

Presenting and Applying a Model for Evaluating the Transitory Effect of the Qualitative Characteristics of Financial Reporting on Financial Statement Users' Decision-Making



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Abstract: The objective of accounting is to provide useful information to users of financial reporting. Information is considered useful when qualitative characteristics are observed in its preparation. In this regard, examining the relationship between qualitative characteristics and usefulness is of considerable importance. However, the research literature provides limited assistance in judging the impact of the qualitative characteristics of financial reporting on the usefulness of financial reporting. Therefore, the purpose of this study was to examine and determine the effect of qualitative characteristics on the usefulness of financial reporting. In this study, Structural Equation Modeling (SEM) was employed to analyze the data. PLS software was used to test the model, LISREL software was applied to examine the validity of the research, and SPSS software was utilized to test the existence of correlations among the qualitative characteristics. The research sample consisted of 85 companies whose related information was examined over the period from 1997 to 2010. Except for understandability, the other qualitative characteristics had significant effects on usefulness. In addition, conservatism had a negative effect on usefulness. Based on the findings, conservatism negatively affected usefulness. Therefore, it is suggested that conservatism be removed from the qualitative characteristics. Furthermore, given that the effect of relevance on usefulness was greater than the effect of reliability, it can be concluded that users of financial statements seek relevant information in their decision-making processes, while the reliability of information is considered of secondary importance.

Keywords: Financial reporting, qualitative characteristics, structural equations.

1. Introduction

Financial reporting constitutes one of the most fundamental mechanisms for communicating economic information between firms and stakeholders. Investors, creditors, regulators, analysts, and other users of financial statements rely on accounting information to make economic decisions, evaluate organizational performance, and assess future prospects. The usefulness of financial reporting therefore depends not merely on the availability of information, but on the extent to which that information possesses appropriate qualitative characteristics capable of supporting rational decision-making processes. The conceptual frameworks developed in accounting theory emphasize that financial information

should exhibit characteristics such as relevance, reliability, comparability, understandability, timeliness, faithful representation, and completeness in order to achieve decision usefulness [1, 2]. In recent decades, increasing globalization of financial markets, rapid technological transformation, and growing complexity in business transactions have intensified the need for high-quality financial reporting systems capable of reducing uncertainty and information asymmetry among market participants [3, 4].

The qualitative characteristics of accounting information play a decisive role in determining whether financial reports can effectively satisfy users' informational needs. Relevance, as one of the primary qualitative characteristics, refers to the capacity of accounting information to influence economic decisions through predictive and confirmatory value. Reliable information, on the other hand, should faithfully represent underlying economic events without material bias or distortion [5, 6]. The growing complexity of corporate reporting environments has generated extensive academic debate regarding the extent to which these characteristics can coexist harmoniously or create trade-offs within financial reporting systems. Some scholars argue that enhancing relevance may reduce reliability due to increased reliance on estimates and fair value measurements, while others maintain that advances in reporting standards and auditing procedures can simultaneously improve both characteristics [7, 8].

The importance of qualitative characteristics becomes even more evident in periods of economic uncertainty and financial instability. During crisis periods, stakeholders become more dependent on transparent and reliable accounting information to evaluate organizational sustainability and risk exposure. Financial reporting quality therefore serves as a critical instrument for preserving market confidence and reducing informational uncertainty [9]. Similarly, studies on risk disclosure and financial transparency indicate that qualitative reporting attributes significantly influence stakeholders' trust and investment behavior, particularly in highly volatile financial environments [10, 11]. The increasing integration of artificial intelligence, data analytics, and digital financial technologies into accounting systems has further emphasized the necessity of transparent and decision-useful financial reporting frameworks [12, 13].

The evolution of international accounting standards has also reinforced the significance of qualitative characteristics within the financial reporting process. The adoption of International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) in various jurisdictions reflects global efforts to improve comparability, transparency, and reliability of financial information [4, 14]. Researchers have emphasized that harmonized accounting standards can facilitate cross-border investment and reduce informational barriers among international market participants [3, 15]. However, practical implementation challenges remain substantial because differences in institutional structures, regulatory environments, and professional competencies may affect the actual quality and usefulness of financial reporting [1, 16].

Another major concern in contemporary accounting literature relates to earnings management and creative accounting practices, which may undermine the qualitative characteristics of financial reporting. Manipulation of accounting information through income smoothing, discretionary accruals, or biased disclosures can significantly reduce the reliability and credibility of financial statements [17, 18]. Such practices increase information asymmetry and weaken users' confidence in financial reports. Consequently, forensic accounting and enhanced auditing procedures have gained increasing attention as mechanisms for strengthening the integrity and usefulness of financial reporting systems [19]. Furthermore, concerns regarding conceptual inconsistencies and unreliable accounting narratives have led scholars to critically evaluate the adequacy of existing regulatory frameworks in protecting stakeholders from misleading financial information [20].

The usefulness of financial reporting is also closely connected to materiality judgments and disclosure practices. Materiality determines which information should be included in financial statements and how it should be presented to users. The interpretation of materiality, however, often varies across organizations and professional contexts, leading to inconsistencies in reporting quality [6, 16]. In addition, voluntary disclosures and narrative reporting practices may influence stakeholders' perceptions by shaping the tone and interpretability of financial information [21]. The role of communication quality and understandable presentation has therefore become increasingly important in enhancing the effectiveness of financial reporting systems [22].

Comparability and understandability are among the qualitative characteristics that significantly affect the ability of users to interpret accounting information efficiently. Financial reports should be prepared in a manner that allows users to compare organizational performance across periods and between firms. Inadequate comparability may hinder decision-making and reduce the predictive value of accounting information [23]. Understandability likewise represents a critical requirement because highly complex or excessively technical disclosures may prevent users from effectively utilizing accounting information. Studies examining user perceptions of financial reporting quality demonstrate that users place substantial importance on clarity, accessibility, and transparency in financial statements [2, 24].

Timeliness represents another essential dimension of financial reporting quality. Delays in financial disclosure can diminish the relevance of accounting information and impair its usefulness for decision-making purposes. Timely reporting enables investors and stakeholders to respond more effectively to changing market conditions and organizational developments [25, 26]. Empirical evidence suggests that firms characterized by stronger governance structures and higher reporting quality are generally more capable of providing timely financial information to the market [27]. In the context of rapidly evolving economic environments, timeliness has become increasingly important for preserving informational relevance and supporting efficient capital allocation decisions.

Research on the usefulness of financial reporting has also expanded into specialized organizational contexts, including public sector institutions, universities, banking systems, and small and medium-sized enterprises. Studies indicate that strengthening financial autonomy and improving accounting systems can enhance the quality and usefulness of financial information within public institutions [15]. Similarly, investigations into banking disclosure practices reveal that transparent risk reporting contributes significantly to stakeholder confidence and financial stability [10, 28]. The growing adoption of private entity reporting standards among SMEs further demonstrates the importance of establishing reporting systems that balance complexity, relevance, and cost-effectiveness [26, 27].

The conceptual framework underlying financial reporting continues to evolve in response to emerging technological and economic developments. Digital transformation, blockchain-based financial systems, cryptocurrency transactions, and AI-supported investment models are reshaping the informational environment in which financial reports are produced and utilized [12, 13, 29]. These developments create both opportunities and challenges for maintaining qualitative reporting characteristics. On one hand, technological innovations may improve transparency, automation, and analytical precision. On the other hand, they may introduce new forms of complexity, uncertainty, and reporting risk that complicate the assessment of reliability and relevance [11, 30].

Accounting literature has increasingly emphasized the necessity of developing integrated models capable of evaluating the effectiveness and usefulness of financial reporting systems. Recent studies have proposed multidimensional approaches for measuring financial reporting quality and assessing the interaction among qualitative characteristics [2, 31]. Nevertheless, substantial gaps remain in understanding the dynamic relationships

among qualitative characteristics and their direct effects on the usefulness of financial reporting. Existing research often examines individual characteristics separately rather than evaluating their combined and interactive influence within an integrated structural framework [7, 24]. Moreover, empirical evidence regarding the relative importance of characteristics such as relevance, reliability, conservatism, comparability, and understandability remains inconsistent across institutional and economic settings [32, 33].

The present study addresses these theoretical and empirical gaps by examining the relationships between qualitative characteristics and the usefulness of financial reporting through an integrated Structural Equation Modeling approach. By evaluating the effects of relevance, reliability, comparability, understandability, timeliness, and related reporting dimensions on financial reporting usefulness, the study contributes to a deeper understanding of the determinants of decision-useful accounting information. In addition, the study provides empirical evidence regarding the extent to which specific qualitative characteristics contribute to or hinder the usefulness of financial reporting in corporate decision-making contexts [31, 34].

Given the growing importance of transparent and high-quality financial information in modern economic systems, understanding the relationships among qualitative characteristics and financial reporting usefulness has substantial theoretical and practical implications for regulators, standard setters, investors, auditors, and corporate managers [19, 22, 25]. Therefore, the aim of the present study was to investigate and determine the impact of qualitative characteristics of financial reporting on the usefulness of financial reporting through the application of a structural equation modeling framework.

2. Methodology

The present study was applied in terms of objective and descriptive-correlational in terms of methodology. The study was conducted within the framework of positivist accounting research using archival and historical financial data. In order to investigate the effect of qualitative characteristics of financial reporting on the usefulness of financial reporting, Structural Equation Modeling (SEM) based on the Partial Least Squares (PLS) approach was employed. The statistical population of the study consisted of all companies listed on the Tehran Stock Exchange during the period from 1997 to 2010. The sample selection process was conducted using a systematic screening method based on several criteria. Companies were included in the sample if their financial information was available throughout the study period, their fiscal year remained unchanged during the research period, and the required data for calculating the research variables could be extracted from audited financial statements and explanatory notes. Financial institutions, banks, insurance companies, and investment firms were excluded because of the distinct nature of their financial reporting structures and regulatory requirements. Based on these criteria, 85 companies were ultimately selected as the final research sample. The data required for the study were collected from annual financial statements, explanatory notes accompanying the financial statements, stock exchange databases, and financial information archives.

The data collection process in this study was based on documentary and archival methods. Information related to the qualitative characteristics of financial reporting and the usefulness of financial reporting was extracted from the audited financial statements of the sample companies and related databases. To measure the qualitative characteristics associated with content, the constructs of relevance and reliability were used. Relevance was operationalized through the dimensions of predictive value, confirmatory value, and specific selection, while reliability was measured through faithful representation and neutrality, conservatism, and completeness. The

qualitative characteristics associated with presentation included comparability and understandability. In addition, timeliness and cost–benefit considerations were examined as complementary reporting characteristics.

The measurement of the usefulness of financial reporting was conducted through a composite construct derived from the explanatory power of accounting information in users' decision-making processes. The indicators used in the research model were designed based on theoretical accounting frameworks and previous empirical studies related to qualitative characteristics of accounting information. The construct validity of the measurement instruments was evaluated using Confirmatory Factor Analysis (CFA), and indicators with factor loadings lower than 0.40 or non-significant t-values were removed from the model in order to improve measurement quality and achieve parsimony. Reliability was assessed through the test–retest method, and the Pearson correlation coefficient obtained between the two testing periods was 0.803, confirming the acceptable reliability of the research instruments.

The collected data were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics, including minimum values, maximum values, means, and standard deviations, were calculated to summarize the characteristics of the variables under study. In the inferential analysis stage, Structural Equation Modeling based on the Partial Least Squares approach was employed to examine the relationships among the research variables and to evaluate the proposed conceptual model. PLS software was used for testing the structural model and estimating the path coefficients among the latent constructs. LISREL software was utilized to examine construct validity and conduct Confirmatory Factor Analysis for the measurement model. In addition, SPSS software was applied to test the existence of interrelationships among the qualitative characteristics through Spearman correlation analysis.

To evaluate the predictive power and overall fit of the structural model, the Stone–Geisser Q^2 criterion was used. This index assessed the extent to which the exogenous variables explained the variance of the endogenous constructs with minimum prediction error. The significance of the structural paths and measurement indicators was examined using t-statistics, and parameters with t-values greater than 1.96 were considered statistically significant.

3. Findings and Results

Table 1 presents the descriptive statistics of the sample companies. This table provides information regarding the minimum, maximum, mean, and standard deviation of each qualitative characteristic and the usefulness of the companies' financial reporting.

Table 1. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
Usefulness of Financial Reporting	52.07%	65.85%	58.33%	2.92%
Relevance	0.720	24.01	3.53	3.019
Predictive Value	0.402	10.04	2.27	1.49
Confirmatory Value	0.057	5.953	0.907	1.243
Specific Selection	0	0.5	0.138	0.112
Reliability	0.181	0.538	0.333	0.076
Faithful Representation and Neutrality	0.026	0.305	0.107	0.046
Conservatism	0.147	0.182	0.160	0.007
Completeness	0	0.285	0.066	0.065
Comparability	2.26	10.60	4.48	1.62
Understandability	33.5	110	53.64	12.92

Timeliness	77.57	149.78	106.33	12.72
Cost-Benefit Considerations	0	0.142	0.028	0.04

In addition to the t-value used to evaluate the significance of the relationships under investigation in an exploratory model, another method for evaluating structural models designed using Partial Least Squares (PLS) involves estimating the ratio of measurement errors in the form of residual variances within the model using the jackknife method. This procedure is performed through the Stone and Geisser Q^2 criterion (1974). The Q^2 value indicates the extent to which the exogenous independent variables explain the variance of the dependent variables in the model with minimum error. The formula for Q^2 is as follows:

Where O represents the total sum of squares of each dependent construct based on the exogenous constructs, and E represents the sum of squared errors. The Q^2 values for the six dependent constructs in this study are presented in Table 2. A Q^2 value of 1 indicates explained variance without any error, and the closer this value is to 1, the more effectively the exogenous variables reveal their contribution to the dependent variable. In other words, this index can be used to determine the adequacy of causal relationships in estimating the dependent variable.

Table 2. Q^2 Values for the Dependent Constructs of the Model

Construct Name	Sum of Squares Based on Exogenous Constructs	Sum of Squared Errors	Q^2 Value
Qualitative Characteristics	0.11	0.6	0.49
Content-Related Qualitative Characteristics	0.24	0.8	0.49
Presentation-Related Qualitative Characteristics	0.09	0.8	0.43
Relevance	0.13	0.7	0.51
Reliability	0.15	0.6	0.48
Usefulness of Financial Reporting	0.31	0.7	0.73

The final dependent variable in this study is the usefulness of financial reporting, for which the Q^2 value was equal to 0.73. Based on this result, it can be concluded that the predictive adequacy of the final model is acceptable and that the findings are reliable.

To evaluate the reliability of the study, the test-retest method was employed. The model was then tested in both periods. The Pearson correlation coefficient between the results of the two groups was 0.803, confirming the reliability of the present study.

To evaluate the validity of the study, construct validity was used, which is one of the most widely applied measures of validity and is calculated through Confirmatory Factor Analysis (CFA). The confirmatory factor loading indicates, first, the extent to which the indicators demonstrate convergent validity with the construct under investigation; second, the extent to which each indicator has a high factor loading on only one construct; and third, the extent to which the total factor loading of a construct achieves the highest possible loading compared to similar constructs in the model. In other words, CFA is fundamentally a hypothesis-testing method that examines whether the indicators selected to represent the constructs or latent variables actually represent them, and it also determines the extent to which the selected indicators accurately represent or fit the latent variable.

In determining validity, indicators with factor loadings lower than 0.40 or with non-significant t-values should be removed. This procedure is carried out to satisfy the principle of parsimony in research and to reduce sources of error in future studies. The set of procedures performed within the framework of CFA is referred to as the measurement model. The results of this analysis are presented in Table 3. In Structural Equation Modeling (SEM), the statistical t-index is used to test the significance of the parameters considered in the model. Therefore, parameters with values greater than 1.96 are statistically significant.

Table 3. Measurement Model Results for the Research Sub-Constructs (Construct Validity)

Construct	Sub-Construct	Indicators in the Model	Factor Loading	t-Value	p-Value
Relevance	Predictive Value	Pe1	0.59	6.06	0.01
		Pe2	0.64	7.51	0.01
		Pe3	0.87	9.99	0.01
		Pe4	0.88	10.10	0.01
Reliability	Confirmatory Value	Fv1	0.95	11.13	0.01
		Fv2	0.93	12.08	0.01
	Specific Selection	En	0.89	12.82	0.01
	Faithful Representation and Neutrality	BB	0.76	8.73	0.01
	Conservatism	M	-0.41	-3.12	0.01
Content-Related Qualitative Characteristics	Completeness	K	0.90	10.49	0.01
	Relevance	Pv	0.411	3.90	0.01
		Fv	0.488	4.41	0.01
		As	0.459	4.05	0.01
Presentation-Related Qualitative Characteristics	Reliability	BB	0.455	4.17	0.01
		M	0.436	3.99	0.01
		K	0.393	4.14	0.01
		GM	0.297	2.95	0.01
	Comparability	GF	0.204	2.10	0.01
Usefulness of Financial Reporting	Model Determination Coefficient	S	0.88	10.55	0.01

According to the results presented in Table 3 and the reported t-values for each standard parameter, the significance of each parameter was examined. The results of the Confirmatory Factor Analysis, considering that the t-statistics for all coefficients of the indicators and latent traits under study exceeded 1.96, demonstrate that the measurement models used in the present study are appropriate and indicate that the indicators employed to measure the latent traits examined in this research possess acceptable consistency with the factor structure and theoretical foundations.

To investigate the possible interrelationships among the qualitative characteristics, Spearman's correlation test was conducted using SPSS software. The results are presented in Table 4.

Table 4. Results of Spearman Correlation Test for Qualitative Characteristics

Variables	Correlation Coefficient	p-Value
Predictive Value and Confirmatory Value	0.848**	0.001
Relevance and Predictive Value	0.499**	0.009
Relevance and Confirmatory Value	0.415**	0.001
Relevance and Specific Selection	0.393**	0.008
Faithful Representation and Neutrality with Relevance	0.115	0.296
Conservatism and Confirmatory Value	-0.511**	0.009
Conservatism and Relevance	-0.203*	0.022
Conservatism and Faithful Representation	-0.215*	0.029
Completeness and Reliability	0.302*	0.041
Reliability and Comparability	0.554**	0.005
Comparability and Understandability	0.606**	0.004

** Significant at the 0.001 level.

* Significant at the 0.005 level.

4. Discussion and Conclusion

The present study investigated the impact of the qualitative characteristics of financial reporting on the usefulness of financial reporting through the application of Structural Equation Modeling. The findings demonstrated that, except for understandability, all examined qualitative characteristics significantly influenced the usefulness of financial reporting. In addition, the results revealed that conservatism exerted a negative effect on the usefulness of financial reporting, while relevance showed a stronger effect on usefulness compared with reliability. The predictive adequacy of the proposed model was also confirmed through acceptable Q^2 values, indicating that the structural model possessed satisfactory explanatory and predictive capability. Overall, the findings suggest that the usefulness of financial reporting is largely dependent on the extent to which accounting information satisfies qualitative requirements associated with relevance, reliability, comparability, timeliness, and faithful representation.

One of the most important findings of the present study was the significant positive effect of relevance on the usefulness of financial reporting. This result indicates that users of financial statements prioritize information capable of influencing economic decisions through predictive and confirmatory value. In modern financial environments characterized by uncertainty and rapid economic change, investors and stakeholders increasingly require forward-looking and decision-oriented information. The findings of the present study are consistent with the arguments presented by [5], who emphasized that relevance represents one of the fundamental pillars of decision-useful accounting information. Similarly, [7] argued that management accounting information gains value when it contributes directly to economic decision-making processes. The findings also align with the conceptual framework perspectives discussed by [1], which highlighted that the ultimate objective of financial reporting is to provide information capable of affecting users' judgments and decisions.

The significant role of predictive value and confirmatory value in explaining relevance also supports previous literature suggesting that users depend heavily on accounting information for forecasting future performance and evaluating past managerial actions. This finding corresponds with the conclusions of [31], who proposed that financial reporting usefulness can be measured through the informational capacity of reports to support decision effectiveness. In highly competitive financial markets, stakeholders are more likely to value information that reduces uncertainty and enhances prediction accuracy. This issue has become increasingly important in environments influenced by artificial intelligence and algorithmic investment systems, where data relevance directly affects the quality of automated decision-making models [11, 12].

Another important finding of the study was the significant effect of reliability on the usefulness of financial reporting. Reliability, which includes faithful representation, neutrality, and completeness, was found to contribute positively to the usefulness of accounting information. This finding confirms that users continue to value accounting information that accurately represents economic reality and is free from intentional bias or material misstatement. The results are consistent with the literature emphasizing the necessity of faithful representation in maintaining stakeholders' confidence in accounting systems [2, 8]. Moreover, the findings support the observations of [9], who demonstrated that reliable accounting information becomes particularly important during periods of economic instability and crisis. Under such conditions, market participants require trustworthy information to evaluate organizational resilience and financial sustainability.

The positive effect of reliability on usefulness also aligns with prior studies examining financial reporting quality in relation to disclosure credibility and accounting integrity. [33] found that higher-quality reporting systems

improve investor confidence and reduce informational uncertainty. Similarly, [10] emphasized that transparent and reliable disclosure frameworks strengthen financial risk assessment and facilitate more effective banking supervision. The findings of the present study further support the arguments advanced by [19], who identified forensic accounting practices as important tools for enhancing reporting quality and ensuring the reliability of financial information in contemporary accounting systems.

One of the most notable findings of the present study concerns the negative relationship between conservatism and the usefulness of financial reporting. Conservatism traditionally has been regarded as a protective accounting principle designed to reduce overstatement of assets and income. However, the findings suggest that excessive conservatism may reduce the decision usefulness of accounting information by limiting relevance and distorting the representation of economic reality. This result is consistent with the concerns raised by [20], who criticized certain accounting conceptual narratives for reducing informational transparency and impairing stakeholder understanding. The findings also correspond with the arguments of [17], who demonstrated that earnings management and smoothing practices may undermine the credibility and usefulness of accounting information. Excessive conservatism may delay recognition of positive economic events, thereby reducing the predictive and confirmatory value of financial statements.

The findings related to comparability demonstrated that comparable financial information significantly contributes to the usefulness of financial reporting. This result confirms that users rely heavily on the ability to compare organizational performance across firms and over time. Comparability enhances analytical consistency and enables stakeholders to evaluate trends, performance differences, and investment opportunities more effectively. This finding aligns with the conclusions of [23], who found that users perceive comparability as one of the most important dimensions of financial reporting quality. Likewise, [3] emphasized that harmonization with international accounting standards can improve comparability and facilitate cross-border investment decisions. The importance of comparability has become increasingly pronounced within globalized financial markets where investors frequently analyze firms operating across multiple jurisdictions.

The results also indicated that understandability did not significantly affect the usefulness of financial reporting. This finding may suggest that users of financial statements, particularly professional investors and analysts, possess sufficient expertise to interpret complex financial information regardless of presentation simplicity. Alternatively, it may indicate that contemporary financial reporting systems have become increasingly technical and specialized, reducing the relative importance of understandability compared with relevance and reliability. Although this finding differs from some prior studies emphasizing the importance of clarity and comprehensibility in financial reporting [22, 24], it may reflect the characteristics of the research context and the professional orientation of financial statement users within the examined market.

The significant role of timeliness observed in the study further confirms the importance of rapid disclosure in preserving informational relevance. Delayed reporting may reduce the value of accounting information because economic conditions and organizational circumstances can change rapidly. The findings are consistent with the work of [25], who demonstrated that timely financial reporting enhances the efficiency of corporate governance and supports investor decision-making. Similarly, [26] and [27] emphasized that timely reporting practices improve the quality and value relevance of financial information, particularly among small and medium-sized enterprises adopting standardized reporting frameworks.

The acceptable predictive power of the structural model indicates that the interaction among qualitative characteristics can effectively explain variations in the usefulness of financial reporting. This finding supports

multidimensional perspectives on financial reporting quality, suggesting that usefulness cannot be explained by isolated characteristics alone. Rather, usefulness emerges from the integrated interaction among multiple qualitative dimensions. This conclusion corresponds with the literature review conducted by [2], which emphasized the interconnected nature of accounting qualitative characteristics. It also aligns with the integrated measurement approach proposed by [31].

The findings of the present study further support broader discussions regarding the evolution of financial reporting within technologically advanced environments. Digitalization, blockchain systems, artificial intelligence, and automated financial analysis tools increasingly require accounting information that is transparent, relevant, and machine-readable [12, 13]. As financial decision-making processes become increasingly data-driven, the quality and usefulness of accounting information will play an even more central role in shaping investment behavior and market efficiency. Moreover, emerging financial technologies may intensify the demand for real-time reporting systems characterized by greater timeliness, comparability, and analytical consistency.

The study also contributes to the literature concerning international reporting practices and accounting standard harmonization. Previous research has shown that the implementation of IFRS and other international frameworks may improve reporting quality by enhancing consistency and transparency [4, 14]. The findings of the present study reinforce this perspective by demonstrating that qualitative characteristics directly influence the usefulness of financial reporting. Consequently, accounting standard setters and regulators should continue prioritizing frameworks capable of improving relevance, reliability, comparability, and timeliness while reducing unnecessary complexity and excessive conservatism.

The present findings additionally support literature emphasizing the importance of financial reporting in specialized contexts such as public institutions, sustainability initiatives, and risk management systems. Studies addressing public sector reporting, financial autonomy, and integrated disclosure frameworks have consistently shown that high-quality reporting systems strengthen accountability and improve decision-making effectiveness [15, 30]. Similarly, research examining financial risk disclosures and governance systems has demonstrated that transparent reporting enhances institutional credibility and market confidence [10].

Furthermore, although some references included in the literature primarily focus on broader economic or governance issues rather than financial reporting directly, they nevertheless reinforce the importance of transparency, accountability, and information quality within organizational systems. Studies addressing sustainable development, governance structures, transportation industries, waste management systems, and political financing risks collectively illustrate the necessity of reliable informational infrastructures for effective economic decision-making [29, 35-37]. The role of financial statements as managerial and strategic tools also has been emphasized in organizational research [34]. These perspectives collectively strengthen the argument that the qualitative characteristics of financial reporting remain fundamental for organizational transparency and stakeholder trust.

Overall, the findings of the present study demonstrate that the usefulness of financial reporting is strongly influenced by the quality of accounting information and the extent to which qualitative characteristics are effectively implemented within reporting systems. Relevance, reliability, comparability, and timeliness emerged as critical determinants of usefulness, while excessive conservatism reduced the effectiveness of financial reporting. These findings provide important theoretical and practical insights for accounting standard setters, corporate managers, auditors, and regulators seeking to enhance the effectiveness of financial reporting frameworks in increasingly complex and technology-driven economic environments.

One of the limitations of the present study was that the sample consisted only of companies listed on the Tehran Stock Exchange, which may limit the generalizability of the findings to other institutional and regulatory environments. In addition, the study relied primarily on archival financial statement data, and therefore certain behavioral or managerial factors influencing reporting quality could not be directly examined. Another limitation relates to the measurement of qualitative characteristics, since some dimensions such as understandability and relevance may contain subjective elements that are difficult to operationalize precisely. The study period also covered specific economic conditions that may have affected financial reporting practices and users' perceptions of usefulness.

Future studies are recommended to examine the impact of qualitative characteristics of financial reporting across different industries, countries, and regulatory systems in order to provide broader comparative evidence. Researchers may also investigate the moderating role of corporate governance, ownership structure, digital transformation, and auditing quality in the relationship between qualitative characteristics and reporting usefulness. In addition, future research could apply longitudinal and mixed-method approaches to explore how technological developments such as blockchain, artificial intelligence, and automated reporting systems influence the qualitative dimensions of accounting information and users' decision-making behavior over time.

From a practical perspective, the findings suggest that accounting standard setters, regulators, and corporate managers should prioritize the enhancement of relevance, reliability, comparability, and timeliness in financial reporting systems. Organizations should invest in stronger disclosure controls, transparent reporting mechanisms, and advanced information technologies capable of improving reporting quality and reducing informational asymmetry. Auditors and financial professionals should also focus on minimizing excessive conservatism and improving the faithful representation of economic events in financial statements. Furthermore, training programs aimed at improving professional judgment and reporting quality may help strengthen stakeholders' confidence in financial reporting and improve the effectiveness of investment and managerial decision-making processes.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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