

MANAGEMENT ACCOUNTING TECHNIQUES AND FINANCIAL PERFORMANCE & ROLE OF STRATEGIC FLEXIBILITY: INDUSTRIAL COMPANIES LISTED ON THE IRAQ STOCK EXCHANGE

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Abstract: This study aims to analyze the impact of utilizing modern management accounting techniques on the financial performance of Iraqi industrial companies listed on the Iraq Stock Exchange, with a particular focus on the moderating role of strategic flexibility in enhancing this relationship. The research adopted a descriptive-analytical methodology, and data were collected via a structured questionnaire distributed to a sample of 400 employees working in the financial and administrative departments of selected industrial firms. A set of advanced statistical methods was employed, including multiple linear regression and Structural Equation Modeling (SEM), to test the primary and subsidiary hypotheses. The findings revealed a statistically significant and positive impact of management accounting techniques—such as Activity-Based Costing (ABC), Total Quality Management (TQM), and Target Costing (TC)—on improving financial performance. Furthermore, the results confirmed that strategic flexibility plays a critical moderating role in strengthening the relationship between these techniques and financial performance, especially in companies with a greater capacity to adapt to environmental and market changes.

Among the techniques examined, Target Costing showed the strongest influence on financial performance, whereas the application of Total Quality Management required higher levels of organizational readiness and adequate resources to achieve favorable outcomes. Additionally, demographic variables such as firm age and size did not demonstrate a statistically significant effect on financial performance.

The study recommends the adoption of modern management accounting techniques within a flexible strategic framework, given their vital role in enhancing operational efficiency, promoting transparency, and achieving sustainable financial performance.

Keywords: Modern Management Accounting Techniques; Financial Performance; Strategic Flexibility; Activity-Based Costing (ABC); Target Costing.

Introduction

Amid ongoing changes in the global business environment and increasing competitiveness, organizations are in urgent need of tools that support financial sustainability and enhance performance. Managerial accounting is considered one of the most vital tools for improving the quality of managerial decision-making by providing accurate and relevant information for financial performance analysis and future planning. Managerial accounting practices rely on a variety of techniques aimed at enhancing operational efficiency and reducing costs, ultimately leading to improved profitability and increased value for the organization and its stakeholders.

Among the most prominent managerial accounting techniques used to support financial performance are **target costing, budgetary planning, cost-benefit analysis, and activity-based costing (ABC)**. These methods assist in identifying strengths and weaknesses in financial performance and support continuous evaluation processes to

achieve predetermined financial goals. For instance, a study demonstrated that the application of target costing effectively reduces the gap between estimated and actual costs, thereby strengthening the organization's competitiveness in the market (Abdullah et al., 2020).

Furthermore, budgetary planning plays a key role in enhancing managerial control and ensuring alignment between financial and operational plans. Studies indicate that budgets prepared based on accurate data and scientific foundations lead to improved resource allocation, reduced waste, and increased capacity to confront financial challenges (Mohammed & Hassan, 2018). These processes not only enhance current financial performance but also contribute to the development of forward-looking strategies grounded in scientific data analysis.

Research shows that organizations that adopt advanced managerial accounting practices enjoy a competitive advantage in volatile markets. These practices rely on providing both financial and non-financial information to support investment and operational decision-making, thus enabling the achievement of profitability and sustainable growth objectives. For example, **the ABC system** can improve the accuracy of measuring the actual cost of products and services, allowing for appropriate pricing and maximizing financial returns (Al-Kubaisi, 2021).

In addition, **cost-benefit analysis** is one of the fundamental tools in managerial accounting that assists in assessing the feasibility of investment projects. Through comprehensive analysis of projected costs and benefits, management can make data-driven decisions that minimize financial risks and enhance overall organizational performance (Smith & Jones, 2021).

Evidence suggests that financial control and financial analysis—supported by managerial accounting practices—represent an essential component in the process of improving financial performance. Managerial accounting provides frameworks for analyzing financial performance using indicators such as **profit margin, liquidity ratios, and return on investment (ROI)**. These indicators help management identify deviations from established objectives and take timely corrective actions (Johnson et al., 2020).

Moreover, managerial accounting practices contribute significantly to enhancing transparency and accountability within organizations. The detailed reports generated through the implementation of these practices enable organizations to periodically assess their financial performance and determine the extent to which strategic objectives are being achieved. In this context, a study indicated that institutions adopting integrated reporting systems demonstrate more sustainable financial performance compared to those lacking such systems (Ali & Ahmed, 2019).

Managerial accounting practices are considered the cornerstone for improving an organization's financial performance. By employing techniques such as target costing, budgetary planning, and cost-benefit analysis, organizations can achieve higher operational efficiency, enhance profitability, and accomplish their strategic goals. Empirical evidence suggests that organizations adopting an integrated approach to managerial accounting attain superior and more sustainable financial outcomes. . (Ali et al.,2024)

One of the most prominent challenges organizations face is managing rising operational costs amid market volatility. Through the application of target costing, organizations can design their products and services in alignment with optimal cost structures and customers' expected pricing. A study conducted on manufacturing firms

reported that implementing target costing led to cost reductions of up to 15% without compromising product quality (Al-Nuaimi et al., 2020).

Managerial accounting surpasses the traditional roles of financial accounting by providing tools that support long-term strategic planning. Financial analysis based on budgetary planning is one of the key tools aiding organizations in adapting to expected market changes. For instance, utilizing budgetary planning can help identify future needs for financial and human resources, thereby enhancing the organization's capacity to achieve its strategic objectives. . (Dahash et al.,2022)

Additionally, sensitivity analysis plays a critical role in preparing various financial performance scenarios. This analysis provides management with a deeper understanding of the potential impacts of market fluctuations on financial results, enabling proactive decision-making to mitigate risks. A study on the financial services sector revealed that institutions regularly applying sensitivity analysis achieve higher levels of financial stability compared to those relying solely on traditional planning methods (Ahmed & Hassan, 2020).

Continuous financial performance measurement is a core element in implementing managerial accounting practices. This process relies on techniques such as key performance indicators (KPIs), which include return on investment (ROI), profit margins, and liquidity ratios. These indicators provide a clear picture of current performance relative to predefined goals. (Rahi et al.,2022) & (Azharuddin et al.,2023) For example, a study found that the use of financial performance indicators assists management in identifying performance deviations, thereby enhancing the organization's ability to take swift and effective corrective actions (Johnson et al., 2021). Continuous evaluation also reinforces transparency and accountability, which supports trust-building among stakeholders such as investors and shareholders.

1.Literature Review and Hypotheses Development

1.1 Managerial Accounting Practices and Financial Performance: Theoretical and Empirical Foundations for Hypotheses Development

The preceding literature review demonstrates that modern managerial accounting practices—such as activity-based costing (ABC), target costing, and value analysis—are no longer confined to cost recording and control functions. Rather, they serve as strategic tools that enable firms to respond effectively to complex market dynamics, achieve cost leadership, and pursue differentiation strategies. These practices are embedded within broader organizational strategies and reflect the evolving role of accounting from a passive information provider to a proactive driver of competitive performance.

Theoretical underpinnings from Strategic Management Accounting (SMA) emphasize that managerial accounting should be integrative, forward-looking, and market-responsive (Cadez & Guilding, 2008). Similarly, the Resource-Based View (RBV) posits that internal capabilities, such as sophisticated accounting systems, can become valuable, rare, inimitable, and non-substitutable (VRIN) resources—thus forming the basis of sustainable competitive advantage (Barney, 1991).

Furthermore, Contingency Theory suggests that the effectiveness of accounting systems is contingent upon organizational context, strategic orientation, and external environmental conditions (Chenhall, 2003). These frameworks collectively indicate that the successful deployment of managerial accounting tools contributes not only to internal process optimization but also to broader financial outcomes.

In this context, numerous empirical studies have reported a positive relationship between the application of strategic managerial accounting methods and financial

performance metrics, including profitability, cost reduction, and return on investment (Ahmed & Hassan, 2022; Smith & Johnson, 2020; Abdullah et al., 2021). Such findings lay the groundwork for the formulation of the following research hypotheses, which aim to empirically test the impact of managerial accounting practices on the financial performance of Iraqi industrial firms—a sector characterized by dynamic economic shifts, limited access to capital, and increasing global competition.

Main Hypothesis H1

There is a statistically significant effect of modern managerial accounting practices on improving the financial performance of Iraqi industrial companies.

Derived Sub-Hypotheses Include:

- H1a: There is a statistically significant effect of activity-based costing on improving the financial performance of Iraqi industrial companies.
- H1b: There is a statistically significant effect of total quality management on improving the financial performance of Iraqi industrial companies.
- H1c: There is a statistically significant effect of target costing on improving the financial performance of Iraqi industrial companies.

These hypotheses are developed to evaluate whether the implementation of specific managerial accounting tools contributes to better financial outcomes in the Iraqi industrial context. Activity-based costing is hypothesized to improve profitability by enhancing cost allocation accuracy (Rahi et al., 2022), while total quality management is expected to drive operational excellence and long-term financial stability (Kaynak, 2003). Target costing, in turn, aligns product design with cost constraints and market expectations, thus potentially leading to higher margins and customer satisfaction (Ahmed & Hassan, 2022).

Through testing these hypotheses, this study aims to contribute to both the theoretical and practical understanding of how modern accounting tools, when properly aligned with strategy and market context, can be leveraged to enhance financial performance particularly in emerging economies facing institutional and operational challenges.

1.2 Strategic Flexibility as a Moderator in the Accounting–Performance Relationship

Strategic flexibility is increasingly recognized as a critical organizational capability that enhances the adaptability and responsiveness of firms in turbulent business environments. Within the context of managerial accounting, strategic flexibility plays a pivotal moderating role by enabling organizations to leverage accounting tools not just for control, but as instruments of strategic renewal and transformation (Shimizu & Hitt, 2004). While modern managerial accounting tools—such as activity-based costing (ABC), cost-benefit analysis, and strategic budgeting—provide vital insights for resource allocation and operational efficiency, their effectiveness is contingent upon the firm’s ability to dynamically respond to environmental uncertainty. This proposition is rooted in Contingency Theory, which asserts that the success of management practices depends on their alignment with situational variables such as volatility, competition, and internal complexity (Chenhall, 2003).

Empirical studies provide evidence that firms with high levels of strategic flexibility can more effectively utilize accounting information to drive superior financial performance. Smith and Johnson (2020) found that organizations with flexible

strategic orientations were able to adjust cost structures and re-prioritize budgets in real time, enabling faster response to external shocks. Similarly, Hasan et al. (2021) demonstrated that the combination of strategic flexibility and ABC implementation led to enhanced decision quality, better cost control, and improved profitability in manufacturing firms.

Managerial accounting methods are not only instruments of operational control but also facilitators of strategic adaptability. For instance, activity-based costing systems help organizations identify non-value-adding processes and reallocate resources to high-performing areas. When these systems are deployed in a flexible strategic context, firms are better able to reconfigure operations in response to market shifts, thus enhancing both agility and financial returns (Ahmed & Hassan, 2022; Abdalamer et al., 2021). This aligns with the Dynamic Capabilities Framework, which emphasizes the importance of sensing, seizing, and transforming organizational resources to maintain competitive advantage in changing environments (Teece, 2007).

Strategic budgeting, another essential tool of managerial accounting, supports scenario planning and long-term investment decisions. When coupled with strategic flexibility, budgets become adaptive instruments that enable firms to assess and respond to fluctuations in costs, supply chain disruptions, and shifting customer demands. A study conducted by Ali and Ahmed (2020) revealed that firms in the industrial sector combining strategic budgeting with flexible decision-making achieved up to 30% higher financial performance than those adhering to rigid planning processes.

Moreover, strategic flexibility enhances the applicability of cost-benefit analysis by allowing organizations to continuously revise investment appraisals and cost structures based on evolving market information. Johnson et al. (2021) found that companies using adaptive cost-benefit models were better equipped to navigate financial uncertainty, especially in sectors with high input volatility.

Target costing also benefits significantly from strategic flexibility. As market demands evolve, flexible firms can adjust design specifications and cost targets to maintain competitiveness. In a study of high-tech manufacturing firms, Brown and Wilson (2021) reported that those integrating flexible pricing and product development mechanisms into their target costing systems demonstrated significantly higher margins and customer retention rates.

The Strategic Fit Theory offers further theoretical support for the moderating role of strategic flexibility. This theory argues that organizational performance improves when there is alignment (or "fit") between strategy, structure, and systems—including accounting systems (Venkatraman & Prescott, 1990) & (Dammak et al.2023). Hence, strategic flexibility can be viewed as a crucial mechanism that ensures the dynamic fit between managerial accounting practices and external/internal contingencies.

An integrative approach that combines managerial accounting with strategic flexibility thus forms a robust framework for enhancing financial performance. AlMansoori et al. (2023) showed that firms that dynamically applied ABC and budgeting systems within a flexible strategic setting achieved superior results in terms of revenue growth, cost efficiency, and market share expansion.

In summary, strategic flexibility serves as a fundamental moderating variable in the relationship between managerial accounting practices and financial performance. It enhances the value derived from accounting tools by enabling firms to continuously adapt their strategies, resource allocations, and operations in response to market dynamics. This moderating effect is particularly critical for firms operating in volatile

environments such as Iraq's industrial sector, where agility and information precision are essential for survival and growth.

Main Hypothesis H2

There is a statistically significant moderating effect of strategic flexibility on the relationship between modern managerial accounting practices and the financial performance of Iraqi industrial companies.

Derived Sub-Hypotheses Include:

- H2a: There is a statistically significant moderating effect of strategic flexibility on the relationship between activity-based costing and financial performance.
- H2b: There is a statistically significant moderating effect of strategic flexibility on the relationship between total quality management and financial performance.
- H2c: There is a statistically significant moderating effect of strategic flexibility on the relationship between target costing and financial performance.

These hypotheses aim to empirically test whether strategic flexibility alters the strength or direction of the relationship between managerial accounting tools and financial performance outcomes. By analyzing these interactions, the study contributes to a more nuanced understanding of how contextual organizational capabilities influence the effectiveness of accounting systems in real-world environments.

2. Methodological

The practical aspect of applied scientific research constitutes the foundation upon which hypotheses are tested and the relationships among variables are empirically examined. Building on the theoretical frameworks and conceptual models presented in previous sections, this part of the study translates those foundations into a structured methodological approach aimed at measuring the impact of modern managerial accounting practices on financial performance, while testing the moderating role of strategic flexibility within this relationship.

The importance of this section lies in its reliance on the descriptive-analytical methodology, which is widely regarded as one of the most appropriate approaches for studying causal relationships between variables—particularly in accounting and management research that seeks to explain real-world phenomena based on empirical data. This approach enables the researcher to analyze data patterns, interpret variations in participant responses, and estimate the strength and direction of relationships between independent, dependent, and moderating variables.

The methodological framework is theoretically grounded in several key theories that explain the interaction between accounting practices and organizational performance. These include: Contingency Theory, which emphasizes the need for alignment between accounting tools and organizational/environmental contexts to ensure effectiveness; the Resource-Based View (RBV), which positions accounting systems as strategic assets that contribute to sustainable performance; and the Strategic Management Accounting (SMA) perspective, which focuses on aligning accounting information systems with the competitive positioning of firms.

Accordingly, this part of the study presents a detailed account of the research instruments, sampling design, data collection methods, and statistical techniques used in the analysis—including descriptive analysis, correlation and regression testing, and moderation analysis using Structural Equation Modeling (SEM). This methodological rigor enhances the credibility of the findings and supports the formulation of practical, evidence-based recommendations applicable to the Iraqi industrial context.

2.1 Research Methods

This research adopts the **descriptive analytical approach**, which is deemed the most appropriate for studying the relationship between the study variables and analyzing the impact of using modern managerial accounting methods on financial performance, through the moderating role of strategic flexibility. This approach is also suitable for analyzing the views of a sample of employees in industrial companies listed on the Iraq Stock Exchange.

The study population consists of all employees in the financial and administrative departments of industrial companies listed on the Iraq Stock Exchange. A stratified random sample was selected from a number of employees in these companies, taking into account their geographic and functional distribution, to ensure coverage of all relevant administrative levels. The sample size included **400 participants**, selected from **25 industrial companies** listed on the Iraq Stock Exchange.

A **questionnaire** was used as the primary data collection tool, with the survey items being designed using a **five-point Likert scale** ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The data were analyzed using **SPSS** and **AMOS** software, employing the following methods:

- Frequencies, percentages, means, and standard deviations (for general description).
- **Pearson Correlation** test to analyze the relationship between the variables.
- **Multiple Regression Analysis** to measure the effect of the independent variable (managerial accounting methods) on the dependent variable (financial performance).
- **Moderation Effect Test** using **Path Analysis** in the **Structural Equation Modeling (SEM)** to assess the impact of strategic flexibility as a moderating variable.
- **One-Way ANOVA** test when necessary to examine differences between demographic groups.

2.2 Hypothesis Testing Models

In order to test the hypotheses, the following measurement models were formulated:

$$FP_{it} = \beta_1(ABC)_{it} + \beta_2(AGE)_{it} + \beta_3(COMP_{SIZE})_{it} + \beta_4(LEV)_{it} + \beta_5(OC)_{it} + \beta_6(EX)_{it} + \epsilon_{i \cdot t}$$

$$FP_{it} = \beta_1(TQM)_{it} + \beta_2(AGE)_{it} + \beta_3(COMP_{SIZE})_{it} + \beta_4(LEV)_{it} + \beta_5(OC)_{it} + \beta_6(EX)_{it} + \epsilon_{i \cdot t}$$

$$FP_{it} = \beta_1(TC)_{it} + \beta_2(AGE)_{it} + \beta_3(COMP_{SIZE})_{it} + \beta_4(LEV)_{it} + \beta_5(OC)_{it} + \beta_6(EX)_{it} + \epsilon_{i \cdot t}$$

$$FP_{it} = \beta_1(ABC)_{it} + \beta_2(FS)_{it} + \beta_3(ABC * FS)_{it} + \beta_4(AGE)_{it} + \beta_5(COMP_{SIZE})_{it} + \beta_6(LEV)_{it} + \beta_7(OC)_{it} + \beta_8(EX)_{it} + \epsilon_{i \cdot t}$$

$$FP_{it} = \beta_1(TQM)_{it} + \beta_2(FS)_{it} + \beta_3(TQM * FS)_{it} + \beta_4(AGE)_{it} + \beta_5(COMP_SIZE)_{it} + \beta_6(LEV)_{it} + \beta_7(OC)_{it} + \beta_8(EX)_{it} + \epsilon_{i \cdot t}$$

$$FP_{it} = \beta_1(TC)_{it} + \beta_2(FS)_{it} + \beta_3(TC * FS)_{it} + \beta_4(AGE)_{it} + \beta_5(COMP_{SIZE})_{it} + \beta_6(LEV)_{it} + \beta_7(OC)_{it} + \beta_8(EX)_{it} + \epsilon_{i \cdot t}$$

3. Discussion

Before proceeding with hypothesis testing, it is essential to **code the study variables** and specify the **items used to measure each variable**, as presented in the following table:

Table 1: Coding of Study Variable Measurement Items

Domain	Code	Number of Items
Activity-Based Costing	ABC	16
Total Quality Management	TQM	10
Target Costing	TC	11
Financial Performance	CA	12
Strategic Flexibility	FS	16

After coding the study variables, the next step is to **test the effect of managerial accounting practices on financial performance**. Three variables were used to measure managerial accounting practices: **Activity-Based Costing**, **Total Quality Management**, and **Target Costing**, as presented in Table 2.

Table 2: Results of Testing the Effect of Managerial Accounting Practices on Financial Performance

Model	Model 1			Model 2			Model 3		
	B	T	Sig.	B	t	Sig.	B	t	Sig.
(Constant)	0.536	1.751	0.082	0.529	1.620	0.108	0.041	0.243	0.808
ABC	0.815	14.597	0.000						
TQM				0.799	13.550	0.000			
TC							0.976	30.475	0.000
AGE	-0.018	-0.977	0.331	-0.016	-0.848	0.398	-0.002	-0.147	0.883
COMPSIZE	0.041	2.980	0.003	0.009	0.650	0.517	-0.002	-0.321	0.749
LEV	-0.029	-1.417	0.159	-0.015	-0.716	0.475	4.757E5	0.004	0.997
OC	-0.000	-0.415	0.678	-0.010	-0.812	0.418	-0.014	-1.331	.0185

EX R Square F Sig	8			6					
	0.001	0.064	0.949	0.015	1.118	0.266	0.007	0.865	0.388
	0.620			0.585			0.875		
	37.544			32.462			160.964		
	0.000			0.000			0.000		

Based on the results of the three statistical models, a detailed academic interpretation can be presented to highlight the real impact of modern cost strategies on financial performance, with a focus on the strength and statistical significance of the relationships.

The findings of the current study confirm that modern managerial accounting practices—such as Activity-Based Costing (ABC), Total Quality Management (TQM), and Target Costing (TC)—play a vital role in enhancing financial performance. The consistency between the current findings and previous studies provides strong empirical support for Main Hypothesis H1, which posits that the use of such practices significantly improves financial performance in Iraqi industrial firms.

First, the results demonstrated that the implementation of the ABC system significantly improves the accuracy of cost allocation and reduces financial deviations, thereby enhancing operational efficiency and financial outcomes. This finding aligns with Kaplan & Cooper (1998) and Turney (2005), who emphasized that ABC systems offer more realistic cost information, improving the quality of financial decision-making. This interpretation is consistent with the Strategic Management Accounting (SMA) perspective, which views accounting systems as proactive tools for supporting competitive decisions, not merely as instruments for data recording and reporting.

Second, the study found a statistically significant positive relationship between Total Quality Management (TQM) and the quality of financial reporting, thereby confirming Sub-Hypothesis H1b. This finding supports the conclusions of Kaynak (2003) and Ittner & Larcker (1997), who noted that a continuous improvement culture reduces manipulation and reporting errors, and strengthens compliance with accounting standards. From the perspective of Agency Theory, improved internal quality systems help reduce information asymmetry between management and stakeholders, thereby enhancing the credibility of financial disclosures.

Third, Target Costing (TC) emerged as the most statistically powerful predictor among the three systems, strongly supporting Sub-Hypothesis H1c. The results indicate that TC functions as a strategic mechanism that directs cost control efforts from the early design stages, thereby improving long-term financial planning and minimizing waste. These findings are consistent with Tanaka (1993) and Ahmed & Hassan (2022), who established that target costing leads to more accurate financial reporting and improved profit margins. Under the lens of the Resource-Based View (RBV), target costing can be seen as an intangible organizational resource that is difficult to replicate and thus contributes to sustained competitive advantage.

Regarding demographic variables, such as firm size, age, and financial leverage, the results revealed no statistically significant influence on financial reporting quality. This finding aligns with Bushman & Smith (2001) and Venkatraman & Prescott (1990), who argued that reporting quality is more strongly driven by internal accounting systems than by structural characteristics of the firm. These results support the explanatory power of Contingency Theory, which maintains that the effectiveness of management

practices is shaped by their fit with contextual and operational conditions rather than size or age alone.

In this regard, the current findings confirm what has been outlined in the literature: modern accounting systems have evolved from passive record-keeping tools into strategic platforms for supporting decision-making and performance enhancement (Cadez & Guilding, 2008; Chenhall, 2003). They further highlight the necessity of aligning accounting tools with organizational strategy and external market dynamics—particularly in emerging markets such as Iraq, where firms face significant institutional and structural challenges.

Moreover, the moderating role of strategic flexibility in the relationship between management accounting practices and financial performance was also tested, as shown in Table 3

Table 3 :Results of testing the effect of management accounting practices on financial performance through the moderating role of strategic flexibility.

Model	Model 4			Model5			Model 6		
	B	t	Sig .	B	T	Sig .	B	t	Sig .
(Constant)	-.452-	- .462	.645	- 3.182	- .462	.645	- .658	- 1.288	.200
ABC	.239	2.311	.022						
TQM				- .890-	2.311	.022			
TC							.881	14.860	.000
FS	.117	.663	.508	.031	.663	.508	.110	1.178	.241
ABC * FS	2.284	6.002	.000						
TQM*FS				8.831	6.002	.000			
TC*FS							.413	1.892	.061
AGE	.002	.110	.912	- .001-	.110	.912	.002	.197	.844
COMPSIZE	.010	.440	.661	.002	.440	.661	.008	.644	.521
LEV	.001	.052	.959	- .001-	.052	.959	- .001	- .119-	.905
OC	-.007-	- .381	.704	.005	- .381	.704	- .005	- .414-	.679
EX	3.030E-5	.002	.998	- .003-	.002	.998	.001	.104	.917
R Square	.566			.988			.879		

F	22.198	1369.663	123.968
Sig	0.000	0.000	0.000

The empirical results from the regression models offer valuable insights into the relationship between modern managerial accounting practices and the quality of financial reporting, particularly when considering the moderating role of firm size. These findings align with and extend previous literature, further reinforcing the theoretical assumptions underlying strategic management accounting and organizational contingency theory.

The findings indicate that Activity-Based Costing (ABC) has a **positive and statistically significant** direct effect on financial reporting quality ($B = 0.239, p < 0.05$), supporting **Sub-Hypothesis H1a**. This is consistent with the work of Kaplan and Cooper (1998), who emphasized that ABC enhances cost traceability and transparency, thereby improving the accuracy and credibility of financial disclosures. Moreover, the significant interaction between ABC and firm size ($B = 2.284, p < 0.001$) suggests that **larger firms benefit more substantially from ABC systems**, likely due to their complex cost structures and availability of advanced infrastructure to implement such systems effectively.

This interaction aligns with **Contingency Theory** (Chenhall, 2003), which posits that the effectiveness of accounting tools depends on contextual factors like organizational scale. Additionally, the moderate explanatory power of the model ($R^2 = 0.566$) supports the argument that ABC contributes meaningfully to financial transparency, especially when adapted to the firm's operational complexity.

The result that TQM has a **negative direct effect** on financial reporting quality ($B = -0.890$) but a **positive and significant interaction effect** with firm size ($B = 8.831, p < 0.001$) provides nuanced insights. While this initially appears counterintuitive, it reflects challenges smaller firms face in implementing comprehensive quality frameworks—due to resource limitations or insufficient managerial expertise—echoing findings by Kaynak (2003) and Ittner & Larcker (1997). However, in larger firms, TQM becomes an asset that enhances consistency, reduces manipulation, and fosters adherence to reporting standards.

This pattern supports the **Resource-Based View (RBV)** (Barney, 1991), in which the ability to absorb and integrate complex quality systems becomes a strategic resource unique to firms with sufficient capabilities. The very high explanatory power of this model ($R^2 = 0.988$) underscores the strategic relevance of TQM when organizational maturity and scale allow for full implementation.

Target Costing demonstrated the **strongest direct impact** on financial reporting quality ($B = 0.881, p < 0.001$), consistent with **Sub-Hypothesis H1c**. This finding is supported by prior studies (e.g., Tanaka, 1993; Ahmed & Hassan, 2022), which highlight how TC enforces cost discipline and strategic alignment from the product design stage. The marginally significant interaction with firm size ($p = 0.061$) implies that while TC's benefits are evident across all firm sizes, its relative advantage may not be significantly magnified in larger firms compared to ABC and TQM.

The **Strategic Management Accounting (SMA)** lens suggests that target costing provides a proactive mechanism for aligning market expectations with internal cost structures, reinforcing competitive positioning and accurate reporting (Cadez & Guilding, 2008). The high explanatory power of the model ($R^2 = 0.879$) further validates TC as a robust tool in improving the financial disclosure environment.

Collectively, the three models confirm the importance of aligning **modern costing techniques with firm characteristics** to optimize financial reporting. While ABC and TC directly enhance report quality across firms, TQM's effectiveness is **contingent on organizational scale** and internal capacity. These findings resonate with the theoretical claims of **Contingency Theory, RBV, and SMA**, reinforcing the need for contextual customization in deploying managerial accounting systems.

The evidence suggests that managerial accounting tools are **not universally effective in isolation**, but rather their success depends on alignment with firm-specific variables—particularly size and structural maturity. Thus, the study contributes to bridging empirical gaps in the literature, particularly in the context of emerging economies such as Iraq, where firms face constraints in system adoption yet seek performance improvements amid rising global competition.

4. Conclusion

This study examined the impact of modern managerial accounting practices—namely Activity-Based Costing (ABC), Total Quality Management (TQM), and Target Costing (TC)—on the financial performance of Iraqi industrial companies, while also considering the moderating effect of strategic flexibility and firm size. The findings provide compelling empirical evidence supporting the central hypothesis that the adoption of these advanced accounting methods significantly enhances financial reporting quality and overall performance outcomes.

The results revealed that each of the three accounting systems contributes positively to financial reporting quality, with Target Costing (TC) emerging as the most statistically robust predictor. The strong influence of TC emphasizes its role as a forward-looking cost management strategy that aligns operational planning with market expectations, thus fostering financial accuracy and resource efficiency. Activity-Based Costing (ABC) was also shown to enhance cost traceability and allocation, particularly in larger firms, where operational complexity justifies the system's detailed structure. These findings support the Strategic Management Accounting (SMA) perspective, which views accounting practices as integral to strategic positioning rather than mere control mechanisms.

In contrast, TQM exhibited a negative direct effect on financial reporting quality in smaller firms but demonstrated a significant positive interaction with firm size. This suggests that larger organizations, with greater structural maturity and resource availability, are better equipped to realize the benefits of quality systems. This outcome aligns with the Resource-Based View (RBV), which considers internally embedded capabilities, such as robust quality management frameworks, to be sources of sustainable competitive advantage.

The study also confirmed that contextual variables—such as firm age, size, and financial leverage—do not exert direct influence on financial reporting quality. Instead, the effectiveness of managerial accounting practices is largely contingent upon strategic alignment and organizational readiness, consistent with Contingency Theory. Moreover, the moderating role of strategic flexibility was evident, especially in enhancing the effectiveness of ABC and TQM, highlighting its significance as a catalyst for adaptive financial practices in volatile environments.

In sum, the study underscores the strategic value of integrating advanced managerial accounting techniques into broader organizational frameworks. These systems serve

not only to enhance internal efficiency but also to improve the transparency, accuracy, and strategic relevance of financial disclosures. The implications are particularly pertinent for emerging economies like Iraq, where institutional challenges necessitate the adoption of adaptable and forward-thinking accounting practices.

Future research may explore how digital transformation, enterprise resource planning (ERP) systems, and artificial intelligence can further enhance the integration and strategic deployment of these accounting tools, particularly in industries with heightened complexity and regulatory demands.

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