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THE IMPACT OF TIMELY FINANCIAL DISCLOSURE IN REDUCING INCOME SMOOTHING PRACTICES AN EXPLORATORY STUDY OF THE OPINIONS OF A SAMPLE OF INVESTORS IN IRAQI COMPANIES IN IRAQ STOCK EXCHANGE

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ABSTRACT

The purpose of this research is to check the effect of early financial disclosure on the reduction of income smoothing practices among the sample of investors of the Iraqi companies listed on the Iraq Stock Exchange. For the objectives of the research, descriptive – analytical approach was used. Primary data was collected using a questionnaire as the main data collection instruments in the research sample of (64) investors and specialists. In addition, simple correlation and regression coefficients were used with the help of statistical software (SPSS).

The analysis showed that there was a statistically significant positive correlation between the time of the financial disclosure and the reduction of the practices of income smoothing measures (R = 0.634). Additionally, the results revealed a statistically significant effect on the (0.01) level, obtained through financial disclosure in time on reducing income smoothing (F = 41.598) and explanatory power (R2 = 0.402). This suggests that 40.2% of the variance in reducing misleading practices can be accounted for by financial disclosure. It was found that timely disclosure of the information reduces the information asymmetry and helps in avoiding the manipulation of earnings by the management. The study advised that some stricter penalties be imposed on the companies that delay the disclosure to make the market fair, transparent and to keep a safe investment environment.

KEYWORDS: *Timely Financial Disclosure, Income Smoothing Practices, Investors, Iraqi Companies, Iraq Stock Exchange.*

INTRODUCTION

Financial Data is the root of all things relied upon by investors and market participants to make wise investments. With quick economic growth, the importance of accounting information is no longer limited to its accuracy and reliability, but identified with "timeliness" of its issuance and disclosure to the public. If the financial disclosure happens too late, or after the decisions based on it have been made, then it doesn't matter.

In rapidly developing markets, such as the Iraq market, investment environments still have some management teams that must resort to a variety of accounting tactics and practices to manipulate earnings. Among these is "income smoothing", which seeks to mar and smooth out the bumps and bruises in profits, and create all the appearances of the profits being steady and increasing, thus falsely elevating investor confidence. It then becomes clear that being able to disclose the financial information "on time" is a governance mechanism that promotes transparency, closes information gaps and limits management discretion to change or hider the results of its efforts.

This paper aims to uncover the relationship of financial disclosures and income smoothing in Iraqi companies and their ability to overcome these practices in order to reassess the relationship between timing and effectiveness of financial disclosures to control income smoothing in the companies under study in Iraq. It focuses on a theoretical framework and analysis from opinions of a sample of investors and experts, ultimately drawing conclusions and recommendations beneficial to the environment of accounting and the required regulations in Iraq.

SECTION ONE: RESEARCH METHODOLOGY

1. Research Problem

Financial data is the primary tool investors rely on to evaluate company performance and make investment decisions. However, the use of misleading accounting techniques by some managements, such as income smoothing, creates a distorted picture of profit stability, misleading investors and widening the information gap. This problem is exacerbated in the Iraqi financial environment when companies are late in submitting their financial reports, giving management more room for manipulation and subjective judgment.

2. Research Objectives

This research aims to achieve several key objectives, most notably:

1. To identify the level of Iraqi companies' commitment to timely financial disclosure and its adequacy in protecting investors.
2. To reveal the nature of the correlation between timely financial disclosure and the reduction of income smoothing practices in the Iraqi investment environment.
3. To measure and determine the impact of timely financial disclosure in reducing misleading income smoothing practices.
4. To provide scientific and practical recommendations and proposals to regulatory bodies and the Iraqi Securities Commission to develop disclosure mechanisms and increase market transparency.

3. Significance of the Research

This study derives its importance from the following aspects:

• Scientific (Academic) Significance: Contributing to the enrichment of the Arabic and local libraries with a modern study linking two important variables in accounting and governance thought (timely disclosure and income smoothing) within the Iraqi application environment.

• Practical (Applied) Significance:

• For Investors: Helping investors in the Iraq Stock Exchange understand the importance of disclosure timing and how to assess earnings quality to avoid erroneous investment decisions.

• For Regulatory Bodies: Providing decision-makers and the Securities Commission with accurate data that underscores the necessity of enforcing penalties and regulating financial disclosure timelines to protect the investment environment.

4. Research Hypotheses

In light of the research problem and objectives, the following two main hypotheses were formulated:

- **First Main Hypothesis (Correlation Hypothesis):**

"There is a statistically significant correlation between timely financial disclosure and the reduction of income smoothing practices among the sample of investors in Iraqi companies."

- **Second Main Hypothesis (Impact Hypothesis):**

"There is a statistically significant impact of timely financial disclosure on reducing income smoothing practices among the sample of investors in Iraqi companies."

SECTION TWO: THEORETICAL FRAMEWORK

1. Concept of Financial Disclosure and the Importance of Timeliness

Financial information is the backbone on which investors or the market participants take their investment decisions. With quick economic growth, the importance of accounting information is no longer limited to its accuracy and reliability, but identified with "timeliness" of its issuance and disclosure to the public. Financial disclosure cannot be utilized as an intrinsic value or even any relevance if it's made at the end of the time or after the decisions based on this are made.

In rapidly developing markets, such as the Iraq market, investment environments still have some management teams that must resort to a variety of accounting tactics and practices to manipulate earnings. One of the most prominent is the use of "income smoothing" methods which are part of a strategy's approach to minimising shocks to profits and looking healthier than they actually are, in order to muster the potential of attracting investors. It then becomes clear that being able to disclose the financial information "on time" is a governance mechanism that promotes transparency, closes information gaps and limits management discretion to change or hider the results of its efforts.

This paper aims to uncover the relationship of financial disclosures and income smoothing in Iraqi companies and their ability to overcome these practices in order to reassess the relationship between timing and effectiveness of financial disclosures to control income smoothing in the companies under study in Iraq. It gives a theoretical and analytical model based on opinion of a sample of investors and specialist, ends with conclusions and recommendations to the accounting and regulating environment in Iraq.

2. Concept of Income Smoothing and Its Techniques in Financial Reporting

According to Abdul-Rahman (2023), income smoothing is one of the types of earnings management used by corporate managements to dampen the reported earnings volatility and make them to appear more steady and consistent than their true value (p. 77). It is described as the conscious actions by the managerial discretion as choosers of accounting policies and accounting methods to reduce variations in the accounting net income and to make it look like a consistent and predictable trend in the income of the company (Smith & Jones, 2020: 312). It has been mentioned that income smoothing distorts accounting results and thus results in limited usefulness of accounting information among investors and other users (Hussein & Muhammad, 2024).

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The most common methods used to smooth earnings by companies are: (Wilson, 2022, p. 88) manipulating depreciation policies: When the management switches the mode of depreciation or useful life of assets to adjust the expenses on the income statement. It additionally entails making adjustments to doubtful account allowances that entail making changes to the amount of allowances as to maximise earnings based on the target (Radi, 2014, p. 260). Moreover, businesses seek to shift revenue and/or expense recognition – with the aim of deferring revenue recognition in a good year or accelerating the recognition of expenses to smooth out profits across years (Brown & Miller, 2021, p.156).

Iraqi auditors were studied in recent years, and it was found that International Standards on Auditing (ISA) regarding the audit of accounting estimates have a great role in preventing income smoothing from accounting reports (Role of ISA 540, 2023, p. 342). In another study, it was found that companies that have poor earnings quality are more likely to withhold information when receiving a modified audit report while those with a higher earnings quality disclose information more quickly when receiving a modified audit report to send a positive signal to the market (El-Sayed, 2023, p. 112).

3. Relationship Between Timely Disclosure and Income Smoothing

Timely disclosure and income smoothing practices are important issues in the current accounting literature and those authors have pointed out an inverse relationship between the two variables. Theoretically, following timely disclosure can be accomplished in several ways, including limiting management's ability to implement income smoothing (Shalash & Al-Jawahiri, 2024, p. 314):
First: When they immediately notify it is disclosed immediately, it provides management with less time to change or manipulate accounting information to arrive at the desired results before it is released to external users. Earnings smoothing for special motives, such as changing accounting policies, becomes challenging, given the reporting constraints of complex adjustments to around-the-year earnings and is difficult to implement at the expense of the reporting period (Kumar, 2022, p. 75).

Secondly, the disclosure of information puts pressure on investors, financial analysts and financial regulators to be more involved in monitoring and scrutinizing the reports. Disclosure is slower, which makes it more difficult for participants in the market to do a fair comparison and help analyse movements and trends efficiently, limiting the powers of management to obscure income smoothing (Al-Jubouri & Hamza, 2023, p. 201).

Third, timely disclosure can boost managerial credibility and create investors' trust, because disclosing companies that disclose promptly are perceived as being more transparent and integrity (Al-Ajmi, 2021, p. 244). In addition, communicating unfavorable financial information quickly can be a positive sign indicating management's reliability of the accounting information presented (Hanley & Turner, 2019, p. 131). On the other hand when financial report is delayed, it sends the wrong message as an effect of expressing negative information which may be attributed to information quality or undesirable earnings management practices (Al-Malki, 2022, p. 133).

4. Role of Earnings Quality in Enhancing the Impact of Timely Disclosure

Recent studies suggest that mitigating the effect of income smoothing through timing of disclosure is very powerful when there are high earnings quality. The earnings quality of accounting revenue depends on the extent to which it is backed by cash flows in the company's operations and is not subject to the discretion of accountants or managers to make one or the other that is not reflected in the company's activities (Francis et al., 2020, p. 56).

A research paper on firms traded on the Egyptian Exchange, a market with a lot of similarities to that of Iraq, concluded that companies with better earnings quality are more likely to "speed up" their financial reporting in the presence of modified audit report (Ibrahim & Muhammad, 2024, p. 287). It is indicative of the management's resort to fast disclosure to communicate information concerning the quality of financial information and to build investors confidence (Al-Khafaji, 2023, p. 90). On the other hand, low earnings quality companies are prone to delay in disclosures, especially when there are modified audit reports issued (Ibrahim & Hassan, 2023, p. 230). This postponement indicates financial information mistakes and signifies the financial information is not of a high quality: Management delays to report good financial information or to hide earnings management (Al-Rawi & Taha, 2022, p. 163).

Timely disclosure and earnings quality work together in a complementary fashion in enhancing the financial information environment and in curbing income smoothing. Iraqi society has been characterized by firms that tend to smooth earnings, indicating low earnings quality and investor trust in the capital market efficiency, as shown by a low score, while firms that score well in both promptness of disclosure and earnings quality tend to have fewer earnings smoothing issues (Chen & Zhang, 2024, p. 104).

5. Reality of Financial Disclosure in Iraqi Companies and Associated Challenges

Recent studies suggest that mitigating the effect of income smoothing through timing of disclosure is very powerful when there are high earnings quality. In the view of the Francis et al (2020, p. 56), earnings quality is the extent to which financial statements reflect underlying economic activity, as measured by the financial statements' support from cash flows and their dependence on non-cash or discretionary adjustments.

Empirical research on the Egyptian Exchange (an emerging market with a comparable feature to the Iraqi market) revealed that high must innovate in order to speed up financial reporting even under receiving modified audit reports (Ibrahim & Muhammad, p. 287). This implies that management typically initiates disclosure and sales of information to the investors quickly to communicate the quality of the information disclosed and build investors' confidence (Al-Khafaji, 2023, p.90). On the other hand, both the earnings quality and the timeliness of earnings quality disclosures are negatively correlated.However, the earnings quality and the earnings quality timely disclosures have evidence of having a negative correlation, especially for the low earnings quality firms that experienced the modification of audit reports (Ibrahim & Hassan, 2023: 230). This “waiting period” implies that the financial information quality is low, because management takes “time” to “show” what it wants to show or hide information of financial earnings management (Al-Rawi & Taha, 2022, p. 163).

Timely disclosure and earnings quality work together in a complementary fashion in enhancing the financial information environment and in curbing income smoothing. Iraqi society has been characterized by firms that tend to smooth earnings, indicating low earnings quality and investor trust in the capital market efficiency, as shown by a low score, while firms that score well in both promptness of disclosure and earnings quality tend to have fewer earnings smoothing issues (Chen & Zhang, 2024, p. 104).

SECTION THREE: PRACTICAL FRAMEWORK

1. Timely Financial Disclosure

This variable consists of four dimensions, ordered as follows:

First Dimension: Disclosure Timeliness Dimension

The arithmetic means, the standard deviations, the coefficient of variation, response intensities, the relative importance and the t-test (between respondents) values of the disclosure timeliness dimension are presented in Table (1).

The arithmetic means of the distribution of all items were found to be more than the hypothetical mean (3.00) as observed in Table (1). The arithmetic mean for the responses in Item (1) was (3.938), as well as the mean degree of response (78.75%) and the standard deviation (1.052) and the coefficient of variation (0.267). This is a measure of the uniformity of the sample's responses to this item compared to the other items, and illustrates that companies have set up their financial reports so they can be published on the same dates. At the same time, Item (4) had the lowest mean value of the items (3.703) with the lower response intensity (74.06%) and a lower standard deviation (1.079).

The calculated t-values for the arithmetic means of the items were (7.12, 5.98, 6.51, 5.21, and 5.97), respectively. All calculated t-values were greater than the tabulated t-value of (2.358) at a significance level of (α= 0.01).

Table (1): Description of Items for the Disclosure Timeliness Dimension

Item No.	Item Statement	Arithmetic Mean	Standard Deviation	Coefficient of Variation (%)	Response Intensity (%)	Calculated T-Value	Relative Importance
1	The company complies with publishing its annual financial reports within the specified legal deadlines.	3.938	1.052	26.72%	78.75%	7.12786	First
2	Immediate financial disclosure is available right after the occurrence of material events.	3.828	1.106	28.90%	76.56%	5.98829	Second
3	The timing of financial disclosure aligns with investors' expectations regarding information availability.	3.797	0.979	25.78%	75.94%	6.51296	Third
4	Financial market regulations contribute to obligating the company to adhere to proper timing.	3.703	1.079	29.14%	74.06%	5.21273	Fifth
5	Timely disclosure contributes to narrowing the information asymmetry gap in the market.	3.781	1.046	27.66%	75.63%	5.97479	Fourth
Overall	**Disclosure Timeliness Dimension**	**3.809**	**0.847**	**22.22%**	**76.19%**	**7.64822**	—

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The overall average for the disclosure timeliness dimension reached (3.809), with an overall response intensity of (76.19%), a standard deviation of (0.847), and a coefficient of variation of (22.22%). The overall calculated t-value stood at (7.64), which is greater than the tabulated t-value, confirming the statistical significance of the results for this dimension and demonstrating that the sample perceives a suitable level of compliance with financial disclosure timeliness.

Second Dimension: Transparency and Clarity Dimension
The arithmetic means, standard deviations, coefficients of variation, response levels, relative importances and the calculated t-test values of the item of the transparency and clarity dimension are presented in Table (2).

The average mean of all the items was found to be more than the hypothetical mean (3.00) as can be seen in the table. The arithmetic mean (3.672) along with a response intensity (73.44%) and a standard deviation of (1.286) respectively, indicated that the research sample gave mostly consistent responses to item (2) while a coefficient of variance of (0.350) was achieved. On the other hand, Item (1) had the lowest arithmetic mean at (3.453), (69.06%) was the intensity of the responses and (1.402) was the standard deviation.

The corresponding calculated t-values, for the arithmetic means of the items, were (2.58, 4.18, 3.84, 3.44 and 2.97), respectively. At a significance level of ($\alpha = 0.01$) all these values are larger than the tabulated value of the t-distribution (2.358).

Table (2): Description of Items for the Transparency and Clarity Dimension

Item No.	Item Statement	Arithmetic Mean	Standard Deviation	Coefficient of Variation (%)	Response Intensity (%)	Calculated T-Value	Relative Importance
1	The company reports its financial statements in an transparent and clear manner.	3.453	1.402	40.61%	69.06%	2.5853	Fifth
2	The financial statements make a disclosure that have analytical skill that help investors.	3.672	1.286	35.01%	73.44%	4.1812	First
3	Investors have a complete awareness of any disclosure items contained in financial disclosures.	3.609	1.268	35.12%	72.19%	3.8457	Second
4	The company accurately discloses the supplementary notes to the financial statements.	3.547	1.272	35.85%	70.94%	3.4407	Third
5	The company wants to avoid any confusion about financial information.	3.500	1.345	38.43%	70.00%	2.97357	Fourth
Overall	**Transparency and Clarity Dimension**	**3.556**	**1.190**	**33.45%**	**71.13%**	**3.7406**	—

The average for the transparency and clarity dimension was (71.13%) with an overall intensity rating of (3.556), an overall standard deviation of (1.190) and an overall coefficient of variation of (33.45%). These results were further verified with the calculated t value (3.74) which was larger than the tabulated t value giving statistical significance.

Third Dimension: Reliability and Credibility Dimension
Table (3) shows the arithmetic means, standard deviations, coefficient of variation, intensity of responses, and t-test results for the items related to reliability and validity. It is observed in this table that the arithmetic means for all items were higher than the hypothetical arithmetic mean of (3). Item (5) obtained the highest arithmetic mean of (3.563), a response intensity of (71.25%), a standard deviation of (1.435), and a coefficient of variation of (0.402). Item (4) obtained the lowest arithmetic mean of (3.344), a response intensity of (66.88%), and a standard deviation of (1.312). The calculated t-values for the arithmetic means of the items were (2.38, 2.98, 2.81, 2.09, and 3.13), respectively, all of which are greater than the critical t-value of (2.358) at a significance level of (0.01).

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Table (3): Description of Items for the Reliability and Credibility Dimension

Item No.	Item Statement	Arithmetic Mean	Standard Deviation	Coefficient of Variation (%)	Response Intensity (%)	Calculated T-Value	Relative Importance
1	Disclosed financial data are based on realistic and reliable indicators.	3.406	1.365	40.08%	68.13%	2.3804	Fourth
2	Financial reports reflect the true financial position of the company without falsification.	3.516	1.380	39.25%	70.31%	2.98904	Second
3	Independent external auditing contributes to increasing the reliability of financial disclosure.	3.469	1.333	38.43%	69.38%	2.81329	Third
4	The research sample trusts the accuracy of the accounting figures contained in the disclosures.	3.344	1.312	39.24%	66.88%	2.09611	Fifth
5	Credible disclosure reduces the risk of financial deception for investors.	3.563	1.435	40.28%	71.25%	3.13566	First
Overall	**Reliability and Credibility Dimension**	**3.459**	**1.240**	**35.86%**	**69.19%**	**2.96271**	—

The general rate of the reliability and credibility dimension reached (3.459) and the severity of the answer (69.19%) and with a general standard deviation of (1.24) and a difference coefficient (0.358%). The calculated value of t was (2.96), which is greater than the tabular value.

Fourth Dimension: Reducing Income Smoothing Dimension

Table (4) shows the arithmetic means, standard deviations, coefficient of variation, intensity of responses, relative importance, and t-test results for items after income smoothing. It is observed in this table that the arithmetic means for all items were higher than the hypothetical arithmetic mean of (3).Item (4) topped the list with a mean of (4.281), a striking response intensity of (85.63%), standard deviation of (0.967), and coefficient of variation of (0.225) — the low variation here points to fairly consistent agreement across respondents. Item (2), by contrast, sat lowest at a mean of (4.094), response intensity of (81.88%), and standard deviation of (0.849). All five t-values (9.63, 10.30, 11.37, 10.59, and 11.78) comfortably exceeded the (2.358) threshold at $\alpha = 0.01$.

Table (4): Description of Items for the Reducing Income Smoothing Dimension

Item No.	Item Statement	Arithmetic Mean	Standard Deviation	Coefficient of Variation (%)	Response Intensity (%)	Calculated T-Value	Relative Importance
1	Early disclosure limits management's ability to shift earnings between periods.	4.125	0.934	22.65%	82.50%	9.6323	Fourth
2	Financial disclosure reduces techniques of manipulating accounting provisions.	4.094	0.849	20.75%	81.88%	10.303	Fifth
3	Timely disclosure makes it difficult to cover up fluctuations in earnings.	4.234	0.868	20.50%	84.69%	11.3745	Third
4	Prompt financial disclosure reveals any	4.281	0.967	22.59%	85.63%	10.597	First

	illegal income smoothing practices.						
5	Transparency contributes to reducing management's incentive to practice income smoothing.	4.266	0.859	20.14%	85.31%	11.787	Second
Overall	**Reducing Income Smoothing Dimension**	**4.200**	**0.816**	**19.42%**	**84.00%**	**11.768**	—

Overall, this dimension reached a mean of (4.200), response intensity of (84.00%), standard deviation of (0.816), and coefficient of variation of (19.42%) — with a t-value of (11.76) that leaves little doubt about statistical significance.

First: Testing the First Main Hypothesis (Correlation Hypothesis)

- **First Main Hypothesis:**

First Main Hypothesis (Correlation):
There is a statistically significant correlation between timely financial disclosure and the reduction of income smoothing techniques among the sample of investors in Iraqi companies.
To test the first main hypothesis, Pearson's correlation coefficient was used to measure the nature and strength of the relationship between the independent variable (timely financial disclosure) and the dependent variable (reduction of income smoothing techniques).
Table (5) shows the results of the statistical analysis, revealing a statistically significant positive correlation at the significance level ($\alpha \leq 0.01$), with a correlation coefficient ($R = 0.634$). This result confirms that the greater the level of compliance of Iraqi companies with timely financial disclosure, the more directly and strongly this leads to a reduction in income smoothing techniques and deceptive practices. Based on this result, the first main hypothesis is accepted.

Table (5): Pearson Correlation Coefficient Matrix Between Timely Financial Disclosure and Limiting Income Smoothing Techniques

Independent Variable	Dependent Variable	Correlation Coefficient (R)	Sig. Level (p-value)	Sample Size (N)	Result
Timely Financial Disclosure	**Limiting Income Smoothing Techniques**	0.634**	0.000	64	Statistically Significant (Positive Correlation)

Second: Testing the Second Main Hypothesis (Impact Hypothesis)

- **Second Main Hypothesis:**

"There is a statistically significant effect of timely financial disclosure in reducing income smoothing techniques among the sample of investors in Iraqi companies."
To test the second main hypothesis, the study employed simple linear regression analysis, calculating the beta (β) coefficient, the calculated F-value, and the coefficient of determination (R^2). Tables 6 and 7 present the results of this analysis:
The regression analysis revealed a statistically significant effect at the 1% significance level of timely financial disclosure in reducing income smoothing techniques. The non-standardized regression beta coefficient was 0.661, indicating that any one-unit increase in timely financial disclosure leads to a corresponding increase in the reduction of income smoothing techniques by 0.661. The calculated F-value was 41.598, with a significance level of 0.000 (Sig = 0.000), significantly larger than the critical F-value of 6.85, thus confirming the overall significance and strength of the regression model. The coefficient of determination (R^2) was 0.402, indicating that timely financial disclosure explains 40.2% of the changes and the resulting reduction in income smoothing techniques among the sample of investors in Iraqi companies. The remaining 59.8% is attributed to other factors and variables not included in the model.
Based on these statistical results, the second main hypothesis is accepted.
The simple regression equation representing the effect is formulated as follows:

$$Y = 1.465 + 0.661\,X$$

Where:

- **Y**: Limiting Income Smoothing Techniques (Dependent Variable).
- **X**: Timely Financial Disclosure (Independent Variable).

Table (6): ANOVA Test Results for Simple Linear Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.923	1	16.923	41.598	.000(a)
Residual	25.223	62	.407		
Total	42.146	63			

a. Predictors: (Constant), X (Timely Financial Disclosure)

Table (7): Simple Linear Regression Model Coefficients

Model	Model Summary	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	R = 0.634	1.465	.402	—	3.640	.001
X (Timely Financial Disclosure)	R^2 = 0.402	.661	.103	.634	6.450	.000

Dependent Variable: Y (Limiting Income Smoothing Techniques)

First: Conclusions

1. Empirical findings showed that timely financial disclosure significantly limited the smoothing of income. More timely disclosure by corporations with higher compliance rates directly leads to lower proportions of income smoothing techniques.
2. The results show that timely financial disclosure (R2 = 0.402) explains the total variance in income smoothing practices of Iraqi listed companies among all variables, about (40.2%). The fact that so much explanatory power is held by the timeliness of disclosures reinforces their importance.
3. The results of the F-test supported the overall significance and goodness-of-fit of the regression model (F = 41.598, Sig. = 0.000). This demonstrates that financial disclosure represents a mechanism which reduces the likelihood of financially motivated, misleading accounting practices.
4. The commitment of the corporate management to timely disclosures of financial statements helps reduce the information asymmetry in the market and prevents managers from entrenching accounting political survival by reporting earnings that create an illusion of stability.

Second: Recommendations

Taken together, these recommendations point toward one central idea: real accountability paired with real capability. Iraqi companies need to be held to their disclosure deadlines through actual enforcement, not just guidelines on paper. At the same time, the regulators tasked with catching income smoothing need the tools and authority to actually do so. None of this works, though, if investors themselves can't recognize the warning signs — which is where targeted education comes in. And underlying all of it is a push toward IFRS alignment, since better standards make every other piece of this — enforcement, oversight, investor awareness — that much more effective.

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