The impact of quality of biological assets and properties disclosures on agricultural company`s performance

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Abstract

This paper presents research results of the impact of quality of biological assets and properties disclosure on agricultural company`s performance. The research is based on the regression analysis and on the sample of 186 observations of financial statements of agricultural companies in the Republic of Serbia during the 2020-2021 period. The performance of companies as a dependent variable was measured based on the return on assets (ROA), while the following was set as independent variables: size, current ratio, leverage, growth, quality of biological assets reporting, quality of properties reporting and quality of investment properties reporting. The results indicate that size, growth, quality of biological assets reporting and the quality of properties reporting have an significant impact on ROA. The quality of biological assets and properties reporting has a positive significant impact on ROA, which indicates that the higher quality of biological assets and properties reporting lead to a better performance of agricultural companies. The research results show the profile of agricultural companies especially from the aspect of the relation between financial reporting quality and business performance. These findings can be useful for various users such as management of agricultural companies, accountants, owners, potential investors etc. for the purpose of decision making.

Keywords: Agricultural companies. Biological assets disclosures. Properties disclosures. Return on assets.

1. Introduction

In the current increasingly demanding business environment, agricultural enterprises face numerous challenges and opportunities that require careful management of their resources to achieve sustainable profitability (Tekić et al., 2022). It is necessary to continuously analyze and diagnose the financial condition of companies to identify a kind of "alert" that warns the management of dangerous business situations or a business opportunity (Grosu et al., 2023). A key component of effective management in this sector is proper financial reporting, which provides decrease in both the asymmetry of information gap and the potential risks (Alsmady, 2022), offers vital insight into the health of the business, and enables informed decision-making. In the context of agricultural enterprises, biological assets such as crops and livestock form a vital element of assets, while fixed assets such as land and buildings form the infrastructural foundation of agricultural operations. Both assets require careful monitoring, evaluation and reporting to ensure accurate and fair presentation of the company's financial position. The variation in the profitability levels of agricultural companies among countries can be influenced by a variety of internal and external factors (Mijić & Jakšić, 2017). Therefore, understanding how the reporting of these assets affects the financial performance of companies becomes essential both to improve internal management and to create confidence among investors, creditors, and regulatory authorities.

With the goal of ensuring the provision of high-quality data in financial statements, particularly regarding biological assets, organizations must comply with all procedures specified by the relevant disclosure regulations (Mirović et al., 2019). Accounting standards are an essential framework that provides guidelines and rules for financial reporting. They play a key role in defining what should be disclosed in the financial statements, while accountants have the key responsibility to adhere to the standards and ensure accurate information disclosure, especially in the notes to the financial statements. Notes allow accountants to further contextualize and clarify information from financial statements.

The scope of International Accounting Standard 41 – Agriculture (IAS 41) is limited to biological assets, specifically including the period until the assets are considered alive, which refers to the point of harvest for plants and the termination of life cycle for animals. Due to

the apparent demand for live animals and harvested plants, as represented by regular buy and sale activities, the International Accounting Standards Board (IASB) has determined that the most suitable approach is to report the value of these assets at (fair) values based on simulated purchase and sale transactions at the day of measurement (Cavalheiro et al., 2017). IAS 41 also highlights the distinction between agricultural activity, which involves the management of biological transformations in biological resources, and other forms of activities. The common characteristics of agricultural activities, which are the focus of IAS 41 observation, are the ability to change, change management and change measurement. Due to the presence of live assets in the balance sheet, the reporting of the required information is usually not performed in a reliable approach, including partial data as well as material errors in notes (Savić & Obradović, 2020).

The International Accounting Standard 16 – Property, Plant and Equipment (IAS 16) applies to real estate owned and used by the owner, while the International Accounting Standard 40 – Investment properties (IAS 40) applies to investment property (land or building - or part of the building or both) that is held by the owner or lessee as an asset with the right to use for the purpose of generating rental income or capital appreciation or both

One of the most significant contributions of IAS 16, 40 and 41 is that it encourages companies to provide additional information in the notes to the financial statements to allow enhanced understanding of their agricultural activities as well as to achieve transparency and reliability in financial reporting in this sector. Each of these standards has its own requirements regarding the disclosure of information, with the most common requirements relating to the applied valuation methods, including depreciation, and changes in the value during the reporting period, accounting methodologies and policies, as well as the information on risks specific to a certain segment or additional information on ownership rights, specific leases, changes in the structure of the lease and any significant events concerning property, plant and equipment.

To conduct an assessment and evaluation of the financial reporting concerning biological assets, investment properties and other properties in the Republic of Serbia, examination and insight of the financial statements will be provided, especially the notes of domestic enterprises operating in the agricultural industry, after which the impact of determinants such as the quality of financial reporting of biological assets, properties and investment properties, as well as size, current ratio, leverage, and growth on the company's profitability, measured by ROA (Tica et al., 2023) will be assessed.

In the following sections of this research, relevant literature and research methodology will be presented in more detail, before reporting the results and the discussion. Furthermore, the implications of the analysis for practice and areas for further research in this specific area of financial reporting in agriculture will be considered. Given the dynamics and volatility of this sector, understanding the impact of quality reporting on biological assets, investment property and property to financial performance becomes critical for the sustainable future of agricultural businesses.

2. Literature Review

There are numerous research papers that investigate the impact of the quality of financial reporting on the company's performance. Some papers are based on the general assessment of the quality of financial reporting on the company's performance, while other investigate the impact of the quality of reporting of specific assets, such as biological assets disclosure, properties, non-current assets etc. on the company's performance.

Company performance is a key determinant of market value, at both the individual and economic prosperity levels of countries, as stated by author Alsmady (2022). Research conducted by the author focused on the importance of reliable information from a quality external audit and financial reporting as it carries a significant importance on the effect and performance of companies in six Arabian countries. It is believed that companies audited by big audit firms will disclose accurate, complete, and authentic financial statements, thus strengthening their confidence in these companies. The company’s performance was measured by return on assets and market-to-book value (ROA, M/B). The results of regression analysis imply that earnings power, audit quality, and financial reporting quality have a positive effect on the company’s performance. Regarding this, the author recommends companies to improve the quality of financial reporting, as this contributes to the increase in the stability of their economic future.

In a study conducted by author Osiorenoya (2018), the impact of financial reporting on financial performance was analyzed for quoted companies in Nigeria. The variables of the study were financial reporting and financial performance, which were represented by the quality of financial reporting, return on equity (ROE), return on assets (ROA) and profit after tax. Results of the study indicate that the quality of financial reporting has a positive impact on return on assets, along with a significant relationship between the quality of financial reporting and profit after tax. With this being said, the author recommends that the managers

of organizations have to ensure their companies adapt to the best practices when it comes to financial reporting.

Companies with better quality of financial information are associated with higher performance, due to the fact that the market positively assesses companies which are more committed to providing proper information for stakeholders. As there are many ways to measure the quality of financial reporting and its consequences on corporate performance, author Martinez-Ferrero (2014) chose the following proxies: earnings quality, conservatism, and accruals quality. The tested sample had 1,960 international non-financial companies from 25 countries for the period 2002-2010. The results of the study show that companies which report financial statements with better quality information (associated to better earnings quality, accounting conservatism and better accruals quality) achieve a higher financial performance, measured by market measures which reflect the trust that stakeholders have not only in the company at present, but also in the past and future.

Financial Reporting Quality (FRQ) is concerned with the extent to which the reported financial information provides relevant and reliable information about the company's economic performance and its financial position to help firm's stakeholders and capital providers make rational investment, credit, and similar resource allocation decisions. Therefore, FRQ plays an important role in improving the firm's Performance and the financial health of the economy, as stated by authors Abd-Elnaby et al. (2021) in their study regarding the impact of financial reporting quality on firm's financial performance. Authors used modified Jones model (995) to measure FRQ, while the Return on Equity (ROE) and Earnings per Share (EPS) were used for firms Financial Performance (FP). Their results indicate that FRQ has a significant impact on ROE, while it has a significant negative impact on EOS, meaning that the lower the FRQ, the lower the ROE and the higher the EPS.

Authors Domo and Utami (2022) research purpose was to examine the impact of disclosure quality and fair value of biological assets on company valuation on the Indonesian Agriculture Industry. Their study included 13 of the total 19 agricultural companies listed on the Indonesian stock exchange for the period 2019-2020. Used control variables for the examination were Return on Assets (ROA) and Debt to Assets (DAR). The results indicate that the index of the quality of disclosure of biological assets has no significant positive effect on firm value, meaning that it has not been able to increase the value of the company. Meanwhile, the fair value of biological assets has a significant positive effect on firm value. Companies that use the fair value method to measure their biological assets have a positive impact on their financial statements.

Study conducted by authors Hsu, Liu and Man (2018), contributes to the existing debate over fair value usage for non-financial assets. In their study, authors provided evidence that fair value measurement of biological assets improves financial reporting transparency rather than the historical cost of biological assets. With that being said, information about biological assets is not directly available through financial reports prior to the adoption of IAS 41. Therefore, IAS 41 provides an ideal setting for testing whether the disclosure and fair value information about biological assets improve financial report transparency and motivate investors to trade on this information. One main reason is that the effects of changes brought by biological transformation (growth, degeneration, production, and procreation) are best reflected by reference to the fair value changes in biological assets, which have a direct relationship to changes in expectations of future economic benefits to the firm.

Rajeev and Sindhuja (2021) emphasize that one of the issues for adequate decision-making process is the presence of biological assets stated by managers in their financials reports. According to the conducted research, authors reveal the beneficial influence on corporate value of biological assets. The broader a firm's biological assets disclosure, the greater the worth of the firm.

In a study conducted by Alfarisyi et al. (2022), authors found that the value of biological assets measured by their fair value has a significantly positive effect on firm value, along with the disclosure level of biological assets that does have an impact on firm value. Control variables in the study were profitability, leverage, and growth for analyzing how significantly they affect the firm value. The results of the study indicate that the measurement of assets based on fair value increases companies' comprehensive income and book value of assets. It better reflects the actual condition of a company because fair value reflects a higher relevance from the historical cost. However, the empirical results for the disclosure of biological assets do not show a significant effect on firm value.

The sector of agriculture plays an important role in the Indonesian economy because Indonesia is an agricultural country. In a study conducted by Nikmah et al. (2022), the effect of biological asset intensity and profitability on the disclosure of biological assets of agriculture companies was examined on companies listed on Indonesian stock exchange. The independent variables used in this study were Intensity of Biological Assets (IAB) and Profitability (ROA), while the dependent variable is the disclosure of biological assets (PAB). Based on the results of testing which prove that the intensity of biological assets positively affects the disclosure of biological assets of agricultural companies, this indicates that an increase in the intensity of biological assets in a company is followed by an increase in the

disclosure of biological assets. Profitability does not positively affect the disclosure of biological assets.

3. Methodology

The aim of this paper is to investigate the impact reporting quality has on the performance of agricultural companies. Since biological assets and properties are a great part of agricultural companies' asset structure, the quality of the information disclosure about these assets was investigated. Properties can be used for the main business purpose of agricultural companies, or they may be used for rental. With this being said, the quality disclosure of properties is divided on the properties for companies (based on the IAS 16) and investment properties (based on IAS 40). Furthermore, the firm's performance was measured by the return on assets (ROA) as one of the most used indicators to describe profitability as firm performance. ROA is defined as a ratio of net result and total assets. In order to achieve growth and future development ROA should be at least 0.10.

The quality of biological assets reporting was measured based on the mandatory disclosures according to the IAS 41, when companies are using fair value for biological assets. According to the mandatory disclosures (IAS 41), the following information was investigated:

- Aggregate gain or loss from the initial recognition of biological assets and agricultural produce and the change in fair value less costs to sell during the period;
- Description of an entity's biological assets by broad group;
- Description of the nature of an entity's activities with each group of biological assets and non-financial measures or estimates of physical quantities of output during the period and assets on hand at the end of the period;
- Reconciliation of changes in the carrying amount of biological assets, showing separately changes in value, purchases, sales, harvesting, business combinations, and foreign exchange differences;
- Other possible information (information about biological assets whose title is restricted or that are pledged as security; commitments for development or acquisition of biological assets; financial risk management strategies).

The quality of properties reporting was measured based on the mandatory disclosures according to the IAS 16. According to the mandatory disclosures (IAS 16), the following information was investigated:

- Basis for measuring carrying amount;
- Depreciation method(s) used;
- Useful lives or depreciation rates;
- Gross carrying amount and accumulated depreciation and impairment losses;
- Reconciliation of the carrying amount at the beginning and the end of the period, showing additions; disposals; acquisitions through business combinations; revaluation increases or decreases; impairment losses; reversals of impairment losses; depreciation; net foreign exchange differences on translation; other movements;
- Additional disclosures such as restrictions on title and items pledged as security for liabilities; expenditures to construct property, plant, and equipment during the period; contractual commitments to acquire property, plant, and equipment; compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in profit or loss.

The quality of investment properties reporting was measured based on the mandatory disclosures according to the IAS 40. According to the mandatory disclosures (IAS 40), the following information was investigated:

- Whether it applies the fair value model or the cost model;
- When classification is difficult, the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business;
- The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed;
- The amounts recognized in profit or loss for rental income from investment property; direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and the cumulative

change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used;

- The existence and amounts of restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

The quality of assets disclosure according to the international accounting regulation can be presented by the following formula (see more: Goncalves, 2017).

$$Qx_i = \sum (d_i / m)$$

Where di = 0 or 1, di = 1 if the items are disclosed, di = 0 if the items are not disclosed, m = the maximum number of applicable items that can be disclosed. The value of Qxi can be in the range from 0 to 1. If the value is 0 it means that companies did not disclose any information about assets. If companies make disclosures of all information, the value of Qxi is 1. In that case the quality of financial reporting about assets is at a very high level.

In order to investigate the impact of the quality of biological assets and properties reporting on agricultural companies' profitability the following hypothesis are set:

H_1. There is a difference between the quality of financial reporting depending on the type of assets (biological assets, properties, investment properties).

H_2. The factors such as enterprise size, current ratio, leverage, growth, quality of biological assets reporting, quality of properties reporting, and quality of investment properties reporting have significant impact on the quality of biological assets disclosures.

To test the hypothesis H1 the ANOVA test was conducted. ANOVA was used to analyze the differences between means of three groups. The first group indicates the quality of biological assets reporting. The second group indicates the quality of properties reporting. Finally, the last group indicates the quality of investments properties reporting.

The second hypothesis was tested using the regression analysis based on Brooks (2008). Regression analysis examined which factors (companies' size, current ratio, leverage, growth, quality of biological assets reporting, quality of properties reporting and quality of

investment properties reporting) have significant influence on the profitability as firm performance. The following regression model is defined:

$$Y_{it} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_6 X_7 + \varepsilon i$$

Where is:

Y_{it}- Dependent variable – quality of biological assets disclosure;

β_0- Model constant;

βi- Coefficiency of independent variables;

X_1- Companies size (independent variable)

X_2- Current ratio (independent variable)

X_3- Leverage (independent variable)

X_4- Growth (independent variable)

X_5- Quality of biological assets reporting (independent variable)

X_6- Quality of properties reporting (independent variable)

X_7- Quality of investment properties reporting (independent variable)

E- error with a normal distribution;

i- signify each company (i=1,….., N);

t- signify the period of time (t=1,…., t).

The research is based on a sample of 186 financial statements of agricultural companies in Serbia during the period 2020 – 2021. The data was collected from publicly available registers of companies (The Serbian Business Register Agency, 2023). To conduct the statistical tests SPSS v23 was used. The following table shows the methodology of calculation of variables.

Table 1: The methodology and referent value of research variables

Variables	Methodology	Referent value
Y_{it}- Return on assets	Net result / Total assets	>0.10
X_1- Companies size	Natural log of total assets	Higher value indicates to a larger company's size
X_2- Current ratio	Current assets / Current debts	>2.00
X_3- Leverage	Total debt / Total assets	0.5

X_4- Growth	$Sales_t$ / $Sales_{t-1}$	>1.00
X_5- Quality of biological assets reporting (BA quality)	$Qx_i = \sum (d_i / m)$ According to the IAS 41	1
X_6- Quality of properties reporting (P quality)	$Qx_i = \sum (d_i / m)$ According to the IAS 16	1
X_6- Quality of investment properties reporting (IP quality)	$Qx_i = \sum (d_i / m)$ According to the IAS 40	1

Source: Authors illustration based on Goncalves, 2017; Rodic et al. 2017.

4. Results and discussion

The following table presents the results of descriptive statistics of the dependent and independent variables. The results indicate that the agricultural companies achieve a positive profitability ratio during the period 2020 – 2021. An average value of ROA of 0.0856 indicates that on average agricultural companies achieve 8,56% net profits of total assets used. The value of ROA is slightly below the referent value, which indicates that for the future development and stability companies must pay attention to the growth of ROA. The result of the current ratio indicates that on average agricultural companies do not achieve a referent value. The average value of the current ratio is 1.7746. This is a sign for companies to pay attention to the improvement in their ability to pay short-term obligations on time. According to the results of leverage it can be concluded that the agricultural companies are financing their activities more from debts and borrowing. During the observed period agricultural companies achieve positive sales growth of 1.09%.

Table 2: Descriptive statistics of dependent and independent variables

Variables	Minimum	Maximum	Mean	Std. Deviation
ROA	-.2738	.6017	.0856	.1623
Size	13.8156	16.2955	15.5721	.6215
Current ratio	.0112	3.0198	1.7746	.9790
Leverage	.12827	.8737	.5415	.2779
Growth	.56474	1.2929	1.0109	.1589
BA quality	.2000	1.0000	.5551	.2643

P quality	.2000	1.0000	.7130	.2739
IP quality	.2000	.8000	.3300	.1973

Source: Authors calculation, SPSS output

The average value for the quality of biological assets reporting during the period 2020 – 2021 is 0.55. According to this finding it can be concluded that on average companies disclose more than 50% of total mandatory information. Compared to the quality of properties reporting according to the IAS 16 it can be concluded that companies disclose more information about properties than on biological assets. The average value of the quality of properties reporting is 0.71. Investment properties are not a great part of the structure of assets in agricultural companies. This could be the reason why accountants pay less attention to a more detailed disclosure of the information regarding investment properties. The average value of quality of investment properties reporting is 0.33. The low quality of investment properties reporting is according to the previous findings of research of the quality of financial reporting in the Republic of Serbia (Arsenijevic & Spasic, 2023).

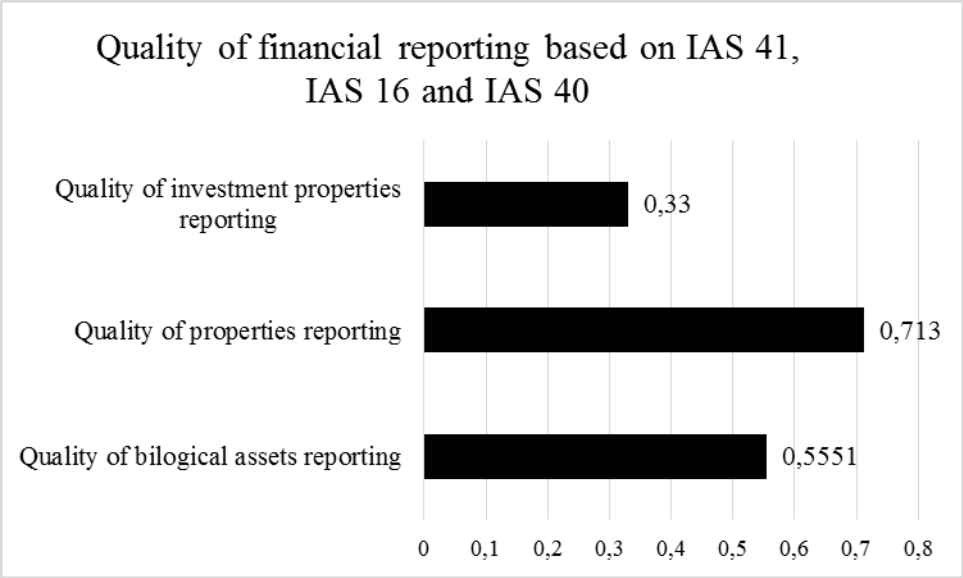

Figure 1: Quality of financial reporting based on IAS 41, IAS 16 and IAS 40.

Source: Authors illustration

The following table presents the results of ANOVA test. The Sig. is less than 0.05. These results indicate the difference between the level of quality of financial reporting between three groups of assets. It can be concluded that there is a significant difference in the

quality of financial reporting based on IAS 41, IAS 16 and IAS 40. According to these results, hypothesis H_1 is confirmed.

Table 3: The results of ANOVA test

Disclosures quality			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	BA quality	P quality	-.15787	.02382	**.0000**	-.2138	-.1019
		IP quality	.22546	.02382	**.0000**	.1695	.2814
	P quality	BA quality	.15787	.02382	**.0000**	.1019	.2138
		IP quality	.38333	.02382	**.0000**	.3274	.4393

Source: Authors calculation, SPSS output

The results of correlation matrix (table 4) are shown in the following table. Based on the results it can be concluded that there is no correlation problem between dependent and independent variables (variables with correlation greater than 0.7 are considered highly correlated).

Table 4: Pearson correlation matrix

	ROA	Size	Current ratio	Leverage	Growth	BA quality	P quality	IP quality
ROA	1	.158	-.003	-.007	.356	.209	.268	.071
Size	.158	1	.023	.063	.185	-.054	-.024	.113
Current ratio	-.003	.023	1	-.054	-.004	.005	-.112	.021
Leverage	-.007	.063	-.054	1	.100	.053	.080	-.039
Growth	.356	.185	-.004	.100	1	.179	.202	.184
BA quality	.209	-.054	.005	.053	.179	1	.133	.071
P quality	.268	-.024	-.112	.080	.202	.133	1	.051
IP quality	.071	.113	.021	-.039	.184	.071	.051	1

Source: Authors calculation, SPSS output

Furthermore, variance impact factors (VIF) for independent variables implies that there was no problem with multicollinearity. Durbin-Watson value of 1.9153 indicates that

there is no autocorrelation. Model summary results indicate that there is no heteroskedasticity (Sig. F is less than 0.05).

The results of regression analysis in table 5 show that the proposed model is statistically significant with $p<0.05$. Companies size, growth, the quality of biological assets reporting and the quality of properties reporting are significantly related to the profitability measured by ROA.

Table 5: The results of regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.866	.262		-3.306	.001
Size	.039	.017	.147	2.302	**.022**
Current ratio	.003	.011	.021	.330	.742
Leverage	-.033	.037	-.057	-.899	.370
Growth	.226	.068	.221	3.312	**.001**
BA quality	.087	.040	.142	2.186	**.030**
P quality	.135	.038	.227	3.520	**.001**
IP quality	-.013	.053	-.016	-.248	.804

Source: Authors calculation, SPSS output

Based on these results, the hypothesis H_2 is partially confirmed. The value of R^2 of 0.59 indicates that 59% of the variability observed in the target variable is explained by the regression model. Companies' size has a significant positive impact on ROA. Larger companies achieve higher ROA. Sales growth has a positive impact on ROA. Positive sales growth could improve the value of ROA. The results of the quality of financial reporting indicate that the quality of higher intensity assets has a positive significant impact on ROA. The quality of biological assets and the quality of properties reporting have a significant positive impact on ROA. Agricultural companies with higher quality of biological assets and properties reporting have a higher ROA. These findings are in accordance with the previous research (Alfarisyi et al., 2022; Hsu, Liu & Man, 2018; Domo & Utami, 2022).

5. Conclusion

This paper provides a critical review of how the current state of financial reporting affects company profitability in agricultural companies with headquarters in Republic of Serbia. The study investigated a representative sample of 186 financial statements provided by agricultural companies operating in Serbia throughout the period from 2020 to 2021. The data was obtained from the publicly available registries of firms, specifically the Serbian Business Register Agency (2023).

Primarily, results indicated that there are statistically significant differences between the quality of financial reporting depending on the type of assets (biological assets, properties, investment properties). Most of the criteria prescribed by accounting standards in terms of reporting were complied with in relation to properties, slightly less in relation to biological assets and the least in relation to investment properties. Different degrees of compliance among agricultural companies could be explained by the specifics of each type of property, as well as the different challenges and characteristics accompanying their accounting. For example, the valuation models used for each type of asset can affect the level of complexity and requirements of accounting standards. The process of assessing the value of living organisms, which continuously change over time, can be complex and subject of evaluation, as opposed to property.

Furthermore, the results of the research showed that the quality of reporting on biological assets and properties has a positive and statistically significant effect on profitability measured by ROA. Consequently, management could make informed decisions about investments, asset management, and resource use, which could increase efficiency and productivity, which in turn positively affects profitability. IAS 41 and IAS 16 require biological assets and properties to be valued at a fair value, thus, the current value of these assets could be reflected in the financial statements. This allows investors, creditors, and other interested parties to better understand the company's financial situation, which increases trust and reduces risk. Quality and prompt reporting could also result in a greater inflow of capital and better financing conditions. Alignment with international standards may require additional resources and efforts, but in the long run it could bring benefits in the form of better profitability and sustainability.

In addition to the quality of financial reporting, empirical analysis has determined that profitability is positively and statistically significantly influenced by the size of the company as well as the growth of sales compared to the previous year. To improve financial performance, companies in the agricultural sector should focus on investing in assets as well as increasing existing capacity. At the same time, companies should develop strategies to

increase sales through, for example, market segmentation, improving online presence, product innovation, conducting promotions, improving customer experience, expanding distribution network, regular market research and implementation of customer loyalty programs.

The results of this research could be used by different interest groups. Investors and lenders will benefit from a better understanding of how quality reporting affects a company's profitability and which aspects should be paid attention to while making investment decisions. Management and companies' accountants could use these findings to improve their reporting processes, resulting in increased transparency and trust. Quality reporting provides management with a better understanding of potential risks arising from biological assets and real estate. Tracking market values of crops or real estate values can help identify potential fluctuations in property values. This allows the company to better manage financial risks and adapt its strategies. In addition, the findings of this study could provide valuable insights for policymakers and international standard setters who are engaged in forthcoming evaluations of IAS. The challenges and specifics of the agriculture and real estate industries could be better understood when they have access to quality reports. This facilitates the process of adopting and updating international standards and contributes to a greater harmonization of accounting rules worldwide. Policy makers can identify best practices in reporting and use them as a basis for developing new regulations that promote efficiency, transparency, and sustainability.

Further research could put a highlight and focus on different sectors and countries, produce period analysis, and deepen understanding within the enterprise to better understand the dynamics between reporting quality and profitability. The investigation may not comprehensively consider all external factors that impact agricultural performance, such as alterations in government policy, international market circumstances, or catastrophic weather conditions. Moreover, it should be noted that the generalization of the findings to agricultural enterprises in other locations or countries that have distinct economic circumstances, regulatory contexts, and industry organizations may be limited.

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