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The Impact of Economic Uncertainty on the Comparability of Financial Statements with Emphasis on the Interactive Role of Quality

Abdulmohsin Abdulhadi Jaber
University of Al-Muthanna, Science College

ABSTRACT: The economic uncertainty is one of the biggest difficulties for the reliability and consistency of the financial reporting among companies. This paper demonstrates how economic uncertainty affects FS comparability, and it sheds light on the interactive effects of FRQ as a moderator. Building on existing empirical and theoretical research, the paper constructs a conceptual model in which uncertainty destroys comparability due to greater managerial discretion, value ambiguity, and variability of disclosure. Nevertheless, high quality of reporting in terms of earning quality, disclosure transparency and presentation completeness can help to dampen these negative repercussions and maintain the comparability across entities and times. The paper draws on the evidence from cross-sectional, time-series and experimental studies to explain how the interplay between uncertainty and quality applies under different institutional and regulatory structures. The results highlight the necessity of business regulation, law enforcement and worldwide accounting harmonization regarding perturbances in order to maintain the financial information utility during turmoils. The research integrates the accounting literature by developing the moderation effect of quality in an uncertainty–comparability firm value relation and provides a motivation to conduct empirical testing in relation with cross-country IFRS data.

KEYWORD: Economic Uncertainty, Financial Reporting Quality, Earning Quality, Audit, Corporate Governance.

1. INTRODUCTION

Financial reports are important in the allocation of resources, valuation, regulation and agency costs. However, uncertainty due to the economy affects cross-firm comparability and thus decreases users' reliance on them [1]. Uncertainty related to economic signals, policy impacts, product demand and cash flow forecasting is creating sector- and location-specific challenges. As a result, managers can engage in pervasive obfuscation to mask true firm performance such as reporting too much complex disclosure among other practices and making full-detailed and pedagogical disclosure a necessity to counteract this behavior despite lower levels during crises (e.g., less complex presentation; fewer explanatory notes; non-compliance with best practice).

The international convergence of a single language finds its origin in the need to address discrepancies between different accounting models. Ironically, developments anticipated through narrow-scope amendments could actually promote more divergence - rather than convergence -- at an international level. In addition to serving a redundant guidance for the practice applied on local practices globally, various accounting matters of measurement, recognition and presentation exist across nations. For example, the differentiations become particularly pertinent when firms within one country at the same time comply with divergent GASPs or when they simply substitute platitudes for principles, suggesting that differences in feature and coverage continue to persist even beyond a common Core (e.g., IFRS). [2]

The effect of economic uncertainty on financial statement comparability has recently received growing attention from academics and professionals. This scrutiny is primarily attributed to the tumultuous economic environment which in turn could heavily influence financial reporting and the informational quality of financial statements. In navigating this uncertainty, the quality of financial information is critically important to stakeholder decision-making. This paper examines the complex interaction of economic uncertainty and financial statement comparability, with a focus on the moderating role of reporting quality.

This paper adds value to the literature by considering how differences in levels of economic uncertainty can distort financial information and make it difficult for users to compare financial statements across different firms and industries. By looking at the trend and empirical evidence, this research aims to provide useful information that may help policymakers and decision-makers in uncertain economic environment.

The Impact of Economic Uncertainty on the Comparability of Financial Statements with Emphasis on the Interactive Role of Quality

While research exists on the impact of macroeconomic uncertainty on financial reporting quality and determinants of financial statement comparability, little has been done that considers their interplay. More specifically, the moderating effect of financial reporting quality on the association between economic uncertainty and comparability is yet to be fully inves-tigated. This gap is filled in this paper as we investigate how quality serves as a mitigating mechanism to reduce the negative effects of uncertainty on cross-firm and cross-period comparability. By embedding comparability in an interactive-quality framework, the research has contributed to extant literature and provided a new underlying conceptual basis for empirical testing in further research.

The rest of the article is organized as follows: Section 2 discusses relevant literature about economic uncertainty and financial reporting. Section 3 describes the methodology followed in this work. Section 4 reports the empirical results and Section 5 discusses them in relation with the existing literature. The paper concludes in section 6, providing implications for practitioners and avenues for future research.

2. THEORETICAL FOUNDATIONS

Economic uncertainty is defined as "a lack of certainty about the future state of a variable of interest that can be caused by many factors, including the variability of the variable itself, the presence and/or severity of nonobservable variable affecting the variable of interest, and the anticipation of systematic changes in the conditional distribution of the variable of interest." The broad, multifaceted phenomenon contemporary economic uncertainty is increasingly prevalent in recent years due to the global financial crisis of 2007-2008, the Brexit and Eurozone crises of 2016, and, most notably, the COVID-19 pandemic. Economic uncertainty is also very relevant in the field of accounting since it affects the quality of accounting information [1] and leads to substantial changes in financial behaviour on the part of preparers of financial statements.

The rapidly changing environment induced by consequences of the COVID-19 pandemic, volatility in currency exchange rates, fluctuating commodity prices, shifts in customers' demand, changes in supply chain geographies, uncertainties related to the implementation of accounting standards, and various anticipated changes in the accounting environment accentuate the importance of understanding and measuring the respective degree of these factors (Hassan et al., 2020). Such uncertainty also has a cross-sectional and time-series significant impact on the conservativeness of earnings numbers (Fang et al., 2023), affects Corporate Social Responsibility expenditure and their payout policy decisions (Kim et al., 2022), and influences the practice of sustainability assurance services (Cohen et al., 2023).

2.1. Economic Uncertainty and Financial Reporting

Economic uncertainty is well-acknowledged as one of the most important factors that influence the quality of accounting [1]. The economic uncertainly-induced volatility comes from various possible sources such as shifts in tax policy, world commodity prices, financial market impacts, geopolitical tensions, or the onset of a plague. Uncertainty about how such factors will affect a company's future income-earning capacity or financial condition promotes uncertainty, and suppresses investment. Other factors such as market resumptions, disruption of normal operations, movement in product demand, exposure to foreign exchange rates and changes in market structure and competitive environment compound the degree of uncertainty.

Such uncertainty is instrumental in the determination of between-company comparability, because it enhances attention to the fact that policies and disclosures carried out by companies operating under the same sector are not necessarily measuring similar things.

2.2. Construct Comparability in Financial Reporting

Comparability, in financial reporting, is the capability to compare similar information from different sources. Users of financial statements need to compare them across time, firms, and jurisdictions to assess a company's performances and positions and make investment decisions [3]. Comparability is a fundamental characteristic of useful financial reporting because the lack of comparability makes it challenging to make informed decisions. A financial statement is deemed comparable when different preparers, using the same accounting policies, can produce similar information. Hence, comparability is closely related to consistency and is primarily concerned with the measurement of reported amounts, while the different presentation and disclosure practices adopted by companies on similar transactions make comparability difficult. [4]

Economic uncertainty complicates generating financial statements that are sufficiently comparable to support users' decisions. Such uncertainty increases the extent to which firms use discretionary reporting choices, such as managerial forecasting, judgmental bias, fairness of valuations, and qualitative features of disclosures, that all influence the comparability of reported information. Accordingly, the selected accounting policies and disclosures are recognized as important determinants of cross-company comparability. Comparability is further complicated and made more crucial when using different accounting standards. Nevertheless, the overall quality of reporting remains a vital factor to maintain comparability amid economic uncertainty, and its proactive monitoring deployment approach can speed up its establishment. In the accounting field, quality can be confined to two aspects: earnings quality and input/output quality regarding numbers/letters for them as well as disclosure or presentation internally to external; When under condition of uncertainty, interaction between four kinds of qualities for them mainly determines their operational information support comparability degree.

2.3. Quality Dimensions in Financial Reporting

Three quality dimensions are defined in international accounting standards (IFRS) and affect cross-country comparability of financial statements: earnings quality, disclosure quality, and presentation quality [5] [6]. Earnings quality involves inherent properties essential elements as the sustainability, predictability and persistency that affect comparability of financial statements and investors' ability to evaluate firm performance [7]. Disclosure in financial statements enhance army perspective of firm performance, help to forecast future performance and affect the estimations of firm value. “Presentation” quality, a measure of the transparency and organization of financial statements and related disclosures, is relevant to comparability.

Figure 1 The research conceptual framework is presented in Figure 1, viewing the economic uncertainty and financial reporting quality (FQ) that affect comparability of financial statement.

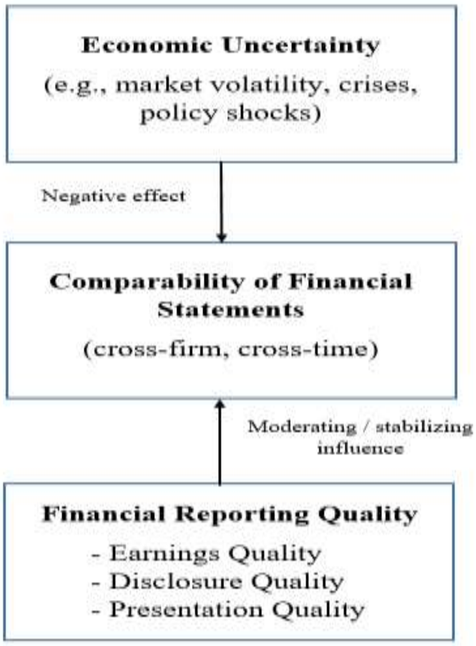

Figure 1. Theoretical background: The interplay between FRQ, uncertainty and comparability

3. ECONOMIC UNCERTAINTY AND DISCLOSURE QUALITY

Economic uncertainty shapes disclosure practices in significant ways. Uncertainty affects earnings quality, discretionary accruals, scale of non-discretionary accruals, the transparency of reporting, and the signalling value of earnings. Under high uncertainty, firms tend to increase the size of non-discretionary accruals while focusing more on the transparency of discretionary accruals. Environmental uncertainty, such as political instability, contributes to accounting information being more likely to reflect noise rather than economic fundamentals. The presence of effective board oversight is also positively associated with disclosure quality to alleviate information asymmetry.

When firms operate in a high-uncertainty environment, they tend to signal through more transparent accruals rather than relying on biased earnings. In an experimental setting, when the level of uncertainty shocks rises, firms with high-quality boards and active engagement are less likely to increase the bias of earnings and through a diversified level of estimation disclosures, they are more able to convey the source of bias still persist in the report, the allocation of information resource intention and accounting estimation reliability are convey clearly to enhance a better understanding of the company status. Valuation uncertainty in estimating fair value of instruments contributes to a lower fuzziness in-alternative and interval backward signal also serve as a proper clarification to enhance the intelligibility of disclosure for the other party. The estimation of financial statements is more likely to conduct when board shortage in quality inter-sector apply a high-uncertain zone more facilitates the value of estimate flexibility.

Under an environment of high uncertainty non-optional discretionary behaviour is more likely to clarify the substance of a transaction since it is widely regarded as voluntary. The human capital of directors is significantly positively correlated with the quality of accruals, high-quality board structure construction more drives the firm to adopt a transparent type of accrual instead of depending on earnings smoothing. When the level of polycracy increases, the arrangement of composition and size provided by the society members play a different role on the quality of accounting and amount of accrual, transmission of economic conditions and business models will distort and certain type of fundamental variables a narrow signal while the transmission is complete with a clear policy but still fall into a core variable when disturbance emerge. Information content is an important aspect of earnings quality; under high uncertainty conditions, accounting figures reflect less economic fundamentals and mask an economic transactions considerably.

In the case of uncertain conditions, footnotes containing high value-relevance information and substantial estimation uncertainty provide insights to VUCA organisations regarding the nature, source, and potential duration of estimation uncertainty exposure also additional to a direct reference whereas the economic fundamentals depicted in accounting figures becomes narrower. The structured arrangement of notes and the information elucidation to facilitate board arrangement has a positive correspondent effect with the quality of reporting due to the grounded economic information pertinent to the transactions. In China's setting, footnotes associated with macroeconomic fundamental links received more focus. When economic policy uncertainty event seriously, state-controlled firms announce forthcoming bold-disclosure by increasing the comprehensiveness and transparency of estimation-based items refer to improve information clarity comprehensively.

3.1. Earnings Quality under Uncertainty

The assessment of financial performance includes both quantitative and qualitative indicators and constitutes a core element of the information provided in financial statements [8]. Economic instability significantly influences managerial decisions concerning the choice of disclosure practices to present complex economic situations. Performance measures include return measures or changes to revenue recognition or expense capitalization policies. Business models and focus play a strong role in how a firm responds to volatility, so that differences between choices across firms can be difficult to compare.

Certain environments require significant management judgment and foster heterogeneous earnings management policies. Heightened economic uncertainty predominantly empowers firms with non-targeted discretion to present financial data, stimulating heterogeneous reporting quality, hence complicating comparability [9]. The diversity of environments leads to variable strategy alignment; high uncertainty restricts local movements, while under-capitalisation generates a lax position encouraging expansive behavior.

3.2. Discretionary Accruals and Transparency

Discretionary accruals motivate financial reporting to capture general business uncertainty, and they are more likely to serve this purpose when reporting is already transparent. Financial statements disclose management's estimate of the present value of expected future cash flows from new benefits. If earnings for multiple firms are comparably valued, estimates of future cash flows are likely to vary across companies, and the resulting individual valuation estimates can each amplify the value of the data they provide [10]. Accordingly, when other forms of disclosure convey information about the quantity or riskiness of benefits arising from current financial plan decisions, additional discretionary expense accruals can estimate accounting outcomes related to benefits that are more uncertain, more contingent, or obtainable only over the longer term. Furthermore, the comparative value of a discretionary expense accrual in periods of general uncertainty is likely to be greater when years of prior activity have produced sizeable balances in accounts that are both under immediate managerial control and pay for long-standing obligations [8]. By signalling the use of such accruals through more transparent acceleration of depreciation expense or variation in the frequency of significant such accrual transactions, preparers can therefore convey that discretionary estimates of present values for uncertain benefits will be higher than at firms lacking such signalling. Since movements in these accruals are individual-specific, they can enhance, for some firms, the cross-company comparability of forecast-related data reflected in reported earnings [11].

3.3. Valuation Uncertainty and Footnote Transparency

Given that other traditional accounting measures are more uncertain and the analysts consider future prospects in turbulent contexts, it could be applicable for management to focus on alternative reporting options. Affected disclosure practices concern not just expected returns but also the level of uncertainty over valuations of inputs. It is this uncertainty which relates to the liquidity of financial markets, the competitive business environment in which a firm operates and importance of some activities. Fair-value measurement footnotes are very important in helping analysts to decode disclosure depth, management judgment and cash-flow projections that apply to valuation [1]. The role of footnotes is especially important to provide transparency when the motivation or importance of quantities being adjusted is not as clear. As a result, look ahead and horizon represent important contributors of footmark intelligibility, which in turn determine cap rate exposure and investment-risk placement on the risk spectrum; they further alone indirectly determine comparative equity quote ratio and chosen-chaos synergy [12].

4. INTERACTIVE ROLE OF QUALITY IN ENHANCING COMPARABILITY

The combination of the cross-matching quality and comparability influences takes place according to the economic state in order to ensure how far comparability between companies could be assured at the time [6]. In stable regimes (low/volatile periods) the comparability is "fairly" preserved irrespective of both the quality of earnings and inputs-disclosures. Under economic turmoil (or high uncertainty) environments, the comparability scenery alters and measurement-tool quality affects more than usual to shape the degree of reported co-movement among companies. A knowledge gap relates to the exact transmission of presentation-specific information that comparability depends upon, as well as, the extent to which passage properties are related with communication quality under such perturbative contingencies. Symmetry: Strength of evidence At times other than in turbulent period CGaRelVm must also be complied with on a cross-company-basis, to ensure symmetric notes (of the same types) and cross-sectional like quality by disclosure-type (i.e. arguably equivalent ease of reading logic). Such publication independently facilitates the global understanding and retrieval of these critical insights via that primary mode in a fashion that emphasizes rather than obscures comparability during disarray.

The association of economic uncertainty with comparability and quality arises through separate channels, yet a stand-alone effect of uncertainty on each is strong within this accounting setting. Examinations in the context of broader economics literature suggest that with regard to either comparability or quality, uncertainty revolutionizes the incentives under which fulfillment occurs. The degree of standard-setting or not is a major facet that moderates such linkages, but even without those imposed constraints it's clear that volatilities unambiguously change the determinants underlying either characteristic. Economic uncertainty quite fundamentally reshapes the architecture that outlines the relevant dimensions shaping both action spaces.

4.1. Measurement Quality and Cross-Company Comparability

The quality of earnings decreases during a time of economic uncertainty, and therefore the perceived comparability of financial statements among firms also declines [13].

The negative impact on earnings quality arises from bias introduced by managers and the decline in both persistence and information content of the component reflecting firm fundamentals. The sign of discretionary accruals reflects the underlying firm-specific economic conditions, which may differ across firms. Moreover, increase in share price volatility decreases the transparency of disclosures and the clarity of signals such as future growth potential, intensifying the need for additional disclosures, communication channels, and firm-sponsored specific-information services. Economic uncertainty undermines the soundness of valuation models, restricting the use of fair-value estimates [6]. Footnote disclosure templates are used less frequently across firms, diminishing the degree of standardisation of footnote disclosures. High volatility negatively influences the depth and intelligibility of disclosures, also affecting comparability.

Under extreme economic uncertainty, the influence of the degree of international convergence on earnings quality is weakened, although policies promoting uniformity and convergence are still expected to enhance comparability. Global financial crises and systemic banking crises do not have the same impact on the quality of earnings, the extent to which firms are affected varies significantly across countries and is shaped by several prevailing conditions. Both perceived and actual comparability-level assessments are necessary, despite them being distinct concepts, to mitigate economic shocks affecting cross-sectional variations in earnings.

4.2. Presentation Quality and Communication Consistency

Diverse sections and isolated paragraphs remain to be processed and may change in designated order during composition. Under present streamlining guidance, posts continue accumulating as their own prompts up to concurrent count limits. Future work deploys these toward more concentrated samples.

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Depending on the nature of volatility, firms may engage in opportunistic reporting practices that undermine comparability, such as increasing the use of the fair-value option for financial instruments or reducing the volume of information provided in footnotes [6]. Hence, uncertainty may also reinforce the need to communicate the effects of volatile conditions through appropriate nonmanagerial disclosures, yet the precise nature of these quality–comparability interactions awaits clarification. The existing evidence regarding the moderating effects of quality dimensions is ambiguous: in certain environments, cross-country comparability is discernibly enhanced by the quality of reported measures, but in critically unstable regimes, it may be stymied by high-quality inputs.

Presentation quality also impacts cross-company comparability—variation in disclosure practices reduces comparability and impedes the steady conveyance of messages across countries. The spontaneity, and translucency in which companies announce any material changes are dampened by uncertainty. Consistent with the model, the presentational dimension continues to be a central tool for moving through these troubled times.

Although quality and standard-setting expositions rarely converge, alternative mechanisms, such as post-implementation reviews, may illuminate the scarcely studied balance between quality and comparability.

4.3. Interface Between Quality and Standard-Setting

In recent years, the international accounting community has drawn attention to the user demand for specific improvements in the quality of disclosed financial information. The ensuing discussion proceeds from the realization that, globally, legal, economic, and cultural environments differ widely, so that the same number of basic features exist in each country. Singing the same tune at the same pitch creates harmony, whereas singing different tunes at different pitches results in cacophony. Accordingly, the focus of research has shifted from the exploratory examination of general features of the international accounting situation toward the identification of the key variables (the fundamental dimensions or dimensions of the accounting information being disclosed) that govern the qualities sought within these diverse national and regional environments [6].

At the beginning of 2010, as a reply to the global financial crisis, the G20 group took the opportunity to urge the International Accounting Standard-setters to accelerate the convergence of International Finance Reporting Standards and United States Generally Accepted Accounting Principles. Although major accounting standard-setting bodies such as the International Accounting Standard Board and the Financial Accounting Standards Board share the common objective of increasing comparability, it is agreed that the quality of accounting information should come first [14]. Convergence or divergence results instead from the behavior of preparers and auditors, and it is recognized that, under the influence of economic uncertainty, the desirable quality—or a decision-facilitating quality—of accounting information in an establishing period is pivotal. Thus, the remaining question is: Which specific accounting qualities or dimensions govern the decision-facilitating quality of accounting information sought under economical uncertainty, and how do these decisive qualities interact with accounting standarisation activities?

5. EMPIRICAL EVIDENCE

This paper adopts a **conceptual–analytical approach**: the material in this section synthesizes and critically evaluates empirical findings from existing cross-sectional, time-series, and experimental studies rather than reporting new statistical analyses. Where helpful, references to the original empirical studies are provided and grouped by methodology to clarify the evidence base supporting each claim.

The empirical evidence indicates that economic uncertainty affects disclosure decisions in a number of respects. First, changes in earnings quality are expected: basic attributes such as bias, persistence, and information content determine how firms incorporate uncertainty into their reporting. [1]. Greater uncertainty about future cash flows or stronger incentives to smooth earnings during volatile regimes lead to more upward bias. Tight-lipped firms face higher uncertainty about their valuation and respond by reducing the meaning of reported net income, leading to lower data quality [8] Second, firms often pursue alternatives to directly representing uncertainty, for example by adjusting the scope of discretionary accruals or emphasizing footnote disclosure when measurement uncertainty is high. The following subsections summarize the most relevant cross-sectional, time-series, and experimental/field studies and highlight how their findings collectively inform the interactive-quality framework developed in Sections 2–4. The next subsections organize the evidence by empirical design: cross-sectional studies (5.1), time-series analyses (5.2), and experimental/field research (5.3).

5.1. Cross-Sectional Studies on Uncertainty and Comparability

The relationships between economic uncertainty and the quality of financial statements are subject to empirical, cross-sectional analysis. A meta-synthesis of the relevant literature shows that enhanced accounting quality and financing disclosure diminish the adverse effects of uncertainty on cross-company comparability, while increased systematic risk in the financing environment raises these same costs. Uncertainty surrounding interpretations of the price, financing, and investment decisions associated with voluntary disclosures is measured alongside systematic risk. Empirical research analyzing the regulation of the financing response, the adoption of industry-specific disclosures, and global financial crises further elaborates on how disclosure interactions shape uncertainty regarding financing decisions.

5.2. Time-Series Analyses of Economic Shocks and Reporting Quality

Under normal conditions, economic uncertainty impedes comparability of financial reports; hence, companies adopt practices that maximise uncertainty under such circumstances [15]. Experimental data indicate that preparers either reduce the quality of financial reporting or approach it cautiously, opting for a mixture of comparable and non-comparable information if standards permit. Securities regulation would therefore benefit from comprehensive, high-quality earnings disclosures and presentation-enhancing policies, as economic uncertainty undermines comparability of companies' operations [7]. Time-series investigations of cyclical fluctuations in economic activity feature extensive direct empirical evidence on corporate financial reporting under uncertainty of both qualitative and quantitative nature. Continuous, easily observable first-order economic shocks were exploited for these studies. Chai et al. (1956), Latham (1975), Murray & White (1970), and Ropp (1970) examined largely qualitative uncertainties relating to the regulatory environment, political developments, client psychological attitudes, and so forth.

5.3. Experimental and Field Studies on Quality Interactions

Uncertainty at one level creates another level of uncertainty, or quality uncertainty—uncertainty about the quality of the disclosed information, i.e., disclosure quality or reporting quality. Quality is defined as the a priori observed properties that a financial statement can possess, independently of when a financial statement is represented [16]. Quality influences transferability, and if various quality levels occur, the transferability is limited to the lowest quality. Quality is associated with the uncertainty of the disclosed information. While attentions have focused on the interface between parameters and signal quality, simultaneously extending the analysis to the unobserved qualities and examines their interplay, it leads to methods for assessing the quality of the signal that allow addressing quality contagion and policy design [6]. The demand for higher reported quality under extreme cross-sectional economic uncertainty.

With escalating concern about the quality of reported financial information, convergence of global accounting standards to improve comparability is an ongoing debate among standard-setters and regulators. Policy attention also targets the quality of preparer–auditor correspondence during the audit. Quality raised by maintain with consistency in the accounting and disclosure policies across company is especially vital. Economics connect quality and convergence circumstances: under low-quality preparer–auditor correspondence, quality and [13] , probability of accounting convergence prevail; conversely, under high correspondence, the simultaneity of converging accounting and reporting quality decreases, because convergence of unambiguous high-quality standard prompts larger institutions to shrink disclosure or adjunct unprecedented short tenure in microstructure (Yoon, 2007).

6. MECHANISMS AND MODERATORS

Economic uncertainty is currently high among emerging companies [8] ; it can potentially shape disclosure practices [1] and, thus, has implications for cross-company comparability of financial statements. In particular, uncertainty can differently affect various constituents of disclosure quality and provisions across firms, with uneven consequences on standard-setting processes and the degree of comparability preserved. Moreover, the threat of market volatility encourages preparers to signal their informational advantage via discretionary accruals, which can lead to distortion of economic performance.

Regulatory regimes gain traction as moderators that shape the effect of quality on cross-company comparability. Enforcement and institutional environment that are effective can induce consistent use of one set of accounting standards. However, when harmonization initiatives are restricted within reporting environments (e.g., European countries before the convergence of International Financial Reporting Standards), governance and control dimensions as well as board-mechanism dimensions present themselves free-governance complexity determinants.

On the other hand, conditions of economic uncertainty in one country can dampen comparability (i.e. the ability of a firm to engage in more advantageous reporting compared to companies from non-volatility-prone nations) when these countries align with a high-quality jurisdiction (both under frameworks of International Financial Reporting Standards and the United States Generally Accepted Accounting Principles).

6.1. Regulatory Environment and Enforcement

The regulatory environment may play an important role in enabling or hindering the interactive effect of disclosure quality, presentation quality, and comparability when companies operate in an uncertain environment. Strong enforcement contributes to timelier reporting, encourages reporting of material financial information, and improves the overall quality of financial reporting

[17]. When enforcement is weak, preparers may devote less effort to the quality aspects noted above, and the interactive effect may be reduced. In addition, cross-sectional studies suggest that industry-specific uncertainty conditions and the associated diversity in reporting practices give rise to differences in the extent to which quality matters for comparability under uncertainty. Firm-specific characteristics such as the ownership structure (private, individual shareholders, government) and the presence of a separate investment committee or board of directors that oversees the investment decision further influence the extent of disclosure quality and presentation quality. Governance mechanisms such as board composition, ownership structure, and the presence of audit committees are also highly relevant in some circumstances. These factors enhance or reduce managerial incentives to produce high-quality disclosures during uncertain periods, thereby shaping the extent of the relationship among uncertainty, quality, comparability, and, hence, decision-usefulness.

6.2. Industry-Specific Uncertainty and Reporting Practices

The uncertainty stemming from macroeconomic effects often varies across industries and influences reporting practices. Traditional information asymmetry-based arguments for more disclosures in heavily regulated sectors do not hold in uncertain environments; the benefits of additional disclosures shrink relative to costs [1]. Therefore, we believe that some industries plan reported quality changes to match levels of uncertainty. The importance of these changes, however, hinges on the larger institutional environment as well. Therefore, the industry level determines how report preparation is subject to reporting quality limits under different levels of macroeconomic uncertainty, thus dictating overall adjustments in reporting quality in response.

6.3. Firm Characteristics and Governance

The nature of the firms, their corporate governance features, and the profile of board members may matter even more in a setting characterized by extreme macroeconomic uncertainty. Good corporate governance allows companies to react more adeptly against market volatility and fluctuation in operating environment. Firm governance is related to a higher frequency of issuing as well as more accurate management earnings guidance and lower corporate discretion. Fizzling out-of sample, hence, is a strong criterion for the management’s reflection quality [1]. Firm governance vs. firm reporting Across all economic conditions, the reviewed empirical literature (since 2002) demonstrated clear evidence of a link between good corporate governance mechanisms and firms' quality of financial disclosures. During high uncertainty and crisis, governance quality and the quality of management disclosure affect the firm’s information environment positively and significantly, while taking into consideration elevated sovereign risk [18].

The quality of the internal decision-making process when dealing with uncertainty can be scrutinized, among other things, through governance structures and the related disclosures, which in turn are valuable information for stakeholders. The composition of boards also signals information about reporting quality. During periods of environmental uncertainty, decision makers frequently pursue additional information to enhance the validity of their decisions. Those reporting firms that write and present the information clearly, and in accordance with predetermined rules, have a competitive advantage in becoming trusted intermediaries. Hence, the quality of reporting, including to what extent it complies with national accounting standards/International Financial Reporting Standards (IFRS), will influence how attractive a firm is as an intermediary.

7. IMPLICATIONS FOR STAKEHOLDERS

Practical implications The value-add that emanates from this study is straightforward and actionable for important capital market players such as: investors and analysts, regulators and standard setters, corporate managers and preparers, as well as audit professionals. For investors and other users of financial statements, economic uncertainty continues to flow and generates substantial variation in the quality and comparability of reporting. In this market, then, the importance of getting the best possible use from available disclosures and determining which reports should receive special attention from analysts is appreciated more than ever. They provide specific pointers as to how companies may focus their search for the most informative press releases in conditions of significantly raised uncertainty.

For regulators and international standard setters, the analyses also highlight the sustaining impact of economic uncertainty. Therefore, regulations focused on improving the quality of disclosures involving the format and non-GAAP supplements to earnings and regulatory environment type are still beneficial. They are wider than the modified IFRS items and, therefore, merit further investigation. Another interesting thread could be indicating the policies to enhance even more the quality of presentation of disclosures in contexts of the lowest economic uncertainty. For corporate managers and financial statement preparers, the discussions that follow illustrate the relevance of accounting policy choices used to measure pre-tax income level (i.e. quality governance mechanisms) as well as macro strategies implemented in the reporting space through rigorous processes. Okay, such scrutiny is also justified under IFRS, where the range of policy options on offer allows for significant flexibility and work at an order of magnitude below the extreme ranges and variances routinely observed under UK GAAP.

In particular, results concerning economic uncertainty highlight the ongoing importance of choosing reporting standards that can ensure effective cross-firm comparability in business environments where extreme uncertainty prevails. Choices on the quality of governance structures and set-up of comprehensive supervision around policy application are additional ways that comparability can also be safeguarded under conditions of substantial uncertainty. The evidences presented in the analysis show that it is possible to delegate authority to different constituencies of the party in different dimensions of operations, to enable them to independently use discretion than aggregate a substantial amount of leeway over a wide range. Finally, to auditors, the study provides evidence on how external audit quality acts as a strong reinforcing influence in times of high economic uncertainty to decision usefulness when an array of alternatives with varying impact on cross-firm comparability are available [6].

7.1. Investors and Analysts

Those who believe that quality matters have been driving this point home for financial statement users. For investors and equity analysts, the use of earnings corroborated by disclosures is pivotal in equity valuation to mitigate estimation error and lead to better-informed feedback [19]. Market signals and peers' disclosures foster such corroboration, enhancing the utility of the provided information. Even regulators postulate that purely qualitative aspects, such as the diversity of accounting principles and explicitness of mentioned accounting standards, should play on par with quantitative indicators [1].

The global effort to provide a uniform conceptual framework, on the one hand, and the continuous divergence in accounting principles, on the other hand, underline the need to explore the interaction among the comparative quality of quality permit greater focus on the subject.

In general, economic uncertainty sows concern among statement users and spurs extensive information demand previously not under consideration. Comparative information hence tends to rise in interest. Nonetheless, under some conditions and in some environments comparative information might old more relevance, fungibility-related trade-offs arise for preparers and interest-shifting policies are often perceived as counterproductive or abusive.

7.2. Regulators and Standard-Setters

A maintenance of a high level of accounting comparability and analysis of the role of quality dimensions, were nevertheless flagged as key avenues for improvement and areas of attention. Regulators and standard-setters can therefore play a crucial role by ensuring that quality dimensions of disclosures, earnings, and presentation remain as effective moderators of the uncertainty–comparability relationship. Standard-setters are also reminded that even in economies subject to significant reporting volatility, frequent and high-quality disclosure remains possible, a reminder that may not apply under all regimes and conditions but is nevertheless important for the ongoing relevance of a comprehensive comparability agenda [6].

A key messaging consideration, especially for regulators, is therefore that disclosures and materiality are not merely presentation technique but also fundamental to analytical use of comparisons across uncertain periods and settings. Also, specific and comprehensive guidance related to materiality standards can be used as a basis under which to reflect local reporting practice among jurisdictions (Preparers' perceptions on the implementation of international materiality standards—proposal 9) [20]. Fostering a continuing conversation (e.g. through publication of field visits) on the degree to which corporate reporting content and quality are in conscious practice-making processes reflecting analytical need could also help sustain appropriate materiality developments given conditions for change on this issue.

7.3. Preparers and Auditors

Preparers have a large part in the establishment of the association between economic uncertainty and reporting quality comovements with comparability owing to their accounting choices that determine what is included in financial reports. During periods of increased uncertainty, preparers often make use of the discretion built into standards.

The impact on the comparability of accounting information depends on the economic environment in which comparable activity and related accounting practices occur. Companies are more likely to select accounting policies that impede comparability under economic conditions characterized by increased uncertainty [1].

Auditors influence how economic uncertainty shapes reporting quality through the internal controls they recommend. Governance arrangements that include a vigilant board provide incentives for preparers to enhance the quality of accounting information and broaden the engagement of external auditors. Resource constraints, however, can prevent communications with the board about the impact of economic uncertainty on the choice between accounting policies and off-balance-sheet financing.

8. POLICY AND PRACTICE IMPLICATIONS

To improve comparability under high economic uncertainty, preparers and auditors can focus on enhancing the quality of earnings, risk-related disclosures, and the overall presentation of financial statements. Profiling companies by the degree of uncertainty they face can further taxonomize the provision of quality-enhancing elements.

To this end, the quality of accounting information refers to its degree of usefulness on the equity markets, while comparability denotes the degree of consistency of accounting information or financial statements across companies. Relating to the financial statements, three dimensions of accounting quality are earnings, risk-related disclosure, and presentation. Quality enhancement of these three aspects during high economic uncertainty can therefore increase financial statement comparability.

In terms of earnings quality, elements to enhance quality include the reduction of aggressive accounting measurement (use of bias, length of non-persistence, information content), an increase in high-quality discretionary accruals, and improvement in the auditing and governance on accounting estimates. The risk-related disclosure quality can be enhanced by the improvement of the quantity, detail, and intelligibility of disclosures. As for the overall presentation quality, a number of elements can be improved, such as consistency of disclosure notes, clarity of accounting policies, usefulness of segment reporting, straightforwardness of summaries, and intelligibility of graphs. The main quality dimensions and their expected influence on comparability under conditions of economic uncertainty are summarized in **Table 1**.

Table 1: Quality Dimensions and Their Effects on Comparability Under Uncertainty

Dimension of Quality	Key Attributes	Effect Under High Economic Uncertainty	Impact on Comparability
Earnings Quality	Persistence, predictability, accrual management	May decline as managers exercise greater discretion in estimates and recognition timing	Lower comparability across firms unless earnings are supported by consistent estimation policies
Disclosure Quality	Transparency, timeliness, informativeness	Increased disclosure mitigates uncertainty effects, but excessive discretion introduces inconsistency	Higher comparability when disclosure frameworks are standardized and detailed
Presentation Quality	Clarity, structure, readability	Poor layout and non-uniform presentation during crises obscure information	High-quality presentation enhances understanding and cross-firm comparability

9. METHODOLOGICAL CONSIDERATIONS AND FUTURE RESEARCH

Research investigating the interactions between economic uncertainty and the quality of financial reporting would further elaborate on the links between uncertainty and comparability and thereby extend comprehension of the phenomenon and its implications for standard-setting. Such examinations could leverage existing cross-country or cross-venue datasets of advanced economies to explore where and when the relation varies, isolate specific reporting elements that are most affected by different forms of uncertainty, and identify data-series characteristics that help clarify the interconnections between reporting quality and the comparability of financial statements. Future inquiries may also apply contemporary voluntary-disclosure frameworks to probe the interactive role of quality on comparability under uncertainty. In particular, the general predictive capacity of either the signalling or the tenet-of-tied information approach could be harnessed to analyse the manner in which the features of additional unaudited material influence or even dictate the overall degree of bilateral permissiveness contemplated for major audited reporting numbers, such as those presently included in innovatory accounting policies, or the degree and nature of policymaking flexibility that financial institutions regard as decidedly compatible with the probable trajectory for significant forward-looking expectations [7]. Addressing these dimensions would improve understanding of how uncertainty interacts with the various dimensions of the quality construct and the underlying micro-foundations that germinate their connection.

10. CONCLUSION

Productivity in the face of uncertainty and the appropriateness of reporting decisions to correspondent firm characteristics heavily influence the interactive consequences of quality choices; economic conditions shape patterns of implementation across firms.

Uncertainty influences firms' reporting choices, which ultimately govern the quality communicated via financial statements. The type and number of accounting alternatives affect the choice of reporting in an uncertain environment. Enforcement also matters in terms of how firms report in the presence of uncertainty; stronger enforcement leads to more informative, high-quality disclosure. Rather than selecting conservative alternatives that mask information, preparers could expand disclosures to provide more information about the uncertain valuations faced at year-end.

The paper adds to the accounting literature by demonstrating that quality plays an intervening role as a counterbalancing force in the uncertainty–comparability relationship. Future research could empirically quantify this moderation effect using cross-country IFRS adoption data.

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