SD= 0.932, then the lowermost frequent is X_8 "the company publishes its Annual Report within four months of the end of the financial year." M= 3.98, SD=1.036.

Table 3.7: Description Analysis Result of the Transparency

No. of items	Explanation of items	Strongly 1	Disagree 2	Neutral 3	Agree 4	Strongly. 5	Mean	Std. Deviation	Rate of Agree
X7	The company publishes its annual report within four months of the end of the financial year.	**6**	**3**	**14**	**44**	**42**	**4.04**	**1.062**	**80.8**
X8	The company publishes/announce semi annual reports within two months of the end of the half year.	**4**	**6**	**17**	**43**	**39**	**3.98**	**1.036**	**79.6**
X9	The company publishes/announce quarterly reports within two months of the end of the quarter.	**2**	**6**	**12**	**48**	**41**	**4.10**	**.932**	**82**
X10	The reports clear and informative.	**2**	**5**	**20**	**38**	**44**	**4.07**	**.969**	**81.4**
X11	The company consistently disclose major and market sensitive information punctually.	**5**	**5**	**15**	**45**	**39**	**3.99**	**1.050**	**79.8**
X12	The analysts have worthy access to senior management.	**3**	**4**	**20**	**46**	**36**	**3.99**	**.957**	**79.8**
X13	The company has an English language website where results and other announcements are updated promptly.	**3**	**6**	**20**	**34**	**46**	**4.05**	**1.040**	**81**
	Overall Component						**4.03**	**.8572**	**80.6%**

n=109

It performs from the Table 3.8 the mean and standard deviation scores for governance responsibility and accountability are 4.05 and 0.891 respectively, that mean 81% of the total answers state that responsibility and accountability important, besides 19% of the sample didn't agree. Successively, the result show that X_{14} "there controversy or questions over whether the board and/or senior management take measures to safeguard the interests of all and not just the dominant shareholders." riches this component. Then the lowest frequent is X_{17} "board members and members of the executive management committee substantially different such that the Board is clearly seen to be playing a primarily supervisory as oppose to an executive role." M= 3.96, SD=1.009.

Table 3.8: Description Analysis Result of Responsibility and Accountability

No. of items	Explanation of items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Rate of Agree
		1	2	3	4	5			
X14	The company has a known record of taking effective measures in the event of mismanagement.	**4**	**3**	**8**	**52**	**42**	**4.15**	**.941**	**83.0**
X15	There are controversy or questions over whether the Board and or senior management take measures to safeguard the interests of all and not just the dominant shareholders.	**4**	**4**	**16**	**39**	**46**	**4.09**	**1.023**	**81.8**
X16	There are mechanisms to allow retribution of the executive management committee in the event of mismanagement as far as the analyst can tell for certain.	**5**	**4**	**14**	**49**	**37**	**4.00**	**1.018**	**80**
X17	The board members and members of the executive management committee substantially different such that the Board is clearly seen to be playing a primarily supervisory as opposed to an executive role.	**4**	**5**	**18**	**46**	**36**	**3.96**	**1.009**	**79.2**
X18	There are foreign nationals on the Board who are seen as providing added credibility of the Board's independence.	**3**	**7**	**20**	**39**	**40**	**3.97**	**1.032**	**79.4**
X19	The audit committee nominates and conducts a proper review of the work of external auditors.	**5**	**2**	**17**	**39**	**46**	**4.09**	**1.032**	**81.8**
X20	The audit committee supervises internal audit and accounting procedures.	**4**	**3**	**15**	**40**	**47**	**4.13**	**1.001**	**82.6**
	Overall Component						**4.056**	**.8910**	**81%**

n=109

From Table 3.9 the mean and standard deviation scores for corporate governance independence 4.01, and 0.862 respectively, although 80.2% of the total responses state that governance independence important. Moreover, the result reveal that X_{24} riches this component "company have a nominating committee and its chair by apperceive genuine independent director." then the lowest frequent compare to others is X_{23} "The company have an audit committee and its chair by a perceive genuine independent director.” M= 3.92, SD=0.983.

Table 3.9: Data Analysis Result of the Independence

No. of items	Explanation of items	Strongly	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation	Rate of Agree
		1	2	3	4	5			
X21	The Company’s Chairman an independent, nonexecutive director.	**3**	**6**	**15**	**47**	**38**	**4.02**	**.981**	**80.4**
X22	The company has an executive or management committee that makes most of the executive decisions.	**2**	**6**	**11**	**51**	**39**	**4.09**	**.918**	**81.8**
X23	The company has an audit committee and chaired by a perceived genuine independent director.	**4**	**4**	**21**	**48**	**32**	**3.92**	**.983**	**78.4**
X24	The company has a nominating committee and chaired by a perceived genuine independent director.	**3**	**5**	**12**	**46**	**43**	**4.11**	**.966**	**82.2**
X25	The external auditors of the company in other aspects seem to be completely unrelated to the company.	**4**	**5**	**21**	**37**	**42**	**3.99**	**1.050**	**79.8**
X26	The board includes no direct representatives of banks and other large creditors of the company.	**5**	**5**	**19**	**42**	**38**	**3.94**	**1.061**	**78.8**
	Overall Component						**4.012**	**.8623**	**80.2 %**

3.7.1.2. Data Analysis of the Quality of Financial Reports

As it is reveal in Table 3.10 the mean and standard deviation scores for quality of financial reports are 4.022, and 0.906 respectively, while 80.4% of the total responses identify that quality of financial reports important, but 19.6% of the sample did not agree. Thus, according to description analysis scores we can see that the most significant private companies’ quality of financial reports are; first the Y_9 “the annual report is present in a well-organize manner.” as 82.8% of the participants indicate that it is important; Second Y_{16} and Y_{10} “The auditor signed the auditors’ report soon after book year end.” And “the notes to the balance sheet and the income statement are sufficiently clear.” As a rate of 81.6% and 81.4% respectively, of the participants, indicate that both are important. Consequently, the lowest is Y_{12} “The notes to changes in accounting policies explain the implications of the change”. Furthermore, the bellow Tables indicate the descriptive analysis. The answers on corporate governance components namely; fairness and equity, transparency, responsibility, and accountability, and independence. Hence, it means that all the components of corporate governance significant and will impact on quality of financial reports of the Iraqi private companies. Accordingly, the variable of fairness and equity, and transparency respectively are the most significant factor stimulating to impact on quality of financial reports with rates of 81.6% and 81% respectively agreement on both. On the other hand, independence is the least important factor with a rate of 80.2% agreement.

Table 3.10: Data Analysis Result of the Quality of Financial Reports

No. of items	Explanation of items	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5	Mean	Std. Deviation	Rate of Agree
Y1	The presence of the forward looking statement help forming expectations and predictions concerning the future of the company.	**5**	**2**	**15**	**47**	**40**	**4.06**	**.998**	**81.2**
Y2	The presence of non-financial information in terms of business opportunities and risks complement the financial information.	**4**	**4**	**22**	**37**	**42**	**4.00**	**1.036**	**80**
Y3	The company uses fair value instead of historical cost.	**4**	**3**	**20**	**47**	**35**	**3.97**	**.976**	**79.4**
Y4	The reported results provide feedback to users of the annual report as to how various market events and significant transactions affected the company.	**3**	**5**	**17**	**45**	**39**	**4.03**	**.976**	**80.6**
Y5	Valid arguments are provided to support the decision for certain assumptions and estimates in the annual report.	**4**	**4**	**18**	**43**	**40**	**4.02**	**1.009**	**80.4**
Y6	The company based its choice for certain accounting principles on valid arguments.	**4**	**6**	**14**	**46**	**40**	**4.02**	**1.027**	**80.4**
Y7	The company, in the discussion of the annual results, highlight the positive events as well as the negative events.	**5**	**3**	**21**	**43**	**37**	**3.95**	**1.031**	**79**
Y8	The company provides information on corporate governance.	**4**	**5**	**19**	**40**	**41**	**4.00**	**1.036**	**80**
Y9	The annual report is presented in a well-organized manner.	**3**	**4**	**15**	**40**	**47**	**4.14**	**.976**	**82.8**
Y10	The notes to the balance sheet and the income statement are sufficiently clear.	**4**	**5**	**16**	**38**	**46**	**4.07**	**1.043**	**81.4**
Y11	The presence of graphs and Tables clarifies the presented information.	**4**	**3**	**17**	**45**	**40**	**4.05**	**.985**	**81**
Y12	The notes to changes in accounting policies explain the implications of the change.	**5**	**5**	**20**	**44**	**35**	**3.91**	**1.050**	**78.2**
Y13	The company provides a comparison of the results of current accounting period with previous accounting periods.	**4**	**5**	**19**	**37**	**44**	**4.03**	**1.049**	**80.6**
Y14	The information in the annual report is comparable to information provided by other organizations.	**5**	**4**	**19**	**35**	**46**	**4.04**	**1.079**	**80.8**
Y15	The company presents financial index numbers and ratios in the annual report.	**3**	**8**	**16**	**40**	**42**	**4.01**	**1.041**	**80.2**
Y16	The auditor signed the auditors' report soon after book year end.	**4**	**2**	**20**	**38**	**45**	**4.08**	**1.001**	**81.6**
	Overall Component						**4.022**	**.9064**	**80.4%**

3.7.2. Correlation Analysis

As summarize in Table 3.11 the correlation matrix clarifies that the corporate governance is definitely correlate with financial quality reports, r= 0.936; p< 0.05 Accordingly, the same Table explains that equity and fairness, accountability, independence, transparency and responsibility as components of corporate governance through r= 0.924, 0.906, 0.915 and 0.917 respectively, have tough positive correlations with financial quality reports at the p-value of 0.000, 0.000, 0.000 and 0.000 respectively, which they are p<0.05 Further, the Table shows that fairness and equity reached the highest positive correlation with financial quality reports. On the other hand, transparency has the weakest correlation with financial quality reports. Therefore, **the hypotheses H_1, $H_{1.1}$, $H_{1.2}$, $H_{1.3}$ *and* $H_{1.4}$ could be accept.**

Table 3.11: Spearman Correlation Analysis between Corporate Governance and its Components and Quality of Financial Reports

Variables		**Fairness and Equity**	**Transparency**	**Responsibility and Accountability**	**Independence**	**Corporate Governance**
Quality of Financial Reports	Correlation Coefficient	**.924****	**.906****	**.915****	**.917****	**.936****
	Sig. (2-tailed)	**.000**	**.000**	**.000**	**.000**	**.000**
	N	**109**	**109**	**109**	**109**	**109**

**. Correlation is significant at the 0.01 level 2-tailed.

3.7.3. Regression Analysis

As indicate in Table 3.12 this study handle a simple linear regression in order to explore and find the impact of the corporate governance includes; fairness and equity, transparency, responsibility and accountability, and independence on the financial of quality reports.

The focus on four components of corporate governance and they represent 0.881, 0.857, 0.881, and 0.907 respectively, of the financial quality reports as describe by the R Square. Therefore, this states that fairness and equity, transparency, responsibility and accountability, and independence interpretations for 88.1%, 85.7%, 88.1%, and 90.7% respectively and overall 88.1% of the quality of financial reports of Iraqi private companies, as show in the Table below.

Table 3.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.938[a]	**.881**	.879	.31468
2	.926[b]	**.857**	.855	.34482
3	.938[c]	**.881**	.879	.31468
4	.953[d]	**.907**	.906	.27720

a. Predictors: (Constant), Fairness and Equity, b. Transparency, c. Responsibility and Accountability

Due the high correlation between variables i use sample regression between each components of corporate governance on the quality of faïence report to show the coefficients for each comports. As the results presented in Table 3.13 clarifies that statically there are a significant impacts of each components of the corporate governance as fairness and equity, transparency, responsibility and accountability, and independence on the quality of financial reports, as defined over an extent of 0.939, 0.926, 0.938 and 0.953 respectively, high correlation in Independence and the lower one was Transparency between components of corporate governance. And the amount of p-values 0.000, 0.000 and 0.000 respectively.

Besides, the t-test =28.199; $p<0.05$ for fairness and equity as independent variable, it means significant and support the results, so, the t= 25.285, 28.092, and 32.371 respectively, for other three components, and $p<0.05$ for all components. Then the hypotheses H_2 can be proven.

Table 3.13: Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-.167	.152		1.102	.273		
	Fairness and Equity	1.026	.036	.939	28.199	.000	1.000	1.000

a. Dependent Variable: Quality of Financial Reports

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	.077	.160		.485	.629		
	Transparency	.979	.039	.926	25.285	.000	1.000	1.000

a. Dependent Variable: Quality of Financial Reports

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.154	.141		1.096	.276		
	Responsibility and Accountability	.954	.034	.938	28.092	.000	1.000	1.000

a. Dependent Variable: Quality of Financial Reports

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-.009	.127		-.074	.941		
	Independence	1.001	.031	.953	32.371	.000	1.000	1.000

a. Dependent Variable: Quality of Financial Reports

3.7.4. Results of Hypotheses

As displayed in the Table 3.14 the results of investigate model impact of the corporate governance on the financial quality reports of Iraqi private companies through the country and it's propose hypotheses which all the hypotheses exist accept.

Table 3.14: Results of Hypotheses

	Hypotheses		Results
H_1	There is a positive correlation between corporate governance and the quality of financial reports of the Iraqi private companies across the country.	**R=0.936** And Sig ($p<0.05$)**	**Accepted**
$H_{1.a}$	There is a positive relation between fairness and equity on one hand and the quality of financial reports in the Iraqi private companies on the other.	**R=0.924** And Sig ($p<0.05$)**	**Accepted**
$H_{1.b}$	There is a positive relation between transparency and the quality of financial reports of the Iraqi private companies.	**R=0.906** And Sig ($p<0.05$)**	**Accepted**
$H_{1.c}$	There is a positive relation between responsibility and accountability on one hand and the quality of financial reports of the Iraqi private companies on the other.	**R=0.915** And Sig ($p<0.05$)**	**Accepted**
$H_{1.d}$	There is a positive relation between independence and quality on one hand and the quality of financial reports of the Iraqi private companies on the other.	**R=0.917** And Sig ($p<0.05$)**	**Accepted**
H_2	There is a statistically significant impact of corporate governance on the quality of financial reports of the Iraqi private companies across the country.	**R Square= 88.1% model accept. F-test (817.88; $p<0.05$) of significance. Impacts analysis (0.939) t-test=(28.199; $p<0.05$)**	**Accepted**

CONCLUSIONS AND RECOMANDATION

The purposes of the study are to inspect the impact of corporate governance on the quality of financial reports of Iraqi private companies across the country. Hence, the thesis tests the relations between corporate governance and the quality of financial reports through taking indication from selected Iraqi private companies.

In accordance to the results, it is obvious that corporate governance has a significant impact on the dependent variable the quality of financial reports of Iraqi private companies across the country. The financial reports quality is measured by the timeliness, understandability, comparability and verifiability which adds up to the effectiveness of the information and confirms that it is relevant and faithfully characterized.

Therefore, the results' expressive statistics reveal that the independent variable corporate governance and its components verify a higher important. These significant components are classified as fairness and equity, responsibility and accountability, transparency and independence respectively. This reflects the significance of fairness and equity in providing the best quality of financial reports to beneficiaries. Which in turn increases the capital via attracting more foreign and local investors.

The study also discovers an encouragingly significant relation between corporate governance components namely; fairness and equity, transparency, responsibility and accountability, and independence on one hand and the quality of financial reports of Iraqi private companies across the country on the other. Fairness and equity achieve the strongest positive correlation with the quality of financial reports. Whereas transparency score the weakest correlation with the quality of financial reports among the variables.

Furthermore, the regression results exemplify that statistically, all corporate governance components have strong and statistically significant impact on the financial reports quality.

Therefore, the conclusions indicate that indeed, corporate governance components play a dynamic impact on the financial reports quality.

The implication of the present study contains the distribution of the environment of the correlation between corporate governance and quality of financial reports of Iraqi private companies. Besides, employing and increasing them to achieve high quality of financial reports.

Accordingly, this evidence can further the understanding of companies and financial establishments of corporate governance and its relations to the quality of financial reports in the wide context of Iraqi corporations. Furthermore, this study participates to corporate governance literature in emerging countries, specifically a country like Iraq.

The purpose of the research is to identify the applicability of the impact of corporate governance in the quality of financial reports in Iraqi private companies because of the fact that it is new relatively to other countries, where we conclude unexpected results in terms of the extent of the desire of companies to apply it in their work to reduce corruption and avoid the collapse of their companies .This is the reason to choosing the hypotheses which generally cover all aspects of the subject. This led to creating a questionnaire to analyze and know the opinion of those working in the study scope.

The researcher recommends that it is necessary for Iraqi private companies across the country to have sustainable and stable application of corporate governance rules which will certify to the shareholders that their resources are observed and will have a prospective return.

Iraqi private companies across the country should adapt and apply fairness and equity, responsibility and accountability based on their significant impacts on the quality of financial reports.

However, it is required to have more practices of each of transparency, responsibility and accountability, and Independence, through nominating a committee chair by apperceive genuine independent director.

Thus, Iraqi private companies should improve corporate governance policies for the group of independent board members. They should also establish and maintain and improve relations with the stakeholders. And they must create unitary models of council system in accordance with present lawful provision.

It is necessary to ensure that the Iraqi private companies across the country have necessary transparency and accountability. Hence, in order to invest encouraging relations between transparency and accountability on one hand and the quality of financial reports on the other.

The study recommends that the Iraqi private companies across the country should develop teaching programs for their board of administration as well as for the board of directors' members. Such programs should aim to advance and improve their awareness of corporate governance norms and act as a base on knowledge of the strong impact of corporate governance components on the financial reports quality.

Finally, the Iraqi authorities and in particular Iraqi ministry of planning and development should come up with awards for private companies that practice good corporate governance to encourage the companies to better practice corporate governance and consequently improve the quality of their financial reports.

The results of the study contribute to existing literature by providing research and data on a new market such as Iraq, yet we require many other papers to tackle the various aspects of the subject and the statistics in the relations among corporate governance and the quality of financial reports. The outcomes of this study, though, are base only on sixteen different quality of financial reports statements (questions), and future studies could utilize a larger number of financial reporting quality factors in order to test them against significance of relations with corporate governance in widely commercial companies operating in Iraq.

Further, the future studies might make similar tests for more recent years to investigate if the relations are more significant than in the period extent examined in this study. An additional suggestion for future study is to use a bigger sample than the one gathered in the present study.

REFERENCES

Abu-Hamam, Majed (2009). The impact of applying the rules of corporate governance on the accounting statement and the quality of financial reports in the stock companies in Palestine. Master's thesis Management and the Economics Islamic University in Gaza, Palestine.

Akinyemi Olumide Akindele (2012). The Impacts of International Financial Reporting Standards Adoption on Financial Statements - The Case of Nigeria. Vaasa University of Applied Sciences. Bachelor of Business Administration.

Al Sufy, F.J., Almbaideen, H.I.M. and Al_Abbadi, H.M. (2013). Corporate Governance and its Impact on the Quality of Accounting Information in the Industrial Community Shareholding Companies Listed in Amman Financial Market. International Journal of Humanities and Social Science, 3 (5), 1-12.

ALI, A and SHEHATA, S. (2007). Auditing and corporate governance in the Arab and international contemporary business environment, Alexandria University Press.

Adegbie, F.J. and Fofah, E.T. 2016. Ethics, Corporate Governance and Financial Reporting in the Nigerian Banking Industry. Global Role of International Reporting Standards, 5 (1), 1-14

Al-Mutairi, Abied (2002), How can we do the concept of corporate governance in Saudi companies. Accounting Journal, Association of Saudi Accounting.

Amar Gill (2001). Corporate governance in emerging markets. Class Emerging Market.

Andra M. Achim (2014). Financial accounting quality Conceptual Framework Qualitative characteristics reporting information. Faculty of Economics and Business Administration Babes-Bolyai University, Cluj-Napoca, Romania

Babatunde Joseph, Akeju and Ahmed Adeshina, Babatunde (2017), Corporate Governance and Financial Reporting Quality in Nigeria, International Journal of Information Research and Review.

Bauwhede, Heidi (2001). What factors influence financial statement quality? A framework and some empirical evidence. The euro conference on finance report and regular practices in Europe.

Beatrice sealer, president of the US Company at a conference in Jordan (as amended on September 12th, 2016), www.menafin.com.

Beuselinck, C. and Manigart, S. (2007). Financial Reporting Quality in Private Equity Backed Companies: The Impact of Ownership Concentration. Small Business Economics, 29, 261-274.

Braam Geert and Beest Ferdy 2013, Conceptually-Based Financial Reporting Quality Assessment. An Empirical Analysis on Quality Differences between UK Annual Reports and US 10-K Reports.

Cadbury, Committee. (1992). Report of the Committee on the Financial Aspects of Corporate Governance. London, Gee and Co. Ltd.

Catherine, L. Kuchta-Helbling and Sullivan, John D., Afforesting (2003). The Corporate Governance In The development and rising and Transitional Economies. www.cipe.orgtopic/coruption.

Chalaki, Pari and Didar, Hamzeh (2012), Corporate Governance Attributes and Financial Reporting Quality: Empirical Evidence from Iran, International Journal of Business and Social Science.

Charkham, K.H. (2005), keeping better company, Corporate Governance ten years on, second edition, Oxford University Press, (www.worldcat.org).

Chiang, H-T, and Chia, F (2005). ‘An empirical study of corporate governance and corporate performance’, Journal of American Academy of Business, vol. 6, no. 1, pp. 95-101.

Cohen, J.G., Krishna moorthy, G. and Wright, A.M. 2004. The Corporate Governance Mosaic and Financial Reporting Quality. Journal of Accounting Literature, 23, 15-36.

Clarke, T. 2004. Introduction in T. Clarke (Ed.), Theories of Corporate Governance. The Philosophical Foundations of Corporate Governance: 1-30. Oxon: Routledge.

Colley, J., Doyle, J., Stettinius, W., & G. Logan (2003). Corporate governance: the McGrawHill Executive MBA Series. New York: McGraw-Hill.

Commission of the German Corporate Governance Code (2005), German Corporate Governance Code (as amended on September 10th, 2016), Commission of the

Connolly, C., & Dhanani, A. (2009). Narrative Reporting by UK charities: Association of Chartered Certified Accountants. Retrieved from http://www.accaglobal.com.

Darrough, Masako, and Stoughton, Neal (1990). Financial Disclose sure Policy in an Entry Game. Journal of accounting and economics. North .Holland.

Davis, J.H., Schoorman, F.D., and Donaldson, L. (1997). Toward a Stewardship Theory of Management. The Academy of Management Review, 22(1)

Donaldson, L., and Davis, J. H. (1994). Boards and Company Performance-Research Challenges the Conventional Wisdom. Corporate Governance: An International Review, 2(3), pp. 151-160.

Donaldson, T. (1982). Constructing a Social Contract for Business. In T. Donaldson, & P. Werhane (Eds.), Ethical Issues in Business. Prentice-Hall, Englewood Cliffs, NJ.pp31

Dharmastuti, C. and Wahyudi, S. (2013). The Effectivity of Internal and External Corporate Governance Mechanisms towards Corporate Performance, Research Journal of Finance and Accounting, 4(4): pp132-139.

Doda, Sanie, and Moisiu, Aleksander (2015), Albania, the Importance of Corporate Social Responsibility, Journal of Sociological Research.

Deegan, C., M. Rankin and J. Tobin (2002) “An Examination of the Corporate Social and Environmental Disclosures of BHP from 1983-1997: A Test of Legitimacy Theory”, Accounting, Auditing and Accountability Journal, Vol. 15, No. 3, pp. 312 - 343.

Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. Australian Journal of Management, 16(1), pp. 49-64.

Evi Rahmawati (2013). Information Content and Determinants of Timeliness of Financial Reporting of Manufacturing Firms in Indonesia. B.Sc. in Accounting (University of Gadjah Mada)

Fawzy, S. (2003). Assessment of Corporate Governance in Egypt. Working Paper No. 82. Egypt, the Egyptian Center for Economic Studies

Ferdy, Geert, Suzanne and Braam (2009). The quality of Financial Reporting: measuring qualitative characteristics (http://www.ru.nl/economie/onderzoek/nice-working-papers).pp.36-40

Financial Accounting Standards Board (2004). Facts about FASB. (www.fasb.org) Retrieved on December 6, 2016.

Gadau Liana (2012). The Quality Increasing of Information in the Financial Statements. A Rearrangement of the Qualitative Characteristics. Annals of the “Constantin Brancusi”, University of Târgu Jiu, Economy Series.pp:127-128

Gadau, Yousef Mahmmod (2004). The gap between the financial society and reference society accounts of laws and ways to issues the narrowing of the gap, Journal Islamic University, Volume 12. Second issues.

German Corporate Governance Code. www.corporate-governance-code.de/index-e.html.

Gader, Mohammed, (2012). Governance determinants, and standards. International Scientific Conference. Lebanon.

Ghallab. F. (2011). “The role of the audit function in the area of corporate governance to reflect the principles and criteria for sustainable development: a study of some industrial enterprises, master thesis, Economics and strategic business management for sustainable development, University of Ferhat Abbas.pp.39-41

Ghaban, Thair and Al.gaban Faiza Ibrahiem (2002). Specialized in accounting systems. Books hoses for printing and publishing, Baghdad.

Garratt, Bob. (2004). Directors and Their Homework: Developing Strategic Thought. pp 4-17

Gray, R, Owen, D., & Adams, C. (1996). Accounting and Accountability. Changes and Challenges in Corporate Social Environmental Reporting, Prentice -Hall Europe Harlow. PP47

Gois, C.G. 2014. Financial Reporting Quality and Corporate Governance: The Portuguese Companies Evidence. Instituto Superior De Contabilidade e Administracao De Coimbra, 1-25

Gillian Lees and Technical Information Services (٢٠٠٨): Corporate Governance. The Chartered Institute of Management Accountants No 2.

Gregory, H.J. and Simms, M.E. (1999). ‘Corporate Governance: What It Is and Why It Matters’, Paper presented at the 9th International Anti-Corruption Conference, Durban, South Africa.

Grundfest, Joseph A., and Esq. Max Berueffy, (1989), The Treadway Commission Report: Two Years Later.

Habib, Ahsan and Jiang, Haiyan (2015), corporate governance and financial reporting quality in China: A survey of the recent evidence, Journal of International Accounting, Auditing, and Taxation.

Hanan, Redwan (2003). Alternatives to the measurement of contemporary accounting. First Edition, Amman Wael Publishing.

Hardman, B (1996). Corporate Governance: A Practical Guide for Directors and Secretaries, Australian Company Secretary, 48(6), pp. 235-238.

Hassan, Nabaz Mahmood (2009). The Role of Corporate Governance in Enhancing Disclosure and Transparency a Study in a Sample of Commercial Banks in the Kurdistan Region of Iraq: Master's thesis Management and the Economics University of Sulaimaniyah, Iraq.

Hassan, S.U. and Bello, A. 2013 Firm Characteristics and Financial Reporting Quality of Listed Manufacturing Firms in Nigeria. International Journal of Accounting, Banking and Management, 1 (6), 47-63

Healy, Paul M.; Krishna G. Palepu, (2003). The fall of Enron. Journal of Economic Perspectives.

Hitt, Michael A., & Ireland, Duane R., & Hoskisson, Robert E., (2007), “Strategic management, Competitiveness and Globalization concepts and cases”, 7th edition, Thomson Higher Education, Mason, USA.

Hung, M. and Subramanyam, K.R. 2007. Financial statement effects of adopting International Accounting Standards: the case of Germany, Review of Accounting Studies, Volume 12, Issue 4, 623-657.

Hussein, Saleh. (2005). Methods of practice and power management of companies in general issues, the Union of Arab Banks, Beirut, Jordan.

Hawley, J. P., & Williams, A. T. (199٧). Corporate Governance in the United States: The Rise Of Fiduciary Capitalism. Working Paper, Saint Mary's College of California, School of Economics and Business Administration.

Hammad, Abdelal .H. (2005). Corporate governance (concepts, principles, examinations of governance applications in banks) University press, Egypt, Alexandria.

Hillman, A. J., Cannella Jr, A. A., & Paetzols, R. L. (2000). The Resource Dependency Role of Corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change. Journal of Management Studies, 37(2), 235-256.

International Financial Reporting Standards (2016) and Related Accounting Organizations IFRS. (www.IFRS.org) Retrieved on December 2nd, 2016.

Jouini Fathi 2013, Corporate Governance System and Quality of Financial Information. Mediterranean Journal of Social Sciences Published by MCSER-CEMAS-Sapienza University of Rome.

Jonas, G., & Blanchet, J. (2000). Assessing the quality of financial reporting. Accounting Horizons, 14(3), 353-363.

Jurij, Renkas, Olena Goncharenki and Olena Lukianets (2016). The quality of financial reporting: approaches to measuring. International Journal of Accounting and Economics Studies

Kabbajh, Adnan (2008). The Institutional Governance of the Financial Performance of Companies Listed on the Palestine Securities Exchange. Amman Arab University.

Kahala gbraael and hanan rdwan (2002). Accounting Management – introduction of Accounting Performance Assessment, First Edition, Second Edition, Amman, 2002

Kantudu, A.L. and Samaila, I.A. 2015. Board Characteristics, Independent Audit Committee and Financial reporting Quality of Oil Marketing Firms: Evidence from Nigeria. Journal of Finance, Accounting and Management, 6 (2), 34-50.

Kelton, Andrea S. Ya-wen Yang (2008). The impact of corporate governance on Internet financial reporting. Journal of Accounting and Public Policy.

Khalil, Mohammed (2003). The role of Administrative Accountant in Corporate Governance, Journal of Commercial Studies and Research, Faculty of Commerce, Banha University, Second Issue.

Khalil, Mohammed (2005). The role of computerization of companies in achieving the quality of accounting information.

Khoury, Naaim Saba (2003). Accounting profession between financial stumbling and corporate governance: Association of Chartered Accountants.

Kim, J., Simunic, D., Stein, M., & Yi, C. H. (2011). Voluntary audits and the cost of debt capital for privately held firms: Korean evidence. Contemporary Accounting Research, 28(2), 585-615.

Khaled Erieg Abu-Risheh*, Mo'taz Amin Al-Sa'eed (2012). The Impact of Good Corporate Governance Practices on Financial Reporting Quality: Empirical Evidence from Jordanian listed Companies.

Klai Nesrine and Abdelwahed, Omri (2011). Corporate Governance and Financial Reporting Quality: The Case of Tunisian Firms, International Business Research.

Kaen, S. & Blodgett, M. (2003). Global Corporate Governance: Implications For A Functionally Harmonized Legal Infrastructure. Journal of Business & Economics Research.

Larcker F. David, (2009). Board of Directors: Duties & Liabilities. Center for Leadership Development & Research Stanford Graduate School of Business.

Lutfe, Amin Said Ahmed (2006). Auditing: theory and practice. House University for Printing and Publishing.

Marzena Strojek (2012). Qualitative Characteristics of Financial Information Presented in Financial Statements According to IFSR/IAS versus the Information Function – Contribution to the Discussion. Journal of Interdisciplinary Research

Mawlud, Dawod (2011). The impact of corporate governance on the effectiveness of internal audit. General Federation of Accountants and Auditors Erbil, iraq, Arab Institute of Certified Accountants

Mbobo, Erasmus, and Ntiedo, Ekpo (2016). Operationalizing the Qualitative Characteristics of Financial Reporting. International Journal of Finance and Accounting.

McDaniel, L., Martin, R. & Maines, L. (2002). Evaluating Financial Reporting Quality: the Effects ofFinancial Expertise vs. Financial Literacy.*Journal of Accounting Review*, 77, 139-167

Mellestain, Airal (2001). The role of Boards of Directors and Shareholders in Corporate Governance Asian Meeting, Third Round of the Organization for Economic Cooperation and Development on Corporate Governance Singapore.

Muth, M., and Donaldson, L. (1998). Stewardship Theory and Board Structure: a Contingency Approach. Corporate Governance: An International Review, 6(1), pp. 5-28.

M. S. Sinclair (2010). Understandability and Transparency of the financial institution and global social movement.

Myring, M. and Shortridge, R.T. 2010. Corporate Governance and the Quality of Financial Disclosures. International Business and Economic Research Journal, 9 (6), 1-8

Norwani, Norlia Mat and Mohamad, Zam Zuriyati. (2011). Corporate Governance Failure and Its Impact on Financial Reporting Within Selected Companies, International Journal of Business and Social Science.

Nuraini, A. (2015), The Role Corporate Governance on Financial Reporting's Quality (Evidence from Indonesia Stock Exchange), Research Journal of Finance and Accounting, pp. 128-133.

OECD, (1999), Principles of Corporate Governance Available: (as amended on September 10thth, 2016) http://www.oecd.org.

O'Toole, J., & Bennis, W. (2009). What's needed next: A culture of candor. Harvard Business Review, 87(6).

Obona, G.N. and Ebimobowei, A. 2012. Effects of Ethical Accounting Standards on the Quality of Financial Reporting of Banks in Nigeria. Current Research Journal of Social Science, 4 (1), 69-78

Oliver Judith, Wen Qu and Victoria Wise3 (2014). Corporate Governance: A Discussion on Minority Shareholder Protection in China.

Patel, SA, Balic, A and Bwakira, L. (2002). 'Measuring transparency and disclosure at firm-level in emerging markets', Emerging Markets Review, vol. 3, no. 4, pp. 325–337.

Paul, G.D., Shammah Yakubu, ECE. (2015). The impact of Corporate Governance on Financial Performance of Microfinance Banks in North Central Nigeria, International Journal of Humanities Social Sciences and Education (IJHSSE), 2(1): pp. 153-170.

Pound, J. (1983). Proxy Contest And The Efficiency Of Shareholder Oversight. Journal of Financial Economics, 20, 237-265.

Pfeffer, J. (1978). Size and Composition of Corporate Board of Directors: The Organization and its Environment. Administrative Science Quarterly, 17(1), 29-218.

Rahman, Khondaker Mizanur and Marc Bremer (2016). Effective corporate governance and financial reporting in japan. Asian academy of management journal of accounting and finance. Japan.

Rezaee Z. (2007). Corporate Governance post-Sarbanes-Oxley: regulations, requirements and integrated processes, John Willey &Sons, Inc, Published simultaneously in Canada.

Roger Martin and Mihnea Moldoveanu (2001). Agency Theory and the Design of Efficient Governance Mechanisms.

Robert o Brien, (2000) contesting Global Governance: multilateral economic

Rowena Statements of Charities. Thesis submitted to the Auckland University of Technology in fulfilment of the requirements for the Degree of (Ph.D.)

Ramanathan, K. V. (1976). Towards a Theory of Corporate Social Accounting. The Accounting Review, 21(3), 280-516

Santiago-Castro, M, and Brown, CJ (2011). 'Corporate governance, expropriation of minority shareholders' rights, and performance of Latin American enterprises', Annals of Finance, vol. 7, no. 4, pp. 429–447.

Solomon, Jill, Aris, (2004). Corporate Governance and Accountability. Second edition.

Schipper, K. (2003). Commentary: Principles-based accounting standards. Accounting Horizons, 17(1), 61-72.

Sebastian Dullien, Detlef J. Kotte, Alejandro Márquez and Jan Priewe (2010). The Financial and economic crisis of 2008-2009 and developing countries.

Sheikh, Abdullrazaq Hassan, (2012). The role of corporate governance in achieving the quality of accounting information and its impact on the share price' Master Thesis submitted to the Faculty of Commerce of the Islamic University, Gaza, Palestine.

Shleifer, A. and R.W. Vishny (1997). A survey of corporate governance, Journal of Finance, 52, pp. 737-783.

Suchman, M. C. (1995). Managing Legitimact: Strategic and Institutional Approaches. Academy of Management Review, 20(3), 571-610.

Shrara, Hussein (1997). Reducing the cost of the use of the control is an experimental and applied study in the pharmaceutical industry.

Sloan, R.G. (2001). Financial Accounting and Corporate Governance: A Discussion. Journal of Accounting and Economics, 32, 335-347.

Sreeti, Raut, (2015). Corporate Governance – Concepts and Issues, MBA Thesis Delhi University in India.

Suleiman, Mohammed, (2006). Corporate governance and address the financial and administrative corruption, Alexandria University Press.

Tricker, R. I. (1994). International Corporate Governance: Text, Readings and Cases, Prentice Hall, New Jersey.

Tamimi, abaas Hamid Yahya (2008). The Effect of the Approach on Accounting and Governance Applications in State-Owned Companies. A study in a Sample of Iraqi Companies Thesis submitted to the Board of the College of Management and Economics at the University of Baghdad as part of the requirements for the Ph.D.

Van Beest, F. V., Braam, G. and Boelens, S. (2009). The quality of Financial Reporting: Measuring Qualitative Characteristics. Working Paper, Radboud University.

Verrecchia, Robert. (1983). Discretionary Disclosure. Journal of accounting and economics.

Wan Ainul Asyiqin Wan Mohd Razali*, Roshayani Arshad (2014). Disclosure of corporate governance structure and the likelihood of fraudulent financial reporting.

Wheelen, T. L., and Hunger, J. D. (2014). "Strategic Management and Business Policy entering 21st century Global Society", prentice Hall, Upper saddle River, New Jersey, U.S.A.

Williamson, O. E. (1985). The Economic Institutions of Capitalism Firms, Markets, Relational Contracting. New York: The Free Press.

Youssef, Tareq, (2010). Corporate Governance, an Overview, Principal Partner Grand Thornton.

APPENDIXES

Appendix (1) Questionnaire form

THE REPUBLIC OF TURKEY
UNIVERSTIY OF GAZEANTEP
FACULTY OF ECONOMIC AND
ADMINISTRATIVE SCIENCE
DEPARTMENT OF BUSINESS ADMINISTRATION

Dear Respectful Sir or Madam,

This questionnaire is one of the studying tools to meet the requirements of achieving Master's in business admiration Degree in Business Administration Department University of Gaziantep Title: **THE IMPACT OF CORPORATE GOVERNANCE ON QUALITY OF FINANCIAL REPORTS**

Kindly take the time to fill the bellow questionnaire after reading all its content thoroughly. Please give it your time and attention as your answers will be used to reach the results of this study. Provided that the information will be used with complete anonymity and will not be used for any purpose other than the scientific research.

Thanks for your valuable time and response.

First Section: general information

Please select the option that represents the alternative you deem proper for the phrases below:

1. **Age**: Below 30 ☐ 31–40 years ☐ 41–50 years ☐ 51 and above ☐
2. **Education qualification**: Bachelor ☐ Master ☐ PhD ☐
3. **Level in management**: Board of Directors ☐

   Medium Executive Administration ☐

Supervisor

Assist. Prof. Dr. Ş. Gül REİS

Researcher
Mohammad Azad MUSTAFA
Master Student

Second Section: The parameters which limit the application of corporate governance bases**.**

S	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Part One: Fairness and Equity						
1	All equity holders have the right to call general meetings					
2	The voting methods easily accessible.					
3	The necessary information for general meetings made available prior to the general meeting.					
4	Senior management is unquestionably seen as trying to ensure fair value is reflected in the market price of the stock.					
5	The head of Investor relations reports to either the CEO or a board of director members.					
6	There has been no questions or perceived controversy over whether the company has issued depositary receipts that benefited primarily major shareholders.					
Part Two: Transparency						
7	The company publishes its annual report within four months of the end of the financial year.					
8	The company publishes/announce semi annual reports within two months of the end of the half year.					
9	The company publishes/announce quarterly reports within two months of the end of the quarter.					
10	The reports clear and informative.					
11	The company consistently disclose major and market sensitive information punctually.					
12	The analysts have worthy access to senior management.					
13	The company has an English language website where results and other announcements are updated promptly.					
Part Three: Responsibility and accountability						
14	The company has a known record of taking effective measures in the event of mismanagement.					
15	There are controversy or questions over whether the Board and or senior management take measures to safeguard the interests of all and not just the dominant shareholders.					

16	There are mechanisms to allow retribution of the executive management committee in the event of mismanagement as far as the analyst can tell for certain.					
17	The board members and members of the executive management committee substantially different such that the Board is clearly seen to be playing a primarily supervisory as opposed to an executive role.					
18	There are foreign nationals on the Board who are seen as providing added credibility of the Board's independence.					
19	The audit committee nominates and conducts a proper review of the work of external auditors.					
20	The audit committee supervises internal audit and accounting procedures.					
Part Four: Independence						
21	The Company's Chairman an independent, nonexecutive director.					
22	The company has an executive or management committee that makes most of the executive decisions.					
23	The company has an audit committee and chaired by a perceived genuine independent director.					
24	The company has a nominating committee and chaired by a perceived genuine independent director.					
25	The external auditors of the company in other aspects seem to be completely unrelated to the company.					
26	The board includes no direct representatives of banks and other large creditors of the company.					

Source: Amar Gill (2001). Corporate governance in emerging markets. Class Emerging Market. pp: 202

Third Section: the measures used to operationalize the fundamental of the finance quality reporting

S	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	A. Investment decisions					
1	The presence of the forward looking statement help forming expectations and predictions concerning the future of the company.					

2	The presence of non-financial information in terms of business opportunities and risks complement the financial information.					
3	The company uses fair value instead of historical cost.					
4	The reported results provide feedback to users of the annual report as to how various market events and significant transactions affected the company.					
5	Valid arguments are provided to support the decision for certain assumptions and estimates in the annual report.					
6	The company based its choice for certain accounting principles on valid arguments.					
7	The company, in the discussion of the annual results, highlight the positive events as well as the negative events.					
8	The company provides information on corporate governance.					
9	The annual report is presented in a well-organized manner.					
10	The notes to the balance sheet and the income statement are sufficiently clear.					
11	The presence of graphs and tables clarifies the presented information.					
12	The notes to changes in accounting policies explain the implications of the change.					
13	The company provides a comparison of the results of current accounting period with previous accounting periods.					
14	The information in the annual report is comparable to information provided by other organizations.					
15	The company presents financial index numbers and ratios in the annual report.					
16	The auditor signed the auditors' report soon after book year end.					

Source: Ferdy, Geert, and Suzanne (2009). The quality of Financial Reporting: measuring qualitative characteristics (http://www.ru.nl/economie/onderzoek/nice-working-papers