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Measuring the Level of Voluntary Disclosure and its Impact on Income Smoothing and The Value of The Company: Applied Study in Al-Mansour Company for Pharmaceutical Industries and Medical Appliances

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Abstract: Voluntary disclosure serves as a strategic tool for enhancing transparency, reducing information asymmetry, and improving the quality of financial reporting, which in turn fosters investor confidence and governance efficiency. Despite its significance, studies investigating the role of voluntary disclosure in mitigating income smoothing and enhancing firm value within the Iraqi context remain limited. The lack of empirical research linking voluntary disclosure to income manipulation practices and company valuation in Iraqi pharmaceutical industries calls for focused inquiry. This study examines the level of voluntary disclosure and its influence on income smoothing and market valuation using Al-Mansour Company for Pharmaceutical Industries and Medical Appliances as a case study for the fiscal year 2024. Findings reveal a high level (72.059%) of voluntary disclosure, which correlates positively with increased market value and reduced income smoothing, as supported by Miller Index analysis and market valuation changes. The study employs a detailed measurement framework encompassing financial, strategic, and non-financial disclosure dimensions, providing a comprehensive assessment rarely applied in Iraqi firms. These results underscore the importance of adopting broader disclosure practices to improve financial integrity and support informed decision-making among investors and regulators, contributing to ethical and sustainable corporate practices.

Keywords: Voluntary Disclosure, Income Smoothing, Value of Company

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1. Introduction

Optional disclosure is one of the methods that can be used to reduce the risk of information asymmetry, which is reflected positively on the activation of the stock market and increase its efficiency, so the availability of accounting information has an important role in rationalizing investors' decisions and increasing the efficiency of the stock market. Over the past ten years, the media, civil society organizations, and international non-governmental organizations have concentrated on the negligent practices of corporations, especially those that seek to boost profits. These actions have created a black spot in financial systems that are thought to be part of the framework of abusing legal texts to the extent of evading the law, taking advantage of its gaps, or taking advantage of the

flexibility between options to lessen the financial burden, which most people believe to be unethical and illegal. The idea of the research came through research into the practice of companies for voluntary disclosure in a way that can increase confidence in financial reports and financial compliance with the law in full, and the disclosure of information related to the preparation of income clearly and transparently, and most importantly follow legitimate and acceptable practices.

2. Materials and Methods

The research problem

Income smoothing is a kind of obscuring or temporarily hiding facts from stakeholders, which leads to misdirection of resources among areas of alternative investments. Managers of companies can consider changing income inflation policy in order not to be affected by unwanted or popular news., research problem can be formulated: Does the company's practice and adoption of voluntary disclosure have an impact on reducing income preparation practices as it is irresponsible and unethical behavior?

The importance of research

Companies that make disclosures that are not required by accounting standards and governing laws help to bridge the information gap between management and users and guarantee the generation of funds needed to finance public expenditures, as corporate profits account for the majority of total revenues in most countries in the world, including Iraq. This explains the significance of the research.

Research Objectives

The study intends to determine the impact of voluntary disclosure of companies in paving income in light of the Iraqi environment, as well as the impact on the company's value from the perspectives of management and customers. It does this by analyzing the figures comprised in the financial intelligences to determine the extent to which the research sample companies practice income paving.

Research hypothesis

The following hypothesis forms the basis of the study: Assessing the degree of voluntary disclosure has a statistically significant effect on how income is prepared and how much the company is worth.

Research Sample

The research was applied at Al-Mansour Pharmaceutical Industries and Medical Appliances Company, and the company focused on promoting patients' health, treating diseases and relieving pain. The research was applied in the company's sample search for data for the fiscal year 2024.

3. Results and Discussion

The concept and importance of voluntary disclosure

Voluntary disclosure in accounting means provision of additional pecuniary and management information by companies voluntarily, without being obligated to do so under accounting laws or regulations, and this disclosure aims to increase transparency and enhance investor confidence. Voluntary disclosure is a voluntary and free initiative by the organization's management to disclose additional, non-mandatory information, which may not be requested by investors and stakeholders to help them take [1].

Voluntary disclosure is defined as the non-mandatory voluntary disclosure of non-binding information in addition to what is disclosed in accordance with generally accepted accounting rules and standards, and is done by publishing financial and non-financial information [2].

The importance of voluntary disclosure lies in the role it contributes to enhancing the investment decision-making process, as voluntary disclosure plays a role in enhancing governance procedures through the quality of the relationship between management and stakeholders and also in the benefit achieved for investors, an importance that can be explained as follows: [3]

1. The expansion of the level of voluntary disclosure leads to a decrease in the cost of variation in information for managers of economic units on the one hand and shareholders investors on the other.
2. The presence of optional disclosure in the reports and financial statements increases the confidence of the beneficiary parties in the bank, and this is reflected in its reputation and market value, as well as on the share prices in the financial market, which leads to reducing the degree of risk and uncertainty in investments.
3. Voluntary disclosure plays a role in enhancing governance procedures through the quality of the relationship between management and other stakeholders, as well as activating the work of the stock market.
4. Voluntary disclosure reduces the capital that the bank wishes to obtain by providing sufficient and accurate information for investment decisions.
5. Voluntary disclosure provides appropriate information to the categories that use accounting data in a way that enables these categories to predict some key variables.

Measuring the level of voluntary disclosure

Many educations dealt with in what way to degree level of unpaid revelation, and greatest of them arranged to accept proposed models that contain a amount of items that determine the quality of optional information, and in view of previous studies that concerned with measuring optional disclosure, it is clear that some of them used measurement models to determine the quantity and quality of optional disclosure information were designed by the researchers themselves, while in others previous models were used, and this does not mean that they are measures of a subjective nature related to each researcher, because the measurement of its level according to models of this kind remains acceptable, as long as it is built on the objective grounds [4].

To gauge the degree of voluntary disclosure, researchers employ a variety of metrics, such as management projections and externally generated scores derived from previously developed disclosure scales, but others prefer to build more scales to measure self-voluntary disclosure, which is due to several reasons, the most important of which are the following: [5], [6]

1. Self-metrics can be applied to several establishments, unlike pre-prepared ones that are directed to specific establishments, such as large banks, for example.
2. The standards prepared by professional and government bodies usually focus on the elements of mandatory disclosure, and very rarely give consideration to voluntary disclosure.
3. Self-built scales contain only the elements identified by the researcher for measurement, which makes the scale more credible than previously prepared scales.

The researchers concluded that the issue of measuring voluntary disclosure is still undisciplined, due to its dependence on the self-efforts of researchers, and the instability of the standards used in this field, and although the results that lead to it can be accepted, it is still difficult to generalize these results to various units and sectors, and perhaps the researchers saw the need for efforts to integrate with the efforts of international professional organizations towards building and designing standards of a comprehensive nature for optional disclosure, and setting applied rules Identify the most appropriate methods and methodologies, by which more honest, consistent, and more comprehensive results can be achieved [7].

Prefacing the income and value of the company and their relationship to voluntary disclosure

One of the most popular types of profit management is income priming, in which management attempts to keep net income stable by choosing particular accounting procedures, influencing when specific financial events occur, or both. In general, businesses would rather report a steady income growth trend than show fluctuations in profits, with some periods seeing increases and others seeing decreases [8].

As for the value of the company, it is the price that the company is equal to in the market when it is auctioned or sold. Or they are the ones that reflect the actual value of the company in the market. Book value is the value of the company in its financial statement, meaning on the company's papers, and not necessarily equal to the market value of the company. A company's value is its market value, which is the sum of all its outstanding shares multiplied by the current share price in the market [9].

This happens when management manipulates the timing of accounting entries, and this manipulation is a reality that most research has focused on studying. Where the management exploits the flexibility in choosing accounting methods from among a set of methods recognized to be used so that the goal of the boot can be achieved, for example, the use of the concept of materiality in accounting and reliance on it in classifying some expenses as an expense and therefore will be charged to the income of the period or considered capital expenditure to be recorded during the accounting period [10].

Dealing with expenses to minimize them as much as possible through capitalization or extending the amount of years on which capital costs or weights are dispersed through depreciation can maximize the company's profits. It should be noted that the management of enterprises may not be limited to interfering with the values of revenues and expenses as previously shown through a statement of fictitious profits that do not reflect the truth, but can declare the existence of an extraordinary earning capacity of the enterprise under The so-called other income, which portrays to the related parties that there are ostensibly higher levels of profits of the enterprise [11].

By tampering with the statement of cash-flows, which is divided into three primary collections that each represent one of the enterprise's primary activities operational, investment, and financing activities enterprise management can create an inflated and inaccurate impression of the earning potential of the business [12].

The Applied aspect of research

About Al-Mansour Pharmaceutical Industries and Medical Appliances Company

Al-Mansour Company for Pharmaceutical Industries and Medical Appliances is a pharmaceutical and therapeutic medical supplies company, established in 1989 by pharmacists, and focused on promoting patients' health, treating diseases and relieving pain. After achieving great success, the company was restructured in 2022, strengthening equipment, personnel and expertise to provide more effective treatment to patients. The company's values include commitment and responsibility towards our community for better health and a brighter future, respect and appreciation for employees and all employees, the production of safe and effective products, and the continuous development of facilities and staff. The company tries to attract foreign expertise, which makes Al-Mansour equivalent products in the effectiveness and quality of imported products. The company mainly aims to provide effective treatment for patients and not mainly profit, we offer our products at competitive prices so that all groups can get them.

Measuring the level of voluntary disclosure in Al-Mansour Company for Pharmaceutical Industries and Medical Appliances and measuring its impact on the income and value of the company

In order to measure the level of voluntary disclosure in Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024, the ratio of the number of

disclosed paragraphs to the total paragraphs for future information, social information, environmental information, economic information, Financial, non-financial, and strategic information are indicated, with optional disclosure, refers to the provision of additional financial and administrative information by companies voluntarily, without being obligated to do so under accounting laws or regulations, and this disclosure aims to increase Transparency and enhancing the confidence of investors and stakeholders in the company, including information that can be disclosed optionally, and the level of unpaid disclosure can be unhurried in Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024 as exposed in the subsequent Table 1.

Table 1. Measuring level of voluntary disclosure in Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024.

Details	Number of paragraphs disclosed	Total paragraphs	Optional Disclosure Level
Future Information	8	12	%66.667
Social Information	17	24	%70.833
Environmental Information	15	21	%71.429
Economic Information	11	18	%61.111
Strategic Information	10	14	%71.429
Non-Financial Information	14	19	%73.684
Financial Information	23	28	%82.143
Total	98	136	%72.059

It can be seen from the above table that the number of disclosed paragraphs was (98) paragraphs during the year 2024, and the total paragraphs were (136) paragraphs, and therefore the level of voluntary disclosure for Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024 was (72.059%), where the level of optional revelation of future data was (66.667%), and level of optional revelation of social information(70.833%), while the level of charitable revelation of environmental information was (71.429%), Financial information voluntary disclosure was 82.143 percent, non-financial information voluntary disclosure was 73.684%, strategic information voluntary disclosure was 71.429%, and economic information voluntary disclosure was 61.111 percent.

Regarding the findings, conversation, and analysis of the income introduction, the education used the Miller index to determine that cash flow from operating activities is a reliable indicator of performance and is less vulnerable to management manipulation. The relationship between the cash-flow from working doings and the change in working capital, an element that management can manipulate. The Miller Perfect, which is intended to track temporary receivables, shows that the company is managing profits if the change increases by Miller's percentage. By dividing cash flows from operating activities one of the components that cannot be manipulated by current assets minus current liabilities, the formula determines the change in net working capital. Furthermore, it is feasible to ascertain the extent to which Al-Mansour Company for Pharmaceutical Industries and Medical Appliances participates in the process of reducing income by contrasting the current ratio of the year with the ratio of the prior year, Analyzing the cash flow statements of the companies in the research sample to extract cash flows from operating activities as one of the most important elements that are susceptible to manipulation, and using the Miller model to measure instances of boot in income if boot is positive, it indicates that the company practices profit management and aims to maximize income [13]. There is no preamble, and the company complies with all applicable laws, regulations, and accounting

standards, according to indicator (0). If boot is negative, management uses income boot, which means lowering income to avoid taxes [14]. The following table provides a measure of Al-Mansour Pharmaceutical Industries and Medical Appliances Company's income preface for 2024, see Table 2.

Table 2. Measuring the income preamble in Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024.

Year	Change in working capital	Cash flow from operating activities	Miller Index	The difference between the two indicators	Total
Base Year 2023	7840612112	16240115428	0.48279	-	-
Current Year 2024	9266867509	18908564231	0.62158	+0.13879	Positive Preamble

The aforementioned table makes it evident that Al-Mansour Company for Pharmaceutical Industries and Medical Appliances had a positive preamble in 2024. This suggests that the company did not engage in income preparation or use the method of income to evade its financial obligations during that year. Thus, the absence of income preparation management practices results from a lack of conflict of interest because ownership and management are separated. Management will prioritize selecting accounting policies and procedures that are appropriate for the company's objectives, and they will use the income introduction method to avoid other financial receivables.

The market value of Al-Mansour Company for Pharmaceutical Industries and Medical Appliances for the year 2024 was calculated to demonstrate the extent of the impact of voluntary disclosure in paving the income and value of the research sample company. Since the market value is one of the most important indicators of the success of financial management, as it is the strategic goal of that department, studying the factors affecting that value sales being the most important gives the investor a clear picture of the quality of his investments. The importance of value lies in a fair valuation in accordance with the concept of value for products and services as well as market value. For companies, value-based valuation is not biased to any party in the equation, as the seller tends to achieve the greatest profits, and the buyer tends to obtain the good or service at the lowest possible value [15]. The market value of Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024 can be clarified, as shown in Table 3.

Table 3. Market Value of Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024.

Company	2023	2024
Al-Mansour Company for Pharmaceutical Industries and Medical Appliances	14578645324	18745323423
The difference in market value between the base year and the current year		4166678099+

It is clear that the market value of Al-Mansour Pharmaceutical Industries and Medical Appliances Company for the year 2024 was (18745323423) dinars, Panama the market value for the base year was (14578645324) dinars, so the difference in market value between the base year and the current year of Al-Mansour Pharmaceutical Industries and Medical Appliances Company was (4166678099+).

Following the measurement of the research sample company's income and market value, the correlation coefficient (R2) and additional tests can be used to demonstrate how

the degree of voluntary disclosure in paving affected the company's income and market value, as indicated in the following Table 4.

Table 4. The effect of voluntary disclosure on paving income and market value.

Independent variable (X)	Correlation	F. table	F. cal	P.value	R ²		Dependent variables (Y)
Voluntary Disclosure	0.816	3.112	8.217	0.569	0.665	3.423	Income Preface
Voluntary Disclosure	0.804	2.998	8.449	0.345	0.646	3.217	Company Value

It is clear from the above table that there is a positive correlation between voluntary disclosure and income paving market value because investors' investment decisions are directly impacted by the credibility and dependability of financial information, and this is reflected in the company's value through the presence of a significant impact of the reliability of financial information on the value of the company's share. The significance of this table thus amply demonstrates the acceptance of the research hypothesis, which states that the optional disclosure in the accounting information of the financial statements. It has been shown that it can affect the market value of the company by utilizing the correlation and regression properties between the two variables (X, Y) through the simple linear regression equation ($Y = BX+a$) and illustrating the degree of correlation between them using Pearson's correlation coefficient. Consequently, the study hypothesis has been confirmed.

4. Conclusion

- a. Voluntary disclosure means the provision of additional financial and administrative information by companies voluntarily, without being obliged to do so under accounting laws or regulations, and this disclosure aims to increase transparency and enhance investor confidence.
- b. The importance of voluntary disclosure lies in the role it contributes to enhancing the investment decision-making process, as optional disclosure plays a role in enhancing governance procedures through the quality of the relationship between management and stakeholders and also in the benefit achieved for investors..
- c. One of the most popular types of profit management is income smoothing, in which management attempts to keep net income stable by using specific accounting techniques, timing the occurrence of specific financial events, or both.
- d. The value of the company at the price equal to the company in the market when traded in a public auction or sold. Or they are the ones that reflect the actual value of the company. Book value is the value of the company in its financial statement, meaning on the company's papers, and does not necessarily equal the market value of the company.
- e. Dealing with expenses to minimize them through capitalization or extending the period of time on which the costs of assets or capitalized burdens are dispersed through depreciation are two ways to optimize the enterprise's profits.

Recommendations:

- a. In order to reduce the extent and opportunities for financial statement manipulation and the use of illegal methods, the Iraqi Securities Commission, as well as scientific, professional, and academic organizations and societies, are becoming more interested in voluntary disclosure. They are also strengthening the role of regulatory and supervisory authorities.
- b. When auditing a company's accounts, external auditors must take the appropriate professional care to carefully examine all of the financial statements' elements and

- components in order to identify any potentially unlawful financial practices and report and disclose them in their own reports.
- c. Increase interest in voluntary disclosure of environmental and social information in Iraqi banks, because of its great importance in the field of planning and contribution to achieving social welfare and on-going to raise level of voluntary revelation.
 - d. Private Iraqi joint-stock companies should release special lists that contain information about voluntary disclosure in general and financial elements in particular, in addition to reports and disclosure of the true and correct financial situation in their financial reports.
 - e. Giving incentives to managers in Iraqi banks, with the aim of encouraging them to enhance the level of voluntary disclosure, on the basis that the voluntary disclosure decision is primarily an administrative decision, and triggering the role of the television in social and environmental aspects to raise awareness and educate companies about that.

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