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THE EFFECT OF COMPANY CHARACTERISTICS ON THE PATTERN OF ASYMMETRIC COST BEHAVIOUR AND ITS REFLECTION ON THE CONTINUITY OF PROFITS

ABSTRACT

This study examines the impact of firm characteristics on asymmetric cost behaviour patterns and their implications for profit sustainability. The study uses a quantitative approach to examine data from 12 industrial companies listed on the Iraq Stock Exchange between 2012 and 2021.

The study variables were quantitatively assessed according to the models and dimensions established in the literature. The company characteristics variable was measured through five dimensions: company size, age, financial leverage, working capital, and market-to-book ratio. The asymmetric cost behaviour pattern was measured using the ABJ model, and the profit sustainability variable was calculated using the self-regression model for current and previous profits. The validity of the data for statistical analysis was confirmed using the SPSS statistical package by testing for normal distribution, linearity, and lack of multicollinearity. The research hypotheses were tested using linear regression.

The study revealed that sticky cost behaviour is prevalent among Iraqi enterprises, and the overall features of these organizations positively influence both asymmetric cost behaviour and profit sustainability. The asymmetric cost behaviour pattern enhances profit sustainability, whereas corporate attributes influence profit sustainability directly, independent of the asymmetric cost behaviour pattern.

The research recommends the necessity of studying and analyzing the asymmetric cost behaviour pattern to understand its influence on business size, as well as focusing on enhancing company characteristics that management can improve, such as determining the optimal size of working capital and the financial leverage rate in light of the optimal financing structure study. This would enhance economic performance, increase profitability opportunities, and ensure continuity and sustainability. It would also improve the company's growth opportunities by delivering positive messages to financial markets to boost stock prices in the financial market.

Keywords: company characteristics, costs, asymmetric cost behaviour pattern, company growth, continuity of profits

JEL Classification: C67, J30, J32, J33, O21

INTRODUCTION

The features of a company significantly influence its success or failure. Size is essential in determining the scope of business activities and resources available to a company. Larger companies often have more excellent resources and outstanding capabilities to expand, grow, and influence the market. Age is essential in determining a company's long-term stability and success. New businesses often face more significant challenges initially, while older companies may have a good customer base and reputation. Financial leverage expresses the ratio between a company's debt and equity. Leverage can be used for growth and expansion, but it may increase financial risk in the event of failure. When a corporation has sufficient working capital, it demonstrates that it can

satisfy its short-term financial commitments. The growth rate measures the stock's market price ratio to its book value. Growth shows the firm's performance and capacity to make profits and expand in the market. These factors are essential in determining a company's long-term success and sustainability. Balancing and managing these factors effectively is challenging for companies and their management.

The term asymmetric cost behaviour indicates that changes in a firm's revenues may lead to significant cost changes. When revenues or activity volume increases, costs may be substantial; when revenues or activity volume decreases, there may not be considerable cost reductions. This behaviour can result from several factors, including the fixed and variable nature of costs or adaptation costs. In some cases, the company may need additional costs to adapt to changes in the market or demand, and these costs may not be proportional to revenue changes. Among them are fixed costs of an asymmetric nature. There may be fixed costs in the company that change asymmetrically with changes in revenues, such as rental costs or the monthly salary of employees. Being aware of this complex financial behaviour can help companies better plan for the future and understand the impact of changes in revenue on economic performance.

Dividend sustainability is a company's capacity to generate consistent and enduring earnings over an extended period. Continuity of profits is an essential factor in evaluating a company's performance and attracting investors, as investors prefer companies that achieve continuous and stable earnings over the years. The continuity of profits depends on several factors, including the ability to innovate and develop. Companies that invest in innovation and develop new and innovative products often achieve continuous and stable profits. It also depends on the ability to adapt to changes in the market. Companies that can adapt to changes in the market and meet customer needs effectively often achieve stable profits. The capacity to handle financial affairs is likewise crucial since organizations that efficiently oversee their financial resources and get favourable returns on investment often realize sustained profitability. In addition to their reliance on the ability to expand and grow, companies that can develop and grow in the market and achieve increased sales often achieve continuous profits.

LITERATURE REVIEW

One of the basic managerial concepts in business is cost-volume-profit (CVP) analysis. Generally, costs are divided into fixed and variable costs, while revenue and the number of units sold are categorized as proxies for demand (Hei Cheung et al., 2019). The most fundamental proposition about fixed and variable costs is that "fixed costs do not change with volume, and variable costs change with volume." However, alternative theoretical viewpoints are discussed, complicating the cost dynamic model. Fixed costs could vary, and variable costs might be constant within the relevant range, between particular periods, and exchange rate fluctuations (Hameedi et al. 2022). The fixed and variable cost relationship may not be understood as often claimed. The existence of that relationship is crucial for CVP analysis. If the cost structure does not have such a relationship, the results obtained from the CVP analysis would be misleading. The existence of that relationship also affects the existence of the profit volume relationship. For CVP to accurately predict the impact of changes in costs on profits, costs must increase at a constant rate with increased revenue, i.e., any change in revenue-caused cost changes must be symmetrical so that costs increase at the same rate when revenue increases as they do when it decreases. Neither type of cost change (increase or decrease) at the same rate by different companies relative to changes in revenue resulted in asymmetric cost behaviour (Banker and Byzalov 2014).

Previous studies have investigated the existence of asymmetric cost behaviour and examined patterns of asymmetric cost behaviour based on firm characteristics and fixed costs, as well as the relationship between cost stability and observed fixed costs, firm size, and stakeholders. However, several studies have analyzed asymmetric cost behaviour, focusing on aspects other than the pattern of asymmetric cost behaviour for fixed costs as a variable that affects the cost behaviour pattern. Consequently, many empirical results show that the cost behaviour pattern changes as output changes focus on fixed overheads (Banker et al. 2018).

Cost behaviour patterns are often discussed in terms of traditional cost behaviour assumptions, such as variable or fixed costs related to cost patterns according to the company's activity level. According to prior research based on cost classifications based on traditional cost behaviour, variable costs are defined as costs that change in total amount in proportion to changes in the company level of activity (Amagtome and Alnajjar, 2020).

On the other hand, fixed costs are defined as maintaining a constant total regardless of changes in the activity level. In this sense, according to traditional cost behaviour classification (variable and fixed costs) within companies, cost behaviour patterns are often explained. However, in reality, there is a limit to a clear-cut classification of all costs as proportional to falling or rising in the activity cost. Business operators begin by raising their output, hiring new workers, or purchasing more machines (AL-Jawahry et al. 2022). Such operations require a variable initial outlay, inputs, and costs, which will

increase at the beginning of the increase in production. However, the growth of income is not infinite, but after a specific time, it stabilizes around a certain limit, reaching the level of the maximum scale of production. The fixed costs of business operators are the costs that cannot be changed during this process, which is why business operators need specific periods if they decide to return costs to reduce the loss of market signals before changing. Implementing cost stickiness in business organizations depends on the evolution of the main activities and other business characteristics. A polynomial adjustment cost is assumed in all cases, meaning that the costs of making or eliminating investments are diminishing returns. In these terms, this cost function is a cubic polynomial of x with one of two signs, positive or negative (e.g., positive fixed O1; political negative variable O4). Fixed costs will significantly impact their growth, and whether the unemployment rate decreases or rises has been proven to have a negative impact (Hei Cheung et al., 2019).

There are various reasons why companies have different cost behaviour patterns; such differences can be reflected in the asymmetry. Differences in company characteristics can affect cost behaviour. This means that not all companies increase or decrease their costs equally when revenues increase or decrease (Hei Cheung et al., 2019). There are a considerable number of studies regarding cost behaviour. However, these studies relate only to the effect of cost behaviour on revenue changes, yielding distinct results with companies' various attributes considered.

Several company characteristics may affect cost behaviour. The size of a company is one of its fundamental attributes, and it may determine what variety of resources a company should have; each company has its peculiar production technology, organizational structure, and suppliers (Khaghaany and Shaker 2024). Each company has its peculiar size range as well. The industry in which a company is situated reflects the ultimate collection of resources that are used: the size and structure of the market, the type of service and product, the costs of inputs, etc. The variety and degree of competition within an industry also differ from industry to industry. Companies in the same sector may need to input resources to maintain their equipment at an optimal level due to their possession of distinctive assets. Additionally, many companies have peculiar management practices and strategic positioning, which could affect the nature and volume of the cost structures in their revenue paths. Different company attributes usually come with different cost structures and questions about how to respond to any given revenue change. This means that one similar-size company in the same industry, other things being equal, may have different cost structures and cost behaviours. There have been increasing efforts made to guide decision-making on cost structure. Due to their various underlying factors, companies may have different cost structures, and as a result, how cost structures are likely to be adjusted with any given percentage change in revenue could be different.

Continuing profits that are difficult to fluctuate are the desired economic consequences by all firm stakeholders (Hei Cheung et al., 2019). Reaching this result is related to both the strategic actions of businesses and firms. In this respect, one of the main determinants of the continuity of profits is the stability of a firm's profit level. It is expected that the greater the stability of profitability, the greater the profit cling; that is, the more the profit continuity. Asymmetric cost behaviour, on the other hand, affects ongoing profitability stability. If firms have asymmetric cost behaviour, their profit levels will fluctuate from one period to another, even if their sales quantity and price remain unchanged, i.e., their ongoing profitability will be unstable (Zhu et al. 2021). It is, therefore, argued that one of the critical strategic actions for pursuing profit continuity is to manage costs symmetrically. For this reason, it is necessary to closely monitor cost behaviour from these aspects rather than only within the shrinking cost management.

A synthesis of case studies and theoretical models illustrates cost behaviour patterns and how firms can take different paths to manage their ongoing profits (Abdollahi, Sadeghvaziri, and Rejeb 2023). Whether profit spikes due to temporary demand level increases or specific cost management strategies, irrespective of cost behaviour, can negatively affect profit continuity is questioned. Profit spikes on a short-term basis are explained by the two companies described in the case study; It is underlined that this is not always a sign of financial health. On the contrary, it may signal firms' inefficiency and reveal uncertainty about sustainable earnings. It needs to be pointed out that a comprehensive strategy is required to secure this sustainability in advance, and insights denoting cost behaviour can be combined with this strategy. From this perspective, the case is criticized for its limited ability to judge profit continuity. Thus, it is emphasized that market actors should evaluate this situation comprehensively rather than unidirectionally.

AIMS AND OBJECTIVES

Therefore, the paper aims to achieve the following objectives:

- Explaining the concepts and cognitive foundations of company characteristics, asymmetric cost behaviour, and continuity of profits.

- Assessing corporate attributes, the trend of asymmetric cost behaviour, and the persistence of profits for a sample of Iraqi industrial firms.
- Study the theoretical and applied impact of company characteristics on the pattern of asymmetric cost behaviour and its effect on the continuity of profits.

METHODS

The research problem

The continuity of profits is evidence of the company's and its management's success. On the other hand, the lack of continuity of profits can lead to several negative consequences for the company and investors, including the loss of investor and shareholders' confidence in the company, which leads to a decline in the value of the stock and a reduction in future investments. The company's capacity to spend on research, development, and growth adversely impacts its competitive position in the market. In contrast, the depreciation of its market value diminishes its appeal to investors and shareholders. It also hurts the company's reputation, reflecting its ability to attract customers, employees, and investors. It is also reflected in the reduced liquidity available to the company, which makes it unable to meet its financial obligations and control its costs. The research problem can be clarified with the following questions:

1. What is the pattern of asymmetric cost behaviour in Iraqi industrial companies?
2. How do a company's characteristics affect asymmetric cost behaviour?
3. How do the company's characteristics impact the continuity of profits?
4. How does asymmetric cost behaviour affect the continuity of profits?
5. Is the effect of company characteristics on the continuity of profits reflected through asymmetric cost behaviour?

The importance of research

The research derives from the importance of continuing profits for companies and highlighting the factors that help companies in their strategies to achieve success and continuity and improve their economic performance through improved cost management and profits. Enhancing its capacity to adjust to fluctuations in the market and economic landscape. It also enhances its ability to grow by improving its financial performance, strategies, and ability to adapt, forecast, plan, and innovate, as well as its economic and non-financial characteristics.

Research hypotheses

To achieve the research objectives and answer the questions of the research problem, the following hypotheses were formulated:

1. The pattern of asymmetric cost behaviour in Iraqi industrial companies is sticky to the upside.
2. The features of a company have a statistically significant influence on the pattern of asymmetric cost behaviour.
3. The company's features have a statistically significant impact on profit continuity.
4. The asymmetric cost behaviour pattern has a statistically significant impact on profit continuity.
5. The effect of company characteristics on the continuity of profits is reflected statistically significantly through the mediation of the asymmetric cost behaviour pattern.

Research model

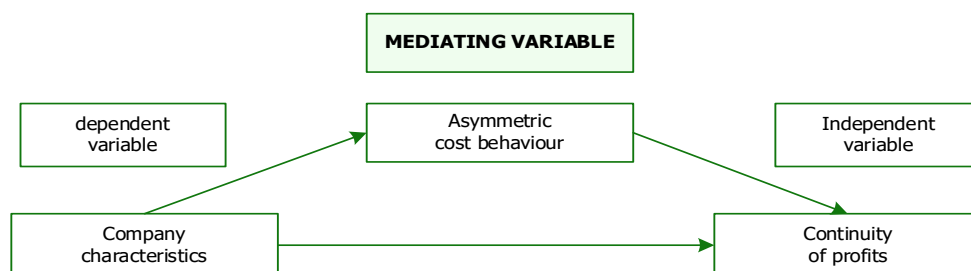


Figure 1. Search model.

The research population and sample: The study cohort comprises 24 Iraqi industrial firms registered on the Iraq Stock Exchange. A sample of 12 enterprises, representing 50% of the community, was chosen.

Spatial and temporal limits of research: The research's spatial boundaries include industrial companies listed in the regular market on the Iraq Stock Exchange, and its temporal boundaries include the period from 2012 to 2021.

The theoretical aspect of research

The first is asymmetric cost behaviour.

Cost analysis has a fundamental impact on decision models, as costs can be predicted if their behaviour is stable and similar, which allows managers to choose between available alternatives, reduce the degree of uncertainty, and make the right decision (Abdel Fattah, 2020: 4). One of the most important reasons for determining cost behaviour is (Pichetkum, 2012: 208):

1. Determine the cost of the product.
2. For decision-making and planning purposes.
3. For control purposes.

Cost behaviour is defined as the extent of cost interaction resulting from a change in the volume or level of activity. On this basis, costs are classified as fixed costs (which do not change with changes in the level of activity as a whole but change per unit) and variable costs (which are directly affected). With changes in the level of activity as a whole, but they charge per unit) Moreover, mixed (which combines the characteristics of variable and fixed costs) (Garrison, 2012: 29-34).

This division is considered one of the traditional cost behaviour models, as it determines the relationship of costs to the size of the activity in a linear relationship and is proportional to changes in the size of the activity. Still, the research conducted by (Anderson, Banker & Janakiraman) has a different vision of an asymmetric and unusual pattern of costs, as their study found that costs General, Marketing, and Administrative Costs (SG&A) "Selling, General & Administration Costs" are affected differently by upward or downward changes in the volume of activity, as they referred to them as sticky costs. (Calja et al., 2005: 3) defined them as the behaviour that appears when costs change. When the volume of activity increases more than the change in costs, the volume of activity decreases (Anderson, 2003: 48). These facts were reached by studying the change in sales for 7629 industrial facilities over 20 years. They concluded that SG&A costs increase by 0.55% when they increase Sales by 1%, but they decrease by 0.35% when sales decrease by 1%. Their study showed that costs become sticky due to managers' decisions regarding the exploitation of the facility's production capacity, as idle capacity is exploited when managers expect increased demand for the product and costs increase due to that, and that the interaction with. The demand for the product to increase production capacity is greater than the reaction to its decrease, and the following Figure 2 shows the behaviour of sticky costs.

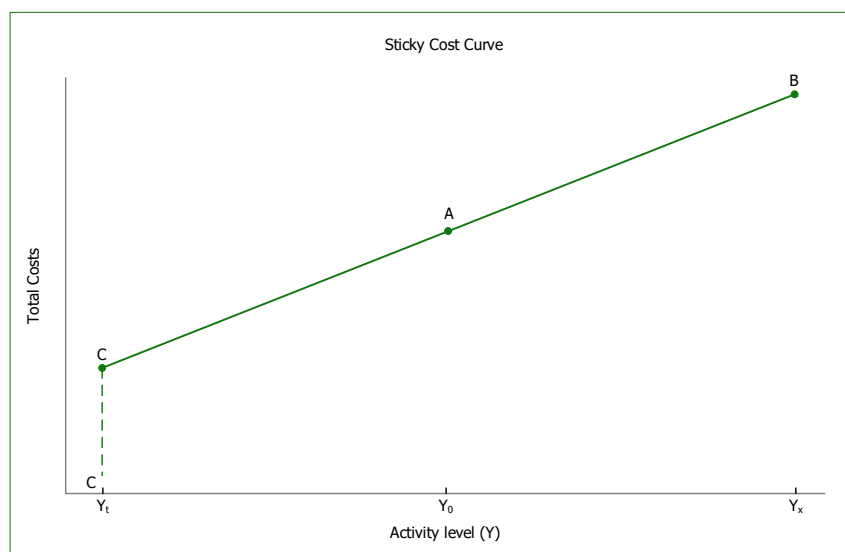


Figure 2. The behaviour of sticky costs. (Source: Hoffmann 2017: 25)

As shown above, the decrease in costs (shift from point A to C) when the level of activity Y decreases is greater than the percentage of increase in costs (shift from point A to B).

On this basis, costs can be classified according to their behaviour as follows (Figure 3).

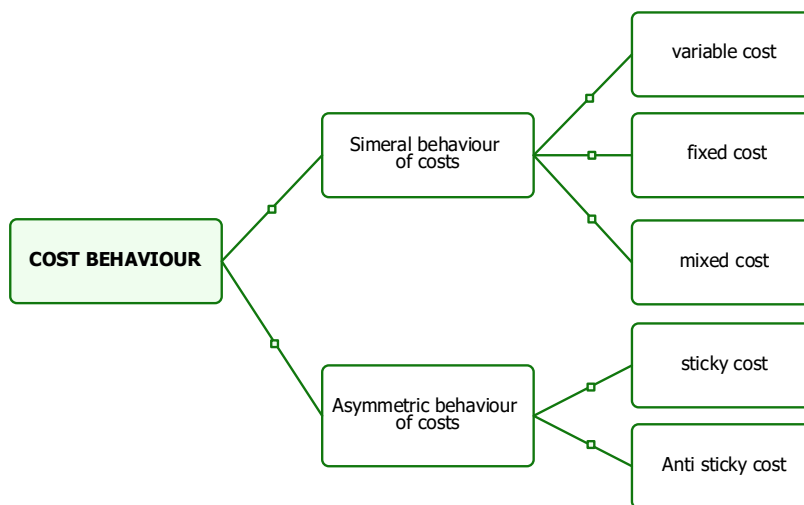


Figure 3. Cost behaviour.

The study by Anderson and others indicated that there is a group of reasons that change the behaviour of costs from symmetrical to asymmetrical or sticky, which are as follows (Qahtan, 2021: 253-255):

1. Instability of demand for products.
2. Failure to respond quickly to reducing production to counter the decline in sales.
3. The impact of contractual factors on managers' cost reduction decisions.
4. Management's desire to maximize profitability.
5. Productivity factors.
6. Lack of cost control.

Second - continuity of profits.

Investors are increasingly interested in the continuity of profits. They consider it to be appropriate information for identifying and evaluating investment opportunities (An, 2017: 83). More sustainable profits are more sustainable and of high quality, and less sustainable profits are unsustainable and of lower quality (Lyimo, 2014: 19). The quality of profits can be verified through the extent of the ability of current profits to continue in future periods. The more continuity profits enjoy, the higher the level of quality of future profits (Richardson, 2003: 49). The quality of profits has been defined as the ability of reported profits to show the actual performance of the organization and the predictability of future profits for the investor (Al-shiblawi et al., 2023: 36). The continuity of profits has been defined as the continuation of the flow of current profits in future periods and the statement of current profits in contrast to the current and future performance of the organization (Al-Tamimi and Sabr, 2013). Profits are of high quality when they are stable and continuous and result from the ongoing activity of the organization and not occasional and are not the result of earnings management, so analysts and investors consider it appropriate for investment decisions and can be used frequently (Hamid and Hassan, 2020: 217).

RESULTS

Upon concluding the measurement of the variables used in the study, the researchers encoded the data for entry into the employed statistical software, as follows (Table 1):

Table 1. Encoding the search parameters.

Coding	Measurement method	Variable type	Name the variable		
Age	The number of years from the date of the company's founding to the end of the measurement year	independent	Age	Company characteristics	1
Size	The natural logarithm of total assets		Size		
Lev	The ratio of assets to liabilities		Leverage		
WC	The difference between current assets and current liabilities		Working capital		
MTB	The ratio of market value to book value per share		Growth		
ACB	$Log(O.C_{i,t,t-1}) = B_0 +$ $B_1 * Log(Rev_{i,t,t-1})$ $B2 * Dec_{it} * Log(Rev_{i,t,t-1}) + e_{it}$	mediator	Asymmetric cost behaviour pattern		2
EC	$oneE_{it} = B_0 + B_1 * E_{it-1} +$	continued	Continuity of profits		3

The summary of descriptive statistics for the variable data is shown in Table 2.

Table 2. Descriptive Statistics.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ACB	120	.0004	.5946	.112697	.1185034
Age	120	264	720	468.42	142.694
Size	120	8.740	11.750	9.75617	.664095
Lev	120	.010	6.680	.51992	1.057756
WC	120	-7,938,051,796	189,584,127,937	11,179,128,042	32,233,705,324
MTB	120	-6.867	13.800	1.87548	3.147503
EC	120	74,129,084	15,350,601,159	961,599,714	2,368,012,618

The most essential thing to take away from the table is that the sample size for all variables is 120 observations. This indicates that there are no missing values in the data for any of the variables under consideration.

The following is Table 3, which displays the binary Correlation matrix that exists between the variables that were investigated:

Table 3. Analysis of correlations matrix. Note: ** - correlation is significant at the 0.01 level (2-tailed); * - correlation is significant at the 0.05 level (2-tailed).

		Correlations						
		ACB	Age	Size	Lev	WC	MTB	EC
ACB	Pearson Correlation	1						
	Sig. (2-tailed)							
Age	Pearson Correlation	.694**	1					
	Sig. (2-tailed)	.000						
Size	Pearson Correlation	-.177-	-.178-	1				
	Sig. (2-tailed)	.053	.052					
Lev	Pearson Correlation	.430**	.482**	-.214-*	1			
	Sig. (2-tailed)	.000	.000	.019				
WC	Pearson Correlation	-.151-	.078	.722**	-.109-	1		
	Sig. (2-tailed)	.100	.398	.000	.238			
MTB	Pearson Correlation	.876**	.596**	-.008-	.365**	.056	1	
	Sig. (2-tailed)	.000	.000	.935	.000	.542		
EC	Pearson Correlation	-.220-*	-.060-	.610**	-.095-	.672**	-.097-	1
	Sig. (2-tailed)	.016	.513	.000	.302	.000	.289	

The table above illustrates the magnitude and orientation of the binary correlation among the study variables, providing a first assessment of the relationship's nature.

The first hypothesis: The pattern of asymmetric cost behaviour in Iraqi industrial companies is viscous upward.

The hypothesis was evaluated by a regression model based on the (ABJ) framework for a single period to assess asymmetric cost behaviour, utilizing the SPSS software; the findings were as follows (Table 4).

Table 4. Results of testing the first hypothesis.

R	R Square	F	F-Sig	B	B-Value	T- sig
0.713	0.509	60.562	0.000	B_0	-0.032	.132
The result is that the hypothesis is accepted				B_1	0.753	.000
				B_2	-0.331	.038

The correlation (R) value between the variables reached 0.713, a high value. Additionally, the coefficient of determination R Square reached 0.509, demonstrating the model's explanatory power. Furthermore, the calculated F value reached 60.562, and the significance level of the F-Sig reached 0.000, which is smaller than the acceptable error value. All these findings are presented in the table above. In social sciences, the value of 0.05 is used to determine it. It is important to note that the value of the regression coefficient B2 is -0.331, which is harmful. This value is statistically significant because the significance level of the T-Sig is 0.038, which is less than 0.05, which indicates acceptance of the research hypothesis. To put it another way, if the value of the coefficient B2 is negative, the research hypothesis is accepted. When statistical significance is considered, the cost behaviour pattern is correlated with an upward trend.

The second hypothesis is that company characteristics have a statistically significant effect on the pattern of asymmetric cost behaviour.

To put this theory to the test, the "linear regression" model that is shown below was developed:

$$ACB_{it} = B_0 + B_1Age_{it} + B_2Size_{it} + B_3Lev_{it} + B_4WC_{it} + B_5MTB_{it} +$$

The following findings were obtained using statistical software known as SPSS (Table 5).

Table 5. Results of testing H2.

R	R Square	F	Sig	characteristics	B
0.928	0.860	140.576	0.000	Age	.300
The result is that the hypothesis is accepted				Size	.080
				Lev	.016
				WC	-.270
				MTB	.707

The correlation value (R) between the variables (independent and mediator) reached 0.928, which is a very high value. Additionally, the coefficient of determination (R Square) reached 0.860, indicating that the independent variable explains 86% of the variance in the mediator variable. Furthermore, the F value calculated by the researcher was found to be 0.860. It reached 140.576 for the independent variable, and the significance level of the test Sig reached 0.000. This is a number that is lower than the value of the acceptable error in social sciences, which is set to be 0.05. Consequently, this demonstrates that the research hypothesis is accepted. Growth directly influences the pattern of cost behaviour, and working capital has an inverse effect on the pattern of cost behaviour, as shown by the findings of column B in the table above. This can be seen for each of the discussed qualities (age, size, and financial leverage). According to the researchers' findings, this is due to the ineffective use of working capital to control expenses effectively.

The third hypothesis: There is a statistically significant effect of company characteristics on the continuity of profits.

To put this theory to the test, the "linear regression" model that is shown below was developed:

$$EC_{it} = B_0 + B_1Age_{it} + B_2Size_{it} + B_3Lev_{it} + B_4WC_{it} + B_5MTB_{it} +$$

The following findings were obtained using statistical software known as SPSS (Table 6).

R	R Square	F	Sig	characteristics	B
0.709	0.503	23.059	0	Age	.007
The result is that the hypothesis is accepted				Size	.268
				Lev	.068
				WC	.494
				MTB	-.152

The table above demonstrates that the correlation (R) between the variables (independent and dependent) was 0.709, which is a high value. Additionally, the coefficient of determination (R Square) was 0.503, indicating that the independent variable explains 50.3% of the variance observed in the dependent variable. Furthermore, the F value calculated for the variable was 0.503. In the independent test, the value reached 23.059, and the significance level of the Sig test reached 0.000. This is a number lower than the value of the error allowed in the social sciences, which is set to be 0.05. Consequently, this demonstrates that the research hypothesis is accepted. The findings of column B in the table above indicate that for each of the characteristics (age, size, and financial leverage), working capital directly influences the continuity of profits, and the growth rate has an inverse effect on the pattern of continuity of profits. This is something that can be seen. Many businesses in the study sample had a poor growth rate, which the researchers believe is the explanation.

Fourth hypothesis: The asymmetric cost behaviour pattern has a statistically significant effect on the continuity of profits.

To put this hypothesis to the test, the "linear regression" model that follows was developed:

$$EC_{it} = B_0 + B_1ACB_{it} + \varepsilon_{it}$$

Following (Table 7) is a list of the findings obtained by the use of the statistical application SPSS.

R	R Square	F	Sig	B	Result
0.220	0.048	5.978	0.016	-0.220	Reject the hypothesis

According to the data presented in Table 7 above, the coefficient of determination R Square was 0.048, which indicates that the mediating variable explains 4.8% of the variance that occurs in the dependent variable and that the value of F calculated for the variable was 0.220. This is a low value. The correlation value (R) between the variables (mediator and dependent) was 0.220, which is a low value. In social sciences, the value of the error that is considered acceptable is 0.05, and the median reached 5.978. The significance level of the Sig test reached 0.016, which is lower than the value of the error tolerated in the social sciences. This implies that the study hypothesis is accepted, and the value of 0.220, a negative sign, indicates an impact contrary to the asymmetric cost behaviour pattern in the continuum, which is a 22% increase in profits. The researchers attribute this to the upward sticky cost behaviour (which characterized the sample companies) that could reduce the ability to predict profits and increase fluctuations in profits, thus adversely affecting their sustainability.

Fifth hypothesis: The effect of company characteristics on the continuity of profits is reflected statistically significantly through the mediation of the asymmetric cost behaviour pattern.

Path analysis, which considers the independent variable's effect on the mediating variable when measuring its reflection in the dependent variable, will be utilized to test this hypothesis. This is because the results of the previous hypotheses demonstrated that the conditions for path analysis are satisfied, which is the case:

1. The second hypothesis demonstrated that the independent variable (business characteristics) influences the mediating variable (asymmetric cost behaviour pattern).

2. The fourth hypothesis proved that the mediating variable (asymmetric cost behaviour pattern) affects the dependent variable (continuity of profits).

Accordingly, the following path was drawn to test the extent and type of mediation (Figure 4, Table 8).

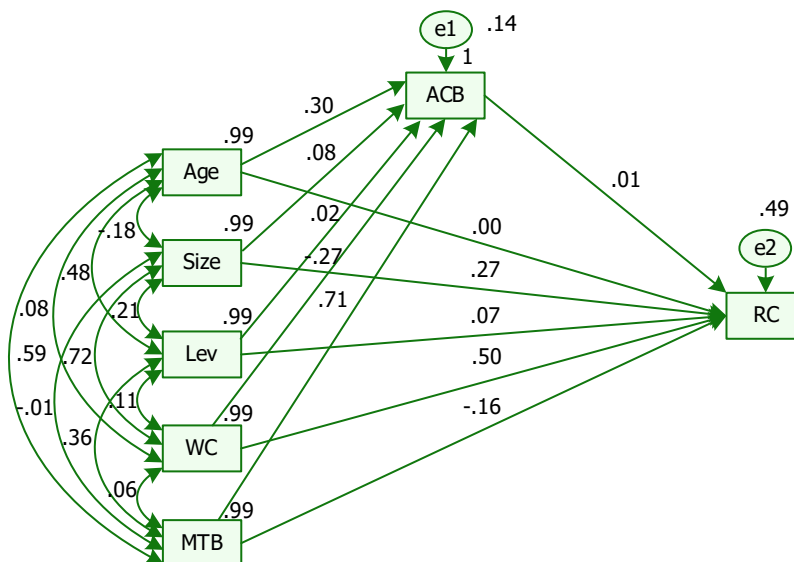


Figure 4. The fifth hypothesis tests the path.

Table 8. Findings of the H5 test.

Regression Weights						
	Path		Estimate	S.E.	C.R.	P
ACB	<---	Age	0.3	0.049	6.169	0.000
ACB	<---	Size	0.08	0.054	1.497	0.134
ACB	<---	Lev	0.016	0.04	0.389	0.697
ACB	<---	WC	-0.27	0.052	-5.151	0.000
ACB	<---	MTB	0.707	0.044	16.198	0.000
EC	<---	ACB	0.011	0.173	0.065	0.948
EC	<---	Age	0.003	0.105	0.031	0.976
EC	<---	Size	0.267	0.102	2.616	0.009
EC	<---	Lev	0.068	0.075	0.901	0.368
EC	<---	WC	0.497	0.11	4.538	0.000
EC	<---	MTB	-0.16	0.147	-1.085	0.027

As a result of the fact that the P-value for those paths reached 0.948, which is significantly higher than the error value that is generally accepted in the scientific community, the most significant thing that can be observed from the results of the path analysis table that is located above is that the mediating variable, which is the asymmetric cost behaviour pattern, does not have a significant impact on the dependent variable, which is the continuity of profits. There is a substantial influence on the dependent variable from most of the company's characteristics (size, working capital, growth rate), although the social value is 0.05. This is because the significance level of these characteristics is lower than 0.05. Consequently, this indicates that the firm's features directly impact the continuity of profits and that these qualities are not represented via the mediation of a behavioural pattern. The expense is not distributed evenly; hence, the research hypothesis is not supported.

DISCUSSION

This study attempts to analyze the effect of company characteristics on the asymmetry of cost behaviour and business continuity. Suggested that it is difficult to distinguish between cost stickiness and cost asymmetry, and more careful consideration of other possibilities should be carried out. The results indicate the need to focus on improving the company's characteristics that management can leverage, such as determining the optimal size of working capital and the financial leverage ratio considering a study of the optimal financing structure. All of this would enhance economic performance and increase the chances of profitability, sustainability, and continuity. Furthermore, the results of the current study require enhancing the company's growth opportunities by conveying positive messages to financial markets to improve their stock prices.

We argue that the results showed that the stickiness behaviour of cost increases was dominant in the market and showed strong evidence of cost aggregation instead of cost disaggregation. The results of this study agree with many previous studies that confirm our conclusions. For instance, Ibrahim (2018) shows that the cost of goods sold (COGS) demonstrates asymmetric behaviour, increasing by 1.05 per cent for a one per cent increase in activity and decreasing by just 0.85 per cent for an equal drop-in activity. This study challenges the common notion that costs behave linearly. They discovered that board features considerably impacted cost stickiness, with larger boards, role duality, and a higher proportion of non-executive directors related to more cost asymmetry. Firms that experience consecutive revenue declines, faster economic growth, and increased institutional ownership have lower levels of cost stickiness.

According to Ballas et al. (2020), there is a negative correlation between cost asymmetry and financial hardship. This means that the more distressed a person is, the less asymmetrical their cost behaviour is. This is because keeping idle resources in times of financial hardship is more expensive, which reduces managerial optimism and resource dedication. Ballas et al. (2020) discover a negative relationship between corporate financialization and asymmetric cost behaviour, implying that corporate financialization significantly weakens asymmetric cost behaviour in firms with high internal control quality, strong compensation incentives, and few agency problems. In contrast, the detrimental impact of corporate financialization on asymmetric cost behaviour is negligible in businesses with inadequate internal control quality, weak pay incentives, and considerable agency difficulties.

Finally, Setiawan et al. (2023) discovered that expenses rise by 0.53% for every 1% increase in sales but fall by only 0.39% for every 1% decrease in sales, demonstrating asymmetric cost behaviour in Indonesian companies listed on the Indonesia Stock Exchange from 2010 to 2017. This tendency is consistent with prior studies, which found that expenditures rise by 0.55% for every 1% increase in sales but fall by just 0.35% for every 1% decline in sales, demonstrating the difference in cost behaviour compared to revenue changes.

Because profit continuity is the basis for economic evaluations of distress and cost behaviour is the most important driver of the hypothesis of stable profits, both are essential for understanding company distress. Previous work has mostly focused on the effects of cost behaviour on profit continuity and has paid scarce attention to the effect of country characteristics on profit continuity. This paper extends the cost behaviour analysis to the niche of profit continuity and investigates whether both are affected by the same company characteristics. An extended model is examined, including the interaction effects of measuring cost stickiness with company characteristics.

CONCLUSIONS

The empirical results show that the company characteristics affect the pattern of asymmetric cost behaviour. The findings show that while industry types, firm age, and loss status significantly affect cost behaviour, the company size significantly affects the pattern of asymmetric cost behaviour. Furthermore, the effect of the pattern of asymmetric costs on the continuity of profits has been interrogated (Hei Cheung et al., 2019). The results indicate that the high-low model explained the persistent profits more than the high-symmetric and low-symmetric models in almost all the empirical analyses for different harmful PPE ratio levels, and company loss status has an effect on profit continuity. Regarding different control variables with negative PPE, it turned out that the relationship among cost behaviour, persistent profits, and the company is more involved. In addition, the empirical results are robust to the method used to calculate first differences, calculated according to the lowest absolute negative PPE and regression equations without first differences. Furthermore, the interaction term was added to the basic empirical equation to strengthen robustness. Even when the interaction terms of the company and significant control variables are added to the basic regression equations, similar results are obtained as in the basic regression equations. Several measures can be taken to overcome sticky cost behaviour, including improving

production and marketing processes, organizational structure and financial policies, and modern cost management methods. Companies can improve communication with investors and shareholders by expanding optional disclosures to clarify the factors that affect the company's performance and how to deal with them.

This can be attributed to several factors, including inflation and internal company factors, such as the organizational structure and financial policies. Sticky rising cost behaviour may result in decreased predictability of earnings and higher volatility in profits, which makes it difficult for investors and shareholders to get an accurate evaluation of the true worth of the firm. The company's characteristics directly impact the pattern of cost behaviour and the continuity of profits. The company's characteristics directly affect the continuity of profits, and the cost behaviour pattern does not mediate that effect. Based on the data processing and hypothesis testing results in the study, it can be concluded that company size affects the pattern of asymmetric cost behaviour. In contrast, liquidity, leverage, profitability, company growth, and market power do not affect asymmetric cost behaviour patterns. Company size affects profit continuity. Liquidity affects profit continuity, while leverage, profitability, company growth, and market power do not. The pattern of asymmetric cost behaviour affects profit continuity.

Given the topic's importance, we recommend conducting complementary studies to the current research. These studies should include applying the same measures used for the research variables to sectors other than the industrial sector and comparing the results and other measures for the same research variables to the industrial sector and comparing the results.

Future areas of research should also include the study of how other company characteristics relate to the asymmetry of cost behaviour for fixed and variable costs and to profit continuity and other aspects of the relevant company characteristics, such as market conditions, types of industries, differences between large and small firms, and differences between profitable and loss-making firms.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ВПЛИВ ХАРАКТЕРИСТИК КОМПАНІЇ НА ЗАКОНОМІРНІСТЬ АСИМЕТРИЧНОЇ ПОВЕДІНКИ ВИТРАТ І ЙОГО ВІДОБРАЖЕННЯ НА БЕЗПЕРЕРВНОСТІ ПРИБУТКУ

У цьому дослідженні розглянуто вплив характеристик фірми на асиметричні моделі поведінки за витратами та їх наслідки для сталості прибутку. У дослідженні використано кількісний підхід для вивчення даних 12 промислових компаній, зареєстрованих на Іракській фондовій біржі з 2012 по 2021 рік.

Досліджувані змінні були кількісно оцінені відповідно до моделей і розмірів, установлених у літературі. Змінну характеристик компанії вимірювали за п'ятьма параметрами: розмір компанії, вік, фінансовий леверидж, оборотний капітал і співвідношення ринку з балансовою звітністю. Асиметричний патерн поведінки витрат вимірювали за допомогою моделі ABJ, а змінну сталості прибутку розраховували за допомогою моделі саморегресії для поточного та попереднього прибутку. Вірогідність даних для статистичного аналізу була підтверджена за допомогою статистичного пакета SPSS шляхом тестування на нормальний розподіл, лінійність і відсутність мультиколінеарності. Гіпотези дослідження перевіряли за допомогою лінійної регресії.

Дослідження показало, що серед іракських підприємств переважає поведінка «липких» витрат, а загальні особливості цих організацій позитивно впливають і на асиметричну поведінку витрат, і на сталість прибутку. Асиметрична модель поведінки витрат підвищує сталість прибутку, водночас корпоративні атрибути впливають на сталість прибутку безпосередньо, незалежно від асиметричної моделі поведінки витрат.

У дослідженні рекомендовані необхідність вивчення та аналізу асиметричної моделі поведінки витрат для розуміння її впливу на розмір бізнесу, а також зосередження уваги на посиленні характеристик компанії, які менеджмент може покращити, – таких як визначення оптимального розміру оборотного капіталу та ставки фінансового левериджу у світлі дослідження оптимальної структури фінансування. Це підвищить економічні показники, розширить можливості для отримання прибутковості, а також забезпечить безперервність і сталість. Це також покращить можливості зростання компанії за рахунок надання позитивних повідомлень фінансовим ринкам для підвищення цін на акції на фінансовому ринку.

Ключові слова: характеристика компанії, витрати, асиметрична модель поведінки витрат, зростання компанії, безперервність прибутку

JEL Класифікація: C67, J30, J32, J33, O21