

# The Impact of Applying Total Quality in Improving the Decisions of Users of Financial Accounting Statements: An Analytical Study of Korek Telecom Company

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## Article History

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**Abstract:** The research aims to analyze the impact of applying total quality in improving the decisions of users of the financial accounting statements of Korek Telecom Company in Kirkuk city and the extent of its impact on the confidence of users of the financial statements. Two types of analysis were used: descriptive analysis and quantitative analysis, and using the statistical method SPSS. The study concluded that the application of total quality in the research sample companies has a positive impact on the quality report of the financial statements, which improves the decisions of users of those statements. The study recommended improving the financial decision-making process in the research sample company by using total quality standards in a way that enhances the efficiency of those statements and increases investor confidence.

**Keywords:** Financial accounting, Users of financial statements, total quality.

## INTRODUCTION

As markets evolve and competition increases across economic sectors, total quality has become a vital tool for achieving excellence and organizational success. Total quality management is no longer just a means of improving the quality of products and services, but has evolved to include all aspects of an organization, including internal processes such as preparing financial statements. Financial statements represent an important means for users of financial information, such as investors and creditors, to make informed decisions about the future of the company. In today's competitive business environment, companies need to apply total quality standards to ensure the accuracy, reliability, and transparency of financial statements.

### Research Objective

The research aims to analyze the impact of applying total quality in improving the decisions of users of the financial accounting statements of Korek Telecom Company in Kirkuk city. The study addresses how the application of total quality affects the data included in the financial statements, and the extent of its impact on the confidence of investors and users of financial information in making their investment decisions.

### Research Problem

This research attempts to answer a main question of the study problem, which is: Is there a role for applying total quality with its six dimensions to improve the decisions of users of the financial statements of Korek Telecom? The main question was divided into six sub-questions as follows:

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- 1- Is there a role for the efficiency of financial decisions in improving the quality of financial accounting statements (IQFAS)?
- 2- Is there a role for the quality of accounting techniques in (IQFAS)?
- 3- Is there a role for future investor expectations in (IQFAS)?
- 4- Is there a role for reducing investment risks in (IQFAS)?
- 5- Is there a role for improving investor confidence in (IQFAS)?
- 6- Is there a role for increasing customer satisfaction in (IQFAS)?

**Importance of the Research:** The importance of the research came in applying the principles of total quality and its impact on (IQFAS) and the extent of its reflection on the decisions of the users of those statements.

### Research Hypothesis

To answer the research questions, the main research hypothesis was identified as follows: There is a role for applying total quality with its six dimensions to (IQFAS) of Korek Telecom. The main hypothesis was divided into six sub-hypotheses as follows:

- 1- There is a role for the efficiency of financial decisions in (IQFAS).
- 2- There is a role for the quality of accounting techniques in (IQFAS).
- 3- There is a role for investors' future expectations in (IQFAS).
- 4- There is a role for reducing investment risks in (IQFAS).
- 5- There is a role for improving investor confidence (IQFAS).
- 6- There is a role for increasing customer satisfaction in (IQFAS).

## RESEARCH METHODOLOGY

The descriptive approach was adopted to test the validity of the research hypotheses based on correlations or influence between the research variables on the extent of the impact of total quality management in its six dimensions on improving financial statements. To achieve this, this research relied on the questionnaire tool to study the sample included in the research, and the study included two types of analysis (1): Descriptive analysis using a package of statistical programs. (2) Quantitative analysis, which includes correlation coefficients to determine the form of the relationship.

Some interested parties presented the concept of total quality management as a culture. Logothetis defined it as a culture that calls for total commitment to customer satisfaction and conviction through continuous improvement and innovation in all work (Logothetis N, 2007).

In general, Farhat believes that comprehensive quality focuses on preventive work instead of being preoccupied with treating and solving problems after they occur. (Farhat, Yahya Muhammad Zalzali, 2020, 12) In this context, Spenley defined quality as the main business improvement strategy. It is the main management issue for the future because it is the basis for survival and competition (Spenly, 2005). Stags also explained that the word comprehensive means the possibility of applying something to all aspects of the business, from identifying customer needs to evaluating their satisfaction, and that the word quality means meeting and expecting the customer, while management means developing and sustaining organizational capacity to improve quality in a sound manner.

The importance of accounting has recently increased. It is no longer of interest to current owners and shareholders only, but has become of interest to many parties, most notably new and potential investors, as they are interested in obtaining accounting information that is characterized by accuracy, objectivity and clarity, away from ambiguity and misleading.

Therefore, financial accounting systems are supposed to produce useful information that is trusted by decision-makers from stakeholders in the institution.

In this regard, interest in the reports submitted by the external auditor has increased, especially after the collapse of major American companies and the connection between this collapse and the manipulation of the accounts of those companies and placing blame on major American auditing offices, either because of their participation in this manipulation or their failure to disclose it, which led to the fear of many investors and they began to doubt the management systems of the companies that were exposed to collapse and expressed their questions about the effectiveness of the accounting standards and procedures applied in the companies and the extent of the responsibility of the accountants for the collapse of major companies. The study conducted by Al-Kabbaji and Abu Awad aimed to measure the impact of using total quality management on improving the financial performance of Jordanian industrial joint stock companies. The study concluded that there is no impact of total quality dimensions on improving the company's financial performance (Al-Kabbaji and Abu Awad, 2013). Therefore, the quality of accounting information systems represented by financial statements was described as the ability to provide useful information and enable the decision-maker to make successful decisions. This means that

they must be characterized by accuracy, timeliness, perfection, and appropriateness. Therefore, the characteristics of the quality of accounting information systems were identified in each of (reliability, appropriateness, appropriate timing, neutrality, honesty, verifiability, comparability, and feedback evaluation). This means that the main task of the accounting information system is to provide high-quality information to the company's management and stakeholders (Fadel and Mahmoud, 2014). The quality of information is also determined by the extent of its ability to motivate decision-makers to make a specific decision and its ability to make them more efficient to reach decisions that are characterized by greater effectiveness in The process of managing the institution in a way that leads to achieving its goals as a whole, and enables them to develop the necessary plans to perform various activities, and monitor performance levels to ensure the implementation of what is planned and take corrective measures after discovering deviations and knowing their causes. Therefore, accounting information must be characterized by characteristics to judge its quality (Madahi, 2009, 62-63).

Accounting information is considered the basic product of the accounting cycle that affects according to an organized accounting system within the institution. This system, like other systems, consists of basic stages that include input, operation and output processes. The link between the quality of accounting information and the quality of the accounting information system is due to a number of reasons, including:

- 1- The conceptual basis of accounting as an information system.
- 2- The accounting information system, through its stages, translates the economic events occurring within the institution.
- 3- The process of translating events is of utmost importance with regard to controlling the use of the institution's assets.
- 4- The judgment on the financial status of the institution is through the analysis of the accounting information produced by the parties of the information systems.
- 5- The future investment and management policy is based on the high and automatic status of the financial statements items, which are considered a starting point for translating the various future policies.
- 6- The process of evaluating the institution in various ways passes through the disclosed information, and therefore if the external pressures exerted on the institution continue, it becomes necessary to provide honest accounting information that is characterized by high quality through its true expression of the financial status of the institution, which is an actual translation achieved at different levels, whether it is related to the stages of the information system or its elements in themselves.

Accordingly, the financial report is considered a tool for a communication process that includes two parties, as the preparers and issuers of financial reports provide them to their users who rely on their informational content in making economic decisions (Tasios and Bekiaris, 2012). Therefore, in order to maintain the health of the company, the company's management must follow a set of necessary steps to improve the accuracy and quality of the financial statements (QFS) through the following (<https://www.wafeq.com/ar>):

- 1- **Application of recognized accounting standards:** The company must follow recognized local and international accounting standards to ensure the accuracy and quality of financial statements and thus provide accurate and reliable information to all parties using them.
- 2- **Internal and external auditing:** The company should conduct internal and external audits regularly to ensure the accuracy of the financial data included in the financial statements and their compliance with applicable laws and regulations.
- 3- **Financial analysis:** The company's management must conduct periodic and regular financial analysis of the financial statements and use these analyses to make informed and thoughtful decisions.
- 4- **Training and development:** The need to provide continuous training and development for employees preparing the financial statements to ensure that they have the knowledge and skills necessary to prepare accurate and reliable financial reports.
- 5- **Use of information technology:** The company's use of advanced accounting systems and programs helps it (IQFAS) and simplify accounting processes.

Surur believes that improving the quality of financial statements and reports prepared in accordance with international accounting standards, which are adopted by most countries in the world, will lead to increased efficiency and effectiveness of financial markets as a result of the existence of a unified accounting language that is understood by everyone, and thus will lead to improving the economic levels of countries, especially emerging countries. (Surur, 2015,226) In the end, the goal of each company should be based on improving financial statements and using them as indicators of success and development. Therefore, if companies invest this information in improving the quality of financial data, financial analysis, and decision-making based on it, their ability to adapt to continuous changes in the market will be enhanced and success will be ensured in the long term.

**First: The practical aspect of the study**

This study aims to explore how to apply Total Quality Management in Korek Telecom Company and its impact on improving the company's financial accounting statements. To achieve this, questionnaires were used to collect data from a group of employees and managers in the company. The questionnaires contained several axes that included different aspects of Total Quality Management such as:

1. **Improving the efficiency of financial decisions:** Measures the extent to which the application of comprehensive quality standards affects the efficiency of investors' financial decisions.
2. **Quality of accounting techniques:** Addresses the level of techniques for collecting and analyzing accounting information and the extent of their impact on (IQFAS).
3. **Future investor expectations:** Evaluates the impact of applying comprehensive quality on enhancing investors' expectations about the company's future financial performance.
4. **Reducing investment risks:** Measures the effectiveness of improved financial statements in reducing investment risks.
5. **Improving investor confidence:** Examines how comprehensive quality affects increasing investor confidence in the company's management.

**Study Sample:** The study sample consisted of (90) questionnaires distributed to employees of Korek Telecom Company, and (75) questionnaires were retrieved from them, which can be analyzed, i.e. the sample constitutes about (83%) of the study population. Regression analysis and correlation coefficient (Pearson's r) were used to analyze the data and extract the relationships between the independent variables (total quality) and the dependent variable (improving financial statements). The aim of these analyses is to determine the extent of the impact of total quality management on (IQFAS).

**Second: Descriptive analysis of the application of Total Quality Management**

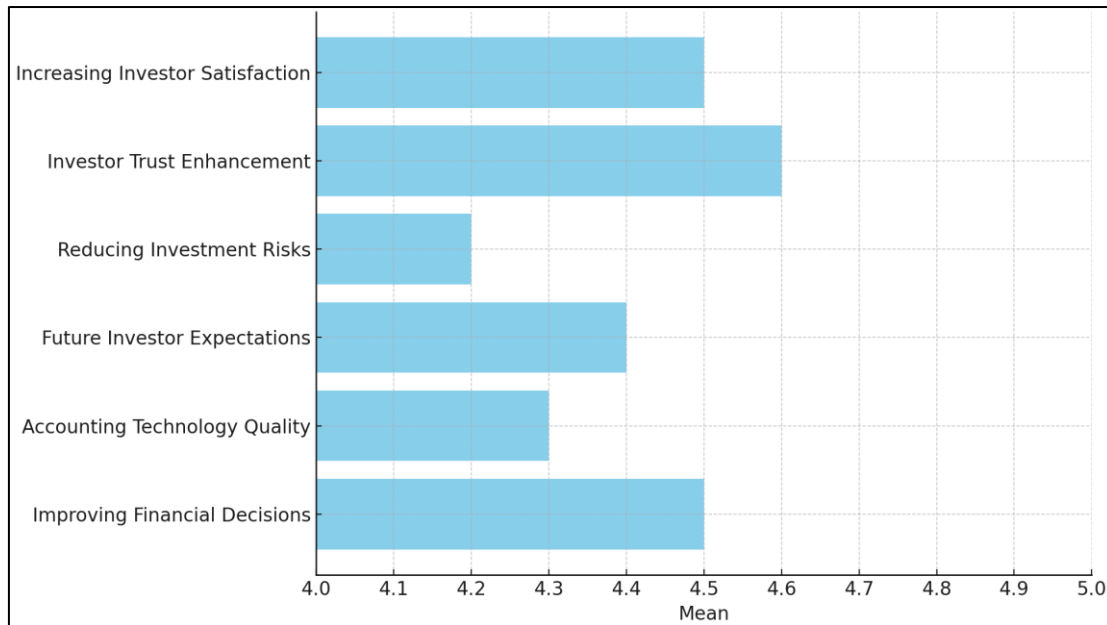
Total Quality Management in Korek Telecom was divided into several main dimensions that were measured based on the responses of the study participants. The results showed that all dimensions of total quality were applied at a high level, indicating the company's commitment to enhancing the quality of its financial operations.

The following table shows the results of the descriptive analysis:

**Table 1: Results of the descriptive analysis**

Dimension	Arithmetic mean	Standard deviation	Percentage importance (%)	Importance order	Practice level
The efficiency of financial decisions improvement	4.5	0.5	6.84	3	High
Quality of accounting techniques	4.3	0.6	6.53	5	High
Investors' future expectations	4.4	0.5	6.68	4	High
Reduce investment risks	4.2	0.7	6.38	6	High
Improving investor confidence	4.6	0.4	6.99	1	High
Increase investor satisfaction	4.5	0.5	6.84	2	High

- Improving investor confidence and increasing investor satisfaction received the highest ratings in terms of importance, reflecting the company's keenness to build a strong relationship with its investors by providing accurate and reliable financial statements.
- The quality of accounting techniques came in a relatively lower rank, indicating an opportunity to improve the use of advanced techniques in accounting operations to ensure higher quality financial statements.



**Figure 1: Level of different dimensions of total quality**  
 Source: Prepared by researchers based on SPSS program

Figure (1) shows the levels of the different dimensions of Total Quality Management (TQM) that were evaluated based on the sample responses, as the analysis reflects that all dimensions came at a high level of practice within the company.

**Third: Testing the correlation between total quality and improving financial statements.**

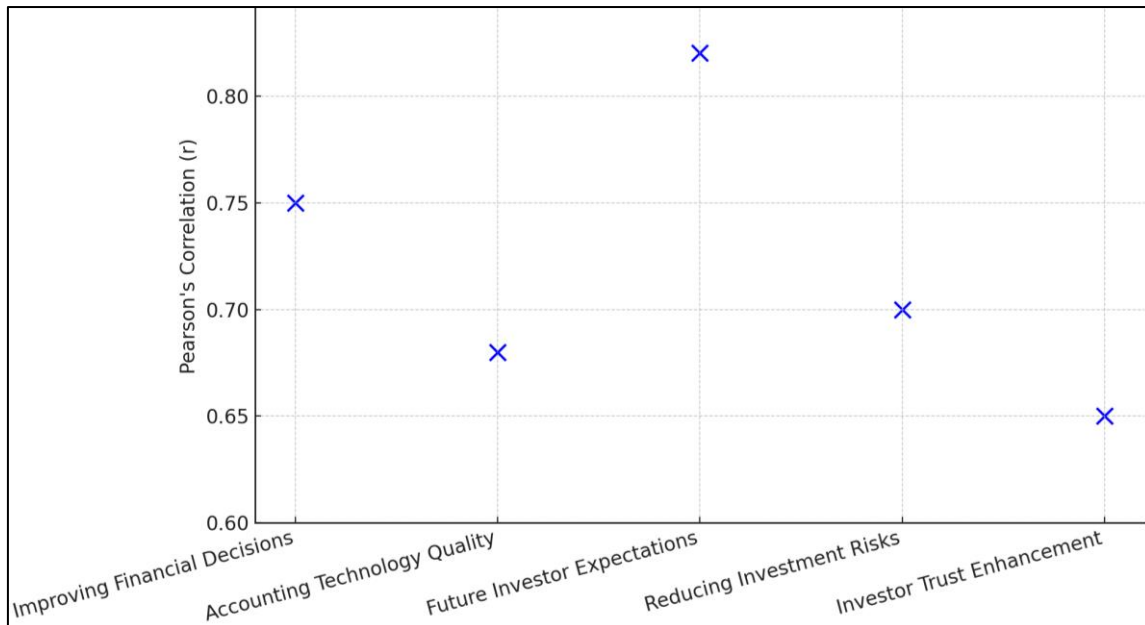
The correlation coefficient (Pearson's r) was used to test the relationship between the dimensions of total quality management and its impact on improving financial statements. The results showed a strong correlation between the different dimensions of total quality and the quality of financial statements. Table (2) in the next page shows the correlation relationship.

**Table 2: Correlation relationships between variables**

Dimensions of the independent variable	Dependent variable	Correlation coefficient (Pearson's r)	Level of significance (p-value)	Strength of the relationship
Improving the efficiency of financial decisions	(QFS)	0.75	0.001	Strong
Quality of financial statements	(QFS)	0.68	0.003	Medium
Future investor expectations	(QFS)	0.82	0.000	Very Strong
Reducing investment risks	(QFS)	0.70	0.002	Medium to Strong
Improving investor confidence	(QFS)	0.65	0.004	Medium

Source: Prepared by researchers based on SPSS program

- The results show that investors' future expectations had the highest correlation with financial statement quality, indicating that companies that focus on meeting their investors' expectations achieve greater improvements in their financial statements.
- Improving the efficiency of financial decisions and reducing investment risks also showed strong correlations with improving financial statements, indicating that companies that focus on these aspects achieve positive results in the quality of financial reporting.



**Figure 2: The relationship between total quality and improving financial statements**  
 Source: Prepared by researchers based on SPSS program

Figure 2 shows the correlation between some dimensions of TQM and improved financial statement quality, showing that investors' future expectations and improved financial decision efficiency have the strongest correlation with financial statement quality.

**Fourth: Testing the impact of TQM on improving financial statements**

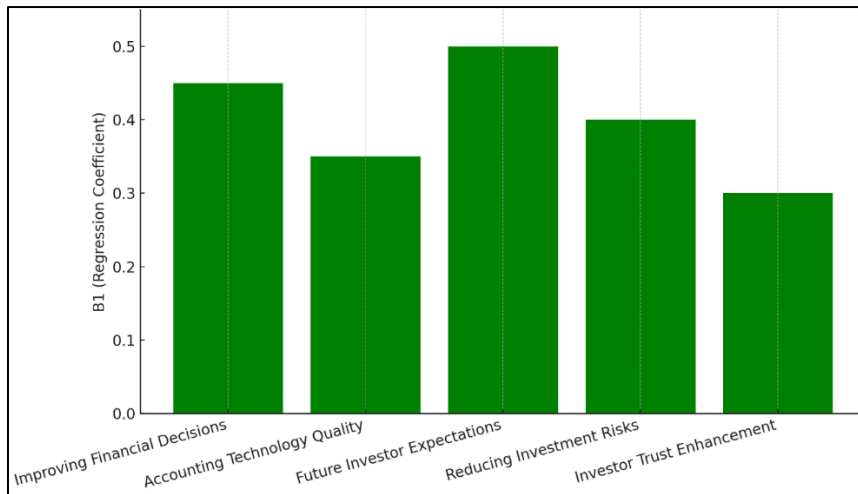
Regression analysis was used to measure the impact of TQM dimensions on (QFS). The results showed that there are strong effects of some dimensions such as investors' future expectations on improving financial statements. Table (3) in the next page shows the results of the regression analysis.

**Table 3: Regression analysis results**

Independent Variable	Dependent Variable	regression coefficient (B1)	coefficient of determination ( R <sup>2</sup> )	Significance level (p value)	Power of influence
Improving the Efficiency of Financial Decisions	(QFS)	0.45	0.68	0.001	Medium to Strong
Quality of Accounting Techniques	(QFS)	0.35	0.60	0.003	Medium
Future Investor Expectations	(QFS)	0.50	0.72	0.000	Very Strong
Reducing Investment Risk	(QFS)	0.40	0.65	0.002	Medium to Strong

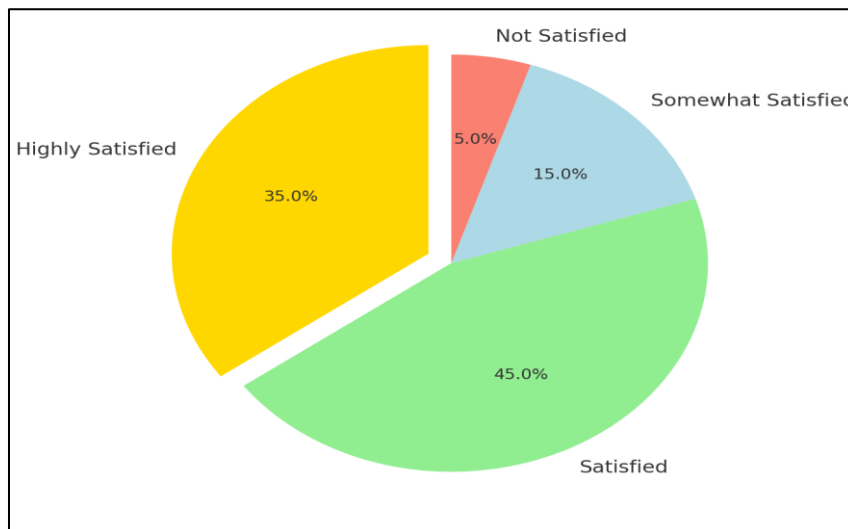
Source: Prepared by researchers based on SPSS program

- Investors' future expectations have shown a significant (IQFAS), which reflects the importance of focusing on providing financial statements that meet investors' expectations.
- Improving the efficiency of financial decisions and reducing investment risks have a tangible (IQFAS), indicating that these dimensions play a major role in enhancing the accuracy and transparency of financial statements.



**Figure 3: Analysis of the impact of total quality dimensions on improving financial statements**  
 Source: Prepared by researchers based on SPSS program

Figure (3) shows the effect of each dimension of total quality on improving financial statements based on the regression coefficient, as it shows that investors’ future expectations have a significant (IQFAS).



**Figure 4: Level of investor satisfaction and confidence in financial statements**  
 Source: Prepared by researchers based on SPSS program

Figure (4) shows the distribution of levels of investor satisfaction and confidence in the improved financial statements, as the majority of investors expressed their high satisfaction with the financial statements resulting from the application of comprehensive quality standards.

## FIFTH: CONCLUSIONS AND RECOMMENDATIONS

### First: Conclusions

- 1- The application of total quality helps in providing data that meets the needs of users of financial accounting statements.
- 2- (IQFAS) is a concept that is affected by many factors that may increase or decrease their quality, perhaps the most important of which are contemporary management trends, standards for preparing financial statements, corporate governance practices, and others.
- 3- The results indicate that the application of total quality in Korek Telecom / Kirkuk has a significant positive impact on enhancing the quality of financial statements in a number of dimensions such as investors' future expectations and improving the efficiency of financial decisions showed a significant impact on improving investor confidence and reducing investment risks.
- 4- The application of total quality management contributes significantly to improving financial statements and enhancing the confidence of users of financial information, which enhances the company's financial performance and its ability to compete in the telecommunications market

## Second: Recommendations

1. Continue to improve the accounting techniques used to ensure the accuracy and reliability of financial statements.
2. Increase focus on investors' future expectations, as the study has shown that this dimension has a strong impact on improving financial statements.
3. Improve employee training on the use of total quality tools, to ensure effective implementation and achieve sustainable positive results.
4. Improve the financial decision-making process in the company through the use of total quality standards, which enhances the efficiency of financial statements and increases investor confidence.
5. Conduct more research focusing on emerging Arab markets and addressing the relationship between total quality and improving the quality of financial accounting statements and giving more attention to the factors that affect the quality of the financial report.

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