



## Uncertainty of government financial policies on the comparability of financial statements: adjusting materials and goods and product production

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Type of Article: **Research**

10.22126/pse.2024.10007.1079

Received: 17 December 2023; Accepted: 15 June 2024

P.P: 407-440

### Abstract

Comparability is one of the specific characteristics of financial information that makes it useful. Investors and shareholders cannot make useful financial decisions and investments without comparability. It seems that one of the factors that can be the issue of uncertainty about the government financial policies, considering the comparable characteristics of the financial effect. Uncertainty of the government financial policies can affect the performance and inventory estimates of companies, and this, in turn, affects the profitability and comparability of financial statements. According to the above, the purpose of this research is to investigate the uncertainty of the financial policies of the government to compare financial statements, taking into account the role of modifiers of inventory of materials and goods. The statistical population of the research includes 128 companies during the period from 2010 to 2019. The statistical method used to test the hypotheses proposed in this research is the Panel data method. Hypotheses were tested and analyzed using multiple regression and by using Eviews software. The result of the first hypothesis of the research showed that the uncertainty of the government financial policies is effective and meaningful for the comparison of financial statements. Also, the result of the second hypothesis of the research showed that the effect of the uncertainty of government financial policies for comparing financial statements becomes stronger when the change in level of inventory is greater. Further, the result of the third hypothesis of the research showed that the negative effect of government financial policies uncertainty for comparing financial statements becomes stronger when the variability in the amount of current goods is greater. Also, the result of the fourth hypothesis indicates that the negative impact of government financial policies uncertainty on comparability in financial scales does not become stronger when the cross-sectional acceptance change in the quantities of manufactured goods is greater.

**Keywords:** Estimation of manufactured goods, Estimation of goods in progress, Estimates of raw materials, Comparability of financial statements, Uncertainty of government financial policies.

**JEL Classification:** M48, M41, G30.

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**Citations:** Kabiri, M.; Nadri, F.; Zabihidan, M. & Heydari rostami, K. (2024). "Uncertainty of government financial policies on the comparability of financial statements: adjusting materials and goods and product production". *Public Sector Economics Studies*, 3 (9), 407-440.

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## 1. Introduction

Comparability is one of the specific characteristics of financial information that makes it useful. Investors and shareholders cannot make useful financial decisions and investments without comparability. It seems that one of the factors that can be the issue of uncertainty about the government financial policies, considering the comparable characteristics of the financial effect. Uncertainty of the government financial policies can affect the performance and inventory estimates of companies, and this, in turn, affects the profitability and comparability of financial statements.

## 2. Theoretical framework

In an ideal accounting situation, the financial statements always reflect the intrinsic value, real value and future cash flows of the company in the form of accounts that are fully known and defined, so the financial statements in a perfectly ideal situation are comparable. However, in non-ideal conditions and the uncertainty of financial government policies, financial reports require significant judgment about the amount of production, inventory of raw materials, the amount, conditions and timing of future cash flows, which causes the formation of relevance and reliability in the information provided in format of financial statements. Another part of the research is on management estimates of inventory and the possibility that management estimates of material inventories and product production can moderate the effect of financial policy uncertainty on the comparability of statements; is concentrated. Management estimates based on inventories can possibly moderate the effect of financial policy uncertainty on the comparability of financial statements for two reasons. The first reason is that management estimates are often made in conditions of uncertainty regarding the prospects of financial policies and macroeconomics, and as a result, the unpredictability of the performance of product customers, suppliers of raw materials (raw materials), competing companies, etc., and based on stable criteria and indicators. It does not take place and it is often subjective and based on the inflation scale, an estimate in the future and the same thing; It causes different results and estimates. In other words, the increase in inflation resulting from the uncertainty of financial policies causes the information contained in the financial statements to be far away from the financial realities. On the other hand, based on the second possibility, companies that cannot consider the necessary mechanisms to face the phenomenon of financial policy uncertainty, may be due to things such as weakness in the correct analysis of transactions with conditions such as the lack of raw materials due to the lack of cash resources and financing. The delay in transportation and... faced with the low volume of raw materials and as a result they produce less products and record a negative financial performance, and there is a possibility that they do not reflect the financial facts correctly in their financial statements, which may reduce the comparability of Financial statements.

### 3. Methodology

The purpose of this research is to investigate the uncertainty of the financial policies of the government to compare financial statements, taking into account the role of modifiers of inventory of materials and goods. The statistical population of the research includes 128 companies during the period from 2010 to 2019. The statistical method used to test the hypotheses proposed in this research is the Panel data method. Hypotheses were tested and analyzed using multiple regression and by using Eviews software.

### 4. Discussion

The result of the first hypothesis of the research showed that the uncertainty of the government financial policies is effective and meaningful for the comparison of financial statements. Also, the result of the second hypothesis of the research showed that the effect of the uncertainty of government financial policies for comparing financial statements becomes stronger when the change in level of inventory is greater. Further, the result of the third hypothesis of the research showed that the negative effect of government financial policies uncertainty for comparing financial statements becomes stronger when the variability in the amount of current goods is greater. Also, the result of the fourth hypothesis indicates that the negative impact of government financial policies uncertainty on comparability in financial scales does not become stronger when the cross-sectional acceptance change in the quantities of manufactured goods is greater.

### 5. Conclusion and Suggestions

Considering the fact that comparability is one of the quality characteristics related to providing information, it is suggested to company managers that in order to provide high-quality and comparable financial reports; Also, to improve the ability to analyze the country's financial perspective and determine the production and investment strategies of the economic unit, to consider the certainty or uncertainty regarding the behavior and financial laws enacted by the government at the macro level, and also to the policy makers and financial planners of the government It is suggested; Adjust financial laws and policies in various fields from government expenditure journal, tax laws, monetary policies, exchange rate, etc. in such a way as to avoid excessive fluctuations caused by such decisions, which will leave irreparable effects on the country's economy and the production of financial units.

### 6. Ethical Considerations

#### 6.1. Compliance with ethical guidelines

Throughout the present study, ethical considerations have been taken into account in the field of data collection, research, and preservation of information and personal

privacy, as well as the requirement of honesty and adherence to confidentiality in the writing.

## **6.2. Funding**

This research was conducted without financial support.

## **6.3. Authors contribution**

All authors share equally.

## **6.4. Conflict of interest**

The authors declared that there was no conflict of interest.

## **6.5. Acknowledgments**

We would like to thank all those who participated in collecting data and conducting this research.