A systematic PRISMA review: transparency in reporting of economic entities

Ana - Maria PARASCAN (OBREJA)*

Abstract

In the business environment, economic entities are aware of the importance of reporting transparency for them and their stakeholders. This study provides a comprehensive review of the topic of transparency, with the aim of identifying current research trends. PRISMA method ("Preferred Reporting Items for Systematic Reviews and Meta-Analyses") is used to analyze literature published since 1990 on "Scopus", "Web of Science" and "Google Scholar" platform. The study is based on a corpus of 125 articles. Our research found that very few literature review articles capture all aspects of transparency in reporting, leading us to believe that transparency in reporting is still a major challenge in accounting research. Transparency was studied at the level of the country, sector of activity or economic entity. It has also been strongly associated with the quality of reporting and influenced by the application of national or international standards of accounting, corporate governance and auditing.

Keywords: transparency, disclosure, fair value, value relevance, reporting, accounting

Introduction

The analysis of causes of bankruptcies of large US and European firms since the early 2000s concluded that improving transparency in reporting would be the solution to avoid such problems (Forssbaeck and Oxelheim, 2014). Thus, new codes of conduct and regulations have been introduced in many countries to ensure transparency, such as the "US Sarbanes-Oxley Act" (2002), the "EU Transparency Directive" (2004), the "OECD Principles of Corporate Governance" (2004) and "UK Corporate Governance Code" (2010). In most cases improving transparency in reporting has meant increasing the amount of information reported and less the quality of information reported. A good example is the "US Sarbanes-Oxley Act". Drahuschak (2006) argues that the "US Sarbanes-Oxley Act" was primarily aimed at improving transparency in reporting and imposed a number of detailed

* Ana - Maria PARASCAN (OBREJA) is PhD at the Doctoral School of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania, e-mail: anamariaparascan@yahoo.com.

reporting obligations on companies, but Kuscknik (2008) considers that this law did not bring substantial changes in business practice.

The global adoption of the "International Financial Reporting Standards" (IFRS) principles in 2005 is another important step towards improving. Edeigba and Amenkhienan (2017) sugest that one of the factors that have favored the implementation of IFRS is the common perception that they enhance the comparability of accounting information, transparency, reliability, relevance, uniform measurement and valuation of assets and liabilities. Differences between accounting standards in different countries were seen as the main culprit for this lack of transparency. Armstrong *et al*. (2010) observed that the implementation of IFRS helps improve the quality, understanding of reported information and create a reporting system designed to achieve transparency, consistency and comparability in reporting. The convergence of accounting standards worldwide has shown that no matter how strict accounting standards are, some firms will continue to alter and manipulate the figures they report to financial markets. Laghi *et al*. (2012) argued that in the run-up to the 2008 crisis, users and preparers of financial reports considered fair value essential for transparent and relevant information. After the crisis period, more and more researchers are talking about the need to reintroduce historical cost valuation and use the principle of prudence, the fundamental concepts of conservative accounting.

In the "new economy" based on knowledge, intangible assets have become more important (Stewart 1997; Drucker 2002) and intellectual capital has become essential in value creation (Eustace, 2001). Thus, the question arose whether reporting according to the standards is still sufficient in the new economy (Nielsen, 2004). These changes, together with the changing business environment, have also changed user requirements for organizational communication. Transparency requirements have changed because traditional financial reporting is no longer sufficient (Nielsen, 2004). McEwen and Hunton (1999), as well as Holman (2002) argue that the solution may be a detailed description of the company and its rationale for creating value, rather than only financial information. This detailed description should include information about your company's identity, existing resources, role in society, etc. and be presented in an abbreviated, easy-to-understand format.

Forssbaeck and Oxelheim (2014) consider that the fast development of information technology can increase transparency. Technology and integrated systems can reduce barriers for a transparent reporting (Halabi, Alshehabi and Zakaria, 2019).

In this context, a study that systematically reviews the literature to reveal the evolution and current state of knowledge on transparency topic in entity reporting, with a focus on the interplay between transparency - fair view - information quality, as well as on identifying future research trends on this topic may prove useful. To this end, a systematic review of the literature was based on 125 articles published since 1990 on "Scopus", "Web of Science" and "Google Scholar" platforms, in order to understand how the phenomenon of transparency is perceived by the aforementioned articles' authors, the angles from which the issue of transparency in reporting is approached, the research methodology used for this purpose.

I believe that this study adds some knowledge to what already exists in the literature on this topic. Thus, from a theoretical perspective, the study is designed to furnish a comprehensive and up-to-date literature review of research trends on the topic of transparency. From a practical view, the results may be useful to managers who dealing with reports, who may benefit from ways of assessing transparency. Regulators should continue to monitor the findings and discussions of researchers on the subject of transparency of information in order to use them in the regulatory process.

Introduction of the paper presents the economic context that has generated interest in the topic of transparency in corporate reporting, and the first part captures from the literature some attempts to define the concept of transparency. The second part describes the research approach: the choice of methodology, the source of the information, the establishment of inclusion/exclusion criteria, the keywords used in the query, the process of selecting the articles. The results are presented in the third part of the study, and in the last part, the major conclusions and research shortcomings which are highlighted to identify new or less researched topics on transparency in reporting.

1. Literature review

The implementation of regulations on improving transparency in corporate reporting has generated increased academic interest in studying the phenomenon (definition, measurement, evaluation, identification of influencing factors). Ruiz-Lozano *et al*. (2021) consider the subject of transparency and credibility of disclosures is still a challenge.

Although the terms "corporate transparency" and "corporate transparency" are widely used in the literature, it is difficult to capture all that transparency means in a single definition, so there is no generally accepted definition of corporate transparency. Thus, Williams (2005) considered the concept volatile and imprecise. In the literature, this concept is associated with various aspects by the authors, as follows: Espinosa-Pizke (1999) - reporting accounting information to shareholders; Kaptein (2004) - principles of the relationship between company and stakeholders; Audi (2008) - the basis of confidence in business practices; Quaak, Aalbers and Goedee (2007) integrated corporate reporting.

The transparency of the financial statements was considered by Istianingsih, Trireksani and Manurung (2020) reliable, timely financial reporting that can be used as a key element of efficient financial management.

Changwony and Paterson (2019) consider transparency to be comprehensive, open, reliable, timely and relevant reporting. Transparency, as per Montes and da Cunha Lima (2018), is a manifestation of openness to society by offering financial information reliable, comprehensive, timely, understandable and internationally acceptable about its operations. Chau and Gray (2010) defined financial transparency as a system designed by management to regulate the enterprise and effectively manage financial resources, increase corporate value and obtain maximum return on shareholder investment. When it comes to the nature of transparency, this is a sensitive issue and there are several subtle levels of transparency that can be achieved (Biondi and Lapsley, 2014). Nielsen and Madsen (2009) consider that access to information can be considered as the main objective of transparency, and the availability of information as a minimum level of transparency. Hood and Heald (2006) express the challenge of moving beyond theoretical transparency to real transparency, where stakeholders can successfully process and use information. This is, as Winkler (2000) suggests the second level of transparency. In the opinion of Winkler (2000), transparency is best achieved if the disclosed phenomenon is understood at some level. A third level of transparency is reached when stakeholders have a high level of understanding about the disclosed phenomenon (Christensen, 2002). Certain authors link the disclosure of accounting information to transparency. Thus, Healey and Palepu (2001) considered that the companies report accounting information in order to facilitate the investment decision. The disclosure of financial information is a useful strategy in decreasing agency cost, as noted by Quintiliani (2018) and Van Buskirk (2012). Petersen and Rajan, (2002) suggests that reporting helps entities adapt to environment in which they operate and achieve targets established by stakeholders. In addition, transparency is considered to be very important (Barth and Schipper, 2008) in order to help creditors, attempt their own deductions about entity. Hutton (2007) argues that transparency could be a good tool to limit the growth of opportunistic managerial behaviours.

As previously stated, this article aims to investigate the research trends on transparency in reporting.

2. Methodology

A systematic literature review needs a rigorous methodology to ensure that all relevant articles are identified and a proper review procedure is followed (Dienes *et al*., 2016). Hedin *et al*., 2019 found that systematic literature review approach is widely used in the fields of finance, management and economics. Hazaea *et al*. (2021b) argue that a systematic review can provide more unbiased findings. Systematic Literature Review (SLR) according to Webster and Watson (2002) is a comprehensive, unbiased technique and a transparent way of reviewing existing literature, which provides additional knowledge.

To achieve the research objective, we used the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) method related to systematic review techniques and meta-analyses. Using the PRISMA method according to Mengist, Soromessa and Legese, (2020) involves selecting the literature in three stages: identification, selection, inclusion.

In this study were used "Web of Science" (WoS) and "Scopus" databases. The Web of Science Core Collection is one of the world's leading research databases (Kamble *et al*., 2018), giving access to records via the Clarivate Analytics core platform. Scopus is also a comprehensive database of abstracts and citations, academic literature from a wide variety of disciplines, contains over 26,000 titles, over 243,400 books published by over 7,000 publishers and provides an overview of research in different fields.

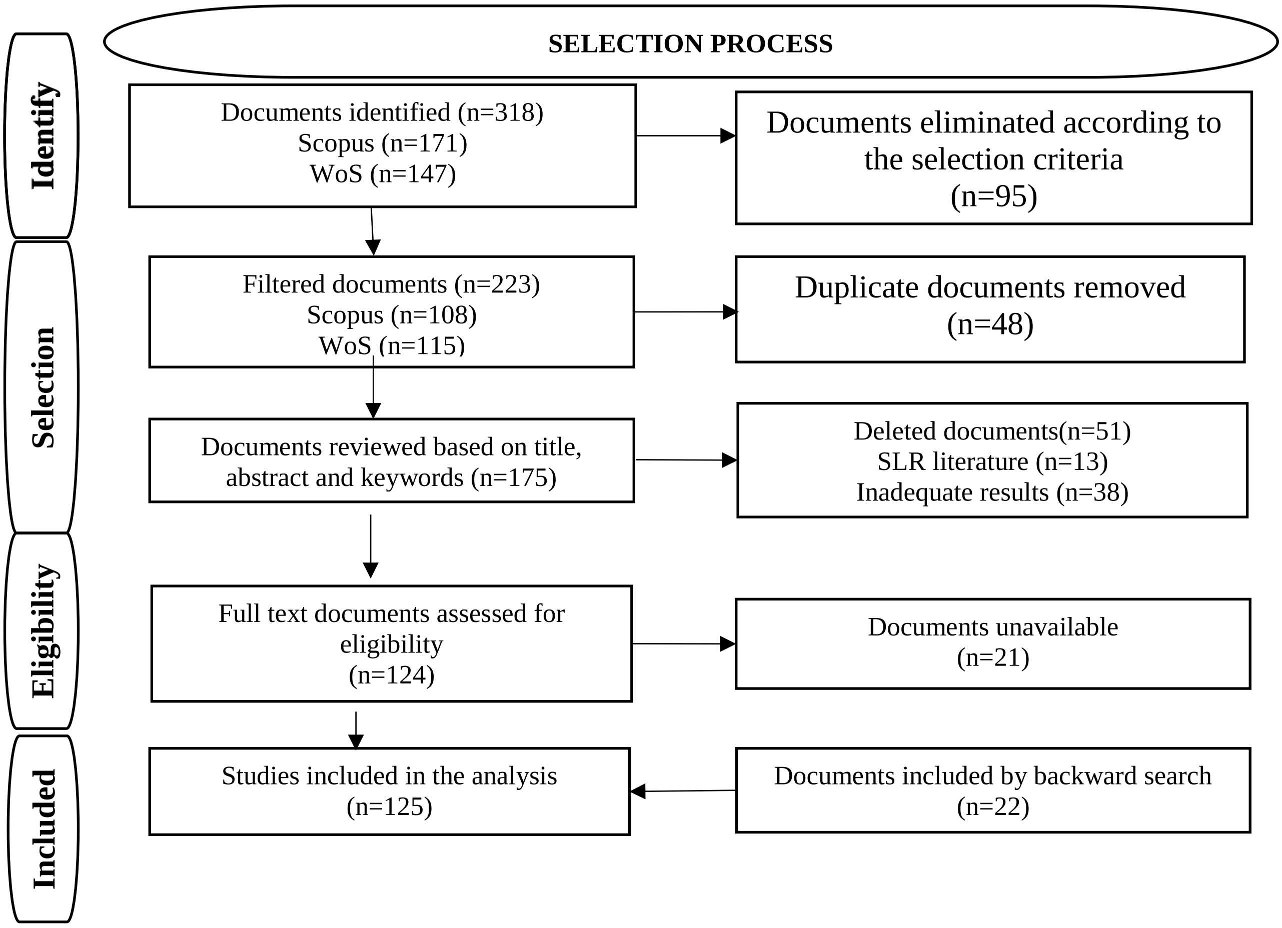
The search criteria used in the paper include the field of research, publication language, region, time of publication and kind of documents and literature included. In terms of time frame our research begins with papers published since 1987, the year when the term „transparency" was first used in writing, and culminates with the reference date of our study (March 2023).

Identifying the current state of knowledge on transparency in entity reporting is the main objective of our research, thus the term *"transparency"* is included in the key search terms. Barlev and Haddad (2010) consider that "full disclosure" and "transparency" complement each other, them represent quantitative and qualitative characteristics of the reported information.. Full disclosure is achieved when reported financial information includes all relevant facts, faithfully presents the economic activities of the entity and distributes them timely and equally to users. Transparency is achieved when users of the information can "see through" the reported numbers, get a view of the reasons behind economic events and assess whether the activities carried out are compatible with the entity's assumed objectives. Aksu associates the phenomenon of transparency with disclosure, regarding transparency as timeliness and quality of reporting financial information. These views in the literature justify the inclusion of '*disclosure'* as a key query word in the title of articles.

The combination of the keywords *"transparency"*, *"disclosure"* and the disjunctive logical connector 'OR' was used in queries of the Scopus and WoS platforms in article titles. The combination of the keywords *"fair value"*, *"value relevance", "accounting", "reporting"* and the disjunctive 'OR' logical connector was used in the search for the topic of the articles (title, abstract and keywords). The database queries were limited in terms of publication date (after 1987). In line with the above-mentioned aspects, we designed and searching the following queries of the Scopus and WoS databases, resulting in a total of 318 papers.

I have filtered the articles obtained in the previous step to ensure a high degree of accuracy in my research. The previous query identified documents of different types, such as articles, conference reviews, proceedings papers or conference proceedings, books, editorials, book chapters, notes, reviews from different research areas. Our study only comprises articles published in journals or conference volumes. We also filtered the results according to the publication language (English), and according to the research area, ("Business", "Management and Accounting", "Economics", "Econometrics and Finance" and "Social Sciences"). Merging the two selections resulted in a total of 175 papers, as 48 papers were found in both databases, 95% of the total documents were articles published in journals and only 5% published in conference proceedings. After going through the identification, selection and inclusion steps (Figure 1) 125 studies remained to be examined and analysed in full text.

Figure 1. Flow chart according to PRISMA



Source: Moher *et al*., 2009

The main findings of this study are included in the following two subsections. In the first subsection, the articles studied are analyzed descriptively in order to answer the following questions: What has been the evolution of research in accounting transparency over time? Which are the journals that have published the most papers on the subject of transparency? Who are the main authors who have addressed transparency in reporting? What is the theoretical underpinning in addressing the topic? In the second subsection, the content is analyzed to identify research trends on the topic of transparency in reporting.

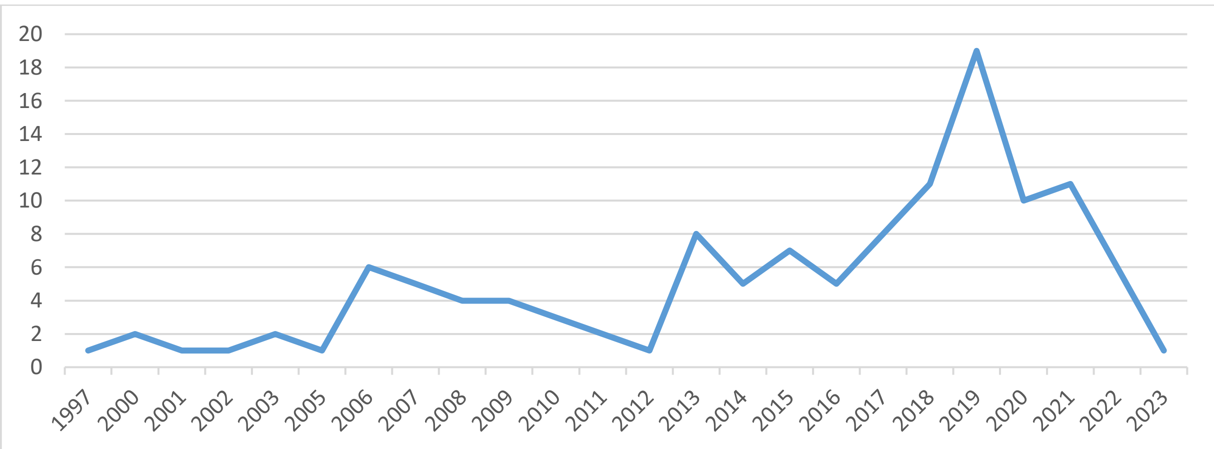
3. Results

3.1. Descriptive analysis

In order to provide an overview of the research undertaken on the topic of transparency in entity reporting, articles were analyzed by publication year, most significant journals, most prolific authors and theoretical foundations used.

The 125 articles analysed are published between 1997 and 2023. We observed that the first paper on this topic was published in 1997, and up to 2017 a maximum of eight papers were published per year, notwithstanding several years where there was only one paper published (see 2001, 2002, 2005, 2012). Between 2018 and 2022, the annual number of papers on this topic varied between 10 and 19, with the exception of 2022, when 6 papers were published. There is a continuous increase, from 1 to 19 articles per year, but in 2022 there is a slight decrease in the number of papers published, which continues into the first three months of 2023, when only one paper was published. The chart showing the dynamic evolution of the number of works per year is shown in Figure 2.

Figure 2. Dynamic evolution of publications



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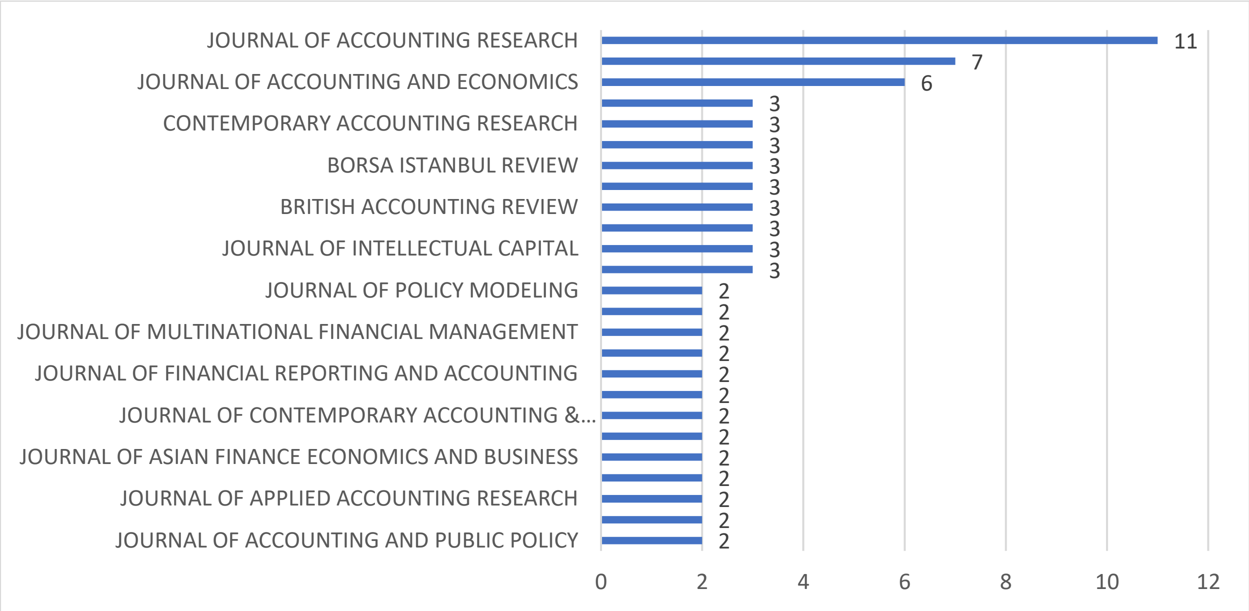
The reputation and quality of the journals in which one publishes has a significant influence on how researchers' value and utilize published articles in a specific field (Waltman, 2015). We analyzed the sample of articles to identify journals in which articles on transparency in entity reporting were published. We made a top list of publications with the highest number of articles on the subject, as shown in Figure 3.

Figure 3. Relevant journals



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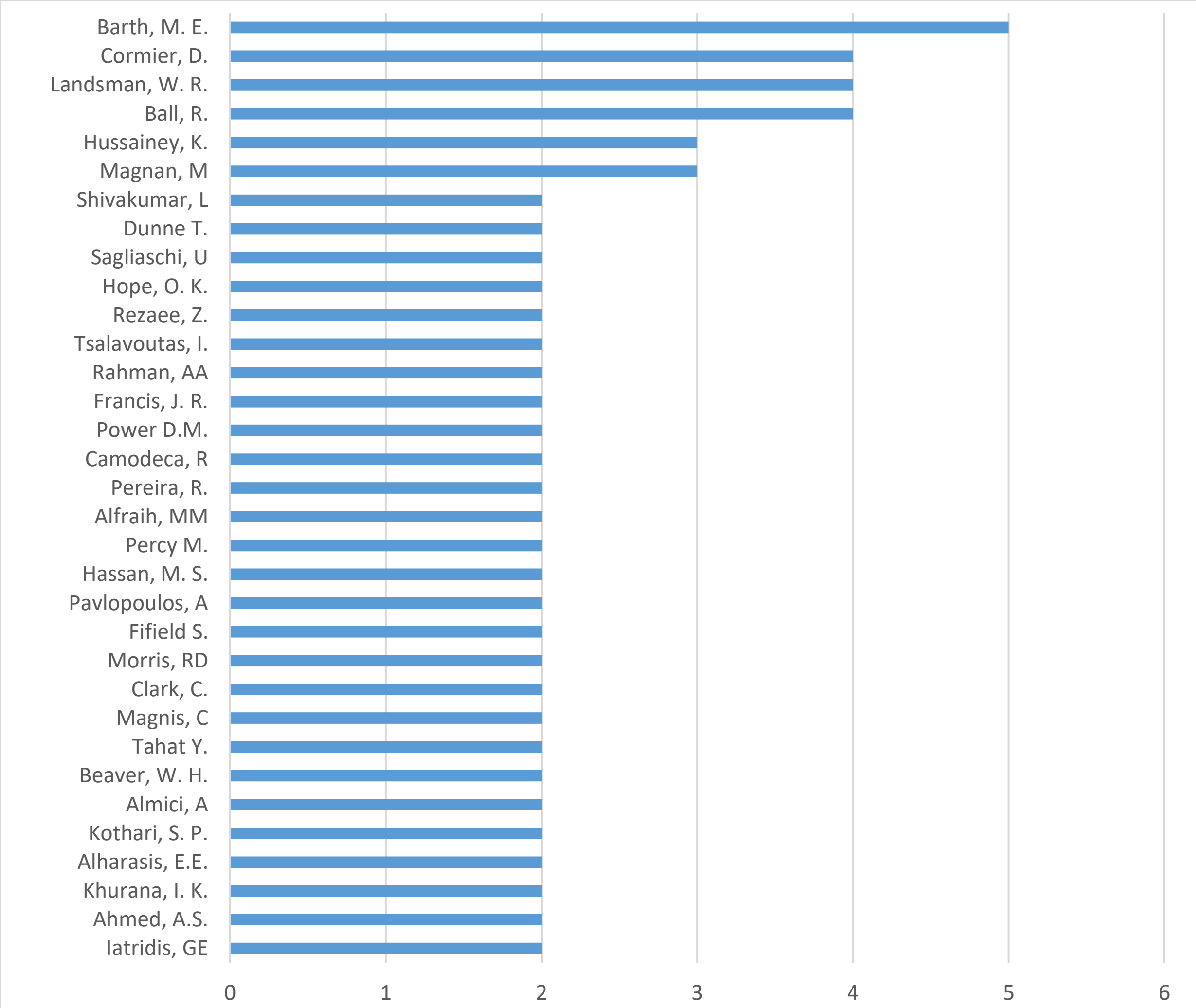
The analysis revealed that the "Journal of Accounting Research" has the most published papers (11), followed by "Accounting Review" with 7 papers and "Journal of Accounting and Economics" with 6 papers. All journals that have published on the topic of transparency are included in the ABDC (*Australian Business Deans Council*) top level ranking "A - A*", only the journal *Asian Review of Accounting* is ranked medium level "B".

We ranked authors by the number of articles published individually or co-authored. The most prolific authors, as measured by the number of articles published, are reported in Figure 4. Only one author published 5 articles, three authors 4 articles, two authors 3 articles, twenty-seven authors 2 articles each. The remaining 259 authors published only one article. The author with 5 published Mary E. Barth articles is Joan E. Horngren, professor emeritus of accounting at the "Stanford Graduate School of Business" (GSB).

Figure 4. Relevant authors



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Professor Mary Barth studied recognition versus disclosure, the relationship between the cost of capital and the quality of the reported information the quality of financial statements, the use of fair values in financial reporting, share-based compensation, asset revaluations, the informational roles of liabilities and cash flows and financial reporting and convergence issues.

Regarding the theoretical basis used in the reviewed articles, we found that most of them are based on the notion of information asymmetries and conflicts between insiders and outsiders. The authors used different economic theories clarifying the motivation of entities to give information. The theories used in the theoretical foundation are:

1. Agency theory promulgated by Jenson and Meckling (1976), according to which the board of directors is the agent of the stockholders and conduct business in their interests. Shareholders monitoring the managers' results into an agency cost, and managers provide greater transparency to mitigate the agency cost;

2. In his signalling theory, Trueman (1986) argues that entities attempt to differentiate themselves from their competitors in the marketplace, and providing more information than their competitors is one way to achieve this differentiation;

3. The theory of ownership and competition costs, that Verrecchia put forth (1983) asserts the existence of an ideal level of reporting and advises firms seeking wider disclosure that they must strike a balance between transparency and vulnerability;

4. Legitimacy theory requires economic entities to comply with society's rules in order to protect their business, accomplish their objectives and provide sustainable development (Milne and Patten, 2002). This theory is often used for explaining the environmental and social voluntary disclosure;

5. Political cost theory suggests that entities with political market visibility "tend to increase disclosure as a means of mitigating potential political costs" (Dey *et al*., 2018);

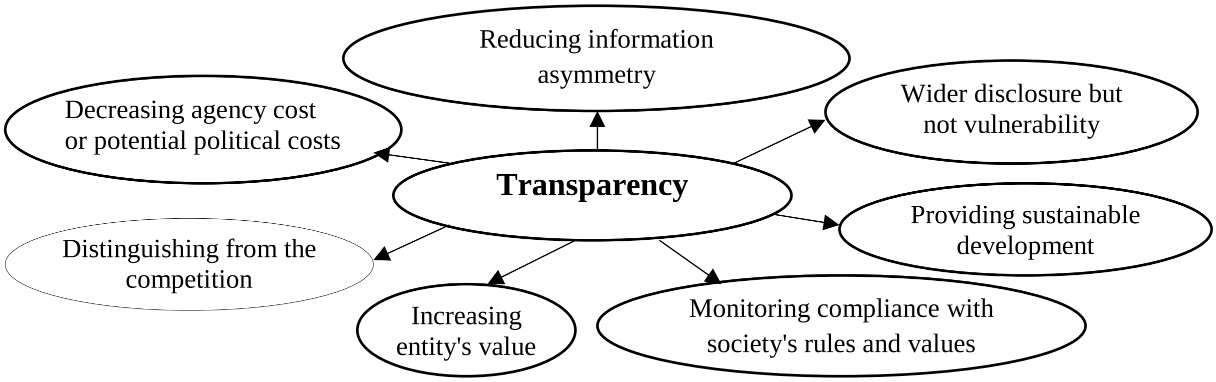
6. Share compensation theory, assumes that an entity chooses to provide more information to increase its value Aboody and Kasznik (2000);

7. The theory of the information economy assumes that any voluntarily reported information is the result of a management analysis of the benefits and costs generated to the entity by the publication of extra information;

8. Under stakeholder theory, disclosure of information by entities serves as a tool for addressing the specific information needs of various influential groups including shareholders, employees and investors, private sector, public agencies, consumers, etc. Gray *et al*. (1996) finds that managers, through the reported information, try to control and manipulate the majority of interested parties in order to obtain support or for their own survival.

Reverte (2016) notes that stakeholder pressure can improve transparency by reducing information asymmetry and investors can reward the entity through a high stock market valuation. The main conceptual frameworks relating transparency are presented in figure 5.

Figure 5. The main conceptual frameworks



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3.2. Content analysis

Information asymmetry and conflicts between stakeholders lead to the requirement for financial information. "Transparent financial statements are reports that reveal the underlying events, transactions, judgments and estimates and their implications" (Pownall and Schipper, 1999, p. 262). "Transparency" has been used interchangeably with "quality". Some researchers have considered the quality of accounting information and of information disclosure as important factors in determining reporting quality. Kothari and Robin (2000) assessed quality as the recognition of economic income in accounting income. Accruals levels are used to assess quality, as noted by Bradshaw, Richardson, and Sloan (1999), dar Lang *et al*. (2003) found evidence of earnings manipulation and a powerful connection between earnings and stock prices. Renkas *et al*. (2015) studied the quality of financial reporting through two components: the quality of disclosure and the quality of information. The form and structure of financial information determines the quality of presentation, while the analyze of the explanatory notes to accounting information can be used to evaluate quality of provided information. IFRS compliance and non-financial information disclosure in a company's annual report are integral components of financial reporting quality.

Transparency of financial information is an important factor in achieving accounting globalization and in delivering economic benefits to the capital market. The subject has been studied at international/national, industry and entity level. Transparency on the microeconomic level promotes efficient investment, while on a macroeconomic scale, it facilitates effective use of limited resources. Francis *et al*. (2009) argue that corporate transparency improves a company's ability to access external financing at lower costs, contributes to better information on share prices and allows greater monitoring by external investors. The authors demonstrate through empirical evidence that corporate transparency improves resource allocation in all industries, even in weaker countries where institutions are less transparent. Only countries that are highly transparent have a connection between their growth opportunities and the subsequent real growth in real GDP per capita. Previous researches have been carried out to identify the determinants of the reporting quality in different countries, which are represented by external factors such as the political and legal environment. Aerts, Cormier and Magnan, (2007) concluded that the dissemination and use of information in capital markets is strongly affected by a country's political regime. The results obtained by Aerts *et al*. are consistent with previous research, according to Bushman *et al*. (2004), financial information transparency differs across countries due to political regimes. These factors represent both opportunities and threats to entities because they cannot be controlled. Financial and macroeconomic stability, prevailing growth prospects, and cultural and geographic proximity to the foreign country are some of the many factors that influence and determine how investors evaluate specific outcomes of a foreign region and/or country (Joliet and Muller, 2016). According to Ball, Kothari and Robin (2000), the degree to which accounting earnings are influenced by politics differs across institutional contexts.

Analyzing the interpretations of the reporting quality, we have distinguished the following views in the literature:

(1) Prudence and/or fair value are dimensions of accounting quality;

(2) Management performance and stimulate profit reporting based on economic performance;

(3) Quality investigation based on accruals level;

(4) The measurement of compliance with accounting standards, known as disclosure quality, can be done through qualitative-quantitative methods.

Quantitative methods can be used to evaluate these research dimensions since they are built upon measures taken from the main financial reporting elements, including profit and loss account, the statement of financial position, and cash flow statement.

Conservative accounting mitigates agency problems of delayed recognition of poor managerial decisions. Understanding the level of accounting conservatism provides an alternative for assessing how well companies' financial reports reflect governance and borrowing disclosure requirements. Historical cost accounting provides the manager with a "veil" to hide the company's performance (Bleck and Liu, 2007). Under historical cost accounting, the opaquer financial markets are, historically, asset prices have fallen more frequently and with greater intensity. An academic debate has focused on the adoption of fair value accounting, which raises questions about its reliability and whether it is useful or not. Managers may rely on estimates made due on economic incentives, making it difficult for them to provide objective and verifiable fair value estimates. The fair value approach is considered by Ball R. (2006) to be more applicable and less trustworthy to users than the historical cost approach. According to Ryan (2008), fair value accounting is believed to improve transparency by providing accurate estimates of fair values that reflect the current market situation. Those who disagree claim that fair values are inadequate and question their dependability due to market inefficiencies, financial issues and investor irrationality, as well as uncertain liquidity or management assumptions (Skoda and Gabrhel, 2015). There are two ways in which fair value manipulation can happen: through end-of-period trading to manipulate asset prices in markets with poor liquidity (Heaton, Lucas and McDonald, 2010) or by making subjective estimates about fair values without an establish market price (Benston, 2008).

Herring (2011) examined fair value method and its connection to financial stability. The author asserts that the crisis cannot be compounded by fair value approach, but instead encourages researchers to examine the lack of comparability and transparency of financial statements.

The incentives given managers to manipulate fair value estimates resulted in a distortion of results, leading Watts (2003) to advocate for conservative accounting and reject fair value approach.

Accounting areas where argumentatively weak accounting can have a negative impact on transparency are: business combinations, related party disclosures, consolidation, financial instruments, foreign exchange, goodwill, risk reporting, intangible assets and intellectual capital. Fair value accounting influences the accounting for goodwill both at initial recognition and measurement and at the subsequent annual impairment test.

Hsu, Pourjalali, and Song (2018) used a measure of financial reporting transparency referring to fair value measurement information. The results indicate that greater transparency due to improved disclosures required by the accounting standards updates significantly reduces the risk of bankruptcy in the banking sector. Manganaris and colab. (2017) assessed the level of transparency in the banking sector and the impact of the 2008 crisis on the level of conservatism and timeliness in the banking sector. Timeliness is the measure of accounting income's compatibility with the economic income in the current period and the indicator for changes in the market value of equity. Conservatism, according to Basu (1997) is defined as the degree to which accounting income asymmetrically incorporates economic losses relative to economic earnings. Findings of the study indicate that earnings timeliness and conservatism increased after the onset of the crisis suggesting a change in bank accounting tactics in an attempt to increase transparency and therefore mitigate the negative consequences of the opacities that typically characterize this sector.

Hassan *et al*., 2008 found that derivative financial instruments expose companies to many financial, operational and economic risks. Thus, a long-standing debate has emerged among stakeholders regarding the presentation, measurement and disclosure of financial instruments, which must comply with relevant financial standards (Bernhardt and colab., 2014). Ameer (2009), Hassan, Percy and Stewart (2006), Hassan *et al*. (2008), Ahmed, Kilic and Lobo (2006) examined the transparency of derivatives disclosures in the Australian, Malaysian and US equity markets. Hedging, settlement, and speculative accounting are the three accounting methods used to handle derivatives. If a derivative is used to hedge an existing transaction, asset or liability, it is accounted for in accordance with hedge accounting requirements, and if a derivative is used to change the nature of one financial instrument into another financial instrument (such as an interest rate swap that converts a floating rate liability into a fixed rate liability), it is accounted for in accordance with settlement accounting. Hassan, Percy and Stewart (2006) conclude that corporations and those with high price-to-earnings and debt-to-equity ratios deliver more transparent information on derivatives. Ahmed, Kilic and Lobo (2006) suggested that the implementation of SFAS No. 133 has been successful in improving the transparency and the visibility of derivatives, but investors do not give equal attention to the amounts disclosed relative to the amounts recognized in the financial statements. Hassan *et al*. (2008) concluded that the ratio of debt to total assets , firm size and risk management committee are associated with the quality of disclosure of financial instruments, and the subsequent period is closely related to the quality of disclosure. Ameer (2009) found that the use of derivatives among firms increased steadily over the period analyzed, and the total value of derivatives used increased in line with profits, suggesting that increasing profits give firms confidence in using derivatives to protect against unforeseen market risks. Israel (2015) examined the accounting and disclosure of real estate investments, which enables companies to boost the book value of equity and current earnings. It has been found by research that managers can choose between recognition and disclosure, even if the amounts recorded or disclosed are of equal significance to financial performance. In the future, investors will weigh less publicly available information to determine value of entity.

Entities provide information through mandatory financial reports, including footnotes, management discussion and analysis. Accounting figures are reported through the balance sheet, profit and loss account to give a true and fair view of the company's financial situation, but may not be sufficient for users of the information. In addition to mandatory reporting some entities engage in voluntary disclosure activities such as corporate websites, social media analyst presentations, management forecasts, press releases, conference calls and other reports. Depending on the type of disclosure, studies can be divided into those investigating voluntary disclosures, mandatory disclosures or integrated reporting. Directive 2004/109/EC established transparency obligations on information reported by entities whose securities are admitted to trading on a regulated market. Voluntary reporting research has been extended to non-financial information. Financial reporting discloses the financial and economic status of firms, while non-financial reporting covers topics such as intellectual capital held, the company's impact on the environment and society in general, the measures taken to mitigate climate change, etc.

Mandatory reporting complemented by voluntary reporting can result in a growing problem known as disclosure overload, which affects financial reporting (Monga and Chasan, 2015) and which can affect the transparency of information reported to stakeholders. Cazier and Pfeiffer (2016) consider that much of this growth is not attributed to the increasing complexity in the underlying economics of entity operations. While disclosure overload is a concern and may be relevant to financial reporting users, there is limited empirical data on user types that consider reporting overload to be a problem.

Hope *et al*. (2013) compared the quality of financial reporting of listed and unlisted firms in the United States. The authors empirically proved that listed firms have on average significantly higher accrual accounting quality than unlisted firms and report more conservatively. The results show that listed entities are more conservative, but their conservatism decreases when they exceed earnings benchmarks, have lower leverage, or do not issue debt in the following year. Also, the higher conservatism of publicly traded firms is reduced in less litigious sectors, in these environments upward earnings manipulation is incentivized. Managers of listed entities often have a portion of their personal wealth tied directly to the firm's shares, which incentivizes them to maintain a high share price Morris *et al*. (2011) studied in the Malaysian context, corporate governance and transparency before and after the 1997/98 Asian financial crisis and found that at the most entities was significant shares controlled by families. Malaysian families have a culture of opacity for given information to outsiders. Kanapickiene *et al*. (2021) assessed the quality of accounting disclosure of tangible fixed assets in the annual financial statements of Lithuanian private companies and identified characteristics of these companies that affect the quality of accounting disclosures. Entity characteristics impacting the quality of accounting disclosure were found to be: size of the company and tangible assets with statistically significant positive impact, and debt repayment capacity, indebtedness and profitability of the company with statistically significant negative impact.

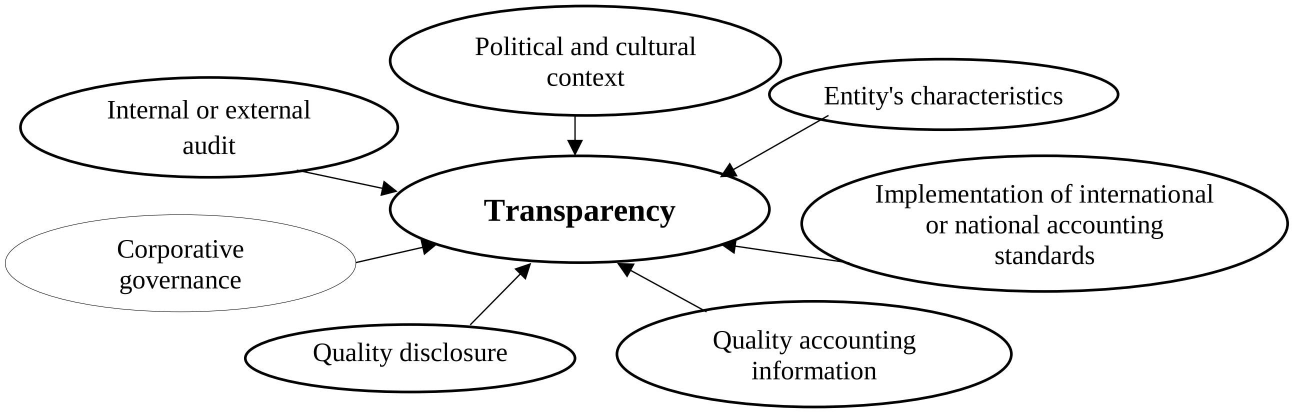
Another step towards improving transparency is the worldwide implementation of the "International Financial Reporting Standards" (IFRS) principles for corporate disclosure (2005). Various studies have been carried out in academia on the consequences of adopting IFRS and opinions have been formulated for and against the use of IFRS depending on the subject under investigation.

Baboukardos and Rimmel (2014) concluded that a highly transparent annual report appears to be an essential prerequisite for the relevance of accounting figures, at least in the case of mandatory goodwill disclosures, as they found that companies that do not comply with IFRS disclosure requirements suffer from a lack of relevance of their accounting figures. Ball, Li and Shivakumar (2015) find that financial reporting under IFRS has important limitations for debt contracting and possibly for contracting in general. The authors conclude that IFRS sacrifices the usefulness of debt contracting to achieve other objectives, such as providing valuation-relevant accounting information. Ahmed, Neel and Wang (2013) suggest that the application of IFRS has led to a decline in accounting quality. IFRS standards are principles-based without detailed implementation guidance and provide managers with more flexibility, so managerial decisions may result in lower accounting quality more than accounting changes covered by the new standards. Li *et al*. (2021) found that entities adopting

IFRS provide more detailed information from the time of IFRS application, such as more detailed disclosure of intangible assets and long-term investments on the balance sheet and greater detail of impairment, depreciation and non-operating income items in the income statement. The authors believe that the adoption of IFRS improves market liquidity and reduces information asymmetry, but does not affect audit fees.

The credibility and transparency of management reporting is enhanced by regulators, standard setters, auditors and other capital market intermediaries. Many studies suggest that managers intervene in the earnings reporting process by manipulating results as well as managing expectations to meet or exceed a market expectation. Managers' forecasts, whether negative or positive, can only have greater credibility through audit verification. The level of independent audit chosen by the entity affects both the accuracy, the degree of manipulation of reported financial results and therefore affects the ability of reported results to act as a complementary confirmatory mechanism that disciplines voluntary disclosure. Increasingly complex fair value measurements require high quality audit engagements, so auditors put more effort and time into determining compliance of financial statements and charge higher fees. At the same time, financial analysts are an external mechanism of corporate governance, externally monitoring managers and helping to detect misreporting. Consistent monitoring by analysts of entities' financial information should reduce the opacity of information by reducing the possibility of manipulation of results. Risk management, another dimension of corporate governance, identifies factors that may have negative consequences for the entity and establishes actions that can prevent or even minimize negative effects on the entity’ value. Reporting on the existence of risk management and identified risk factors is relevant to investors because it indicates the magnitude of an entity's expected - possible and probable - losses and shows management's efforts to limit their expected negative effects. The factors which have an impact on transparency can be seen in Figure 6.

Figure 6. Impact factors



Source: Own processing

Conclusion

Reporting transparency is still a big challenge in accounting research. The study revealed that so far, from the literature reviewed in Scopus and Web of Science databases, there is a small number of articles capturing all aspects of transparency in reporting, therefore the present work will be of high interest, as it will contribute to filling a gap in the literature.

Through this study I have aimed to provide a comprehensive review of the existing literature and of the latest research trends on the topic of transparency. Thus, several criteria have been followed in the selection of databases, such as research field, language of publication, geographical area, publication period and type of documents and literature used. The review highlighted the perspectives from which the issue of transparency in reporting is approached. Transparency was strongly associated with the quality of reporting and influenced by the application of national or international accounting, corporate governance and auditing standards. Transparency has been studied at country, sector or economic entity level. At the microeconomic level transparency ensures more efficient investment and at the macroeconomic level transparency will contribute to the efficient allocation of scarce resources. The determinants of transparency at country level are the political and legal environment, which create both opportunities and threats for entities because they are outside their control. Accounting areas likely to have a negative impact on transparency are: business combinations, related party disclosures, consolidation, financial instruments, foreign exchange, goodwill, risk reporting, intangible assets and intellectual capital. In order to obtain relevant financial information and better transparency/full disclosure of annual reports, but also to solve the inherent problems of the historical cost principle, the "International Accounting Standards Board" (IASB) has adopted the fair value method. However, applying fair value accounting increases the risk of manipulation in financial reporting as in some cases it is very difficult to accurately assess fair value. Managers' estimates can only have greater credibility through audit verification. Auditing allows clients to choose their auditor, varying levels of quality and effort. The level of independent audit chosen by the entity affects both the accuracy and the degree of manipulation of reported financial results.

The study considered research papers from the Scopus and WoS scientific databases that met the selection criteria for inclusion in the analysis. Therefore, articles published in other databases and which might bring to light some interesting issues were not included. Consequently, I include these issues under the heading of research limitations.

In the next stage of research, I will try to capture the transparency of reporting and the influence of corporate governance and auditing through an empirical study using mixed methods, as transparency has both qualitative and quantitative characteristics. Secondly, corporate transparency is both an observable and empirically testable reality (by relating it to hypothesis-driving variables). Thirdly, transparency is a social reality with meaning that exists in the minds of managers involved in making decisions about whether and how to report.

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