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DETERMINANTS AND CONSEQUENCES OF FINANCIAL REPORTING QUALITY: A SYSTEMATIC LITERATURE REVIEW

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Abstract
This study aims to review and compile the corpus of literature on the quality of financial reporting. It provides a comprehensive study of fifty-four papers published between 2016 and 2023 on this topic. The study was retrieved from the databases of Scopus. This review also identifies gaps in the literature, some of which have opposing conclusions, looks at potential data sources for empirical researchers, and suggests directions for further research. The search for innovative and unexplored research subjects is driven by the need for novelty in the field. This study identifies the origins and consequences of high-quality financial reporting. The ramifications of agency difficulties—conflicts of interest between principal and agent—are further discussed in this article. The practical effect of IFRS is that it results in financial reporting that is more appealing to investors.

INTRODUCTION

The Financial Accounting Standards Board (FASB) is a reputable organization that develops financial accounting, advances it, and sets reporting standards. The American Institute of Certified Public Accountants (AICPA) has no bearing on it in the US. The FASB published six (six) Statements of Financial Accounting Concepts (SFAC) between 1978 and 1985. Generally speaking, SFAC No. 1 addresses the goal of financial reporting for corporate entities, which users of these financial statements use as a basis for business or economic decisions. The general topic of SFAC No. 2 is the qualitative aspects of accounting information. Several principles are necessary for accounting information to have quality features, including Cost-benefit analysis, Materiality, Relevance, Reliability, Comparability, and Consistency. SFAC No. 5 covers the general definition and characteristics of financial statement elements, which are defined as definition, measurability, relevance, and reliability. The five techniques for valuing debts and assets are also covered: net realizable value, historical cost, current replacement, current market value, and present value of future cast flow. SFAC No.6 generally addresses the elements of financial reporting, replacing SFAC No.3 and expanding SFAC No.2 to include non-profit organizations. Changes to the definitions of assets, liabilities, equity, owner investment, owner distribution, comprehensive income, revenue, expenses, gains, and losses are the replacements. Additionally, non-profit organizations must adhere to the qualitative accounting information standards outlined in SFAC No. 2 (Relevance, Reliability, Comparability and Consistency, Materiality, and Cost-benefit). The use of present value and cash flow information in accounting measurements when current market value is not available is mainly covered in SFAC No. 7. The two measurements are the present value measurement, which is used to simulate fair value, and the present value liability measurement, which is the discount rate that must be taken into account when evaluating the company's credit standing.

The conceptual foundations of financial reporting are outlined in the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Concept No. 8. The objectives and characteristics of financial reporting—which were previously mentioned in SFAC Nos. 1 and 2—are covered in SFAC No. 8. Financial reports' substance is only one aspect of their goal; other reporting media are also involved. Financial reporting encompasses more than just financial reports. According to the FASB, financial reporting comprises not just financial reports but also other information reports that are related to the data that the accounting system provides, either directly or indirectly. Examples of this type of information include data on debt, financial resources, periodic profits, and so on (Ghozali, 2007). Financial reporting that satisfies the reporting objectives is considered good financial reporting. Moreover, SFAC No. 8 has established the qualitative traits of sound financial reporting. Reliable representation and pertinent reporting are two components of good financial reporting. The best and most efficient way to motivate managers to run the business is through disclosure in financial reporting. If financial reporting contains higher-quality information, managers will be more driven to run the business more effectively (Loewenstein, 1996).

One of the two primary qualitative traits of valuable information is still relevance, but faithful representation takes precedence over reliability. On time is no longer said as part of the relevant financial reports. Timeliness is said to be a barrier to both aspects of relevance, namely predictive and confirmatory value. There is often a trade-off between timeliness and other components of relevance. Companies that go public are required to submit financial reports on time, but this is difficult to achieve because companies in submitting financial reports need time to carry out audits of their financial statements. Good financial reporting is defined as financial reporting that has undergone an audit and meets the SFAC No. 8 qualitative requirements for financial reporting. There are two ways to look at the concept of quality in financial reporting: the quality of reporting about cash and profit on its own, or the quality of reporting about share incentives. Strong financial reporting is characterized by accrual quality, persistence, predictability, and income smoothing, according to accounting. Then, the market-based quality attributes include conservatism, timeliness, and relevancy of value (Schipper, 2004). Future studies can examine assessing the predictability and value relevance of financial reporting using the standards set forth in SFAC No. 8. Although timeliness is no longer regarded as a component of pertinent financial reports, it is still a desirable qualitative trait that can be utilized to enhance information in terms of relevance and accurate representation. Meanwhile, one way to assess the quality of financial reporting is through timeliness.

Concerns concerning the veracity of financial reporting have been highlighted by recent accounting scandals in the global financial sector. The American Enron case was the one that initially startled the entire world. Arthur Andersen was one of the global public accounting firms (KAP) implicated in the Enron scandal. The Sarbanes Oxley Act (SOX), which changed audit procedures by forbidding corporations being audited from receiving non-audit services, was passed in July 2002 as a result of the Enron case's substantial influence on corporate laws and conditions in the US. The Enron and Worldcom scandals were caused by shortcomings in the Financial Accounting Standards. PT. Indosat Tbk (ISAT), commonly known as Indosat Ooredoo, is the most recent phenomenon to emerge, despite the July 2002 adoption of the Sarbanes Oxley Act (SOX). Ernst & Young's (EY) partner public accounting firm in Indonesia, KAP Purwanto, Suherman & Surja, has agreed to pay US$ 1 million (about Rp 13.3 billion) in fines to US regulators for neglecting to audit its client's financial statements.

In light of the fact that despite continuous governmental actions, there are still significant concerns regarding compliance with financial reporting standards and laws, systematic review papers on financial reporting seem to be helpful for addressing these concerns. This research is interesting because it sheds light on a factor that is currently unidentified as a predictor of the caliber of financial reporting and its implications, thereby providing opportunities for future research. A comprehensive assessment of the literature covering 54 studies published between 2016 and 2023 is presented. Research articles were taken from the Scopus database.

This study identifies the origins and consequences of financial reporting quality. The board and audit committee are two elements that influence the caliber of financial reporting (Aanu, 2017; Almaqtari et al., 2020; Bajra & Čadež, 2018; Bilal et al., 2018; Gebrayel et al., 2018; Hasan et al., 2022; Hsu & Yang, 2022; Kusnadi, 2016; Lari Dashtbayaz et al., 2019; Madawaki et al., 2022; Mardessi, 2022; Mohammed Al Matari et al., 2014; Safari Gerayli et al., 2021; Salehi & Shirazi, 2016; Zalata et al., 2018), managerial ability (Bhuiyan et al., 2020; García-Meca & García-Sánchez, 2018; Rashid, 2020b), gender (Dobija et al., 2022; María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms, 2018; Oradi & Izadi, 2020; Zalata et al., 2018), CEO (Harymawan et al., 2022; Sani et al., 2020), audit quality (Almaqtari et al., 2020; Alzeban, 2020b; Alzoubi, 2018; Omer et al., 2020; Pham et al., 2023), ownership structure (Arthur et al., 2019; Salehi et al., 2018; Yasser et al., 2017), sustainability reporting and CSRD (Al-Shaer, 2020), culture (Acar, 2023; Baatwah et al., 2021), political connections (Hashmi et al., 2018; Khan et al., 2016; Tessema, 2020) and company characteristics (Mahboub, 2017), whereas investment efficiency is a result of high-quality financial reporting (Ellili, 2022; Mahboub, 2017; Shahzad et al., 2019), company performance (Alsmady, 2022), dividends company (Koo et al., 2017), cost of debt (Muttakin et al., 2020), stock returns (Salehi et al., 2018), audit fees (Abdulmalik & Che-Ahmad, 2021), stock prices (Rashid, 2020a). The results demonstrate the breadth of issues addressed with relation to financial reporting quality. Prior studies have mostly focused on how internal and external auditing might enhance the caliber of financial reporting. Many open questions around the same framework: can cooperation improve responsibility and increase financial reporting disclosure between the company's internal parties (the CEO, the board, and managerial competences) and external and internal audit? Non-financial disclosures—in this case, corporate social responsibility and sustainability reporting—also have an impact on the caliber of financial reporting. Furthermore, future research may examine the impact of culture on the quality of financial reporting, as this topic has not gotten much attention in the literature.

METHODS

This research employs a qualitative, descriptive methodology in conjunction with a systematic literature review (SLR). The primary focus of this study is financial reporting quality. In this study, the meta-synthesis method is combined with a meta-aggregation strategy to address research issues through the summary of several research findings. Instead than having the researcher reinterpret the findings, aggregate synthesis enables the compilation or integration of original data across investigations (Drisko, 2020). Scholarly publications from the Scopus database on the subject of financial reporting quality.

Table 1. Criteria Inclusion

Criteria	Information
Scientific articles national and international	For get view comprehensive about quality reporting finance
Whole country	For get view cross culture about quality reporting finance
Entire industry and sector	For get comprehensive view from various sector about quality reporting finance
Published articles between 2016 until with in 2023	For get comprehensive view from time to time
English	Use Language international For increase uniformity understanding

Source : processed data , 2023

Determination sample done through a screening process based on criteria exclusions in Table 2.

Table 2. Criteria Exclusion

Criteria	Information
Duplication article	For avoid calculation double .
Title and abstract No relevant	Title and abstract are not show topic quality reporting finance
No available text complete	Limitations in access text complete
Overview systematic articles, series book, book, chapter in books, proceedings conference	For look for article with topics that focus on quality finance report

Source : processed data , 2023

In this research, secondary data was collected using documentation techniques. Figure 1 shows the data collection process which is divided into three stages, namely collecting articles from the Scopus database, filtering based on exclusion criteria. The authors used the PRISMA approach, which includes the tools (Scopus) required to carry out the systematic review, rules for eligibility and exclusion, data abstraction and analysis, and the processes of the review process (identification, screening, and eligibility). In light of the fact that despite continuous governmental actions, there are still significant concerns regarding compliance with financial reporting standards and laws, systematic review papers on financial reporting seem to be helpful for addressing these concerns. Procedures for screening original samples from research articles were used. This study analyses the theoretical lens employed in the literature, annual trends, and regional distribution in addition to accounting disclosures. To search the literature, several phrases related to the caliber of financial reporting were used. In addition to the keywords, An extensive variety of possible pertinent terms was covered by searching for synonyms of the key notion. The phrases "financial disclosure," "financial reporting*," "accounting disclosure," and "accounting reporting*" were included in the study's final search query. For each term, the asterisk (*) is used to identify its derivatives, like in "reporting*." These terms have been used in several earlier research studies on financial reporting (Hassan & Marston, 2019); (Khatib et al., 2023).

The inclusion and exclusion criteria for the literature search in the Scopus database are shown in Figure 1. Utilizing the previously listed keywords to look up research abstracts and titles, 466 research publications from the Scopus database were included in the initial sample. This study is associated with a particular publication year, specifically 2016–2023. 296 articles were eliminated because the author believes that this was the most recent year when financial reporting quality was studied. After removing articles that did not address the quality of financial reporting, the sample size was downsized to 55 periodicals. To be included in this examination, all the studies required to specifically target financial reporting quality in accordance with the research objectives. Because the search keywords employed in these research were so broad, a significant number of studies were removed by screening the sample titles and abstracts. 54 research articles covering the subjects examined were produced as a result of the screening process.

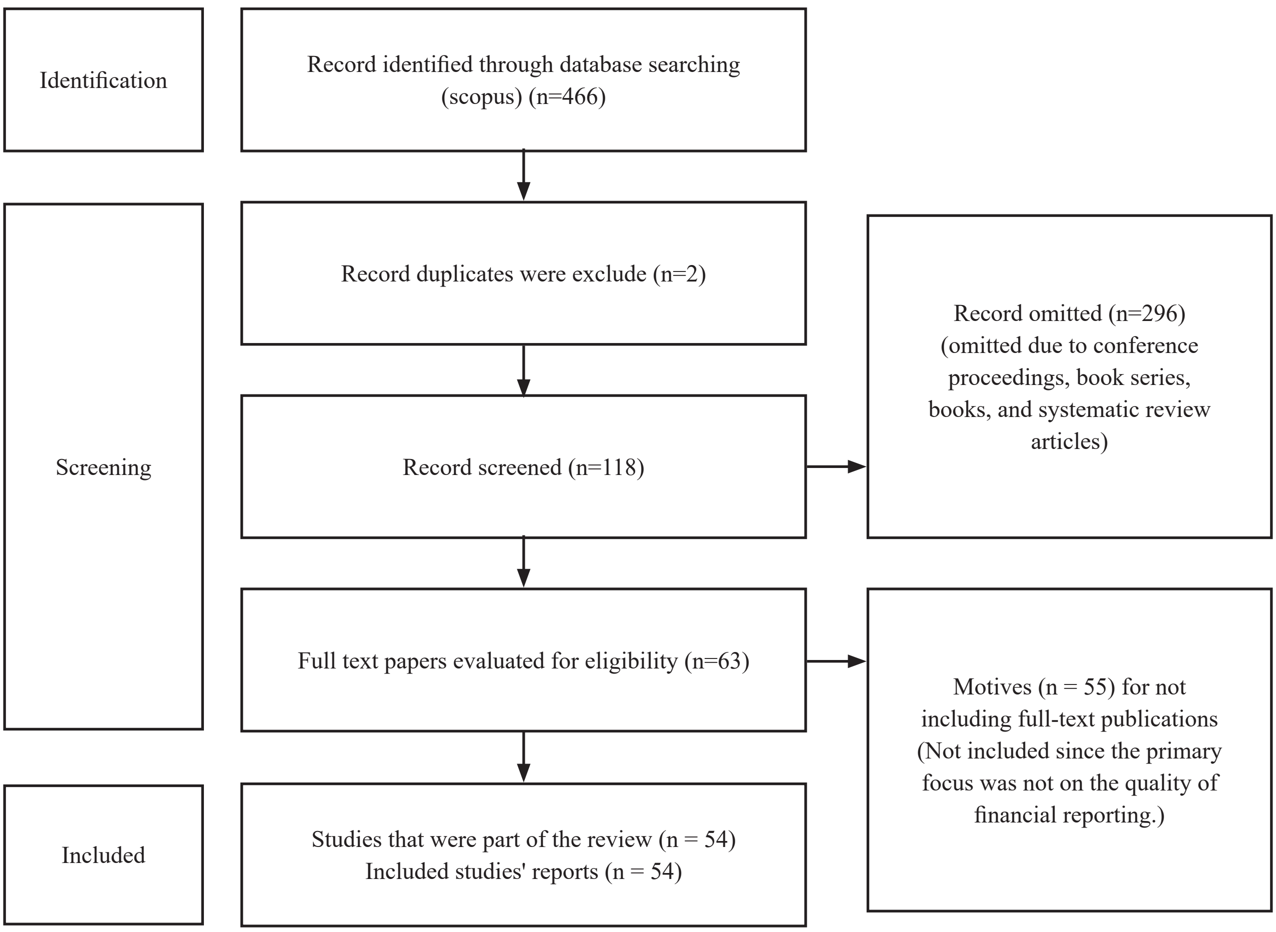

Figure 1. Flowchart Illustrating The Sampling Procedure

RESULTS

Figure 2. Determinants and Consequences Financial Reporting Quality

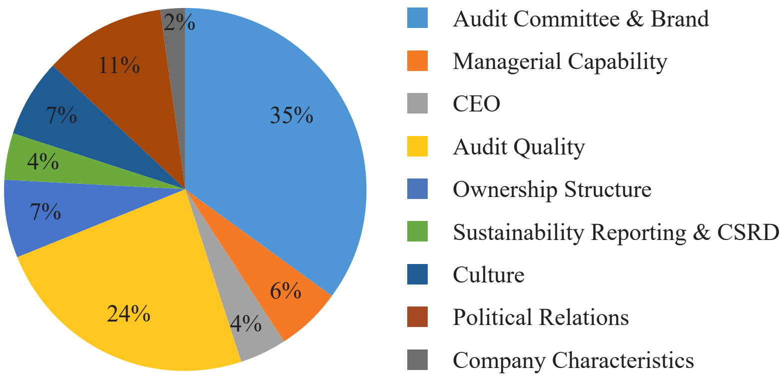

Figure 3. Determinant Financial Reporting Quality

Based on previous research, the factors that influence the quality of financial reporting are Audit Committee, Board, Managerial Capability, CEO, Audit Quality, Ownership Structure (foreign ownership, institutional ownership, state ownership, related company ownership, public ownership, concentration of corporate ownership, family ownership), Sustainability Reporting, CSRD, Culture, Political Relations, Company Characteristics (leverage, company size, profitability).

Based on agency theory to resolve conflicts between agents and principals with bonding arrangements and monitoring arrangements. In the supervision arrangements carried out by internal and external parties. The internal arrangements use the duties of the audit committee (Aanu, 2017; Almaqtari et al., 2020; Bajra & Čadež, 2018; Bilal et al., 2018; Gebrayel et al., 2018; Hasan et al., 2022; Hsu & Yang, 2022; Kusnadi, 2016; Lari Dashtbayaz et al., 2019; Madawaki et al., 2022; Mardessi, 2022; Mohammed Al Matari et al., 2014; Safari Gerayli et al., 2021; Salehi & Shirazi, 2016; Zalata et al., 2018). In addition to the audit committee that affects the quality of financial reporting is the quality of the board in the company. According to (Hsu & Yang, 2022), the pandemic lowers the standard of company financial reporting. Particularly during the epidemic, businesses are increasingly engaged in managing earnings through practical measures. This study provides additional evidence about how the implementation of efficient national governance frameworks mitigates the impact of Covid-19 on financial reporting standards. The factor that most affects the caliber of financial reporting is corporate governance (Alzeban, 2020a). Financial reporting quality is not significantly predicted by board independence, although it is strongly connected with board knowledge and function performance (Kaawaase et al., 2021). The quality of financial reporting from Pakistani companies is positively impacted by board independence, negatively impacted by board size, and negatively impacted by the frequency of board meetings. Furthermore, the data demonstrates that the quality of UK business financial reporting is adversely affected by board gender diversity (Hasan et al., 2022). High audit quality is crucial because it produces a trustworthy financial report that can be used as a basis for making decisions (Almaqtari et al., 2020; Alzeban, 2020a, 2020b; Alzoubi, 2018; Omer et al., 2020; Pham et al., 2023). The explanation above is also supported that the size of the KAP and independent directors had a significant positive relationship with earnings management and the pattern of decreasing profits. Audit committee independence has a significant negative relationship to earnings management with a pattern of decreasing profits. In this case, it means being able to improve the quality of the company's financial reporting (Yanthi et al., 2021).

The inclusion of female directors on the board is crucial for making both financial and non-financial choices, like cutting agency expenses or strengthening the bond between the business and its stakeholders, in line with the stakeholder and agency philosophies. Our understanding of the implications of the recent appointment of female directors to boards is aided by the business case. Moreover, directors are essential to the firm's decision-making process because they raise the bar for financial reporting and restore trust with suppliers, clients, investors, and the public (María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms, 2018). In particular, encouraging women to join boards by giving them the opportunity to contribute value to monitoring efforts in certain affirmative circumstances. This study shows a positive correlation between the proportion of women on the board and improved financial reporting, as measured by timely reporting, earnings management, and auditor opinion (Dobija et al., 2022). Furthermore, controlling for other restatement-related factors, the authors found that the presence of at least one female member on the audit committee reduces the likelihood of a financial restatement occurring (Oradi & Izadi, 2020). The audit committee's financial experts are arranged according to gender, and the implications of this difference are examined. According to the study's findings, having female financial experts on audit committees is linked to subpar earnings management, while having male financial experts on the committee has no effect on earnings management. This finding is consistent with prior research that suggests the gender of female financial experts may have played a role in the selection of financial experts for audit committees (Zalata et al., 2018). Diversity in gender has a negative impact on financial report fraud. The number of financial statement fraud cases in a corporation can be decreased by having more female directors. Furthermore, female directors can identify and lessen financial report fraud and have more responsibility overall (Ferina & Pratama, 2023).

Management quality has a big impact on the quality of financial reporting in banks, and competent bank managers avoid opportunistic profit management (García-Meca & García-Sánchez, 2018). There is a strong and favorable correlation between the caliber of financial reporting and the presence of a professional accountant in the senior management team (Rashid, 2020b). Furthermore, the existence of a risk committee reduces discretionary accruals (Bhuiyan et al., 2020).

At the CEO's discretion, real earnings management tendencies are reduced and reporting quality is raised. Yet, the CEO's ability to provide reliable financial reports and reduce the possibility of earnings manipulation is undermined by the politically connected board (Sani et al., 2020). Busy CEOs have a negative relationship with the quality of corporate financial reporting (Harymawan et al., 2022).

When there is a large concentration of ownership, particularly among controlling shareholders whose interests coincide with the company's, the relationship becomes beneficial and alignment becomes paramount in the financial reporting quality (Arthur et al., 2019). In Eastern countries, there is a negative correlation between ownership concentration and the caliber of financial reporting. In Malaysia, there is a positive correlation between earnings management and group and individual ownership, however in Pakistan there is a negative correlation. Additionally, the study's findings demonstrate a negative relationship between state ownership and business success (Yasser et al., 2017). Compared to their rivals, family firms are less vulnerable to audits. Furthermore, the data suggests that family businesses appear to pay lower audit fees than non-family enterprises. The authors find that family businesses are given more attention by auditors, making the audit effort more crucial for these companies (Yasser et al., 2017).

Measures for managing profitability have a strong and negative association with quality sustainability reporting companies. More importantly, this relationship is governed by audit effort, which is measured by audit fees. The caliber of sustainability reporting is a reflection of the factors that auditors consider when developing their audit risk assessment techniques (Al-Shaer, 2020). In terms of value relevance, CSRD has a positive and significant relationship with earning quality in three of the six GCC countries (Bahrain, Saudi Arabia, and the United Arab Emirates). Although CSRD only has an effect on earnings persistence in Kuwait, generalized least squares (GLS) analysis shows that it also has an effect on accrual quality in Bahrain and Kuwait. Capital market authorities must use CSR data as a guide to improve financial reporting standards and allocate resources optimally in the capital market (Kareem AL Ani, 2021).

Using Hofstede's Cultural Dimensions Model, the parent company's headquarters and international affiliates are located in a country with a distinct national culture. The results show that managing profitability is more influenced by the national culture of the parent company's home country than by the national culture of the overseas associated country (Acar, 2023). Additionally, relate cultural and ethnic background to the standard of financial reporting. Tribal culture has a negative effect on real and accrual-based earnings management, which is a gauge of the caliber of financial reporting. These results are consistent across a range of sensitivity testing. Further research indicates that tribal culture has a negative moderating effect on the performance of internal Omani capital market monitoring systems from 2007 to 2014 and is associated with low audit quality. Additionally, the author finds a connection between delayed financial information and ethnic culture (Baatwah et al., 2021). Politically connected companies have a much lower quality of earnings (Hashmi et al., 2018). The relationship between information asymmetry and audit quality is unaffected by corporate political ties

(Tessema, 2020).The quality of financial reporting is positively and significantly correlated with financial leverage. Statistically speaking, however, bank profitability and size have no effect on the quality of financial reporting (Mahboub, 2017).

In research, there is more discussion about conflicts of interest between principals and agents known as agency problems. Future research can use material considerations Resource Dependence Theory, Stakeholder Theory, Legitimacy Theory, Signalling Theory, Organization Theory, Social Network Theory, Critical Mass Theory, Gender Theory, Resource-Based View Theory, Behavioral Decision Theory, Entrenchment Theory And Alignment Theory, Upper Echelon Theory, Institutional Theory, New Institutional Sociology (NIS) theory, Positive Accounting Theory, Grabbing Hand Theory, Organization Theory, ANT dan Power Theory.

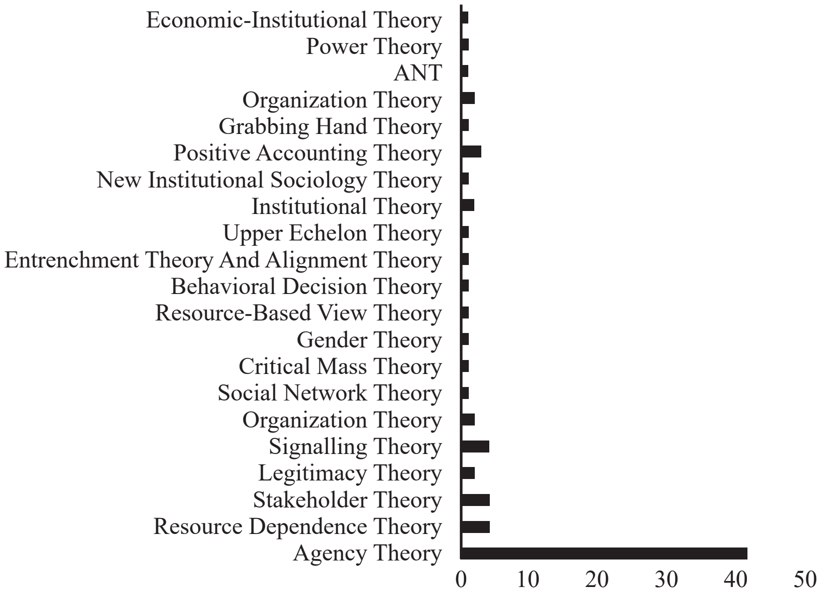

Figure 4. Theory of Financial Reporting Quality

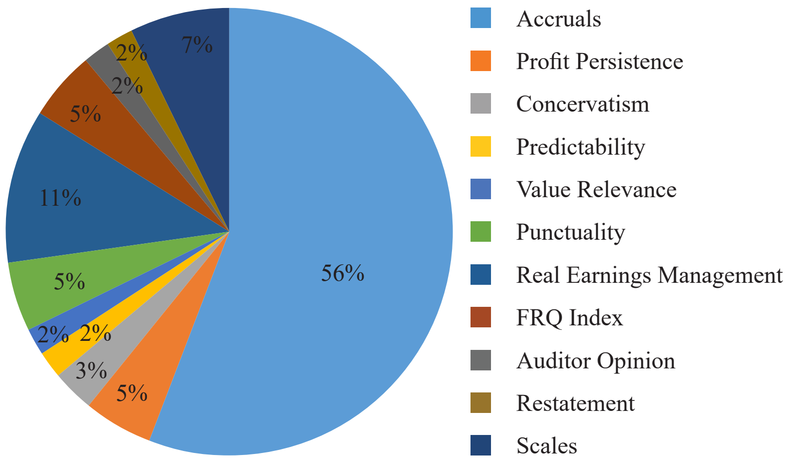

Figure 5. Measurement of Financial Reporting Quality

Accounting-based metrics such as revenue smoothing, persistence, quality of accruals, and predictability can be used to assess the accuracy of financial reporting. Three market-based parameters are used to evaluate the quality of financial reporting: value relevance, timeliness, and conservatism (Schipper, 2004). Measurement of financial reporting quality (Accrual Quality which was first proposed by (Dechow & Dichev, 2002). Measurement of financial reporting quality manipulates results via discretionary accruals, resulting in subpar financial reporting. The most popular methodology for measuring the caliber of financial reporting in corporate governance studies is that developed by (Jones, 1991) and (Kothari et al., 2005). The spread of research regarding the quality of financial reporting can be seen in the figure below.

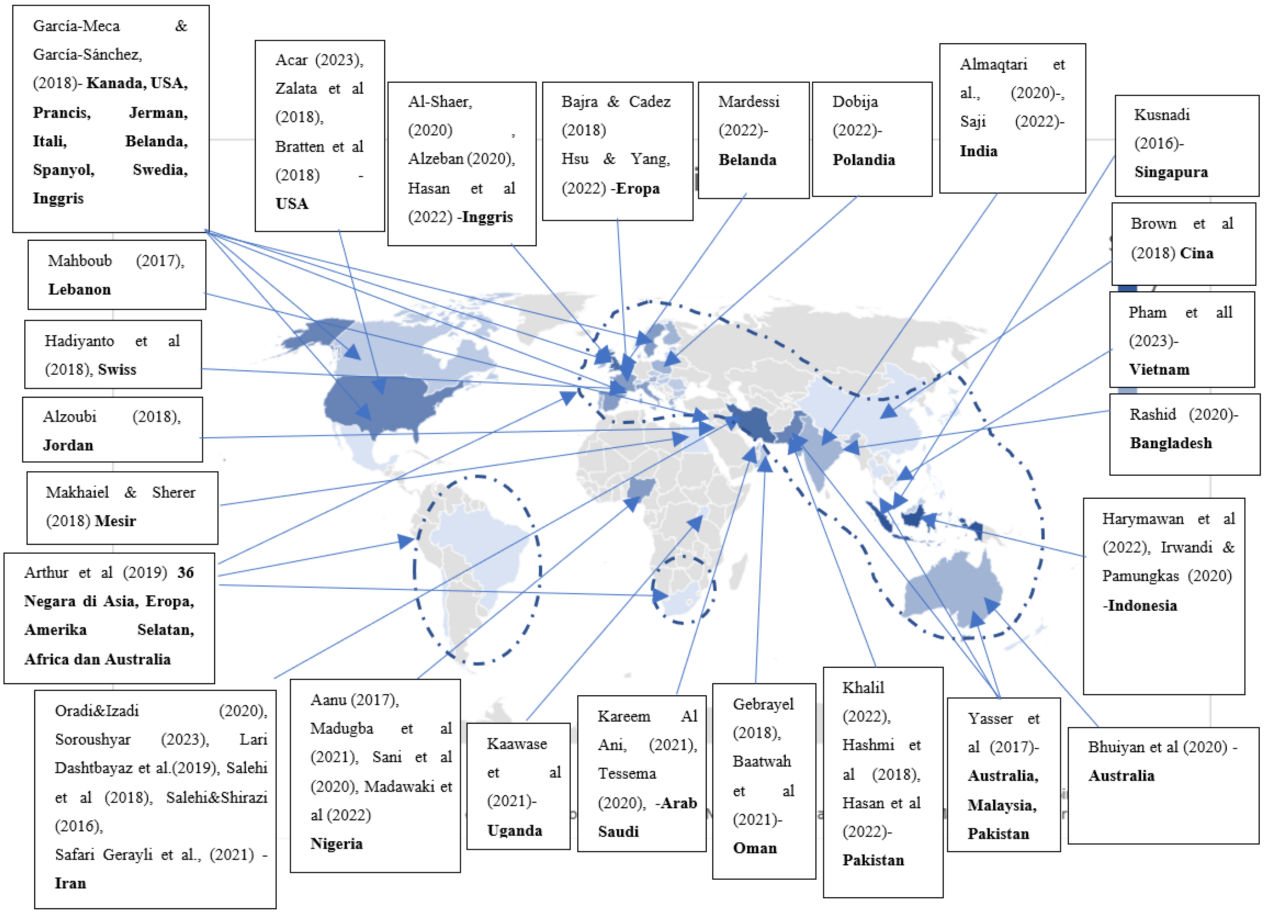

Figure 6. Dissemination of Financial Reporting Quality Research

Future research can consider the topic of financial reporting quality in countries that have not been studied.

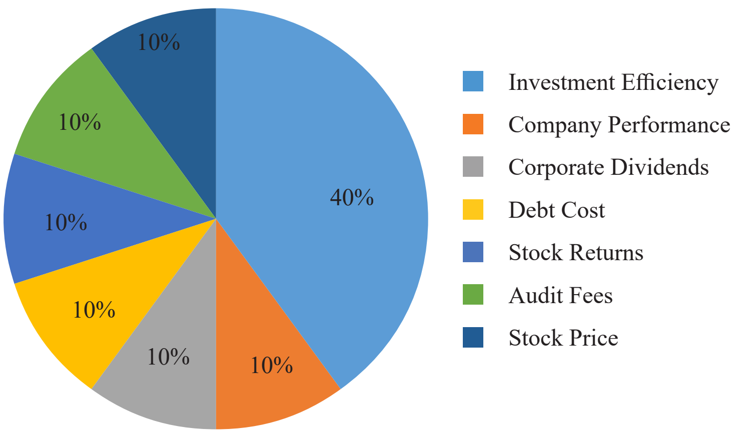

Figure 7. Consequence Financial Reporting Quality

Certain characteristics of financial information, such as smoothness and reliability, seem to encourage investment inefficiency, while others, such as conservatism and relevance, don't seem to have much of an impact on investment decisions (Ellili, 2022; Houcine, 2017; Shahzad et al., 2019) shows a positive relationship between disclosure of financial reporting quality and investment efficiency.

The caliber of financial reporting has a beneficial effect on firms' performance. According to agency theory, good financial reporting practices and high-quality audits boost financial report dependability and lessen information asymmetry (Alsmady, 2022). Higher reporting quality is associated with higher dividends (Koo et al., 2017). Established an inverse association between the cost of debt and the quality of financial reporting; integrated reports emphasize this relationship (Muttakin et al., 2020). The results show that the debt market places a higher value on integrated reports' information than it does on financial reports. (Abdulmalik & Che-Ahmad, 2021) research demonstrates that, in the absence of overlapping leadership and high-quality financial reporting, the relationship between regulatory changes and audit fees is weak but positive, suggesting that regulations contribute to higher costs. show that there is a strong and positive relationship between stock returns and the quality of business earnings. The management of earnings and the quality of the disclosure, however, are not significantly correlated with business stock returns (Salehi et al., 2018). A positive correlation, but not a statistically significant one, between fluctuations in share prices on the main stock exchange in the nation—the Dhaka stock exchange. Furthermore, it is found that the influence of quality enhancement on the movement of share prices is greater than the influence of basic quality. (Rashid, 2020a).

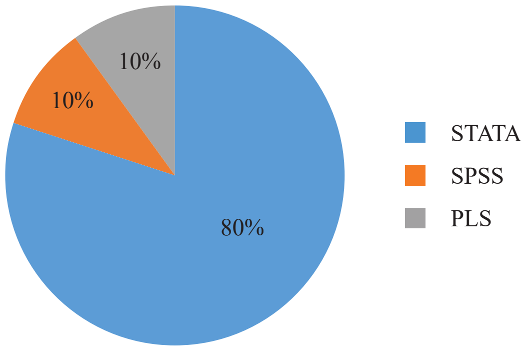

Figure 8. Data Analysis Techniques

Data analysis techniques are one of the processes of compiling and processing data in research which is useful for interpreting the data that has been collected to determine the influence of the independent variable on the dependent variable. Most studies do not include the analytical techniques used, but the authors found that the research was conducted using the STATA analysis tool (Al-Shaer, 2020; Alzoubi, 2018; Bajra & Čadež, 2018; Houcine, 2017; Kareem AL Ani, 2021; Lari Dashtbayaz et al., 2019; Omer et al., 2020), SPSS analysis tool (Khalil, 2022), Panel Least Square analysis tool (Aanu, 2017).

DISCUSSION

The majority of studies emphasize how internal and external audits help to improve the caliber of financial reporting. Many questions remain unsolved within the same framework, such as whether cooperation between internal and external audit and the company's internal parties (the CEO, the board, and managerial capabilities) will enhance financial reporting disclosure and promote responsibility. According to our conclusion, additional study is required to completely comprehend the components and consequences of financial reporting quality. Audit committee, board, managerial ability, gender, CEO, ownership structure, sustainability reporting, CSRD, culture, political connections, and company characteristics are the determinants of quality in financial reporting; investment efficiency, company performance, dividends company, cost of debt, stock returns, audit fees, and stock prices are the consequences of quality in financial reporting.

Economic outcomes like investment efficiency, business performance, dividends, cost of debt, stock returns, audit fees, and stock prices are all improved by better financial reporting. This is because these outcomes are more significantly impacted by financial reporting of a better caliber. However, there isn't any conclusive evidence that timely and/or outstanding financial disclosure improves a company's evaluation and performance. Two characteristics of financial data that appear to reduce the efficiency of investments are reliability and fluency. Additionally, (Ellili, 2022; Houcine, 2017; Shahzad et al., 2019) shows a positive relationship between disclosure of financial reporting quality and investment efficiency.

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Agency concerns, or the conflict of interest between the principal and the agent, were covered in greater detail in earlier studies. Future studies can make use of fundamental theories like signaling theory, which are currently sporadically applied. The significance of information disclosed by the corporation regarding the investment choices of other parties is underscored by the signaling theory. For investors and businesspeople, information is crucial since it basically offers notes or descriptions of the past, present, and future circumstances that affect a company's ability to survive as well as the consequences it will have on the market. Investors in the capital market require complete, pertinent, accurate, and timely information as an analytical tool for choosing investments. Investors will use information released as an announcement as a guide when choosing what to invest in. It is anticipated that the market will respond to an announcement with positive value when it is received by the market. Following the announcement of information and its dissemination to all participants in the market, the participants initially evaluate and assess the information as either positive or negative news. The amount of stock trading will shift if the disclosure of this information is a positive indication for investors.

The disclosure of accounting information signals to investors that the firm is doing well and that trading shares is worthwhile. As a result, the market will respond, as seen by variations in the volume of shares traded. Market efficiency therefore shows the relationship between information publishing, including financial reports, financial conditions, and social politics, and changes in the amount of stock trading. The annual report is one kind of information that a company releases that may serve as a signal to people outside the company, particularly to investors. The data released in the annual report may include non-accounting data, or data unrelated to financial reports, as well as accounting data, or data connected to financial reports. Annual reports have to include pertinent data and reveal information that is thought to be crucial for both internal and external report users to be aware of.

There are many ways to measure the financial reporting quality (Schipper, 2004). The standard of financial reporting is determined by accounting-based factors such as accrual quality, persistence, predictability, and income smoothing. Meanwhile, market-based traits like conservatism, timeliness, and value relevance are used to evaluate the quality of financial reporting. The idea of measuring accrual quality, or the quality of financial reporting, was initially put forth by (Dechow & Dichev, 2002). In the future, financial reporting quality could be assessed in a way that builds on previous findings and is customized to the particulars of the research project. For instance, it is advised to utilize the Likert scale created by to assess the quality of financial reporting in studies that employ primary data from surveys (Beest & Boelens, 2009; Braam, G. and and van Beest, 2013; Jonas & Blanchet, 2000) by integrating the qualitative traits of practical financial data (IASB 2010) and expert opinions.

There are a number of reasons for the dearth of research in developing nations and cross-border scenarios (Hussein, A., & Nounou, 2021; Madugba et al., 2021; Salem et al., 2021). Data collection from poor countries might be challenging for researchers as they often do not release annual reports in English. However, a growing number of businesses are publishing their annual reports in English, increasing the amount of relevant data available. Therefore, it makes sense to expect a rise in research initiatives pertaining to emerging and cross-border markets. Additionally, in order to take into consideration variations in political, legal, cultural, and economic systems, the majority of studies favors gathering data from a single country. Investors also view financial reporting generated by IFRS as being more superior to regional GAAP (De George et al., 2016). This is true considering that the purpose of IFRS is to use fair value accounting to raise the quality of information. Companies founded in countries with code of conduct norms face an increasingly hostile response from investors, which is indicative of their concerns regarding the adoption of IFRS in these countries (Armstrong et al., 2010).

CONCLUSIONS

We consolidate interdisciplinary research on financial reporting patterns in this paper. A final sample of 54 articles was produced as a consequence of the methodological approach that was employed. Some topics need further research, as determined by our review of the financial reporting quality. The results of the study indicate that a range of subjects related to the quality of financial reporting have been examined. The importance of internal and external audits in raising the standard of financial reporting has been underlined in earlier research. In the same context, there remain a number of unanswered questions about whether cooperation between external audit and the internal parties of the firm (the CEO, the board, and managerial abilities) will improve financial reporting disclosures and promote responsibility. The accuracy of financial reporting is impacted by sustainability and corporate social responsibility reporting, just like it is by non-financial disclosures. Furthermore, this might be taken into consideration for future research because there is currently insufficient information on the impact of culture on the caliber of financial reporting. The ramifications of agency difficulties—conflicts of interest between principal and agent—are further discussed in this article. Using binding and monitoring agreements, disputes between agents and principals can be resolved based on agency theory. A compensation policy for management and corporate management is implemented in conjunction with the contractual agreement. Both internal and external parties carry out the supervision arrangements. There are two ways to assess the quality of financial reporting. Accounting-based metrics such as accruals quality, persistence, predictability, and income smoothing are used to gauge the caliber of financial reporting. The three market-based metrics of value relevance, timeliness, and conservatism are used to assess the caliber of financial reporting. Practically speaking, IFRS results in financial reporting that is seen by investors as being more stringent than regional GAAP (De George et al., 2016). The majority of the investigations used STATA analysis techniques. We can take this into account for further education. This study's shortcoming is that it only uses 54 publications total—all Scopus papers from 2016 to 2023 that have undergone a filtering process. Both the quantity and scope of observations can be increased through additional investigation.

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