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Impact of AI Applications on Corporate Financial Reporting Quality: Evidence from UAE Corporations

Ayman Abdalla Mohammed Abubakr [1*], Faisal Khan [2], Ali Alhag Ali Mohammed [3], Yousif Abdelbagi Abdalla [4], Anwer Abd Alla Mohammed [5] and Zaki Ahmad [6]

[1] Department of Financial Management, Academic Programs for Military Colleges, Abu Dhabi University, Abu Dhabi 12406, UAE;
[2] Department of Finance and Accounting, City University Ajman, Ajman 6250, UAE;
[3] Department of HRM, Academic Programs for Military Colleges, Abu Dhabi University, Abu Dhabi 12406, UAE;
[4] Department of Accounting, College of Business Administration, University of Sharjah, Sharjah 27272, UAE;
[5] Department of HRM, Faculty of Administrative and Human Sciences, Buraydah College, Buraydah 51432, KSA;
[6] School of Economics, Finance and Banking, Universiti Utara Malaysia, Sintok, Kedah 06010, Malaysia.

Corresponding author*: e-mail: ayman.abdalla@adu.ac.ae.

ABSTRACT: The research aims to identify the use of artificial intelligence applications as a pivotal technology to improve the quality of financial reports in UAE Corporations, as these applications help process and analyze data quickly and accurately. the problem of the study was the lack of confidence and credibility in the quality of financial reports in Corporations through some fictitious transactions that can affect the profits or losses of those Corporations. due to the effective role provided by artificial intelligence systems in the massive and rapid analysis of data, it was necessary to use these applications and employ them to enhance confidence in financial reports and achieve their quality, the study used Partial least squares (PLS) software in the analysis of the study came to the following conclusions: There is a statistically significant relationship between the use of artificial intelligence applications (AIA) and the quality of financial reporting (QFR) in UAE business Corporations, The study also came up with the following recommendations: The need to highlight the importance of artificial intelligence applications in business Corporations within the UAE, by developing the role of their applications in carrying out various routine and complex tasks and activities.

Keywords: artificial intelligence applications, financial reporting, quality, corporations, UAE.

I. INTRODUCTION

In the contemporary business environment and the proliferation of multinational corporations, the world has seen a significant development in communication technology and information exchange, especially accounting information [1] This has contributed to the interest of the accounting and auditing sector in keeping with information technology, to maximize the quality of its services [2] This has affected the nature of corporate financial and accounting reports and statements, thus affecting their future in the financial and business market. It can be emphasized that artificial intelligence techniques and modern methods have played an important role in the accounting profession, as the accounting and auditing sector has undergone many changes due to technological development [3] Many smart technologies such as digital accounting have emerged, one of the most important artificial intelligence tools that support the effectiveness of accounting and the work of accountants and auditors. New services have also been provided to clients through modern technology such as financial and accounting consulting and studies [4] .

It was necessary to look for the latest intelligent systems and techniques through which credibility could be restored. The information contained in the financial reports is therefore reliable and used to solve problems and make financial decisions easily and realistically, thus ensuring the quality of the reports [5]The main thrust of the current study is to identify the concept of artificial intelligence and artificial intelligence techniques [6]. The problem of the study is that financial reporting is affected by several reasons for reducing its quality as a result, lack of information, poor accounting estimates, the emergence of numerous crises, as well as numerous financial

scandals of various Corporations, may be due to miscalculation on the part of their management [7] therefore, the problem of the study can be posed this question: does artificial intelligence affect the quality of financial reporting in UAE Corporations?.

The importance of the study was its scarcity, which in turn will contribute to demonstrating the importance of artificial intelligence in UAE Corporations; the paper also strives to address the problem of the quality of financial reports within UAE Corporations through the use of artificial intelligence applications in their preparation.

Financial reports are one of the most important sources of decision-making for users, so they must contain high-quality information; globally (Price Waterhouse's study) indicated that 49% of financial reports are of poor quality [8]. The scientific importance of the study is to identify technological thinking about artificial intelligence applications and how to use it on the accounting side to improve the quality of financial reporting. The practical importance of the study is to provide positive feedback on the use of artificial intelligence applications within the internal UAE business environment of these Corporations, particularly about financial reporting and high quality.

It has become a contemporary and important topic in recent times and its impact in assisting in the preparation of quality reports where it helps relevant parties to meet their decision-making needs [9], The study also aims at the need to measure the extent to which artificial intelligence affects the quality of financial reporting in Corporations operating in the UAE business environment [10].

To achieve the quality of financial reports in UAE Corporations and take advantage of the advantages of artificial intelligence applications such as(ES, AL, and NN) in improving the efficiency and effectiveness of electronic accounting disclosure of financial reports and achieving their quality, the study aims to review the conceptual framework of (AIA) and to find out the impact of using artificial intelligence applications on the quality of financial reports in Corporations operating in the UAE business environment.

II. LITERATURE BACKGROUND AND PREVIOUS STUDIES

1. DEFINITION ARTIFICAL INTELLIGENCE

The basic idea of artificial intelligence is that it is an advanced technique of computer function development, that aims to simulate intelligence processes within the human brain and needs a data system that is used to represent information and knowledge, algorithms that we need to develop the way this information is used, and software language that is used to represent both information and algorithms, so that I have the computer that is capable of solving problems and logically making decisions [11]. Artificial intelligence is one of the most prominent modern applications. Information systems, where is one of the most important modern sciences that has emerged because of the convergence of the technological revolution in computer science and computer control on the one hand, and in aspect, artificial intelligence can be defined as " An umbrella for many technologies that allow machines to simulate human intelligence " [12]. Another identified it as a technology dedicated to programming the machine to perform tasks that require human intelligence to solve, i.e. simulating human intelligence, and described it as an attempt to build machines that think and act like humans, so that they can learn and use their knowledge to solve problems on their own, and research into this has been directed towards making the machine simulate human behaviors [13].

The researcher believes that artificial intelligence is a computer science that works on designing intelligent information systems that give the same characteristics as intelligence in human behavior, using techniques that can be used in calculations, financial operations, and auditing, which can contribute to saving time and effort, in addition to accuracy in outputs.

2. THE IMPORTANCE OF ARTIFICAL INTELLIGENCE

Artificial intelligence contributes to the preservation of the accumulated human experience by transferring it to intelligent machines so that humans can use human language to deal with machines rather than with programming languages that are the same as humans. It depends on the computer, making the use of machines accessible to all, even those with special needs, and artificial intelligence also plays an important role in many sensitive fields, such as medical science assistance. Legal, military, accounting, auditing, and other fields, and finally smart systems are independent, precise, and objective and their decisions are therefore correct [14].

3. ARTIFICAL INTELLIGENCE APPLICATION (AIA)

Emphasis will be placed on a set of key techniques in artificial intelligence as follows [15]:

3.1 Expert systems (ES)

complex computer-based systems based on the compilation of specialized information (i.e. in a specific area only) and their placement in a format that enables the computer to apply such information (experts) to similar or similar problems, Expert accounting systems have been used specifically in the preparation of financial reports, as they have an impact on the timely and high-quality delivery of such reports. The potential of these systems is used to process and submit as much data as possible on time, thus facilitating decision-making [16].

3.2 Automatic learning (AL)

The robot is defined as a mechanical machine capable of carrying out actions programmed with direct human signal and control or with a signal from computer programs called robotics. The robotic process mechanism (ATM) is a software that operates other applications from the user interface level in the same way that people do their daily work [17] The application of the robotics mechanism brings many benefits in accounting and auditing, namely the removal of paper-based manual tasks, the reduction of long-term costs, and the facilitation of administrative decision-making [18].

3.3 Neural network (N N)

It can be defined as a treatment technique to simulate the way the human mind and the nervous system perform a particular task, and this technique has evolved significantly as a result of the progress in neuroscience to understand the mechanisms of the mind in logical conclusion and treatment processes through a large, parallel-distributed treatment consisting of simple treatment units called knots or neurons [19] There are many multiple applications of artificial neural network technology in the field of accounting and auditing that have proven their merit and high ability compared to other traditional methods, and neural networks help reduce costs, This is due to the speed of completion of tasks by limiting the time of the training process in the neural network, accurate selection of inputs, avoiding extra time and avoiding the costs associated with making improper decisions [20].

3.4 Quality of financial reports (QFR)

Financial reports are created using information systems where an accounting information system is very important in all organizations where the survival or growth of the organizations is largely based on the provision of effective accounting information [21]. The information system is defined as a computer-based electronic system used to collect, store, process, and overstate financial data through financial reports to support and guide the regulatory decision-making process [22]. The results of the accounting information system are financial reports, which are defined as a means of communicating between preparers and users of financial reports that rely on their information content for decision-making [23]. The components of the financial reports are as follows:

- Management report: it is a report through which the situation, financial performance, and cash flows of the economic unit can be explained, and this report provides information about the management goals and the strategies necessary to achieve those goals [24].
- Auditor's report: a report issued by the auditor after an independent audit of the accounting information, in which the auditor expresses his opinion on whether the financial statements present the financial position, results of operations, and cash flows of the economic unit by Generally Accepted Accounting Principles [25]
- Financial statements: these are the statements that are prepared at the end of the financial year, There are four statements, the first of which is the Financial Position list, showing the financial position of the company, the second is the Income Statement and shows the net income realized from profit or loss at the end of the year, the third is the cash flow list: this list shows the cash inflows and outflows, the fourth is the change in equity list: it is a link between both the Income Statement and the financial position [26].

4. PREVIOUS STUDIES

Many previous studies have been concerned with artificial intelligence techniques and their various effects on accounting and auditing in general, as well as with studies that have a bearing on financial reports. These studies,

which will be reviewed, have included a variety of time and geographical variations. The most important studies may be as follows:

Study [27] aimed at exploring the effectiveness of artificial neural network (ANN) in predicting fraudulent financial reports in small market capitalization Corporations in Malaysia, and the research tool was based on the concepts of (ANN), ten financial ratios were used as indicators of fraud risk to predict, The results indicated that the proposed (ANN) methodology outperforms other statistical methods widely used to predict fraudulent financial reporting. The authors agree with this study in its use of the (NN) application, in dealing with financial reports, and disagree with it in using more applications such as (ES)and (AL)in the quality of financial reports without entering the fraud aspect by applying to a group of UAE Corporations.

Study [28] explains the Application of machine learning models and artificial intelligence to analyze annual financial statements to identify Corporations with unfair corporate culture, intelligence algorithms were able to learn to recognize patterns of such frauds and can detect them very, the practical importance of research is the possibility of using the model in the decision-making process in the enterprise. The model allows assessing the risk that a potential business partner may commit financial fraud, which requires careful examination of the integrity of such an enterprise. The authors believe that the study used artificial intelligence algorithms through a model to detect fraud in the financial reports of 54 corrupt Corporations listed on Wikipedia; however, the study differs in that it uses artificial intelligence applications (ES, EL, NN) to achieve the quality of financial reports in UAE Corporations.

Study [29] contributed to examining the impact of artificial intelligence on decision-making in project management and specifically looking at the quality, integrity, and volume of data collected by artificial intelligence systems, which is then presented to the project manager to implement project decisions after collecting information from multiple areas where 13 IT managers and project managers were interviewed, the conclusion drawn was that the application of artificial intelligence improves data quality, which leads to improved speed and effectiveness in decision-making in both individual and multiple project environments. This study focused on the effects of artificial intelligence on decision-making in Project Management in the UAE, by interviewing 13 project managers. The authors disagree with the study in the field of decision-making and agree with it in the environment under study, which is the UAE.

In a related context, the study [30] explained that the purposes of technological progress contribute to providing a competitive advantage to its users, and in light of the above, many accounting and auditing Corporations officially seek to focus on many aspects that affect the quality of audit, such as data analysis, time management, accuracy, overall visibility of the business environment and thus improve the service of the beneficiary parties. The study dealt with the ethical implications of artificial intelligence in public sector auditing, and the authors believe that the study differs in the dependent variable with this study.

The study also dealt with [31] using artificial intelligence techniques as a central technology to improve the quality of financial reports, because of their ability to process and analyses data quickly and accurately, as well as their ability to classify financial statements detect unusual patterns, and identify potential risks. It also contributes to the continuous verification of financial statements and accurate control of financial processes, thereby reducing the likelihood of fraud and forgery and high predictability. This in turn increases the confidence of decision-makers in submitting financial reports supported by analyses of artificial intelligence techniques and reflects transparency in the handling of financial statements. The study found that there is a positive impact of artificial intelligence in its techniques (automated learning, deep learning, neural networks, expert systems, Internet objects) on the quality of financial reports and decision-makers. The authors believe that this study is consistent with the study in the independent and dependent variable, only it differs in its approach to avoiding decision-making and in the applied aspect in Iraqi business companies.

As for the study [32] about artificial intelligence and machine learning applications in the Financial Services industry, a bibliometric review examines the research state of artificial intelligence (AI) and machine learning (ML) applications in the Banking, Financial Services, and Insurance (BFSI) sector. This study contributes to the growing literature on bibliometric, providing insights into AI and ML applications in the BFSI sector. The findings have practical implications, advancing our understanding of AI and ML's role in benefiting academia and industry. The study focused on the applications of artificial intelligence and machine learning in the financial

services industry: a bibliometric review, while the authors focused in their study on the use of several artificial intelligence applications in achieving the quality of financial reports in UAE companies

Finally, the researcher disagrees with both studies [27-32] but agrees with the study [31] Which dealt with the impact of the use of artificial intelligence applications on the quality of financial reporting and decision-making in the Iraqi environment and differs with the study in its treatment of the impact in the UAE environment.

III. DEVELOPMENT OF STUDY HYPOTHESES

To answer the study question, a major hypothesis has been developed as follows: There is a statistically significant relationship between using artificial intelligence applications and the quality of financial reports. Figure 1 illustrates the study model.

Three sub-perceptions follow from this hypothesis:

1. There is a statistically significant relationship between the use of expert systems and the quality of financial reports.
2. There is a statistically significant relationship between the use of automatic learning and the quality of financial reporting.
3. There is a statistically significant relationship between the use of the neural network and the existence of financial reports

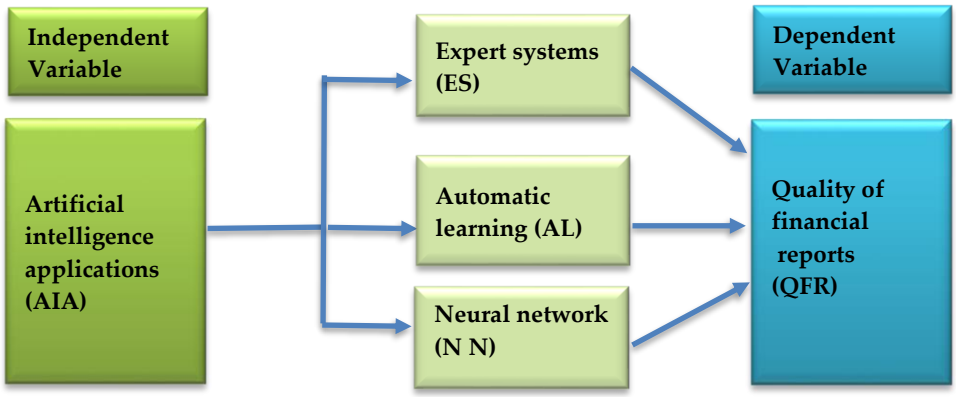

FIGURE 1. Prepared by suthor – 2024

IV. METHODS

The methodology of this study included the use of an analytical and quantitative approach. The study tool used was a questionnaire designed to collect data from staff on the use of artificial intelligence applications in achieving the quality of corporate financial reporting by means.

1. SAMPLE OF STUDY

The sample of the study is represented by a variety of companies, where 20 were selected as an intentional sample from among the Corporations operating in the business environment in the UAE. The study used the questionnaire tool to investigate the relationship between AI applications and the quality of financial reporting. 160 questionnaires were distributed on a five-way scale, of which 150 were recovered, with a percentage of 93%. The results of the study were used to test the proposed hypotheses and draw conclusions about the relationships between the variables under study.

1.1 Demographic information analysis

Table 1 explains the analysis of the demographic information of the sample.

Table 1. Demographic information analysis.

Demographic	Elements	Frequency	%
Qualification	Doctorate	25	17%

	Master's	50	33%
	Bachelor's degree	75	50%
	Total	150	100%
Specialization	Management	50	33%
	Accounting	40	27%
	Economic	35	23%
	Other	25	17%
	Total	150	100%
Experience	Less than 5 years	19	13%
	From 5 and less than 10 years	51	34%
	From 10 and less than 15 years	40	27%
	From 15 years and less than 20 years	30	20%
	From 20 years and over	10	06%
	Total	150	100%
Position	Director	20	13%
	Managing director	40	27%
	Staff	90	60%
	Total	150	100%

2. SAMPLE OF STUDY ANALYSIS OF DATA

Partial least squares (PLS) software was used to find out the impact of the use of artificial intelligence applications on the quality of corporate financial reporting: evidence from corporations operating in the UAE.

1.1 The Outer-loading test& Collinearity Statistics (VIF) of the model.

Table 2 displays the ultimate loading path for the suggested research variable model's (ES, AL, N N, QFR) outcomes. The outer loadings indicate the degree of correlation between each indicator (survey question) and the underlying model. According to the suggested model, outer loadings over 0.70 were deemed sufficiently significant [33]. The dataset's VIF values indicate that multicollinearity is not a severe problem, as all of the variables have values that are much lower than the commonly recognized threshold of 5. With a maximum observed VIF value of 3.200 (for ES 4), well below the threshold, the model's indicators show a rather high degree of independence. The measurement model's lowest VIF score of 1.655 (for QFR2) indicates that there are no collinearity concerns.

Table 2. The model's outer loading test and the Collinearity Statistics (VIF)

Variables	Item	Outer Loading	Vif
Expert systems (ES)	ES1	0.822	2.400
	ES2	0.832	2.678
	ES3	0.845	2.500
	ES4	0.850	3.200
Automatic learning (AL)	AL1	0.811	2.413
	AL2	0.814	2.522
	AL3	0.823	2.601
	AL4	0.889	2.511
Neural network (N N)	N N1	0.813	2.499
	N N2	0.820	2.618
	N N3	0.845	2.567
	N N4	0.891	2.502
Quality of financial reports (QFR)	QFR1	0.834	2.715
	QFR2	0.856	1.655
	QFR3	0.836	2.673
	QFR4	0.838	2.444

1.2 The reliability and validity test of the model.

The model's validity and dependability tests. Construct reliability can be approved if Cronbach's alpha value is better than 0.70 [33].Table 3 displays the reliability (Cronbach's alpha, Composite reliability (rho_a and (rho_c)), and variance average variance extracted (AVE). Additionally, acknowledge convergent validity if the AVE analyses are greater than 0.50 and the Composite reliability (rho_a) and (rho_c) are greater than 0.70 [33]. Every item therefore passes the validity and reliability tests.

Table 3. The reliability and validity test of the model

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Expert systems (ES)	0.899	0.819	0.967	0.799
Automatic learning (AL)	0.959	0.990	0.966	0.689
Neural network (N N)	0.878	0.856	0.920	0.800
Quality of financial reports (QFR)	0.911	0.991	0.920	0.789

1.3 R-Squared Value

The path quantity approach results for the suggested model using the R-squared value are displayed in table 4 and shows that the R-squared evaluation for the variable artificial intelligence applications (AIA) on the effects of Quality of financial reports (QFR) reliability is 0.8**56**. Consequently, the orientation determines the predictive validity of the proposed model if the R-squared value is higher than 0.25 [33].

Table 4. R-squared value

Factor	R-square
Impact of AI Applications on Corporate Financial Reporting Quality: Evidence from UAE Corporations	0.856

1.4 Hypotheses Testing

The results obtained from the PLS-SEM analysis have the data in Table 5 indicates a positive relationship between the artificial intelligence applications (AIA) and effects of Quality of financial reports (QFR), this is as follows, ^{H1}: Expert systems (ES) -> Quality of financial reports (QFR), P values = 0.000, T statistics (O/STDEV) = 3.819, Sample mean (M) = 0.199, Standard deviation (STDEV) = 0.051, and original sample (O) = 0.195. ^{H2}: Automatic learning (AL)-> Quality of financial reports (QFR), P values = 0.000, T statistics (O/STDEV) = 3.799, Sample mean (M) = 0.191, Standard deviation (STDEV) = 0.050, and original sample (O) = 0.190. ^{H3}: Neural network (N N)-> Quality of financial reports (QFR), P values = 0.000, T statistics (O/STDEV) = 3.800, Sample mean (M) = 0.196, Standard deviation (STDEV) = 0.050, and original sample (O) = 0.192.

Table 5. Hypotheses testing.

Variables	initial sample (O)	Sample mean (M)	DEV (standard deviation)	T statistics (O/STDEV)	P values
Expert systems (ES) -> Quality of financial reports(QFR)	0.195	0.199	0.051	3.819	0.000
Automatic learning (AL)-> Quality of financial reports(QFR)	0.190	0.191	0.050	3.799	0.000
Neural network (N N) -> Quality of financial reports(QFR)	0.192	0.196	0.050	3.800	0.000

1.5 Bootstrapping Analysis

Figure 2 displays the path loadings for the suggested model.

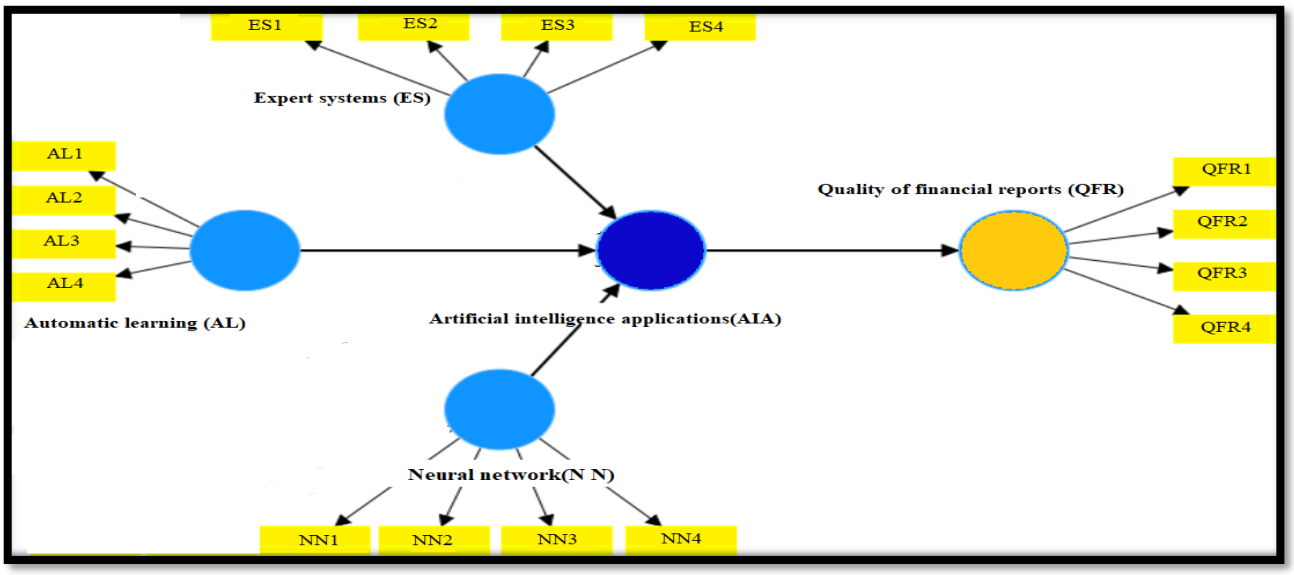

FIGURE 2. Bootstrapping analysis

V. DISCUSSIONS

Regarding the impact on accuracy, accurate analysis of huge data sets has become possible through artificial intelligence applications such as (ES, AL, N N). Patterns and irregularities that human auditors may miss can be found through this technology. The use of artificial intelligence can ensure compliance with international accounting standards and reduce errors in Quality of financial reports(QFR) in the UAE, a country with strict regulatory standards for financial reporting, a study has confirmed [31].Also according to a study conducted by [34]in the UAE, Corporations using AI-based financial reporting systems showed a 35% reduction in material errors compared to Corporations using only human methods. As for the impact on punctuality, timely financial reporting is essential for stakeholders who rely on the latest data to make choices. By automating repetitive processes such as data entry and reconciliation, artificial intelligence can speed up the process of financial closure and free up the time of financial professionals for further strategic endeavors, a study has confirmed [27]. The use of artificial intelligence also leads to efficiency benefits. A survey conducted by [35] found that Corporations using artificial intelligence reported a 20% decrease in the time taken to finalize quarterly financial statements. About the effects on openness, maintaining market integrity and maintaining investor confidence requires financial reporting to be transparent. AI solutions improve transparency by offering comprehensive audit trails and real-time information. To ensure that financial reports accurately represent the state of a company's finances, these systems can also identify and highlight potential fraudulent activity, a study has confirmed [32], Corporations that use artificial intelligence in financial reporting processes have also shown higher levels of openness, with a 25% increase in the disclosure of important financial data, according [36], finally about obstacles and things to think about, even if there are obvious advantages of artificial intelligence in financial reporting.

VI. RESULTS

To achieve the objective of the study related to studying the impact of the use of artificial intelligence applications on the quality of financial reports in UAE Corporations, the study has reached the following results:

The study model with all its dependent variables (ES, AL, N N) and independent variable (QFR) showed the values of the outer loading test and the statistics of the nested linear relationship above 0.70 With regard to the variable of expert systems, the study has yielded results since Expert systems (ES1) work on processing financial data using mobile heuristics with high objectivity, Expert systems (ES2) reduce error and enable the user to

easily interact with the system within the company, Expert systems(ES3) can retain as much knowledge and experience as possible about financial information, Expert systems (ES4) as an alternative to financial experts help reduce costs, and it's consistent with the study [31] , and study [30] Still.

About the automatic learning (AL) variable, the study showed results such as Absolutely automatic learning (AL1) in reports Finance without the interference of external influences, Checking the Automated Learning (AL2) Technology (ATM) an enormous amount of Data at high speed helps detect frauds, Automated learning(AL3) works on trend analysis Market and finance and anticipating their impact on the company, Automatic learning (AL4) works on the use of data Financial precedent for anticipating financial results The future. These results are consistent with the study of both [29] and [31].

About the variable neural network (NN), the study showed the results as follows: the neural network (NN1) helps to detect the risks of fraud, manipulation, and intentional misrepresentation of the company's financial statements, the neural network (NN2) helps managers to Make accurate forecasts regarding the financial operations of the company, the neural network (NN3) serves for early identification Risks related to the company's financial operations, the neural network(NN4) is used in validating invoices and financial transactions of the company, This is confirmed by a study [27].

The study showed the following results through the variable of the quality of financial reports (QFR): The preparation of financial statements using artificial intelligence applications reduces the uncertainty of decision-makers in the company(QFR1), The preparation of financial statements based on artificial intelligence applications contribute to increasing the accuracy of future forecasts and avoiding potential problems for the company(QFR2), financial statements prepared using artificial intelligence applications can predict the viability of the company(QFR3), financial statements prepared based on artificial intelligence technologies contribute to the rapid collection and analysis of data(QFR4). This is confirmed by the study of both study [31] and study [28].

The study confirmed that the results obtained from the PLS-SEM analysis have a positive relationship between the artificial intelligence applications (AIA) and the effects of Quality of financial reports (QFR).

The study results showed that the value of the quadratic assessment of variable artificial intelligence applications for the effects of financial reporting quality is 0.856, which is higher than the standard ratio of 0.25.

Hypothesis testing has shown a relationship between Expert systems (ES) and the Quality of financial reports, Automatic learning (AL) and Quality of financial reports (QFR), Neural network (N N) and Quality of financial reports (QFR).

VII. CONCLUSION AND ECOMMENDATIONS

On the basis of the applied study procedures the theoretical literature and previous studies, the study made the following recommendations: Corporations within the Emirates need to continuously apply automated learning technology to the extent that it has an impact on the quality of financial reports (QFR). Corporations within the UAE should constantly apply neural network (NN) technology as it has an impact on the quality of financial reports (QFR). Corporations within the UAE should apply Expert Systems (ES) Technology a lot, as this helps in the quality of financial reports (QFR). The need to raise the quality of financial reports by preparing them using artificial intelligence applications (AIA) [31]. The need to motivate accountants and auditors to use artificial intelligence applications (AIA) when preparing financial reports. The need for the accounting and auditing office within the UAE to hold courses to keep abreast of global technological developments and familiarity with technologies related to artificial intelligence [32]. The study recommends the importance of integrating artificial intelligence applications to enhance the reliability and accuracy of financial reports for Corporations within the UAE. Finally, the researcher recommends the need to adopt artificial intelligence technologies in private financial reporting processes. In companies within the UAE, by developing the role of their applications in the implementation of various routine and complex tasks and activities.

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Author contribution

All authors made an equal contribution to the development and planning of the study.

Conflict of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Data are available from the authors upon request.

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