American Journal of Management Practice (2997-9366), Vol 03, No. 09, 2026

Article

The Impact of Negotiation Strategies on The Quality of Financial Statements

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Abstract: This research examines negotiation strategies and their relationship with the quality of financial statements, including the concept, elements, and types of negotiation strategies used to achieve acceptable outcomes for the parties involved. The practical aspect used a questionnaire distributed to employees of the Financial Affairs Department and the Legal Department of the Diwaniyah Education Directorate; 61 valid responses were analyzed using frequencies, percentages, arithmetic means, standard deviations, Pearson correlation, and regression-related significance testing. The findings show generally high agreement with both negotiation-strategy and financial-statement-quality indicators. A strong positive and statistically significant correlation was reported between negotiation strategies and financial statement quality ($r = 0.760$, $p < 0.01$). The study concludes that constructive and purposeful negotiation, supported by appropriate strategies and skilled negotiators, is associated with better perceived financial reporting quality and recommends negotiation approaches that preserve fairness, professional standards, and the interests of the parties involved.

Keywords: strategies, negotiation strategies, quality of financial statements.

1. Introduction

The negotiation process requires passing through several stages, including planning and actual implementation of the planned practical tests in order to reach the settlements that must be made to the financial statements and collecting the evidence required for the process of amending the financial statements. Here the negotiation process begins with the management of the economic unit regarding the possibility of making and implementing the settlements. The quality of the financial statements depends on the accuracy and appropriateness of the accounting and disclosure involved in the auditing process. Auditing offices face contemporary challenges, including the quality of professional performance, due to the presence of factors that control it in order to gain the trust of users of the auditing profession, as well as the independence of the auditor and the quality of the financial statements, which are among the most important factors in the process of adding credibility to the financial statements of economic units. The relationship between the auditor and the client is complex due to the conflict of interests between the two parties, as well as common interests between the two parties at the same time. A successful negotiation process requires practical strategies, and no strategy is suitable for any negotiation issue, as the nature of the relationship between the parties to the negotiation process plays a fundamental role in determining

the strategy that can be relied upon according to pre-prepared conditions, rules and laws. Anyone who wishes to enter the negotiation process must adhere to the rules and conditions set out to achieve the main goal, which is to reach options acceptable to the participating parties and not to harm the common interests of the economic unit. Prior auditing research identifies negotiation as a recurring mechanism for resolving accounting adjustments and disclosure disagreements, and emphasizes that negotiation outcomes can affect financial reporting quality [1], [2]. Experimental evidence further shows that structured preparation can improve auditor negotiation outcomes [3].
This research includes two aspects: the first is related to the impact of negotiation strategies on the quality of financial statements, and the second is the practical aspect.

2. Materials and Methods

First: The research problem

Negotiation processes are among the basic and important topics in accounting and auditing research, especially after the increasing recognition that financial statements are not characterized by clarity and transparency, due to the existence of a conflict of interest between the preparers of financial statements in economic units and the users of accounting and financial information from shareholders, investors and creditors. The conflict of interest is due to the management's attempt to hide some accounting information or provide misleading documents to shareholders. Determining and using strategies in the negotiation process between auditing offices and the managements of economic units has an effective and influential role in the course of negotiations in a positive manner on the quality of the financial statements. These concerns are consistent with the auditing literature, which treats auditor-client negotiation as an important part of resolving financial reporting disagreements [1], [2].

Second: The importance of the research:

The importance of the research stems from focusing on the role of negotiation strategies between the auditor and the management of the economic unit in improving the quality of financial statements by discussing all factors that affect the negotiation process between the auditor and the management in a way that ensures the common interests of all parties and achieves the goal of the audit process without material distortions or providing misleading data. Prior applied studies also indicate that negotiation structures and strategy selection can support fair presentation and professional audit performance [4], [5].

Third: Research objectives :

The research seeks to achieve a set of objectives that can be defined as follows:

1. Explain the relationship between the objectives of negotiation strategies and the quality of financial statements.
2. Explain the relationship between the quality of financial statements and the different types of strategies used in auditing offices.
3. Explain the relationship between the factors that govern negotiation strategies and the quality of financial statements..

Fourth: Research hypotheses

Within the framework of the problem and importance of research, the research hypotheses can be defined as follows:

1. There is an impact of negotiation strategies between auditing offices and the management of the economic unit on the quality of financial statements.
2. There is no impact of negotiation strategies between auditing offices and the management of the economic unit on the quality of financial statements.

Fifth: Research methodology:

1- The inductive approach, as the theoretical aspect of the research is reviewed by reviewing the relevant sources and literature, including books, theses, dissertations, and periodicals published in various magazines, to reach conclusions that support the achievement of the research objectives.

2- The descriptive (analytical) approach, where the impact of the negotiation process strategies will be shown, and their role will be shown when preparing and applying them in improving the quality of the financial statements in the economic unit under study.

Sixth: Research limits:

1. **Time limits**: Approval of messages, theses, research, articles and published periodicals.
2. **Spatial limits**: The data and information obtained by the researcher through the questionnaire were relied upon after it was prepared and presented to a group of arbitrators for the purpose of evaluating it. The questionnaire was distributed to the employees of the Financial Affairs Department and the Legal Department in the Diwan of the Diwaniyah Education Directorate.

Previous studies

First: Studies related to the negotiation process:

1- Study by Khalil [4].

This study aims to identify the role and nature of what the audit committee does in order to support the negotiation process between the auditor and the client in order to achieve objectivity in the negotiation process and to identify the intellectual foundations of the negotiation processes by identifying the role of auditing standards and the nature of the negotiation process and its relationship to the audit committee. The mechanism through which the negotiation strategy can be determined and the role required to be performed by the audit committee. The study reached a proposal for an integrated framework to develop the role of the audit committee to support the negotiation process. The study also reached the conclusion that the relationship of the audit committee in the negotiation process between the auditor and the client is characterized by neutrality and objectivity and does not mean bias towards one party at the expense of the other party in order to achieve a fair presentation of the financial statements [4].

2- Study by Abdul Jalil et al. [5].

This study dealt with the process of analyzing and interpreting the nature of the relationship between negotiation strategies in order to improve the quality of professional performance of auditing offices. The descriptive analytical approach was adopted through a field study of Libyan auditing offices. The study concluded that there is a fundamental impact of negotiation strategies in improving the quality of professional performance of auditing offices between the external auditor and the audit client. The study also recommended the necessity of improving professional efficiency in order to care for the common interests between auditing offices and their clients, in order to choose the most appropriate strategic negotiation alternatives to care for the common interests and to introduce auditing concepts through more flexible auditing standards that can be used to support negotiation strategies [5].

Section Two : The Theoretical Aspect

First: Negotiation strategies:

1- The concept of negotiation: It is a discussion or dialogue between two or more parties in order to reach a specific agreement that satisfies the parties involved in the negotiation process and ensures the minimum and reasonable level of achieving goals and gains using strategies that are consistent with the nature and style of the existing dialogue [6].

Negotiation is defined as: It is an ongoing process between the auditor and the auditor's client, as it cannot be dispensed with between the two parties, the auditor and the audit client. The negotiation issues between the auditor and the client are represented in a variety of issues that ensure the preservation of the other, including amendments to the financial statements due to the presence of distortions, whether material or non-material, in light of the flexibility present in the accounting and financial reporting standards [7].

Negotiation is also described as it is a dynamic process with integrated dimensions based on the desire for understanding between two or more parties in order to reach an agreement that achieves the interests of the common parties. This process extends from preparing the negotiations until the completion of the negotiations and the drafting and signing of an agreement or treaty between the parties to the negotiation process [8].

2- The importance of negotiation:

The importance of negotiation is due to the space it occupies in daily life. At the present time, economic units are experiencing rapid events in terms of quantity and type of fluctuations in the business environment and its variables. This is reflected in the opportunities and threats facing economic units and affects their competitive position. If it wants to maintain its competitive position locally and globally, it must resort to negotiations to overcome obstacles, solve problems, and reach agreements that can enhance opportunities and reduce threats by using scientific methods in a technical manner combined with the skills of the negotiating teams of economic units [9].

3- Negotiation elements:

A- The negotiating position: Negotiation is a dynamic process that depends on movement, action, and reaction, positively and negatively, and is influenced by an expressive position based on the use of words, phrases, and gestures, and through it the negotiator exploits his skills and mental abilities.

B- Negotiation parties: Negotiation usually takes place between two parties and its scope expands to include other parties linked by common interests to the ongoing negotiation process. Negotiation parties are divided into direct parties, which are the parties that manage the dialogue at the negotiation table and initiate the negotiation process, and indirect parties that constitute the pressure forces for considerations of interests or that have a close or distant relationship in the negotiation process, and may have a role that influences the negotiation process or its results, negatively or positively.

C- The negotiation axis: It is the general axis within which the negotiation process revolves, as it determines the goal of the negotiation, as well as the stages, elements, and points that the negotiators must discuss, the tools and strategies that are used, and it includes the distribution of roles among the negotiating team.

D- Negotiation objective: The main objective of conducting negotiation operations is to achieve the goals that the negotiating parties seek to achieve or reach, through which strategies, policies and plans are built.

4- Negotiation strategies: -

A- The concept of strategy: Negotiation strategies are the cornerstone for the success of any negotiation process, as building a strategy is one of the necessary foundations that ensure achieving gains [10].

He also defined the strategy as: a set of decisions and procedures that lead to the formulation of agreements that achieve the vision of the economic unit, its development, and the achievement of the goals set for it within the administrative environment in which it operates [11].

B- Types of negotiation strategies, which are as follows: [5], [7].

1- Negotiation control strategy: The idea of this strategy is based on the auditor and the audit client sticking to their position, which leads to the length and depth of the controversial issues related to the accounting rules or principles, such as continuity or material distortions. This strategy depends on following the pressure and threat tools that each party possesses at the expense of the other party and the insistence of each party on using force in confronting the other party, as its final result is gains for one party at the expense of the other party.

2- Negotiation avoidance strategy: This strategy works on the effort exerted by each party to reach an agreement with the aim of resolving pending or disputed issues, and most of these issues are related to the importance of these issues, and it also works to cause the loss of each party, whether the auditor or the audit client.

3- Negotiated concession strategy: It is a transparency strategy between the auditor and the audit client, as this strategy works in contrast to the control strategy, in which the opinion of each party is respected, in order to work together to reach a joint solution that guarantees the achievement of the interests of each party and its goals, such as the auditor's concession of material misstatements in exchange for the audit client's concession of non-material misstatements. This strategy results in the effects of the audit partner's rotation on the negotiation process.

4- Negotiation integration strategy: This strategy focuses on the idea of the process of dividing resources between the negotiating parties and is considered the golden standard for negotiation processes, as it ensures achieving benefit for both parties to the negotiation. It also contributes to the continuation of the distinguished relationships and mutual trust between the auditor and the audit client. Therefore, this strategy is considered the ideal solution to all pending problems.

5- Negotiation synchronization strategy: This strategy is based on resolving all points of disagreement between the reviewing parties and the review client at the same time, and uses the integrative strategy with the aim of achieving additional gains for both negotiating parties.

6- Negotiation sequence strategy: This strategy depends on discussing all controversial issues through a sequential schedule, and the negotiation takes place in a sequential manner.

Second: Quality of financial statements:

1- The concept of financial statements: They are official records that contain the financial activities of the economic unit and show a summary of the performance results of the unit's business and its financial position in the short and long term. They are the final and basic accounting procedure in the unit's work. It is generated by performing a set of accounting treatments and procedures for data related to economic activities and events to be presented in a general form, and a summary for all parties using it in order to make various decisions [12].

Financial statements are also known as the basic and primary means of accounting, which management uses to communicate the results of the unit's work to external parties interested in the financial position of the economic unit. These results are primarily concerned with the capital and the result of the unit's work, whether the unit is engaged in an activity in an industrial or commercial sector, a partnership, a joint-stock company, or a service company with the aim of achieving profit or providing a service [13].

2- Types of financial statements:

A- Cash flow statement: It is a visual explanation of the financial position of the economic unit during a specific period of time (the period of preparing the statement). As a result, the presentation of the contents of the budget, which are elements specific to a specific period of time, is expressed in accounting by the term balances. The budget includes assets, liabilities, liabilities, assets, and all items specific to the unit and its rights over others [14].

B- Income Statement: It is a statement prepared by the economic unit to identify the operations that have an impact on profits and losses during a specific period, and it highlights the size of the unit's expenses to cover the costs of its expenses for a fiscal year (profit or loss).

C- Cash flow statement: It is a financial statement that shows the size of the incoming and outgoing cash flows of the economic unit. The importance of the cash flow statement is highlighted in providing clearer information about the sources of funds used that are displayed in the results and budget accounts in a brief manner. The financial position statement and the income statement are considered the basis for forming the cash flow statement [14].

D- Statement of changes in equity: This is a statement that gives a clear idea of the movements that affected all elements of the economic unit's wealth during a fiscal year.

E- Financial Statements Appendix: The financial accounting system requires economic units to publish clarifications of previous data related to financial affairs. The purpose of these clarifications is to inform users of what the financial statements mean and to remove misunderstandings about them [14].

3- Objectives of financial statements:

Preparing financial statements recognized by the International Accounting Standards Board achieves a set of objectives, which are as follows: [15].

A- Providing comprehensive financial information useful to investors of all levels, including debtors, other creditors, and current and potential borrowers, to help them in the decision-making process, which they must be aware of.

B- Financial statements help in evaluating and analyzing the financial performance of the economic unit. This procedure is done through financial indicators such as profitability, liquidity, return on investment, and outstanding debts. By analyzing these indicators, it is possible to understand whether the economic unit achieves sustainable profits and has the ability to meet its financial obligations.

C- Financial statements provide the information required for making strategic decisions, as executive managers and decision-makers use this information to identify future investments, plan growth, determine financial and tax policies, and make other decisions that affect the general direction of the economic unit.

D- The financial statements aim to ensure compliance with the accounting standards recognized at the local and international levels. These standards involve unifying the presentation of financial information that contributes to making comparisons between different economic units. Compliance with accounting standards also contributes to achieving credibility and transparency and strengthens confidence in the financial statements. Research on accounting techniques and accounting-policy choices likewise underscores their relevance to the quality and credibility of financial reports [16], [17]. The IFRS Conceptual Framework identifies relevance and faithful representation as fundamental qualitative characteristics, enhanced by comparability, verifiability, timeliness, and understandability [18].

E- Financial statements aim to meet the various needs of users, and to publish financial information for the economic unit related to the unit's resources, as users use financial information to make investment decisions and evaluate potential returns, as managers need to make administrative and planning decisions.

The third topic: The practical aspect: The impact of negotiation strategies on the quality of financial statements.

Introduction

The research adopted the questionnaire as a tool for collecting data and information. The questionnaire list was presented after it was prepared to a group of arbitrators and experts the specialization for the purpose of evaluating it. After receiving the comments, modifications were made to it and it was formulated in its final form. Conducting a validity and reliability test to ensure the objective aspects of the questionnaire as an important tool in the research. The questionnaire form was analyzed based on specific statistical methods and tools for the research variables and their paragraphs represented in frequencies, percentages and arithmetic means of the variables and their paragraphs for the purpose of determining the level of response and the standard deviation in measuring the extent of dispersion of values from their arithmetic means.

3-1: Questionnaire processing procedures. of questions to enable the researcher to identify the extent of the impact of negotiation strategies on the quality of financial statements

The questionnaire processing procedures were determined according to the Likert scale weights, as shown in the table below:

Table 1. Likert scale weights

Scale	Completely Agree	Agree	Neutral	Disagree	Completely Disagree
weight	**5**	**4**	**3**	**2**	**1**

The questionnaire list contained a set. It included a general information form such as educational attainment, years of service, and the department in which he works. The following is a review and analysis of the study sample and for analysis purposes:

1. The sample numbered (80) individuals to whom the questionnaire was distributed. (61) questionnaires were received and verified, while (9) of them were not returned and (9) of them had incomplete answers.

Personal data:

This axis contains personal questions to identify the nature of the sample community's staff, which are as follows:

1. Academic qualification:

Table (2) shows us that the sample members who obtained a bachelor's degree and higher academic degrees. This indicates that the sample members have academic and practical qualifications that qualify them to understand the questions asked in this form.

Table 2. Study sample according to academic qualification

Academic qualification	Frequency	Percentage
PhD or equivalent	**10**	**6**
Master's or equivalent	**13**	**8**
Higher Diploma	**16**	**10**
Bachelor's	**51**	**31**
Diploma	**10**	**6**
Total	**100**	**61**

Source: Prepared by the researcher

2. Years of service: It is noted from Table (3) that a percentage of (37%) of the sample members have functional service in their field of work for a period of (10-15) years, and a percentage of (31%) have (15-20) years of service. This is evidence that the sample members have sufficient scientific and practical experience.

Table 3. Study sample according to the number of years of service

Service Years	Frequency	Percentage
Less than 5 years	9	15
From 5 years - Less than 10 years	6	9
From 10 years - Less than 15 years	22	37
From 15 years - Less than 20 years	19	31
More than 20 years	5	8
Total	61	100

Source: Prepared by the researcher

3. Job title:

It is noted from Table (4) that most of the sample members are accountants and lawyers working in the Diwaniyah Education Directorate, in addition to auditors and those with the rank of director, meaning that most of the people who were questioned are directly concerned with the research topic.

Table 4. Job title of sample members

Job title	Frequency	Percentage
General Manager	3	2
Accountant	10	6
Director	11	7
Accountant	46	28
Estimater	23	14
Auditor	7	4
Total	100	61

Source: Prepared by the researcher

Results and Discussion

The first axis - the axis of negotiation strategies.

It is measured by questions (1-5) and Table (5) shows the values of percentages, frequencies, arithmetic mean and standard deviation for these questions. The following results are clear from this table:

First: The negotiation process is the basis for reaching any agreement that achieves the interests of all parties involved in this process.

The research sample agreed that the negotiation process is the main source of agreements between all parties involved in the negotiation process, and it obtained a percentage of (83.6%) between agreement and complete agreement, while the percentage of disagreement of the research sample on this paragraph was (1.6%), and the arithmetic mean of the paragraph was (4.180), while the standard deviation was (0.741).

Second: The negotiation process contributes to overcoming obstacles and solving problems facing the administrations of economic units.

It is clear from the answers obtained by the researcher that (85.2%) supported that the negotiation process contributes to overcoming obstacles, solving economic problems, enhancing opportunities and reducing threats, while (1.6%) opposed that, and obtained an arithmetic mean of (4.106) and a standard deviation of (0.618).

Third: Exploiting the skills and mental abilities of the negotiating team contributes to achieving the goals that the negotiating parties seek to achieve.

This question had an arithmetic mean of (4.299), which means that the research sample tended towards agreement by (88.5%) and disagreement by (3.3%), and the standard deviation was (0.789).

Fourth: Negotiation strategies are the cornerstone of the success of negotiation processes and are among the essential foundations that ensure achieving gains.

More than two-thirds of the research sample believe that negotiation strategies are one of the basic and necessary tools for the success of negotiation processes. It was found that the percentage of agreement was (82%) and disagreement was (4.9%), and it obtained an arithmetic mean of (4.299) and a standard deviation of (0.783).

Fifth: Negotiation strategies help resolve all points of disagreement between the auditor and the audit client and achieve additional gains for both negotiating parties.

It is clear to us from the answers that the research sample is heading towards agreement that negotiation strategies contribute to resolving the points of disagreement between the auditor and the audit client and achieve additional gains for both parties and obtained a percentage of (81.9%) between agree and disagree and did not agree on that (4.9%), and obtained an arithmetic mean of (4.147) and a standard deviation of (0.896).

Table 5. Represents the frequencies, percentages, arithmetic mean and standard deviation of the answers to the negotiation strategies questions.

No.	Negotiation strategies	Completely Disagree	Agree	Neutral	Disagree	Completely Disagree	Mean	Standard deviation
1	The negotiation process is the basis for reaching any agreement that achieves the interests of all parties involved in the negotiation process.	22 %36.1	29 %47.5	9 %14.8	1 %1.6	-	4.180	0.741
2	The negotiation process contributes to overcoming obstacles and solving problems faced by the administrations of economic units.	11 %18	41 %67.2	8 %13.1	1 %1.6	-	4.106	0.618
3	Exploiting the skills and mental abilities of the negotiating team contributes to achieving the goals that the negotiating parties seek to achieve.	23 %37.7	31 %50.8	5 %8.2	2 %3.3	-	4.299	0.789
4	Negotiation strategies are the cornerstone of successful negotiation	17 %27.9	33 %54.1	8 %13.1	3 %4.9	-	4.409	0.783

No.	Negotiation strategies	Completely Disagree	Agree	Neutral	Disagree	Completely Disagree	Mean	Standard deviation
5	processes and are essential to ensuring gains. Negotiation strategies help resolve all points of disagreement between the auditor and the audit client and achieve additional gains for both negotiating parties.	24 %39.3	26 %42.6	8 %13.1	2 %3.3	1 %1.6	4.147	0.896

Source: Prepared by the researcher based on computer results
Prepared by the researcher based on computer results

The second axis - the axis of the quality of financial statements.
It is measured by questions from (1-5) and Table (6) shows the values of percentages, frequencies, arithmetic mean and standard deviation for these questions. The following results are clear from this table:
First: The economic unit management displays data related to economic activities and events in a total manner for all parties using them.
Regarding the data related to economic activities and events that the unit management presents in a general manner to all parties, the sample's answers were (90.2%) between "agree" and "completely agree". On the other hand, there was no one who opposed this question, and it obtained an arithmetic mean of (4.049) and a standard deviation of (0.497).
Second: The comprehensive financial information provided by the financial statements to investors of all levels benefits them and helps them in making decisions.
The sample members' answers showed that the information provided by the financial statements to investors at different levels helps in making decisions, as 88.5% confirmed between agreement and complete agreement, while 3.2% disagreed, and obtained an arithmetic mean of (4.262) and a standard deviation of (0.750).
Third: The financial statements contribute to evaluating the financial performance of the unit and determining whether the unit achieves sustainable profits and has the ability to meet its obligations.
The sample members supported this opinion at a rate of (82%) that the financial statements help in evaluating the financial performance and contribute to determining whether the unit achieves sustainable profits, but there are some sample members who oppose this trend at a small rate (6.6%), and they obtained an arithmetic mean of (4.213) and a standard deviation of (0.896).
Fourth: Financial statements aim to provide the required information that executives and officials need to know future investments and determine growth.
It became clear from the answers of the sample members that the percentage of those who agreed and completely agreed was (77%), which means that the sample is heading towards agreement that the financial statements aim to provide information related to future investments and determine growth, with a percentage of (8.2%) of disagreement, and it obtained an arithmetic mean of (4.000) and a standard deviation of (0.894).
Fifth: The financial statements meet the various needs of investors and publish the financial information of the economic unit related to the unit's resources and the evaluation of potential returns.
The opinion that financial statements meet the different needs of investors and publish financial information related to the resources of the economic unit is one of the researcher's assumptions. The

answers of the sample members confirmed this opinion, as the percentage of "I agree" and "I completely agree" was (57.4%), and the percentage of "I disagree" was (24.1%). The arithmetic mean was (4.134) and the standard deviation was (1.244).

Table 6. Represents the frequencies, percentages, arithmetic mean and standard deviation of the answers to the questions on the quality of financial statements

No.	Financial Statements Quality Axis	Completely Disagree	Agree	Neutral	Disagree	Completely Disagree	Mean	Standard deviation
1	The Economic Unit Management displays data related to economic activities and events in a total manner for all parties using it.	9 14.8	46 75.4	6 9.8	-	-	4.049	0.497
2	Comprehensive financial information that financial statements provide to investors at all levels benefits them and helps them in making decisions.	25 %41	29 %47.5	5 %8.2	2 %3.2	-	4.262	0.750
3	Financial statements contribute to evaluating the financial performance of the unit and determining whether the unit achieves sustainable profits and has the ability to meet its obligations.	28 %45.9	22 %36.1	7 %11.5	4 %6.6		4.213	0.896
4	Financial statements are intended to provide the information required by executives and	19 %31.1	28 %45.9	9 %14.8	5 %8.2		4.000	0.894

No.	Financial Statements Quality Axis	Completely Disagree	Agree	Neutral	Disagree	Completely Disagree	Mean	Standard deviation
5	managers to know future investments and determine growth. Financial statements meet the various needs of investors and publish financial information of the economic unit related to the unit's resources and the evaluation of potential returns.	12 %19.7	23 %37.7	11 %18.0	9 %14.3	6 %9.8	4.134	1.244

Source: Prepared by the researcher based on computer results

Testing the significance of correlations.

The aim of this test is to know the significance or insignificance of the association after extracting the correlation coefficient between each of the negotiation strategies and the quality of the financial statements (null hypotheses), and the alternative hypotheses for association and regression.

The relationship between negotiation strategies and the quality of financial statements.

After calculating the correlation coefficient between negotiation strategies and the quality of financial statements, we obtained the following results, and Table (7) shows that:

Table 7. Correlation coefficient between negotiation strategies and the quality of financial statements

Negotiation Strategies	Financial Statement Quality	Pearson Correlation Coefficient
** 0.760	1	Negotiation strategies
0.000		Sig. (2-tailed)
61	61	Total

Correlation is significant at the 0.01 level (2-tailed) **

Source: Prepared by the researcher based on computer results

The table shows a direct relationship and significant correlation below the significance level (0.01) between negotiation strategies and the quality of financial statements. This prompts us to accept the alternative hypothesis stating that there is a significant correlation between negotiation strategies and the quality of financial statements.

Regression analysis of negotiation strategies and the quality of financial statements.

The results of negotiation strategies and financial statement quality were extracted. We obtained the independent variable parameter in the model, which reached a value of (0.9).

Test.T: It is used to verify the null hypothesis through the significance value (sig), and its calculated value was (8.98) and the significance level was (0.00), which is smaller than the significance level (0.01), and thus we reject the null hypothesis and accept the alternative hypothesis, and from here we conclude that there is a relationship with a significant impact of negotiation strategies and the quality of financial statements with a confidence of 95%.

Table 8. shows a summary of the results reached for negotiation strategies and the quality of financial statements

Hypotheses Alternative	Variable	Confidence	Regression	.test .T	Sig	Correlation
1	Accounting Disclosure	95%	9.	98.8	00.	.760
2	Accounting constraints Measurement	95%	.7	9,7	.00	.668

Discussion

The descriptive results indicate consistently favorable perceptions of negotiation strategies. Across the five negotiation-strategy items, mean scores ranged from 4.106 to 4.409, with the highest mean reported for the statement that negotiation strategies are a cornerstone of successful negotiation processes. The item concerning the skills and mental abilities of the negotiating team also received a high mean (4.299). These patterns suggest that respondents view negotiation not merely as a procedural interaction, but as a professional capability that can help resolve disagreements and align the interests of parties involved in accounting and audit-related decisions. This interpretation is consistent with evidence that auditor-client negotiations are shaped by the positions, interests, expertise, and tactics of both parties [19].

Perceptions of financial statement quality were also generally high, with item means ranging from 4.000 to 4.262. The strongest agreement concerned the usefulness of comprehensive financial information for investor decision-making (mean = 4.262), followed by the role of financial statements in evaluating financial performance and the ability to meet obligations (mean = 4.213). However, the item concerning the extent to which financial statements meet diverse investor needs showed the largest dispersion (SD = 1.244). This wider variation indicates that respondents are less uniform in their assessment of whether published information fully satisfies users' needs, reinforcing the importance of relevance, faithful representation, comparability, verifiability, timeliness, and understandability in useful financial reporting [18].

The inferential analysis provides the central empirical finding of the study. The Pearson correlation between negotiation strategies and financial statement quality was 0.760 with a reported significance level of 0.000, indicating a strong positive and statistically significant association. The reported t-test value of 8.98 is also significant at the 0.01 level. Accordingly, the study supports the alternative hypothesis that negotiation strategies are significantly associated with the quality of financial statements. This result is compatible with prior findings that negotiation tactics and client characteristics can influence how audit differences are resolved and, consequently, the financial reporting outcome [20].

The findings should nevertheless be interpreted within the design of the study. Because the evidence is based on a cross-sectional questionnaire of 61 valid respondents from the Financial Affairs and Legal Departments of the Diwaniyah Education Directorate, the statistical relationship demonstrates association rather than definitive causation. Even so, the result aligns with the broader auditor-client negotiation literature, which views the resolution of accounting issues as a process jointly shaped by professional judgment, bargaining positions, contextual factors, and the continuing relationship between auditors and management [2], [21]. In practical terms, constructive and integrative negotiation approaches are preferable when they facilitate timely resolution without weakening auditor independence, professional standards, or the faithful presentation of financial information.

Conclusion

The study concludes that negotiation processes are an important mechanism for formulating agreements and resolving accounting and audit-related disagreements, while the effectiveness of those processes depends on the strategy used, the objectives pursued, and the professional skills of the negotiating parties. The empirical results show a strong positive and statistically significant relationship between negotiation strategies and perceived financial statement quality ($r = 0.760$, $p < 0.01$), supporting the alternative hypothesis. The findings also indicate that negotiation elements, including the negotiating position, the parties involved, the negotiation axis, and the intended objectives, help determine the tools and strategies required to reach acceptable outcomes. Different strategies may produce different consequences: highly contentious approaches can prolong disputes and create one-sided gains, whereas constructive and integrative approaches can support mutual benefit, trust, and timely resolution. Therefore, organizations and auditing parties are recommended to rely on realistic, constructive, and purposeful negotiation strategies, assign negotiators with adequate technical knowledge and negotiation skills, and maintain fairness, auditor independence, professional standards, and transparent financial reporting throughout the process. These measures can help reduce unnecessary conflict, strengthen confidence between the parties, and support financial statements that better serve users' decision-making needs.

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