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Board Characteristics, Accounting Expertise, and Asymmetric Cost Behaviour: Evidence from Emerging Country

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Abstract

The study aimed to demonstrate the impact of board characteristics on asymmetric cost behavior in Iraqi private non-financial companies listed on the Iraq Stock Exchange. The study relied on a sample of 35 companies for the period 2010 to 2022. We used Stata to analyze the data and extract the results. The study found that board diversity and board busyness have a negative impact on asymmetric cost behavior. The relationship also showed a positive interaction for the accounting experience as a moderator. The study provides a comprehensive framework for decision-makers and regulators, detailing the ways managers can influence cost behavior asymmetrically and how corporate governance mechanisms can mitigate such interventions. Furthermore, the study demonstrates the impact of managerial incentives on cost behavior.

Keywords: Board Characteristics, Board Accounting Expertise, Asymmetric Cost Behaviour

Introduction

Comprehending cost behavior is essential for managers, accountants, management, and financial analysts (Dalziel et al., 2011; Pucheta-Martínez & Gallego-Álvarez, 2020). Selling and administrative expenses constitute a significant component of operational expenditures in business (Anderson et al., 2003). Due to the significance of selling and administrative expenses, professionals prioritize the management of these expenditures. Consequently, comprehending cost behavior and the managers' involvement in its adjustment is crucial for both scholars and practitioners (Makni Fourati et al., 2020). Prior research indicates that costs exhibit asymmetric behavior; they diminish with a decline in demand but escalate more swiftly with an increase in demand compared to their reduction (Ibrahim, 2018). Asymmetric cost behavior has been extensively studied in accounting (Le et al., 2022; Magheed & El-Issa,

2017). Previous research has shown that asset intensity and demand uncertainty affect cost stability, while management incentives have little effect (Gheewala et al., 2013). According to Anderson et al. (2003), agency costs may cause cost asymmetries, although actual data is weak.

Opportunistic managers have been found to be responsible for asymmetric cost behavior in a number of studies. The authors Chen et al. (2012) state that empire-building incentives motivate managers to expand the company beyond its capacity. When demand is high, opportunistic managers quickly boost marketing and administrative expenses, and when demand is low, they gradually reduce those expenditures. This results in the expansion of the company while simultaneously producing sticky costs. In addition, Dierynck et al. (2012) discovered that managers who are under pressure to fulfill profitability objectives reduce labor expenses less during periods of high demand and increase them during periods of low demand in order to save money. This results in expenditures that are not sticky. Kama and Weiss (2013) suggest studying managers' goals and agency-driven incentives to better understand cost behavior. Asymmetric cost behavior mostly arises from managers' intentional opportunistic actions in reaction to demand fluctuations, necessitating the mitigation of this interference to align the cost response more closely with the ideal level. Corporate governance might be a beneficial recommendation. Prior research indicates that corporate governance favorably impacts managerial decisions and reduces management opportunism (Chen et al., 2020; Chung et al., 2002; T., 2009). Corporate governance processes oversee and regulate managerial choices on behalf of shareholders. Consequently, corporate governance can beneficially affect managers' judgments about cost behavior (Ahmed & Duellman, 2011; Panda & Leepsa, 2017). Corporate governance may assist in reducing cost asymmetry since Chen et al. (2012) and Pichetkun (2012) found that there is less asymmetric cost behavior in the strong governance subsample than in the bad governance subsample.

Understanding whether a company's governance structure could influence the cost disparity is, hence, the fundamental goal of this study. To achieve this goal, more research into a possible strategy to reduce cost inequality may be conducted. This would be accomplished by contributing to the current corpus of evidence demonstrating that efficient corporate governance aids in decreasing cost stickiness (Ibrahim, 2018; Le et al., 2022). Additional real-world data is needed to show how successful company governance may be in reducing cost inequality, given there is a lack of study on the issue. Chen et al. (2012) examined how US company governance affected cost-sticky pricing. This study examines company management and cost distribution in Iraq, a developing country. Our study hinges on two key points: Uneven cost behavior arises when managers adjust resources in response to activity fluctuations when they think it's a good time. Furthermore, according to Ali and Shafique (2020) and Le et al. (2022), effective corporate governance has the potential to achieve a cost response level that is more comparable to the optimal cost response level. It also has the potential to influence the decisions that managers make, such as those concerning the transfer of resources. This study is different from others in that it examines the relationship between business governance and uneven cost behavior by using accounting expertise as a moderating variable. This is another unique aspect of this study.

Literature Review and Hypothesis Development

Board Independence

Agency theory says that conflicts of interest between owners and company management are less likely to happen when there is an independent board with at least some non-executive members. Independent boards bring a lot of knowledge and perspective to the process of making decisions (Fama, 1980; Komal et al., 2021). The study makes it clear that non-executive directors are very important because they offer important tools like their knowledge, experience, independence, and advice. The resource dependence theory suggests that having independent board members and committee members is crucial for monitoring senior management, facilitating access to crucial resources, and establishing credibility, all of which contribute to improved performance (Usman et al., 2022). In contemporary research on board qualities, independence is the most widely regarded prerequisite for good governance. Sakhil and Ali (2022) revealed that board independence significantly influences asymmetric cost behavior in the oversight of accounting operations. Moreover, board independence facilitates members in executing their responsibilities autonomously while simultaneously improving the company's internal control mechanisms.
Aksoy and Yilmaz (2023) examined how the board of directors affects debt costs and how ownership structure moderates that connection. He discovered that a board of directors lowers debt costs and ownership raises them. Non-executive managers also boost overconfidence in management competence (Jadah et al., 2016). Overconfidence increases profits management and cost stickiness. This implies that overconfident non-executive managers are more likely to take advantage of opportunities and manage profits. When corporate sales rise somewhat, managers report significant cost overruns, increasing cost stickiness. Based on agency theory, independent directors may cut costs by reviewing management's performance and promoting voluntary information sharing to lessen information asymmetry. They also want to prove themselves as professionals to improve their capital market reputation. Since agency theory and previous research support independent directors' involvement in cost reduction, the study anticipates a negative link, thus the hypothesis.
H1: Board independence will affect asymmetric cost behaviour

Board Gender Diversity

Diversity between men and women has become an important and difficult scholarly problem in the last twenty years because of the global economy. Le et al. (2022) agree that having a mix of men and women on boards is important for good corporate governance, especially in large European companies. Inequality between men and women is being helped by more women being on company boards and in top management. A lot of real-world studies, mostly in Asian and developed capital markets, have looked at female diversity and prices. But things aren't all good. Some studies found links that were not good (Aksoy & Yilmaz, 2023; Hassan et al., 2023; Le et al., 2022; Sakhil et al., 2025). More research, though, doesn't support the idea that gender variety leads to unequal cost behavior (Le et al., 2022; Shahrier et al., 2020). Numerous empirical studies have linked gender diversity to asymmetric cost behavior, with others showing comparable results. Le et al. (2022) examined whether female directors reduce cost asymmetry. Among 37 nations' enterprises surveyed between 1999 and 2018, gender diversity was found to decrease cost stickiness. Companies with high agency costs, bad corporate governance, excessive risk-taking, and unconfident leadership are more likely to have a lack of gender diversity on their boards, which in turn increases firm cost stickiness.

Aksoy and Yilmaz (2023), conducted a meta-analysis that looked at the contentious link between board diversity and cost. A comprehensive literature review of 211 non-financial firms listed on the Borsa Istanbul was carried out. This panel data research examined how chairman gender and board characteristics affected debt costs from 2016 to 2020. The endogeneity issue was examined using a system-generalized moments model. The results demonstrated that when female board chairmen and directors are present, fund providers observe a decrease in default risk and debt expenses. Gender diversity on boards can help keep agency costs down, according to research by Amin et al. (2022) We used multiple regression. From 2008 to 2019, 226 non-financial enterprises listed on the PSX participated in the research, contributing 2,062 firm-year observations to the panel data. The principal-agent problem is solved when there are women on boards because agency expenditures go down. Shahrier et al. (2020) found that agency expenditures were positively correlated with the presence of female directors. This research made use of 23,340 firm-year data from publicly listed Chinese firms between 2004 and 2017. There is a potential for conflicts of interest to arise because female directors on corporate boards cut agency expenses. Boards that include members of both sexes perform better. Zaytoun (2021) examined how board qualities affect cost stickiness. The research used panel data from 41 Egyptian enterprises from 2015 to 2019. The data imply that corporate governance controls the board of directors, which inversely affects cost stickiness. This effect increases when management gives optimistic profit estimates for the firm's future. Gender diversity on the board improves monitoring and reduces cost stickiness. Agency theory states that good management and gender diversity improve supervision and lower agency expenses, improving corporate performance. However, gender and costs have different effects. Given the previous discussion, gender diversity should reduce asymmetric cost behavior if it increases scrutiny. The hypothesis is stated as follows:
H2: Board gender diversity will affect asymmetric cost behaviour

Board Busyness

The Iraqi Companies Law articulates essential stipulations concerning the responsibilities of board directors. Article 110, Paragraph 1 clearly delineates that an individual is prohibited from simultaneously serving on the boards of more than six companies; nonetheless, they are permitted to assume the role of chairman of the board of directors for one or two organizations. Article 110, Paragraph 2 delineates that individuals aspiring to undertake the position of chairman or board member in a company engaged in similar activities are required to obtain a license from the general assembly. The advantages provided by engaged boards of directors are anticipated to surpass the potential risks to the bank's stability (e.g., Trinh et al., 2020). This indicates that the additional responsibilities of "busy" directors may signify their proficiency as overseers in corporate governance (Fama, 1980), reducing managerial opportunism and mismanagement and lowering loan capital costs (Elnahass et al., 2022). Active boards of directors typically boost market valuations, giving their organizations an edge. Evidence implies that board workload improves conventional bank values, easing concerns about monitoring (Elnahass et al., 2020). When a bank faces growth opportunities and high external financing costs, board busyness may force the board to implement an optimal investment strategy by securing sufficient internal resources and capitalizing on a low cost of capital, alleviating the under-investment dilemma (Dierynck et al., 2012).

A research conducted by Trinh et al. (2020) is titled "Fetching Better Deals from Creditors: Board Busyness, Agency Relationships, and the Bank Cost of Debt." The data pertains to publicly listed commercial banks for the projected timeframe of 2010–2015. Multiple intriguing outcomes are noted. In the complete sample, they found a negative association between banks' public debt costs and an active board of directors; board activity adversely affects bank debt financing costs. Thus, board engagement lowers the firm's debt cost. Given the previous argument and the lack of evidence linking board directors' effort and cost. Some research suggests that boardroom involvement reduces profit management. The researcher believes activity-related expertise and skills may significantly impact costs. Based on resource dependency theory and the previous discussion, which showed a substantial link, a research hypothesis concerning busyness and asymmetric cost behavior is offered below:
H3: Board busyness will affect asymmetric cost behaviour

Accounting Expertise as a Moderating

According to the UK Combined Code of Corporate Governance (Financial Reporting Council, 2003), it is mandated that a board incorporate at least one independent non-executive director possessing financial expertise. The SEC characterizes a financial expert as an individual possessing knowledge in accounting, financial statements, internal controls, and the processes associated with audit committees. In September 2012, the UK Financial Reporting Council (FRC) established a requirement for audit committees to comprise a minimum of three independent non-executive directors, with the stipulation that at least one possesses recent financial expertise. According to Article 117, Eighth Paragraph, of the Iraqi Corporate Governance Law enacted in 2004, it is mandated that a financial specialist be included on the board (Hammadi & Jassim, 2022). According to the findings of Chen and Komal (2018), the competencies of directors significantly influence the board's capacity to furnish resources and counsel to management. The efficacy of the board's resource supply function is contingent upon the expertise and competency of its directors, particularly those from outside the organization. This assertion is corroborated by the findings of (Sakhil et al., 2024). Lee and Park (2019) contend that board members possessing accounting and financial expertise are capable of overseeing the preparation of financial reports (Bimo et al., 2022; Dienes and Velte, 2016), whereas those lacking financial knowledge are unable to provide guidance to their colleagues.

Director impact may vary by occupation, according to empirical research. In times of legal and financial difficulty, directors with accounting and legal skills may improve firm operations (Al-Refiay, 2021; Puni and Anlesinya, 2020). According to Al-Matari (2022) and Alodat et al. (2023) , more board members with accounting knowledge may boost a company's financial success. These findings demonstrate how directors' professional backgrounds affect their ability to guide and help the firm. Alzoubi (2019) highlighted that board financial expertise is negatively connected with earnings management, demonstrating that accounting and finance experts minimize earnings management. Consequently, cost reduction. Furthermore, the resource dependency hypothesis posits that directors serve a vital function as suppliers of significant human capital, which includes skill and experience (Ferreira et al., 2010). The research conducted by Lei et al. (2023), entitled "Can differences in the background characteristics of the chairperson-EO vertical dyad reduce management agency costs," analyzed a sample of A-share listed businesses in China from 2008 to 2017 to

investigate this link. The research revealed that using a linear regression model indicates a reduction in management agency expenses when the chairperson has expertise.

Yiğit et al. (2022) studied how the Cost Stickiness Theory's validity affects managers' decision-making styles in SMEs. The study examined cost stickiness using balanced panel data analysis. The evaluations used 2010–2020 data from 70 Ordu companies. The ABJ model tested CS, MS&D, and GA stickiness. Research found that the cost stickiness hypothesis applied to all variables, although overall management expense stickiness reduced. Moreover, it was noted that only managers with experience in the firms were inclined to engage in logical decision-making. Consequently, the expertise will reduce cost stickiness. Likewise, accounting proficiency serves as a principal and very successful instrument for corporate governance inside the board. A group of studies (such as Sayrani et al., 2020; Zaytoun, 2021) verified that competence contributes to the reduction of cost stickiness.

It is essential to highlight the substantial influence of the board, particularly their expertise, building upon the established link between accounting competence and uneven cost behaviour in the aforementioned studies, with insights from resource dependence theory. There should be cost savings in the long run as a result of improved performance, higher-quality financial reporting, and less earnings management thanks to the expertise of the board members. The following hypothesis is derived from this research, which postulates a strong and significant relationship between accounting knowledge and asymmetric cost behaviour:
H4: Accounting expertise will moderate the relationship between board characteristics and asymmetric cost behaviour

Methodology
Sampling
The analysis uses Iraq Stock Exchange-listed firms. Because of their different rules and regulations, banks and insurance businesses were excluded. The research sample includes non-financial enterprises that met the following criteria: 1) Company data must be accessible from 2010 to 2022. 2) The firm did not fail or combine throughout the study period. The research sample includes 35 non-financial enterprises from 2010 to 2022 with 455 observations.

Measurement
Dependent variable: Asymmetric Cost Behaviour
Anderson et al. (2003) ABJ Model uses "cost stickiness" to characterize asymmetric cost behavior, where costs grow instead of falling with demand. The methodology compares net operational revenue to SG&A expenditures. This research uses the logarithmic ratio of current to net sales revenue from the preceding period as the independent variable and current SG&A to SG&A costs as the dependent variable. Research on asymmetric cost behavior uses several proxies. Top proxies include Anderson et al. (2003), Chen et al. (2012), He et al. (2010), and Makni Fourati et al. (2020). SG&A is a common proxy. This study utilized SG&A for expenses and sales income for activities. This was done to emulate them. The cost stickiness regression model has multiple components, as listed below.

The researcher uses the following logarithmic model to measure asymmetric cost behaviour. Which was used by a group of studies such as (Ali & Shafique, 2020; Le et al., 2022a; Lopes, 2021; Ratnawati & Nugrahanti, 2015; Sakhil & Ali, 2022; Sayrani et al., 2020; Zaytoun, 2021).

Model (1)

$$\log\left[\frac{SGA_{i,t}}{SGA_{i,t-1}}\right] = \beta_0 + \beta_1 \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \left\{Y_0 + \sum_{j-1}^{n} y_j CON_{i,t,j}\right\} * DUM * \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \varepsilon_{i,t}$$

Where

The variables used in this analysis are: SGA (natural log of total sales, general and administrative), REV (revenue), DUM (dummy variable) (value = 1 if revenue declines (REV i,t / REV i, t-1 < 1), and CON (control variables). Since most variables in current studies have addressed corporate governance, the researcher uses CAPR and TOBQ as control variables. Here are CAPR and TOBQ details: CAPR is capital intensity, measured as the net value of fixed assets relative to operating revenue; TOBQ is growth rate, measured by Tobin's Q, where i indicates firm and t indicates year. The researcher reformulates model (1):

Model (2)

$$\log\left[\frac{SGA_{i,t}}{SGA_{i,t-1}}\right] = \beta_0 + \beta_1 \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \beta_2 DUM * \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \beta_3 DUM * CAPR_{i,t} * \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \beta_4 DUM * TOBQ_{i,t} * \log\left[\frac{REV_{i,t}}{REV_{i,t-1}}\right] + \varepsilon_{i,t}$$

This model shows that for every 1% rise in revenue, the percentage increase in selling, general and administrative expenditures is represented by the coefficient β1, and for every 1% drop in sales revenue, the percentage decrease in these expenses is represented by the combination of β1 and β2. It seems to reason that when sales are rising, S&G&A spending should rise by a larger margin than when revenue is falling, assuming that these costs are sticky.

According to the definition of asymmetric cost behaviour, a significant negative sign of *β2* in a model (2) indicates the existence of asymmetric cost behaviour.

Independent variable: (Sadaa, Ganesan, Yet, et al., 2023) say that the freedom of the board relies on how many non-executive directors there are out of all the board members. As Sadaa, Ganesan, Yet, et al. (2023) say, gender diversity is measured by giving organizations with at least one female board member a value of one and organizations without one a value of zero. According to Bazrafshan and Hesarzadeh (2022) , a board is busy when there are directors on three or more boards compared to the total number of board members.

Moderating variable: Accounting experts on the board of directors have one of the following qualifications: Bachelor of accounting, CPA, CISA, controller, treasurer, financial management, or tax expert experience (Krishnan & Visvanathan, 2009; Zalata et al., 2018). The number of board members having the relevant credentials divided by the whole board of directors measures accounting experience (Alodat et al., 2023; Niazi et al., 2021).

Control variable: Divide liabilities by assets to calculate leverage. Company size is measured by the natural logarithm of its total assets at accounting year-end. Firm age is determined by the number of years since its establishment (Sadaa, Ganesan, & Ahmed, 2023).

Models

SG&A= β0 + β1 SIZE + β2 LEV + β3 AGE + β4 Board independent + β5 Gender diversity + β6 Board busyness + εit (1)

*SG&A= β0 + β1 SIZE + β2 LEV + β3 AGE + β4 Board independent + β5 Gender diversity + β6 Board busyness + β7 ACEX + β8 Board independent*AccExp + β9 Gender diversity* AccExp + β10 Board busyness* AccExp + εit (2)*

Data Analysis

Descriptive Analysis

This section provides details on the dependent, independent, and moderating aspects of the study. The variables used in the regression tests for descriptive statistics are displayed in Table 1. For every variable, the mean, median, standard deviation, minimum, and maximum are recorded.

Table 1
Descriptive statistics

Variables	N	Mean	Median	Std. Dev.	Min.	Max.
SG&A	455	21.4830	20.7720	12.4057	11.2930	43.6620
Board independent	455	0.4601	0.4286	0.2363	0.0000	1.0000
Gender diversity	455	0.1884	0.2450	0.1291	0.0000	0.3750
Board busyness	455	0.2207	0.2450	0.1613	0.0000	0.5940
AccExp	455	0.1824	0.1740	0.1306	0.0000	0.6667
SIZE	455	22.3720	22.3840	1.3726	18.9960	27.0940
LEV	455	0.6012	0.2510	1.4897	0.0184	19.7820
AGE	455	10.6010	11.0000	3.7360	3.0000	17.0000

The mean of asymmetric cost behavior, expressed as a percentage of sales revenue, was 21.4830, with a maximum of 43.662 and a low of 11.293, indicating significant asymmetric cost behavior across all Iraqi enterprises. The mean number of board members was 0.4601, with a maximum of 1 and a low of 0. The proportion of non-executive board members is rather low, and several firms lack independent members. The absence of a corporate governance code in Iraqi corporations may result in disorganized operations regarding the organization of the board of directors and its subcommittees. The average representation of females on corporate boards of directors was 0.1884, indicating a rather low proportion. The mean number of board members was 22.07 from the total membership. The presence of engaged individuals on the board of directors signifies a diverse array of experiences and competencies

that empower the board to fulfill its oversight responsibilities efficiently. The average value of accounting experience was 0.1824, which is a satisfactory proportion, particularly given the Iraqi corporations Law of 1997 recommended that corporations include people with accounting expertise, but this requirement is not obligatory for companies. Moreover, a primary factor contributing to the inadequate participation of women on corporate boards and the scarcity of accounting expertise is the absence of a corporate governance code for Iraqi enterprises. The Iraqi Corporate Governance Code is applicable only to Iraqi banks.

Correlation Matrix

When using regression analysis to study independent variable interactions, multicollinearity is typically assumed without evidence. Multicollinearity evaluations often use correlation analysis. The correlation matrix evaluates regression models for multicollinearity and ordinary least squares linearity. All correlation coefficients satisfy the linearity condition for independent, moderated, and dependent variables. Table 2 shows no multicollinearity since no variable in the model correlates with 0.9 (Hair et al., 2014). Thus, the correlation matrix test demonstrates no multicollinearity.

Table 2
Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) SG&A	1.0000							
(2) Board independent	-0.1938	1.0000						
(3) Gender diversity	-0.2306	0.4478	1.0000					
(4) Board busyness	-0.1639	0.3981	0.5890	1.0000				
(5) AccExp	-0.2461	0.7032	0.3364	0.5092	1.0000			
(6) SIZE	-0.3453	0.2893	0.1093	0.1287	0.2841	1.0000		
(7) LEV	0.0938	-0.6948	0.1928	0.1325	0.1029	0.1983	1.0000	
(8) AGE	-0.1089	0.1823	0.2273	0.1954	0.2837	0.2073	0.1346	1.0000

Hypothesis Test

Hypothesis testing determines hypothesis acceptance or rejection. This study tested four hypotheses. The research hypotheses were assessed using panel estimation and regression estimators. Hypotheses were tested using POLS, REM, and FEM regression estimators. The analysis begins with these steps to create a suitable model: To find the best POLS-FEM model, the fixed effect is evaluated. This is the Poolability test step. Pooled ordinary least squares (POLS) and random effects model (REM) effects are compared using the random effects model and Breusch-Pagan LM test. The Hausman test determines the best FEM-REM model. This step is performed when the FEM effect model is selected over the POLS effect in the pooling test and the REM effect model in the next stage.

These methods show that the fixed effect fits board properties and asymmetric cost behavior. Poolability tests show that FEM outperforms POLS with a 0.0000 significance level. The Breusch-Pagan LM test shows that the REM model outperforms the POLS model (0.0000). Due to its 0.0003 significant level, the Hausman test of the Fixed Effects Model (FEM) versus the Random Effects Model (REM) recommends the FEM based on past test results.

Reliable diagnostics are important. Multicollinearity, serial correlation, and heteroskedasticity assessed fixed effect model dependability. Hair et al. (2014) discovered no significant multicollinearity since the mean VIF was 1.24, below 3.00. The heteroskedasticity test revealed a model issue (Chi2 = 47.3457***; prob. = 0.0000). Serial correlation showed strong autocorrelation (F=56.1846***; prob.=0.0000). The study addresses serial correlation and heteroskedasticity using a robust fixed-effect model. The robust fixed effect fits the model based on F-stat. likelihood. The final column of Table 3 confirms or rejects this study's hypotheses.

As per H1, H2, and H3. In Column 4 of Table 3, board independence is negatively associated but statistically insignificant at 13% with a coefficient of -0.0373. Board independence does not reduce asymmetric cost behavior; gender diversity is also did not effect asymmetric cost behavior (-0.0475), showing that it reduces asymmetric cost behavior in banks. At the 5% level, board busyness is adversely and strongly linked with 1380**.

Table 3
Board Characteristics and Asymmetric Cost Behaviour

	(1)	(2)	(3)	(4)	(5)
	POLS	FEM	REM	ROBUST FEM	VIF
Board independent	-0.1309**	-0.0373	-0.1538*	-0.0373	1.45
	(0.0372)	(0.1315)	(0.0599)	(0.1283)	
Gender diversity	-0.1928**	-0.0475	-0.1463*	-0.0475	1.18
	(0.0428)	(0.1682)	(0.0820)	(0.1320)	
Board busyness	0.1248**	-0.1380**	0.2103**	-0.1380**	1.22
	(0.0357)	(0.0372)	(0.0263)	(0.0413)	
SIZE	-0.2104**	-0.1147*	- 0.1722**	-0.1147*	1.24
	(0.0281)	(0.0723)	(0.0384)	(0.0718)	
LEV	-0.1058*	-0.1683**	-0.1164*	-0.1683**	1.21
	(0.0842)	(0.0268)	(0.0692)	(0.0226)	
AGE	0.0348	0.0732	0.0593	0.0593	1.15
	(0.1384)	(0.1206)	(0.1280)	(0.1193)	
Constant	1.9268	2.4803	2.1982	1.2833	
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	
Observations	455	455	455	455	
R-squared/Pseudo R^2	.3910	.4264	.3851	.4426	
Adj R^2	.3825	-	.3783	-	
F-stat/Wald chi2	127.75	65.1835	51.1347	69.4512	
Wald R^2/Prob.	-	36.81 0.0000	43.62 0.0000	38.26 0.0000	
Year Dummies	No	Yes	Yes	Yes	
Poolability Test		251.32***(0.0000)			
Breusch-Pagan LM Test		17.6825***(0.0000)			
Hausman Test		24.72(0.0003)			
Multicollinearity (Mean VIF)	1.24				
Heteroskedasticity	47.3457***(0.0000)				
Serial Correlation	56.1846***(0.0000)				

The R Square of the robust fixed effect model is 44.26%, which implies that, gender diversity, board busyness, SIZE, and LEV combined can explain about 44% of asymmetric cost

behaviour. This indicates that suitable corporate governance mechanisms reduce the high percentage of asymmetric cost behaviour in Iraqi companies. Thus, it suggests that Iraqi companies should embrace further strong corporate governance mechanisms to reduce asymmetric cost behaviour.

Table 4
Accounting Expertise as a Moderating

	(1)	**(2)**	**(3)**	**(4)**
	POLS	FEM	REM	ROBUST FEM
Board independent	-0.1178*	-0.0543	-0.1217*	-0.0543
	(0.0724)	(0.1152)	(0.0831)	(0.1243)
Gender diversity	-0.1752**	-0.0953*	-0.1381*	-0.0953*
	(0.0263)	(0.0658)	(0.0684)	(0.0774)
Board busyness	-0.1637**	-0.1816**	-0.1305*	-0.1816**
	(0.0327)	(0.0398)	(0.0752)	(0.0183)
AccExp	-1.2406***	-1.1938***	-1.0814***	-1.1938***
	(1.1744)	(-1.0264)	(-2.1827)	(-2.3892)
Board independent*AccExp	-0.2796***	-0.3126***	-0.2738***	-0.3126***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Gender diversity*AccExp	-01893**	-0.1838**	-0.1773**	-0.1838**
	(0.0226)	(0.0318)	(0.0275)	(0.0292)
Board busyness*AccExp	-0.2263***	-0.2134**	-0.1891**	-0.2134**
	(0.0000)	(0.0256)	(0.0387)	(0.0228)
SIZE	-0.1452*	-0.1729**	-0.5101	-0.1729**
	(0.0713)	(0.0441)	(0.2204)	(0.0351)
LEV	-0.1170*	-0.1364*	-0.1411*	-0.1364*
	(0.0653)	(0.0826)	(0.0731)	(0.0746)
AGE	0.0419	0.0583	0.0847*	0.0583
	(0.1525)	(0.1380)	(0.0748)	(0.1538)
Constant	2.3473	2.7826	4.0912	2.7826
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Observations	455	455	455	455
R-squared/Pseudo R^2	.5723	.5930	.5614	.6104
Adj R^2	.5598	.5865	-	.6013
F-stat/Wald x2	38.3573	42.6246	51.3467	38.5752
Wald R^2/Prob.	-	-	37.44 0.0000	42.57 0.0000
Year Dummies	Yes	Yes	Yes	Yes
Poolability test		32.2436***(0.0000)		
Breusch-Pagan LM test		20.64***(0.0000)		
Hausman test		35.17*** (0.0000)		
Multicollinearity (VIF)	1.24			
Serial Correlation	136.325***(0.0000)			
Heteroskedasticity (chi2)	2576.11***(0.0000)			

Table 4 illustrates that the accounting experience of the board of directors serves as a moderating variable in the relationship between board characteristics and asymmetric cost behavior. The findings indicated that accounting experience interacted with each of the independent variables. This could be attributed to the direct influence of accounting experience on asymmetric cost behavior. The analysis indicates that accounting experience

adversely influenced asymmetric cost behavior, showing a statistically significant effect at the 1% level, with a coefficient of -1.1938***. The R Square of the robust fixed effect model stands at 61.04%, indicating a significant interaction between accounting expertise and factors such as board independence, gender diversity, and board busyness. Additionally, SIZE and LEV account for approximately 61% of the variance in asymmetric cost behaviour.

Discussion

In Iraqi enterprises, board qualifications and asymmetric cost behavior are examined in this study. It examines how accounting knowledge moderates the relationship between board features and uneven cost behavior. Panel data from 35 businesses was used over 13 years. Stata was used to analyze the data using a regression equation from three methods. The pooled OLS, fixed effects, and random effects models were compared to choose the best model. The findings indicated board independence does not affect asymmetric cost behavior. Consequently, our hypothesis positing that board independence will adversely impact asymmetric cost behavior is not supported. The study's findings did not align with previous research indicating that board independence enhances internal control mechanisms (Jizi et al., 2014; Lefort & Urzúa, 2008). Independent directors mitigate expenses by overseeing management performance and accounting practices (Aksoy & Yilmaz, 2023; Lei et al., 2013). In order to maintain their status as capital market authorities, independent directors are incentivized to supervise corporate operations and prevent opportunistic behavior within the company. As a result, the presence of an autonomous board of directors with a significant number of independent members will reduce asymmetric cost behavior, particularly when board independence is used to mitigate conflicts of interest within the organization. As a result, independent boards contribute value and experience that improve the impartiality of the decision-making process.

The research additionally revealed that the presence of gender diversity within the board of directors not adversely affects asymmetric cost behavior. This outcome not aligns with our second hypothesis, which posited that gender diversity would adversely affect asymmetric cost behavior, thereby indicating not support for our hypothesis. It is proposed that females exhibit a greater inclination towards caution in the face of risk. Women exhibit a greater degree of caution than men when it comes to engaging in risky investments (Aksoy & Yilmaz, 2023; Salehi et al., 2023; Skaife et al., 2011). Consequently, the inclusion of women on the board of directors enhances the oversight function, diminishes agency costs, and mitigates the risks associated with companies failing to realize their potential benefits (Aksoy & Yilmaz, 2023; Mangala & Singla, 2023; Uyar et al., 2022). Consequently, the more advanced and efficient the oversight, the greater the regulation of cost behavior. The findings of the study align with earlier research that suggested the inclusion of females on the board of directors reduces asymmetric cost behavior (Le et al., 2022; Lepetit & Strobel, 2013). In this context, (Malakeh, 2021) discovered that the gender composition of the board positively influences effective monitoring and mitigates cost stickiness. Previous studies have indicated that the concept of board busyness, defined as the number of additional positions held by a board member, serves as an indicator of that member's reputation as an effective overseer of corporate management (Faleye, 2014; Shahrier et al., 2020). source dependence theory posits that board busyness contributes additional experience and skills, which can impact cost reduction (Bazrafshan & Hesarzadeh, 2022; Mukhibad & Setiawan, 2022). nsequently, we propose that the phenomenon of board busyness alleviates companies' apprehensions

regarding suboptimal oversight. It further enables the board to engage in the pursuit of optimal cost-setting strategies. The aforementioned suggestions align with the findings of the current study, which indicates that board busyness adversely impacts asymmetric cost behavior; thus, hypothesis 3 is substantiated.

The study also found that accounting experience moderated the board characteristics-asymmetric cost behavior link. The study supports Hypothesis 4 that accounting expertise affects board features and asymmetric cost behavior. Prior research has shown that a board of directors with several independent members and accounting skills mitigates risks better (Naheed et al., 2022; Sadaa, Ganesan, Yet, et al., 2023; Sakhil et al., 2024). Experience in accounting is regarded as a crucial component of corporate governance within an organization, particularly as it enhances the oversight of executives. Furthermore, individuals possessing accounting experience are capable of making more reasoned decisions that may mitigate cost stickiness (Yiğit et al., 2022). Consequently, the accounting expertise possessed by board members can significantly enhance performance, elevate the quality of financial reporting, and mitigate earnings management, ultimately resulting in cost savings.

Conclusion

The results of Table 3 revealed a negative relationship between board busyness and asymmetric cost behavior at a level of 5%. While board independence and gender diversity do not affect asymmetric cost behavior. Additionally, accounting experience interacts as a moderating variable affecting the connection between board characteristics and asymmetric cost behavior. Table 4 shows that with accounting expertise as a moderator, all board of directors factors negatively affected asymmetric cost behavior. The study offers several important contributions, providing substantial evidence of the effect of board characteristics on asymmetric cost behavior in a developing country like Iraq. The existing research on this topic is somewhat constrained, particularly as the investigations concerning corporate governance and cost stickiness (Chen et al., 2012; Salem et al., 2023) have been conducted in countries that exhibit significant economic, social, political, and environmental disparities compared to the Iraq. Consequently, the outcomes of prior relationships cannot ascertain the veracity of the relationships within Iraqi companies. Consequently, this research addresses the deficiencies identified in earlier investigations on this matter. Secondly, this research assesses the Iraqi corporate governance law within an alternative framework, specifically that of asymmetric cost behavior. The study elucidates a comprehensive framework for decision-makers and regulators, detailing the ways in which managers can influence cost behavior asymmetrically and how corporate governance mechanisms can serve to temper such interventions. Furthermore, what influence do managerial incentives exert on cost behavior? It is essential to consider corporate governance mechanisms, including the independence, diversity, and engagement of the board of directors, as these factors can effectively mitigate asymmetric cost behavior. The research underscores the imperative of revising the Iraqi corporate governance code to encompass non-financial companies, given that governance mechanisms profoundly influence business outcomes. This is particularly pertinent as the current Iraqi corporate governance legislation is confined solely to financial entities and banking institutions. The research encountered certain limitations, notably its reliance on merely three characteristics of the board of directors, overlooking the potential exploration of additional variables that subsequent studies might address. The research was confined to the Iraqi context, which is distinct from that of other nations in terms of economic, social, and

political dimensions. This specificity complicates the extrapolation of findings to analogous enterprises in different countries.

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