

# Evaluating sustainable performance using a balanced scorecard and its impact on the quality of financial reports (research derived from a master's thesis)

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Date of Submission: 01-10-2022

Date of Acceptance: 10-10-2022

**ABSTRACT:** The research aims to clarify the role of sustainable performance evaluation and its impact on the quality of financial reports using the balanced scorecard. He also drew the attention of industrial companies to the importance of evaluating sustainable performance and its impact on the quality of financial reports, and the researchers used the balanced scorecard to evaluate the performance of the General Company for the Automotive and Equipment Industry for the years 2017-2020. Cars, equipment and their factories, but not to the required level. The internal audit of the General Company for the manufacture of cars and equipment focuses in its work on the economic aspect in a very large way and on the traditional financial reports whose data is quantitative and includes cash only. There is also a weakness in the internal audit with regard to auditing business and reports prepared by the authorities responsible for the environmental aspect, and in light of the conclusions, the researcher suggested several recommendations, the most important of which are due to the presence of contributions and interests in aspects of sustainable development by the research sample company, so it should prepare sustainable performance reports instead of Traditional financial reports because of the great importance of these reports in reporting all the achievements made by them, whether quantitative or descriptive, and thus improving the reputation and image of the company in the community.

**Keywords:** performance evaluation, balanced scorecard, quality of financial reports

## I. INTRODUCTION

The understanding of sustainable development first appeared in 1992, followed by the concepts of environmental quality in 1996 and social quality in 2008. As a result of the transformation of the concept of performance from financial and accounting performance to comprehensive performance that ensures financial, social and environmental performance, this means the realization of the three axes of the concept of sustainable development (economy, environment, social). By incorporating the principle of social responsibility, an organization will have gone beyond the traditional view of profit and has expanded to include the general interest of society as a whole, which expresses the concept of long-term performance, and one of the primary objectives of financial reporting is to provide high-quality financial information about the financial performance of companies and help make economic decisions. In order for the information contained in financial reports to be useful to users, the quality of financial reports is a reflection of the level of confirmation. Information is similar and helps stakeholders monitor management performance, judging whether its quality has been achieved or not.

## II. RESEARCH METHODOLOGY

### The importance of research

The practical importance of the research is to draw the attention of Iraqi industrial companies to the important role in evaluating sustainable performance through the use of the balanced

scorecard and its impact on the quality of financial reports.

### Research Objectives

The research seeks to achieve the following objectives: Discuss the special literature in evaluating sustainable performance and its impact on the quality of financial reporting. Demonstrate the role of sustainable performance evaluation and its impact on the quality of financial reports using the balanced scorecard.

### Search Problem

The problem of research lies in the following questions:

- Will the evaluation of financial performance by devices using a balanced scorecard affect the quality of financial reports?
- Will the assessment of environmental and social performance using a balanced scorecard affect the quality of financial reports?
- Will evaluating economic performance using the parallel scorecard affect the quality of financial reports?

### Research Hypothesis

Through the questions that have been addressed in the research problems, the current research is based on a set of hypotheses, namely:

Evaluating financial performance using a balanced scorecard contributes to improving the quality of financial reports.

Evaluating environmental and social performance using a balanced scorecard contributes to improving the quality of financial reporting.

Evaluating economic performance using a balanced scorecard contributes to improving the quality of financial reports.

## III. SUSTAINABLE PERFORMANCE AND QUALITY OF FINANCIAL REPORTING

### First: Sustainable Performance

#### Define sustainable performance

In its broader definition, performance is described as the result of the operations of an economic unit over a period of time such as a year, and is derived from the unit's use of the resources available to it; when the use of resources is appropriate, the performance is good. (Anis, 2020) :148), as defined as one of the basic and key indicators used by the economic unit to determine its level of success or failure, as well as assisting senior management in making critical and strategic decisions in the economic unit (Nhamo,

et.al,2021:11), as defined as the process of utilizing the skills and capabilities of the economic unit, as well as its organizational programs, to make the best use of the resources available to it in order to ensure the survival of the unit. Long-term economic, achieving its goals. (Qurayshi, 2017:36)

### Dimensions of sustainable performance

The sustainable performance variable is measured at multiple levels, including environmental, social and economic. It has been dubbed the "Three Pillars of Sustainability" because it helps to bring and evaluate the sustainability performance of an organization by providing decision makers with information and dimensions of sustainable performance are Calati (Bi, et.al, 2017:18).

**Environmental dimension:** defined as an accurate interpretation of environmental activities and an effective assessment of environmental obligations, which means that the organization is responsible for the protection of living organisms and the effective use of resources. Waste reduction and disposal, appropriate use of energy, reduction of losses and risks, insurance coverage, marketing of safe products etc. Environmental management, environmental transparency and the importance of achieving environmental relevance for the company Environmental performance indicators of organizations appear as a result of the organization's impact on natural systems, help identify the most important environmental impacts, present and link the environmental objectives of the organization and staff development, rationalize prices to meet human needs, raise the standard of living and reduce and rationalize the consumption of resources to ensure their continuity. (Belhadj, 2016) 34:)

**Social dimension:** It is the maintenance of a balance between the economic efficiency and productivity of work for individuals and society, through the use of renewable and non-renewable natural resources, to promote social development arising from organizational performance, thus demonstrating many laws, regulations and penalties. In this area, performance therefore requires linking the strategy of competitive work in organizations and social management in order to achieve balance, so performance requires linking the strategy of competitive business in In order to achieve balance, performance requires linking a competitive business strategy in organizations with social management and individual and collective customer requirements for services or products in order to balance the needs, expectations and

aspirations of stakeholders. Organizations achieve sustainable customer performance in society in terms of their ability to generate value for the product and service provided to the community, by achieving high quality of service and product, the right price for all social classes, timely delivery with the lowest percentage of which all contribute to the sustainability of excellence in service and increase market shares in the target sectors and community loyalty to the enterprise. (Al-Majida, 2019) 24:)

**Economic dimension:** It is the ability of the organization to achieve the financial objectives of satisfying shareholders and stakeholders through satisfactory rates of return on investment, and that financial objectives are the basis for measuring the economic dimension of the organization. It also shows the long-term performance of the organization and the implementation of the plan. Progress, and that the economic component helps measure the long-term success of the organization by comparing the industry's competition indicators and identifying its long-term potential. ) Quraishi, 201737:)

**Sustainable Performance Indicators** A variety of quantitative and qualitative indicators can be used to assess economic performance, (wang,et.al,2021:243)

**Financial Performance Indicators:** A variety of quantitative and qualitative indicators can be used to evaluate economic, or financial performance that refers to the efficiency with which available financial resources are used to achieve certain financial goals, including profitability, growth, activity, loans and liquidity indicators. Among them are also the following indicators :) Wahiba, 102:2012)

- Productivity Index: Productivity is a measure used to evaluate the economic performance of various production elements.
- Market share index: This measure represents the market share of the economic unit compared to competitors.
- Customer Satisfaction Index: Because the customer is the ultimate goal of the manufacturing process, the economic unit must strive to satisfy him as one of the pillars of complete quality.
- Value Added Index: This indicator shows the extent to which each economic unit contributes to the achievement of national income, which is defined as the total value added created in a country during a certain period of time.

- Competitive advantage index: It is the ability of an economic unit to operate in one or more ways that competitors cannot match.

**Social Performance Indicators:**  
(7: Hristov& Chirico,2021))

- Social performance indicators are a criterion for assessing the extent to which an economic unit fulfils its social obligations and responsibilities, i.e. assessing the social benefits of its economic activity. By Economic Unit: Covers all costs incurred by the Economic Unit for the benefit of employees, except for the basic wage paid to them.
- Community Social Performance Index: It covers all the performance costs of the contributions of the economic unit to the service of society such as donations and donations to educational and cultural organizations.
- Socio-Environmental Performance Index: The costs borne by the economic unit in order to protect the environment, that is, it strives to mitigate the risks posed by its economic activity.
- The costs incurred by the economic unit to improve the quality of its products and develop them to meet the needs of society.

**Environmental Performance Indicators:** There have been a number of projects that have helped define environmental performance assessment indicators. (Wang,et.al, 2021:244)

- Environmental Management Indicators: These indicators refer to the objectives of the Department related to the environmental component of the economic unit through the strategic and political vision as well as the organizational structure of environmental management.
- Environmental status indicators: includes all information and statistics about the local, regional or international environment, such as the state of the ozone layer, the temperature of the earth, etc.

**Second: Balanced Scorecard**  
**Balanced scorecard concept**

It is a method of evaluating strategic performance that assists economic units in analyzing their activities and performance in the light of their vision and strategy. Economic, and help it provide management with feedback information that helps correct the course of strategic plans. Anthonoula& Alexandros, 2011:67), the BSC Balanced Scorecard is defined as a comprehensive set of performance metrics that focus on the current state of the economic unit as well as its vision for the future, with the main objective of providing a balanced view of the performance of the economic unit based on its views. The importance of non-financial

measurements in focusing on achieving future performance as well as financial metrics to analyze past judgments. As a result, the card maintains a balance between short- and long-term goals, financial and non-financial indicators, cause and effect indicators, and internal and external performance perspectives. (Lee, 2012: 9-10), the Balanced Scorecard is a conceptual idea that promotes the use of the PAS, including financial and non-financial metrics. But it also goes beyond its conceptual origins to include a complete performance management system built on the dashboard's analogy of the Balanced Scorecard Advantages

- The BSC Balanced Scorecard has a number of important advantages when it comes to evaluating the strategic performance of economic units. (Pino, 2012: 23), the most prominent of these advantages are:

- Assists in the development of a hierarchical model of strategic objectives and all perspectives of a balanced scorecard, which originated in the company's strategy and corresponds to all the objectives of the financial perspective. (Radu, 2012: 456)

- A method of implementing the strategy by drawing the attention of managers to the important elements of success of the plan and rewarding them for achieving them, as well as a tool for coordinating activities within the economic unit. (Blocher, et.al, 2019: 46)

- Unlike traditional financial indicators, which are only effective in reporting what has happened in the past without showing how to achieve the desired benefit in enhancing future performance, the card serves as the cornerstone for determining the current and future success of the economic unit. (Kaplan & Norton, 2001: 153)

- Financial and non-financial metrics, as well as logical linkages, are used to assist in the process of achieving the objectives of the economic unit, integrating all the objectives of the economic unit into a single model for measuring and evaluating performance. Non-financial measures provide measurable targets as a measure of product quality. Customer and employee satisfaction alike is important. (Weygandt, et.al, 2018: 470))

- It facilitates a focus on vision, mission and strategy, which is critical to understanding and implementing the strategy. (Awadallah & Allam, 2015: 94).

- Improve causal or logical thinking, because improvement in one activity leads to an improvement in another, which means that a balanced scorecard is a causal or coherent scorecard. (Horngren, et.al, 2015: 501).

### **Balanced Scorecard Perspectives:**

The four perspectives of the Balanced Scorecard represent four types of binoculars that are important for understanding the company's past and future success. These ideas are general enough to apply to most types of organizations, but they are also specific enough to help guide the selection of indicators in the scorecard (Hilton & Platt, 2020: 537)

A balanced scorecard consists of a number of perspectives and perspectives that can be summarized as follows:

### **Financial Perspective:**

The financial perspective includes a number of key indicators that assess profitability, market capitalization, and other factors such as the extent to which an economic unit is able to satisfy its shareholders. (Blocher, et.al, 2010: 12).

The financial perspective of the Balanced Scorecard focuses on maximizing shareholder value by measuring short-term financial performance and showing the results of past events and decisions without focusing on the motives or causes of these results and objectives in profit-oriented economic units that are directed to provide shareholders with a return on their investments, depending on the financial perspective. The objectives of the financial perspective correspond to the generation of value, since the increase in the value of the economic unit comes from other perspectives related to the financial perspective, through causation. Between card perspectives, the objectives of the financial perspective coincide with the generation of value. (Zimmerman, 2017: 628)

### **Customer Perspective:**

This view includes a set of indicators of quality, functionality and low costs. It compares the perspective of the customer and analyzes the economic unit from the point of view of customers who buy its own products or receive the services it offers. With its competitive pricing, quality, product development, innovation, customer service and other factors. (Weygandt, et.al, 2018: 469)

The customer's point of view is useful (how do customers see us?) with the aim of achieving long-term success, assuming that the customer is a top priority. For the economic unit in order to achieve its financial objectives. (Braun & Tietz, 2018: 611)

### **Internal Operations Perspective:**

(In which areas should we excel?) This view includes a measure of the efficiency and



effectiveness of the economic unit in delivering the product or service, as well as focusing on assessing the quality of internal operational or business processes that are critical to success by assessing all the key aspects or processes associated with the economic unit's value chain. Such as product creation, manufacturing, delivery and after-sales services to ensure that the economic unit operates efficiently and effectively. (Weygandt, et.al, 2018: 469)

The initial internal processes in which the economic unit must excel in the process of implementing its strategy are determined by the managers, and they include the three main activities listed below: (Drury, 2018: 579)

1- Innovation process: It is procedures that anticipate the potential needs of the client and design and develop new elements to meet those needs. The long wave of value generation can be compared to this procedure (Hansen & Mowen, 2007: 750)

2- Operation Process: From the customer's request to the delivery of the product or service, this process focuses on increasing operational efficiency using operating techniques or lean production. The shortwave of value generation can be compared to this procedure.

3- After-sales service process: It is the provision or provision of superior customer service. These services need to be attentive and quick to respond to customers once the product or service has been delivered. (Braun & Tietz, 2018: 612)

#### **Learning and growth perspective:**

(Can we continue to improve performance and add value?) The learning and growth perspective includes indicators of the economic unit's ability and ability to develop and utilize human resources in the future to achieve its strategic objectives. (Blocher, et.al, 2010: 12)

This view identifies the infrastructure and resources that an economic unit must possess, manage and develop in order to achieve, develop and improve long-term value generation. (Drury, 2018: 579)

#### **Environmental and Social Perspective:**

(How can the requirements of the environment and society be met?) Environmental and social perspectives have become one of the most important directions for any business unit seeking survival, expansion and continuity. Financial performance indicators, as well as non-financial performance indicators, need to be used to highlight critical topics such as safety,

environment, society and employee safety. (Radu, 2012: 455)

The environmental and social approach, in general, consists of a set of environmental and social performance indicators that emphasize the importance of environmental, social and economic responsibility as a common and coherent goal of the three sustainability challenges. (Kalender & Vayvay, 2016: 78)

#### **Risk Management Perspective:**

(What methods can be used to manage risk?) There are a number of risks associated with the work and activities of economic units that have an impact on costs, profitability, productivity and market share as a result of the opportunity of damage and loss due to uncertain circumstances. There are two categories of risk, with systemic risks affecting all economic units in a competitive market. On the other hand, irregular risks are risks limited to one economic unit and not to others. (Mamouri, 2020: 442)

#### **Balanced Scorecard Features**

A well-designed balanced scorecard has a number of important aspects that provide it with credibility, the most important of which are the following. (Brewer, et.al, 2019: 481)

- Continuous Improvement: The card is critical in resource allocation, proper future planning, quality culture development, continuous improvement activities, and organizational change (Abdel Aal, 2018: 29)

- Performance Evaluation: Helps in evaluating strategic performance on the basis of competitive strategy so that strategic plans are developed, performance evaluation and improve the effectiveness of control by focusing on the ability of the economic unit to achieve customer satisfaction, employees and stakeholders as well as market leadership. (Drury, 2018: 579)

- Motivation: Helps to improve human resource management by encouraging employees based on their performance. (Abraham, 2019: 68).

- Inclusiveness: Provide an overview of performance appraisal and explain how to use it to improve and provide significant value to the economic unit. (Brewer, et.al, 2019: 482)

- Feedback: One of the most important tools of the balanced scorecard is the strategic map, which helps in the process of analyzing and changing the performance of economic units through their managers.

(Valmohammadi & Sofiyabadi, 2015: 1177).

- Realism: A balanced scorecard is defined as providing a practical framework that links

measurement to quantitative and qualitative criteria, as well as providing senior management with a comprehensive and clear picture of the performance of departments and evaluating their contributions to the strategy of the economic unit. (Sorour, 2019: 311).

- The Balanced Scorecard is described as a communication and communication technology as well as a technology for information and learning systems, and therefore is not a traditional control technique. (Bhimani, et.al,2019:631)

### Third: Quality of Financial Reports

#### The concept of quality financial reporting

The concept of quality financial reporting must first be detailed to its core components (financial and quality reporting). From an accounting point of view. Financial reporting was previously seen as a low-priority bookkeeping and documentation process, but is now seen as a critical function to guide the company according to good corporate governance principles. (Paulinus, et.al, 2017: 117)

The International Accounting Standards Board defines the usefulness of a financial report as follows: it provides information about the financial position of the company, its performance and changes in financial position that benefit a wide range of users in making economic decisions. (Mbawuni,2019: 30)).

The Financial Accounting Concept Statement (SFAC) defined quality as the amount of usefulness of information, and stated that: The usefulness of financial information for decision-making should be the primary quality to look for in determining what to include in the financial report (Tambingon, et.al,2018: 265).

Financial reports are defined as the accuracy of information transmitted through the financial reporting process. (Hailu,2017:12)

#### The importance of quality financial reporting

To complement the concept of, and understand the importance of quality financial reporting for policy makers and any stakeholders familiar with financial reports, and to demonstrate this importance and to achieve the overall importance of the quality of financial reports, the following is a set of accounting studies that address the importance of quality financial reports as follows:

- High-quality financial reporting enhances transparency, reducing asymmetry. Information meets the needs of investors and stakeholders. (Pamungkas,2018:27))

- High-quality financial reporting is critical to increasing management control and avoiding opportunistic decisions. (Aulia&Siregar,2018:4)

- The quality of financial reports shows the performance of the manager in the organization. (Al'Alam,et.al,2019:40)

- High-quality financial reports provide high-quality information to managers that allows them to make better investment decisions because they have a better ability to discover profitable projects. Efficiency in investment. (Assad&Alshurideh,2020:199)

- Accurate financial reporting can help reduce bad investment decisions and ethical issues, allowing opportunities to be better identified for investment. (Al'Alam,et.al,2019:40)

- Differences in management reports that cause disagreement between directors and shareholders are mitigated by financial reports. There are many advantages to providing high-quality information. The quality of financial reporting reduces information and liquidity risk, prevents managers from abusing discretion, and helps them make sound investment decisions. The main advantage of better financial reporting is to reduce the problems of asymmetric information caused by the conflicting agency between agents and managers. (Irwandi&Pamungkas,2020:25-26)

#### Characteristics of the quality of accounting information

#### Characteristics of the quality of accounting information

High quality is the result of good barter and interaction, or a combination of several different traits, rather than just one. Financial reports provide information that helps users make decisions about their interest in the company, as well as meet users' demands. (Hesarzadeh,2019: 8) The information needs to be of a qualitative nature, appropriate to the needs of the user, presented in an understandable and comparable manner, verified by an independent person, and provided in a timely manner. Quality information allows users and investors to assess the company's profit and forecasts, which are the basis for an investment decision. (Abdullahi&Abubakar,2020:1 2), information quality features are characteristics that make financial statements valuable, and they are divided into two groups based on how they affect the usefulness of information. Suitability and honest representation are the most important qualitative traits, and my agencies. (Paulinus, et.al,2017:124)

**Appropriateness: Because suitability is defined as the possibility of influencing the actions of**

**users as providers of capital, the information reported is of value only if it relates to topics of key importance to them.**

Honest representation: The phenomena to be depicted include economic resources, obligations, transactions, and events affecting those resources, and honest representation is obtained when the description of the economic situation is complete, neutral and free of material errors. "Enhanced quality characteristics are complementary to key quality characteristics, as enhanced characteristics include comparability, verifiability, timeliness and comprehension, defined in accordance with the conceptual framework of the International Accounting Standards Board, as follows" (kieso, et.al., 2014.)

**Comparability:** Comparability refers to the quality of data that allows users to demonstrate similarities and differences between groups of economic situations.

**Verifiability:** It is the quality of data that allows users to ensure that the data accurately represents the economic phenomena it is supposed to transmit.

**Proper timing:** Timing is indicated as the availability of information to decision makers before losing the ability to influence decisions.

**Comprehensibility:** The ability of users to understand the meaning of information that consumers have not understood is useless and relevant.

### **Sustainable performance reports**

#### **The concept of sustainable performance reports**

Sustainability reports are defined in several ways. They are defined as "reports containing information on the performance of the company" and "as a tool used to fill the information gap arising from the lack of information provided by the company and what stakeholders seek" (KPMG, 2019) as defined by it (Armouti, 2013: 25). "As "reports containing information on the company's performance in three main areas, namely economic, social and environmental, the total includes the net added value of society." Fouad (2016: 156) defined it as "an effective tool for assessing the commitment of companies in the field of sustainable development and represents a practice to measure the company's performance towards achieving the goal of sustainable development, disclose this performance and take responsibility before internal and external stakeholders." "

#### **"The Importance of Sustainable Performance Reporting:**

According to the Global Reporting Initiative, the process of detecting sustainability is a crucial step in eliminating the achievement of a sustainable global economy by holding companies accountable for the impacts of their economic, environmental and social activities, as well as their positive and negative contribution. As well as promoting sustainable growth and facilitating the sharing of the ideals that underpin society, governments should analyze the contribution of companies to economic development and gain a better understanding of the challenges that have become, has previously been dealt with by actors. (2020 GRI). The importance of disclosing sustainable performance reports is due to improving financial performance, controlling business risks, creating value, and following the development prospects of the company's priorities. For business-related projects. Accounting disclosure of non-financial information for social responsibility that has an impact on the accuracy of financial analysts' expectations and this leads to greater disclosure and transparency, reducing information inconsistencies and reducing agency costs. Improving the company's reputation and brand which has a beneficial impact on its performance and competitive position in the market and ultimately increasing stock exchange trading. Improving operational efficiency and profit by reducing costs, rationalizing the exploitation of resources and maintaining a high score from safety and public safety in the company's operations. (Abdullah, 2018:46).

### **IV. APPLICATION OF BALANCED SCORECARD TECHNOLOGY IN THE COMPANY RESEARCH SAMPLE**

1- Determine the performance measures of the company research sample according to the binoculars of the balanced scorecard technology and measure and analyze the performance. Six binoculars were included in the balanced scorecard technique, which were explained in the second part of the previous chapter. Each perspective contains a set of metrics that serve as the basis for evaluation. Regarding the long-term evaluation of the performance of the company of the research sample, the researcher proposes a set of metrics that are compatible and compatible with the nature of the data that can be obtained and the reality of the company's accounting information systems, which will be added to the metrics used in the evaluation of the company's performance for the period (2017-2020), noting that the process of

determining the company's long-term performance is complex. The process of analyzing the results that will result from the application of different metrics in each perspective of the six balanced scorecard binoculars is preceded by the application

of the six balanced scorecard perspectives. Table 1 shows the metrics that will be used to measure the performance of the company in the research sample.

Table (1) Methods and metrics for calculating each metric within balanced scorecard binoculars

Perspective	Scaling	Calculation method
<b>Financial Perspective</b>	Asset turnover rate	Net Sales/ Total Assets
	Fast liquidity ratio	Current Assets – Inventory/Current Liabilities
	Trading Percentage	Current assets/Current Liabilities
	Cash Percentage	Cash and equivalent / Current Liabilities
	Rate of return on assets	Net Profit (Loss) x 100 / Total Assets
	Receivables turnover rate	Net Sales / Average Receivables
	Profit margin ratio	Total profit x 100/ Total Revenue
Ratio of total income to total costs	Total Revenue x 100/ Total Costs	
<b>Customer perspective</b>	Annual sales growth rate	Current Year Sales – Previous Year Sales /Previous Year Sales
	Customer retention rate	Number of customers of the current year – the number of customers of the previous year/ Number of customers of the previous year
	Quality of manufacture	Value of waste and consumables X 100 /Full production value
	Quality of after-sales services	Number of repair orders X 100/Number of total units sold
	Percentage of customer contribution to income	Net income/Number of customers
	Growth of marketing costs	Marketing costs for the current year – marketing costs for the previous year/ Marketing costs for the previous year
	Annual sales growth rate	Current Year Sales – Previous Year Sales/Previous Year Sales
Customer retention rate	Number of customers of the current year – the number of customers of the previous year/ Number of customers of the previous year	
<b>Internal Operations Perspective</b>	Percentage of utilization of production capacity	Actual production achieved X 100/ Design power or available energy
	Daily production rate	Annual Actual Production/ Number of days of the year
	Rate of maintenance services	Maintenance costs / Annual Actual Production
	Inventory turnover rate	Cost of goods sold/ Inventory cost
	Costs of inspection of production stages	Quality control expenses for the current year – Quality control expenses for the previous year/ Previous year's quality control expenses
	Material productivity	Output Value (Actual Production) X 100/The value of the materials involved in its production



Learning and growth perspective	Employee turnover rate	Number of employees leaving the service/Total number of employees
	Growth in training expenses	Training expenses for the current year – Training expenses for the previous year/ Previous year's internship fees
	Growth in R&D expenses	R&D expenses for the current year – R&D expenses for the previous year/R&D expenses for the previous year
	Employee growth rate	Number of employees for the current year – Number of employees for the previous year/ Number of employees for the previous year
	Growth of amounts spent on rewarding and motivating employees	Employee Remuneration for the Current Year – Employee Remuneration for the Previous Year/ Employee Rewards for the previous year
	Growth of travel and dispatch expenses	Travel and dispatch expenses for the current year – travel and dispatch expenses for the previous year/ Travel and dispatch expenses for the previous year
Environmental and social perspective	<b>Social aspect</b>	
	Contribution to social security	Social security expenses for workers/Total expenses
	Contribute to the provision of modes of transport	Transportation expenses of employees/Number of employees
	Growth of after-sales service expenses	Expenses for the current year – expenses for the previous year /Expenses for the previous year
	<b>Environmental aspect</b>	
	Rate of expenditure on water and electricity	Expenditure rate for the current year – the expenditure rate for the previous year /Expenditure rate for the previous year
	Growth of transport and transmission maintenance expenses	Maintenance expenses for the current year – maintenance expenses for the previous year /Maintenance expenses for the previous year
	Growth of amounts spent on environmental protection	Environmental expenses for the current year – Environmental expenses for the previous year /Environmental expenses of the previous year
Risk perspective	Growth of amounts spent on non-conforming products	Amounts spent for the current year – amounts spent for the previous year /Amounts spent for the previous year
	Ratio of amounts spent on non-conforming products to sales	100xthe amounts spent on non-conforming products / Sales
	Number of complaints submitted to the factory	Number of complaints received / 100 X Number of orders sold
	Growth in the cost of raw materials	Cost of raw materials for the current year - cost of raw materials for the previous year /The cost of raw materials for the previous year

	Growth in selling prices	Sale price for the current year – the selling price for the previous year /Selling price for the previous year
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**Determine the level of performance of the research sample company**

After completing the process of evaluating the strategic performance of the company by applying the technology of balanced scorecard, it is necessary to determine the level of the best performance of the company between the study periods as well as determine the perspective in which the factory

Equipment for the period (2017-2020) achieved better performance as well as the perspective in which the factory came with low performance, and to achieve this goal has been given importance to the level of performance in the form in which (10) scores are given to the level achieved by the factory and each measure has achieved the lowest performance and (50) degrees to the highest level of performance and the levels of importance have been graded to the results of the results Performance between these two numbers, and Table (3-19) shows the distribution of scores for each of the metrics listed within the balanced scorecard technique

Table (2)

Distribution of scores for each measure of the balanced tag card technology of the General Company for the Manufacture of Vehicles and

Perspective	Scale	Performance Level					Result%			
		10	20	30	40	50	2017	2018	2019	2020
Financial Perspective	Asset turnover rate	0.008	0.016	0.023	0.031	0.039				
	Fast liquidity ratio	0.12	0.239	0.359	0.478	0.598				
	Trading Percentage	0.18	0.361	0.541	0.722	0.902				
	Cash Percentage	0.017	0.034	0.052	0.069	0.086				
	Receivables turnover rate	0.017	0.033	0.05	0.066	0.083				
	Rate of return on assets	1.603	3.206	4.809	6.412	8.015				
	Profit margin ratio	-11.113	-22.226	-33.338	-44.451	-55.564				
	Ratio of total income to total costs	15.11	30.22	45.33	60.44	75.55				
	Financial Perspective Score (400)						100%	73%	70%	63%
Customer perspective	Annual sales growth rate	0.1516-	0.3032-	0.4548-	0.6064-	0.758-				
	Customer retention growth rate	0.0924-	0.1848-	0.2772-	0.3696-	0.462-				
	Quality of manufacture	0.0048	0.0096	0.0144	0.0192	0.024				
	Quality of after-sales services	0.6284	1.2568	1.8852	2.5136	3.142				

	Percentage of customer contribution to income	118826 1-	237652 2-	356478 3-	475304 4-	59413 05-				
	Growth of marketing costs	0.110-	0.220-	0.330-	0.440-	0.55				
	Customer Perspective Score(300)						70%	63%	93%	77%
Internal Operations Perspective	Percentage of utilization of production capacity	5.75	11.5	17.25	23	28.75				
	Daily production rate	161.5	323	484.5	646	807.5				
	Rate of maintenance services	434.08	868.16	1302.2	1736.3	2170.4				
	Inventory turnover rate	0.108	0.216	0.324	0.432	0.54				
	Costs of inspection of production stages	0.042-	0.084-	0.126-	0.168	0.21				
	Material productivity	4.608	9.216	13.824	18.432	23.04				
	Internal Operations Perspective Score (300)						73%	70%	50%	60%
Learning and growth perspective	Employee turnover rate	0.012	0.024	0.036	0.048	0.06				
	Growth in training expenses	0.84-	1.68	2.52	3.36	4.2				
	Growth in R&D expenses	0.042	0.084	0.126	0.168	0.21				
	Employee growth rate	0.012-	0.024-	0.036-	0.048-	0.06-				
	Growth of amounts spent on employee bonuses and motivation	0.564-	1.128-	1.692-	2.256	2.82				
	Growth of travel and dispatch expenses	0.09-	0.18	0.27	0.36	0.45				
	Learning and Growth Perspective Score (300)						77%	67%	57%	57%

Environmental and social perspective	Contribution to social security	0.014	0.028	0.042	0.056	0.07				
	Contribute to the provision of modes of transport	73512.5	147025	220537.5	294050	367563				
	Growth of after-sales service expenses	0.612-	1.224	1.836	2.448	3.06				
	Rate of expenditure on water and electricity	0.008-	0.16-	0.024-	0.032-	0.004				
	Growth of transport and transmission maintenance expenses	0.256-	0.512-	0.768-	1.024	1.28				
	Growth of amounts spent on environmental protection	0	0	0	0	0				
	Environmental and Social Perspective Score (300)						67%	53%	43%	50%
	Risk perspective	Growth of amounts spent on non-conforming products	-0.0594	-0.1188	-0.1782	-0.2376	-0.297			
Ratio of amounts spent on non-conforming products to sales		0.1362	0.2724	0.4086	0.5448	0.681				
Number of complaints submitted to the factory		3.2554	6.5108	9.7662	13.0216	16.277				
Growth in the cost of raw materials		-0.1918	-0.3836	-0.5754	-0.7672	-0.959				
Growth in selling prices		0.0878	0.1756	0.2634	0.3512	0.439				
Risk Perspective Score (200)							95%	65%	45%	35%
Total Endoscope Points(1800)										



Final Grade of Performance Evaluation							81%	66%	61%	58%
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Source: Prepared by the researcher based on the results of the tables (8-11-14-17-20-23)

It is clear from the table above that the following:

1- The overall performance of the factory in (2017) was the best, as the percentage of the factory's performance at the level of all binoculars (81%) compared to the years (2018-2019-2020) where the result of performance in it (66% - 61% - 58%), where the General Company for the Manufacture of Vehicles and Equipment Research Sample witnessed an improvement in strategic performance as a result of the restoration of productive activity after the long pause, which caused a significant decline in strategic performance .

2- An improvement in the performance of the company in (2017) in relation to the financial perspective, as the percentage of the company's performance for that perspective (100%) compared to the years (2018-2019-2020) where the company achieved a result of the performance of its ratios (73%-70%- 63%) for the aforementioned perspective.

3- The customer's perspective shows a decrease in the performance of the company in relation to this aspect, as the year (2017) achieved a score of (70%) compared to the year (2018-2019-2020), where the performance rate was (63%-93%-77%) where the percentage witnessed an increase for the years (2019-2020) and coincided with the return of the company to production and the impact of this on the performance of this perspective.

4- The factory achieved in (2017) within the perspective of internal operations a high performance of (73%) difference from (2018) where the performance according to the aforementioned perspective (70%) where it began to decrease in (2019) which reached (50%) and then returned to rise for (2020) which reached (60%) thanks to the increase in allocations on the scales of this perspective.

5- As for the perspective of learning and growth, the year (2017) was the best performance, where the result reached (77%) compared to the years (2018-2019-2020) where the company achieved a performance of (67% - 57% - 57%).

6- As for the environmental and social perspective, the year (2017) was the best performance, with a result of (67%) compared to the years (2018 - 2019 - 2020) in which the company achieved a performance of (53% - 43% - 50%).

7- As for the risk perspective, it witnessed an increase in the performance of the company in (2017) as its result was (95%) compared to the

years (2018-2019-2020), which reached the performance rate of the company for this perspective (65%- 45%-35%).

It is clear from the above the importance of the role of the internal auditor in conducting the evaluation of sustainable performance through the procedures assigned to him, which include his audit of the items of the financial statements, because what has been obtained from audited financial statements will naturally be reflected on the results of the process of evaluating sustainable performance and the credibility of the results of the balanced scorecard indicators and thus reflect this on obtaining high-quality financial reports.

#### Hypothesis testing:

Based on the results reached and the evaluation of performance in the company research sample using the balanced scorecard and the identification of deviations in the performance of the company, the company must address these deviations in performance and that addressing these deviations will contribute to improving the quality of financial reports for subsequent years.

## V. CONCLUSIONS

By presenting the theoretical and practical side, the research reached a set of conclusions that in our view were worth standing on as follows:

- 1) There is a role in promoting the reports prepared by the General Company for the Manufacture of Cars, Equipment and Factories but not at the required level.
- 2) The General Company for the Manufacture of Vehicles and Equipment focuses in its work on the economic side very heavily and on traditional financial reports, whose data are quantitative and include cash only.
- 3) There is a weakness in the internal audit in terms of auditing the business and the reports prepared by the authorities responsible for the environmental and social aspect and the company does not have internal auditors specialized in the environmental and social aspect.
- 4) There is difficulty in disclosing sustainable performance data in traditional financial statements because they cannot contain metadata which the company has to address.
- 5) There are no records or books of social or environmental accounts but they are included in the financial records.

- 6) that information that internal auditors can access that relates to the environmental and social aspect improves the credibility of the information contained in the financial statements.
- 7) The use of outdated methods of measuring and evaluating the performance of the activities and processes carried out by the company does not lead to giving sufficient information about the company's environmental and social performance.
- 8) The presence of some aspects that cannot be fully controlled by the company due to the nature of its work such as the remnants of the production process and gases emitted from some production departments.
- 9) The absence of laboratories in the company called quality control laboratories that inspect and analyze products to ensure their safety and conformity with the required specifications.
- 10) The company's management focuses on the safety aspect very heavily through the development of fire extinguishing systems and the provision of fire trucks belonging to the company and civil defense equipped with special equipment.

## VI. RECOMMENDATIONS

Based on the conclusions reached by the research, we review the most important recommendations that we see serving the company in question as follows:

- 1) Since there are contributions and interests in aspects of sustainable development by the research sample company, it should prepare sustainable performance reports instead of traditional financial reports because of the great importance of these reports in reporting all the achievements achieved by them, whether quantitative or descriptive, thus improving the reputation and image of the company in society..
- 2) The company's management should spread a culture of social responsibility and environmental protection among its employees and employees through seminars, internal announcements and workshops.
- 3) The management of the company should work to ensure that there is an awareness by the employees of the company that compliance with the laws and regulations related to the environmental and social aspects benefits them and the company in general through the rewards or letters of thanks and appreciation by the government or from the organizations sponsoring these aspects, whether local or international, thus improving the reputation of the company.
- 4) There should be disclosure of all precautionary measures taken by the Company to address any

environmental contingencies to address the risks to which the Company may be exposed.

- 5) The need to establish specialized electronic databases to compile and summarize the financial reports of companies in the Iraqi business environment, to establish an information system based on an integrated database characterized by ease of search, summary and measurement, so as to facilitate the access of researchers and stakeholders to different information of different needs to achieve their goals.
- 6) The need for academic researchers, accountants and professional auditors to study theoretically and practically the impact of qualitative characteristics on the environment of Iraqi public companies and various sectors, and to determine the most appropriate measure for the Iraqi market, in order to search for accuracy in evaluating the quality of financial reports.
- 7) Educate stakeholders, through practical workshops and orientation lectures, on how important it is to alert to any matters that raise doubts about the poor quality of financial reports or the ability of companies to continue.
- 8) Support the company's internal audit bodies to evaluate sustainable performance by providing the necessary data to audit sustainable performance.
- 9) The company should measure the quality of financial reports through quantitative metrics that focus on specific features of financial reporting information, or through the qualitative characteristics of accounting information.

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