THE ABILITY TO IMPROVE COMPANIES INFORMATION BY EvaluATING ITS FINANCIAL PERFORMANCE

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ABSTRACT

This research aims to evaluate the financial performance of companies under different financial evaluation methods, and the extent of the consistency of the methods of financial performance of the prepared financial statements. The most important conclusion reached by the research mechanism is that the accounting information related to the financial performance of companies has a clear reflection on making investment decisions by showing or providing indicators that help in that.

The researchers recommend the necessity of using financial methods that enhance the financial role of the company and reflect the real financial evaluation of the company.

key words: Improve information, Performance evaluation, Assessment tools

I. INTRODUCTION

The world is experiencing a clear revolution in information technology, as the decision-making process has become more complex than before due to the increase in companies, the increase in competition, and the increase in the degree of risk, and increase the degree of risk for that the necessity to provide information promptly.

The process of improving corporate information requires the use of influential and important methods in the financial decision-making process.

The first topic: Research Methodology

Problem of Research:

The process of improving corporate information is the most important and influencing factor in financial decisions by evaluating the performance of these companies and knowing their financial ability, depending on a set of financial statements, the use of a group of methods is reflected in another way on the financial performance of these companies, depending on the methods used through which it is possible to identify the deviations that occur, so the research problem is:

1- What is the feasibility of relying on corporate information in evaluating the financial performance of those companies?

2- What is the role of tedious methods and procedures in evaluating the financial performance of companies?

Importance of Research:

The importance of research stems from the importance of accounting information related to the financial performance of companies and its reflection on investment decision-making by clarifying or providing indicators that help in evaluating the financial activities carried out by these companies.

Objective of Research:
The research aims to

1-Identify the concept of accounting information.
2- Evaluating the financial performance of companies under different financial evaluation methods.
3- The extent of the consistency of the methods of financial performance of the prepared financial statements.

**Hypothesis of Research:**

The adoption of various methods to improve accounting information has an effective impact on evaluating its financial performance.

**The second topic, the theoretical**

**First: The concept of performance appraisal:**

It is defined as the level of the individual's achievement of the work assigned to him after his presentation of the exerted effort. It is also known as the evaluation of the activities of the economic unit in light of the results it has reached at the end of a certain period.

The performance evaluation process includes the relationship between the desired goals and the extent of their achievement, and how economic resources are used and their financial value to produce the best quantity of products, between the lowest cost and the best quality, and avoid waste, waste, extravagance, and waste of economic resources.

The performance evaluation process for companies is defined as a group of studies aimed at identifying the ability and efficiency of the company in managing its activities from various financial, administrative, marketing, and productive aspects during a specific period and the extent of its skill in transforming inputs and resources into outputs. The required quantity, quality, and quality, and that the performance evaluation process for companies is of great importance represented in the following: (Dawood and Amin, 2020: 248).

1- It shows how efficient planning is when individuals apply their tasks to the fullest.
2- An attempt to overcome the deficiency that occurs in the company's financial planning process.
3- An important and necessary process to know the extent to which the company has achieved its plans and goals.
4- It helps to coordinate the various aspects of the company's activity through its work in an integrated system for the various departments of the company.

**Second: Evaluating the financial performance**

It defined as the evaluation of the economic unit’s activity in light of its findings at the end of the relevant financial period. It is concerned with verifying that the planned and predetermined goals have been achieved, as well as measuring the efficiency of the unit in using human resources or available financial information to provide important information for management to make appropriate decisions, whether the investment or developmental, or to change policies, and it also helps in reducing and improving costs. (Farhat, 2016: 21).

The concept of corporate performance involves optimal access to the company's targeted operational activities and financial returns through efficient use, and effective human, financial, and material resources available at the disposal of the company, as financial returns are not the only criterion for measurement. (Al-Shanwani & Khazraji, 2020: 145).

**Third: Measures for evaluating financial performance:**

The awareness of the financial management action and its ability to achieve its strategic objectives of maximizing the market value per-share is not limited to the financial decisions it exercises, whether
those related to investment or financing, but is strengthened by practicing two main tasks, namely financial planning and financial control.

One of the methods of financial analysis of the published financial statements is the method of vertical analysis, which depends on the study of quantitative relationships between the various elements of the financial statements, and the method of horizontal analysis that shows the extent of growth in the budget paragraphs and income statement for specific periods.

As well as the method of analyzing ratios and financial measurement indicators by finding the relationship between two or more elements of the financial statements. (Yaqoub and Hussein, 2014: 34).

1-Earnings per share: It is one of the measures of financial performance and it is based on a relative concept and is calculated through the following equation:

\[ RI = \frac{Pt. - (Pt. - 1) + DT}{Pt. - 1} \]

Since RI: Earnings per share
Pt.: share price in period \( t \)
:Pt.\(-1\) share price in the previous period \( t-1 \)
DT: annual dividend

2-Share price to net profit: It called the profit multiplier and it refers to the relationship between the net income of the company in the past year and its current share price.

This measure is one of the most important measures used in finding a fair price for the share, as it links the company's share value to the profitability of its performance

It calculated through the following equation:

\[ \text{P / E ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}} \]

3-The ratio of the market value to the book value: This ratio is one of the most important investment measures that are used to find out whether the share's value in the market is highor less than its mathematical value depending on the rights they share has with the company ,

As it clarifies whether investors in the money market expect to increase the company's profitability in the future or not, and this percentage is calculated as follows:

\[ \text{Market to book value} = \frac{\text{Market value per share}}{\text{Book value per share}} \]

4-Free cash flow: It is a measure of the company's financial performance and is calculated through the operating financial flow minus the capital expenditures it represents the amount a company could earn after spending the money needed to maintain or expand its asset base. Free cash flow is important because it allows the company to seize opportunities that enhance shareholder equity. (Bhandari & Adams, 2017: 13).

5- Economic value-added: it defined as a measure of financial achievement to estimate real profit as it is related to maximizing shareholders' wealth over time, which is the difference between adjusted net operating profit after tax and the cost of capital owned and borrowed.

6-The added market value: It is the difference between the market value of the company and the capital invested by the owners and lenders, and it can be calculated through the following:

\[ \text{Market Value Added} = \text{Market Value of the Company's Shares} - \text{Book Value of Shareholders' Equity} \]
Fourth: the contribution of accounting information to improving financial performance:

The accounting information is the result of processes made on a set of data until it can understand and change the knowledge of the decision-maker. It is clear from this that the term information is related to the term data on the one hand and with the term knowledge on the other hand, and that knowledge is an important and final outcome of the use, and investment of information, by decision-makers and other users who convert information into knowledge from this information that can only be done through organized, organized and consistent data. (Al-Jajawi and Al-Obaidi, 2016: 18).

The accounting information system seeks to provide good, relevant and appropriate information to its users, especially the administration that uses it to evaluate its financial performance, and prepare financial statements the most important information it produces, as the evaluation of financial performance depends on the financial statements that are prepared in accordance with the accounting principles.

It provides high-quality information that helps in analyzing the financial position of the economic unit and predicting the future (Hayat, 2011: 82)

Fifth: future trends of accounting information

Accounting professional bodies seek to improve the quality of accounting information to give it more importance to decision-makers in 1991 the American Institute of Certified Public Accountants established a committee for financial reporting. In 1995, this committee issued a report on the information needs of investors and creditors.

As it is recommended that, the financial reports include financial and non-financial data, management analysis, future information, information about management, background on the company.

Since 2003, the International Accounting Standards Board has been studying the possibility of issuing financial statements about the performance of the economic unit, to allow users of financial reports by taking a picture of the financial performance of the economic unit and knowing the results and costs of activities, whether operational or financing.

It also gives a perception to the users of the financial reports on the future financial performance of the economic unit, by evaluating the elements of the budget at present value, which helps in predicting future values (Jerome, 2007: 24).

The third topic: the applied side of the research

The practical aspect of the research conducted on the financial statements of Al-Mansour Pharmaceutical Industries

The development that the world is witnessing has led to an increased interest in accounting information provided by the financial statements which are used by internal and external agencies, and we seek through this research to demonstrate the impact of using modern methods in improving the quality of accounting information...

<table>
<thead>
<tr>
<th>Al-Mansour Pharmaceutical Industries</th>
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<tbody>
<tr>
<td>Current operations statement</td>
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<tr>
<td>Current Activities Revenues</td>
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<tr>
<td>2013</td>
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<td>Revenues</td>
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<td>Net sales</td>
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<td>Total Revenues</td>
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<tr>
<td>Current Activities expenses</td>
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<td>Salaries &amp; wages</td>
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<td>Commodity inputs</td>
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<td>Services inputs</td>
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<td>Benefits of land rents</td>
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<td>Depreciation and amortization</td>
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<td>Tax</td>
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<td>Operating services</td>
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<td>Total expenses</td>
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<td>Surplus of current activities</td>
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<tr>
<td>Other transferring Revenues</td>
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<tr>
<td>transferring Revenues</td>
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<td>Total transferring Revenues</td>
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Transferring operation and other expenses

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</table>

other expenses 4942680

Total 13592680 8402000 55399861 28723243 674981370

Surplus of distribution 298309289 423092615 507697725 (22268497 ) 193033353

We note that the company's sales were 2961049133 during 2013 and then to 2295477505 during the year 2014, clearly decreased during 2015, the company's sales witnessed a clear increase as a result of the war operations and the increase in the demand for drugs and medical supplies 3058199946 in 2016, it decreased to 2230642056, while in 2017 it decreased to 1609407591 dinars.

As for the total expenses, they were during 2013 2777816952 and 2014 2049081147, as we notice the decrease in expenses resulting from the decrease in sales and not the strategies to reduce costs, as well as during the years 2015-2016 2017.

As for the distributions, they related to the value of sales, as we note that the years that witnessed a decrease in the value of sales also witnessed a clear decrease in the process of distributing profits.

\[
\text{Sales to working capital} = \frac{\text{Working capital}}{\text{1609407591}} = 2017 \div 6469267350 = 24
\]

We note that the ratio of sales to working capital constituted 24, and this is a good indicator during the year 2017 and an indication of the improvement of the company's performance.
The following figure shows the value of sales, expenses and total distributions

![income statement](image)

**Al-Mansour Pharmaceutical Industries**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td><strong>Current Asset</strong></td>
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<tr>
<td>cash</td>
<td>2118271917</td>
<td>2203224591</td>
<td>1719078205</td>
<td>1175150985</td>
<td>1608779503</td>
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<tr>
<td>inventory</td>
<td>1387191627</td>
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<td>2132916889</td>
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<td>Debtors</td>
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<td>2553054437</td>
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<td>Financial investment</td>
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<tr>
<td>total Current Asset</td>
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<td>Fixed Assets</td>
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<tr>
<td>AT Book value</td>
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<td>Project under execution</td>
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<td>375772755</td>
<td>145628000</td>
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<td>Total Asset</td>
<td>7839866409</td>
<td>8161583614</td>
<td>8006206671</td>
<td>8143450589</td>
<td>8050176521</td>
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<tr>
<td>Short term sources</td>
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<td>provisions</td>
<td>38341795</td>
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<tr>
<td>Total Short term sources</td>
<td>446221382</td>
<td>889140598</td>
<td>457250475</td>
<td>616762890</td>
<td>8473163818</td>
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<tr>
<td>Long term sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>
Chart No. 2 shows the total current assets of the company compared to the total assets and funding sources

<table>
<thead>
<tr>
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<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Paid up capital</td>
<td>6469267350</td>
<td>6469267350</td>
<td>6469267350</td>
<td>6469267350</td>
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<tr>
<td>Reserves</td>
<td>924377676</td>
<td>803175666</td>
<td>107968846</td>
<td>1057420349</td>
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<tr>
<td>Total long term sources</td>
<td>7393645026</td>
<td>7272443016</td>
<td>7548956196</td>
<td>7526687699</td>
<td>7577012703</td>
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<tr>
<td>Total sources of Finance</td>
<td>37839866409</td>
<td>8161583614</td>
<td>8006206671</td>
<td>8143450589</td>
<td>8050176521</td>
</tr>
</tbody>
</table>

We note from the above chart which shows the total assets of the company compared to liabilities or sources of financing, as it appears through the balance sheet of the company that the cash available to the company during 2013 was 2118271917 and then increased to 2203224591 and during the year 2015 decreased to 1719078205 and this also showed a clear decrease during the years 2016 and 2017.

If the balance sheet shows that most of the company's sales were on term, the company must follow a more efficient strategy in marketing its products.

As for the sources of financing, the invested capital was the predominant one, compared to the size of creditors, and this is safe and good for creditors in terms of the possibility of collecting funds, when comparing the capital with total assets and creditors, we notice that the company adopted the largest percentage in financing its business through capital investment.

The financial policy of the company faces the problem of high account debtors, and this causes a problem for the company related to financial obligations and the process of repaying loans and distributing profits.

The company should follow a clearer financial policy and use financial ratios in regard to future sales, estimating the bad debt ratio, and using debtors' turnover compared to sales.

As we note the company began to face problems in the last three years, as it did not distribute profits as a result of the losses that the company had as a result of reduced sales and high costs. The company should improve the information provided and follow a more transparent policy in disclosing the company's financial statements, and
presenting it in a timely manner to the beneficiaries and reviewing the policy of granting credit now that it is a useless policy for the company.

II. CONCLUSIONS AND RECOMMENDATIONS:

First: Conclusions:
By studying the financial performance of companies and the possibility of improving information by evaluating it in both the theoretical framework of the research and the practical side, the two researchers reached a set of conclusions, namely:

1- The performance evaluation of companies shows the extent of the company's ability and efficiency in managing its activities from various financial, administrative, marketing, and productive aspects during a specific period and the extent of its skill in transforming inputs and resources into outputs of the required quantity, quality, and quality.

2- The evaluation of financial performance is concerned with measuring the efficiency of the unit in using the available human or financial resources to provide important information to the management to take appropriate decisions, whether the investment or developmental or changing policies, and it also helps in reducing and improving costs.

3- Financial performance indicators enable the administration to make a judgment on past performance and accurately predict the near future, as well as give to users of financial reports.

4- Free cash flow is a measure of the company's financial performance and represents the amount that the company can achieve after spending the money necessary to maintain or expand its asset base.

5- The added economic value represents a measure of financial achievement for estimating real profit as it is related to maximizing shareholder wealth over time, which is the difference between net operating profit.

6- The accounting information is the result of treatments that took place on a group of data until it became able to understand and change the knowledge of the decision-maker.

Second: Recommendations:
In light of the conclusions about the financial performance of the companies and the possibility of improving the information through its evaluation, the researchers reached a set of recommendations, which are the following:

1- The financial, administrative, marketing and production activities of companies should be managed based on continuous performance evaluation.

2- When making investment or development decisions, corporate management should know the unit's efficiency in using the available human or financial resources.

3- Companies management should apply financial performance indicators to be able to know past performance and accurately predict the near future,

4- Corporate management should seize opportunities that enhance shareholder rights by measuring the company's financial performance with free cash flow.

5- The possibility of raising the economic added value of companies by seeking to increase the adjusted net operating profit after taxes and reduce the cost of owned and borrowed capital.

6- Paying attention to accounting information because it can understand the use and investment of information by decision-makers and other users.

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