

Efficiency of Operational Performance and Improvement of Production in The Iraqi Leather Company

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Abstract

The main target in this research is to showing the activities of Iraqi leather company in the period of 2017 to the end of 2019. Two important items in the financial statements (Inventory costs and Production costs) are used to esteem the proportional competence results of this company. These results have important producing implications to raise production and to be more successful than others companies (Haron, 2012). Iraqi leather company worked to identify the effect of profitability and financial performance on improving productive efficiency. As inventory costs and production costs, this research found that there is an important effect of the financial performance and statements on beneficent prolific efficiency in Iraqi leather company. Therefore, this company worked to developing inventory system and production system to improve productive efficiency through increasing the interest of financial statements that show the productive efficiency and financial achievement (Harb, 2019).

Keywords: Financial Statements of Leather Corporation, Iraqi Leather Company, Inventory Cost, Production Cost

1. Introduction

Iraqi leather sector has a mighty possibility on competitiveness and developing economic case over world. The Iraqi leather sector has experienced the inconstancies over many years under different financial cases. The deficiency of request from the domestic market reason of global request was largely hit by international financial recessions which caused the decreasing growth in the leather sector (Harb, 2019). Iraqi company can achieve quality of the leather productions that achieved by gain competitive advantage and attain sustainable competitive advantage with stand the challenges from others companies. Iraqi leather Company work to improve a production program for operational performance improvement that apply with long-term company targets. Iraqi leather company is working to improving work efficiency and to boost profitability by simplifying operational procedures, increasing revenue while decreasing costs through achieve optimizing plant networks, and inventory management. Iraqi leather company is tried to get the best growing in profitability during the productive years of this company. So, the company management must pay great attention to efficient productive and develop financial activities. This company is looking to rise profitability and develop financial activities without impact the productive efficiency of the company. Because of marketing competitions in the international sector, the technological progress growing has drove to rise productivity and decrease production and inventory costs (Harb, 2019).

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The issue of marketing in recent times has become a continuous suffering, because production is continuous and in large quantities piled up in stores, and marketing obstacles sometimes lead to work being stopped and not continuing in its natural form, and there are several reasons that stand in the way of marketing, the most prominent of which is the random import of the state, especially shoes that entered To local markets intensively and at low prices, as well as not being subject to the specifications of the standardization and quality control device and does not live up to the specifications of our local product.

2. Research methodology

This research used many of primary sources to process the main research targets. Primary data supports the analyses and results. Therefore, Iraqi leather company locations and data sources were discussed in this company.

About Iraqi leather company location, the company was determined based on quality of productions. This data collection was conducted from the main company found in Baghdad capital. This company was selected based on its industry type. Also, its primary data sources were obtained from the original source of information. The primary data sources are industries' working environment. The primary data is more reliable and have more confidence level of decision-making with the trusted analysis in inventory cost and production cost. These data sources have been obtained the company annual reports, manuals, procedures, reports, and statistical data.

In general, for this research study, Iraqi leather company information had been analyzing depend on manuals and documents obtained from the company management.

3. Financial Statements of Leather Corporation

The financial statements are depending on financial data for any company. Financial statements are the formal annual reports through which the corporate management communicates financial information to its owners and various other external parties which include government employees, investors, and tax authorities (Accountancy, 2022). The balance sheet and other statements show at the end of accounting period, all profit companies prepare their financial statements to get profit or loss and the cash flow statement for a defined period of time. The financial statements for all industry corporations over world include two main statements: statement of profit and loss and balance sheet that required for internal needs inside the company and external reporting, decision-making and control (Mordi, 2015).

Also a need to know about movements of funds and changes in the financial position of the company. The users of financial statements for all corporations include government, management, employees, bankers, investors, shareholders, creditors, and public people. Financial statements provide very important information to these parties interested in the organization (Accountants S.A., 2020).

Financial statements act complete part of the annual report of the corporation, corporate governance report, the directors report, auditors report, and management discussion and analysis. Financial statements are prepared on the basis of facts in the form of cost data recorded in accounting records, such as trade receivables, cash in hand, cash at bank, and fixed assets. There are many accounting conventions that are followed while preparing financial statements. The use of accounting conventions makes financial statements simple, identical,

and realistic (Farnsworth, 2020). Also, Financial statements are prepared on certain basic assumptions, such as realization postulate, going concern postulate, money measurement postulate. So, financial statements are the summary reports of recorded facts that prepared according the accounting concepts, conventions, accounting policies, accounting standards, and requirements of Law (Mordi, 2015).

Financial statements for any company are including the important information to the investors, shareholders, and other external parties for understanding the financial position and profitability of any business work. Statements are providing financial information during a specified period of time in terms of assets and liabilities, that provide the basis to make decisions, such as provide information about economic resources and obligations of a business, provide useful financial information about the earning capacity of the business, provide information about cash flows, and provide Information about activities of business affecting the society. Therefore, the primary target of financial statements is to help all users above in their decision-making (Farnsworth, 2020).

4. Iraqi Leather Company

Iraqi leather industries sector was suffered from deterioration of economic situation, lack of planning, loss of the governmental role in supporting professions and industrial crafts, dearth activating the laws and legislations that provide some protection from unorganized import, and lack competition between foreign and local industries. Iraqi Industries Company also suffers from the accumulation of goods in its warehouses and decline in the company's production, because the laboratory machines have become very old (Alsafii, 2019).

Iraqi leather industries company was established in 1945. Iraqi leather industries company is considered one of the best industries among its counterpart companies in the Middle East because the quality of its industry in various types, such as shoes industry, school bags, woman bags, leather tanning, and leather clothes. The General Company of Leather Products produces a lot of leather merchandise that are used by people in their daily life. Leather material is one of the farthest common items obtainable (Alsafii, 2019).

The most important part for the leather industry for any company is the skin. The hides are removed from the animals. This company can be use hides of most any animal large and small such as cows, goats, sheep, pigs, alligator, buffalo, camel, deer, horse, and snake (Alsafii, 2019).

This company markets its products through many spread exhibitions throughout Baghdad capital, as well as through its many spread agents in the states and major cities inside Iraq country. Also, this company markets its products to many state departments and prepare its requests according to required specifications. Iraqi leather industries company includes many factories and outlets for direct sale (Alsafii, 2019).

The reason for decline of the leather industries marketing is due to entry of large quantities of imported goods, as Iraqi production has become not competing with imports goods at competitive prices, for example, the cost of production has taken a large part from work profits, adding to decreased the confidence trusted of Iraqi consumer in this products and prefer foreign products (P.M. I, 2007).

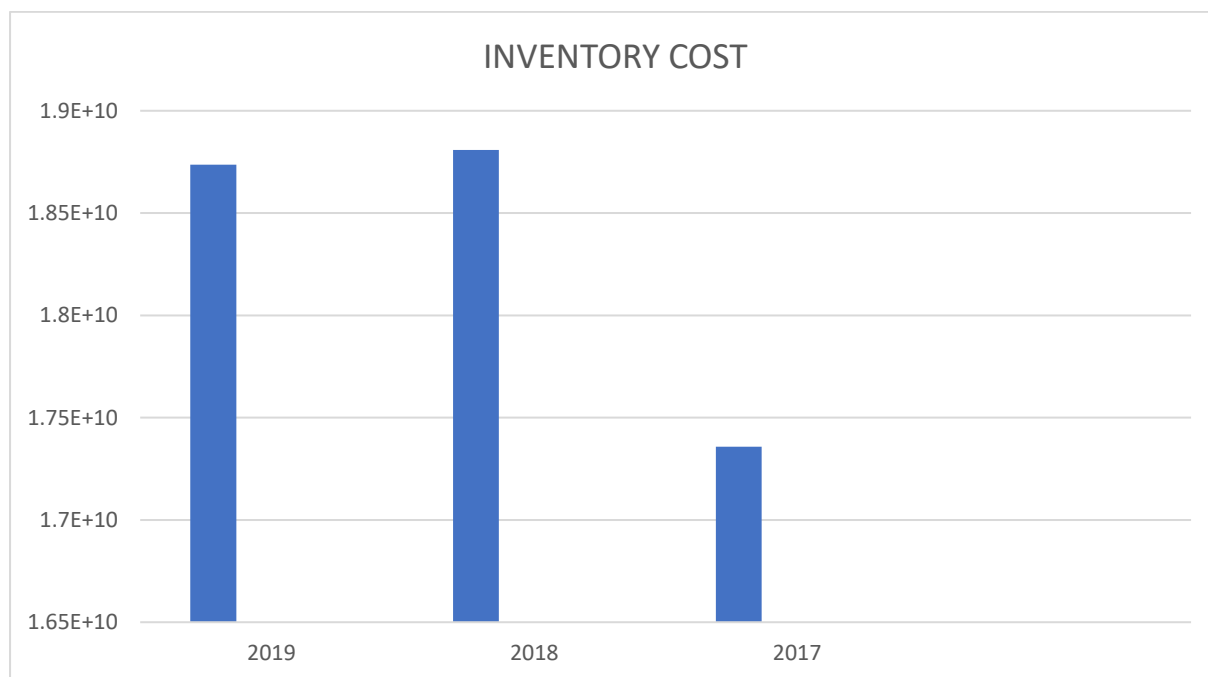
Financial Statements of Iraqi leather industries company

5. Inventory Cost

Iraqi leather industries company has inventory management software. This Leather company is completely old-line by quality with types change that will make leather goods makings intricate. Therefore, this industry company has to stand many work issues with regards to worker salaries, produces quality and preparing reports. Iraqi leather company try to make a perfect regulation designed for leather Goods factories. It has many units like inventory management, items Management, financial solutions, inside production, fabrication production, import and export registration (Ferenc, 2000).

Iraqi leather company has inventory control policies that preserves inventory for sale or as part of a raw material supply. For this company, inventory functions as the largest investment it makes. There are many services and financial associated advantages exist for the company that manages to effectively control its inventory such as reduced operational expenses and leaner operations (G.T, 2021).

There are many advantages for Inventory Management Software that uses by Iraqi leather company such as, making active manufacture and inventory management plans, outflow of leather products to customer and inflow of raw materials to factory will be very easily control on them, selection material will be based on design and size, the needs of customers depending on the estimate costs calculate, follow up all reasons about company goods that rejected across various manufactories (P. M. I, 2007). All these above helped to minify costs of production, developed execution, and achieved the unrivaled needs of leather goods industrialists.



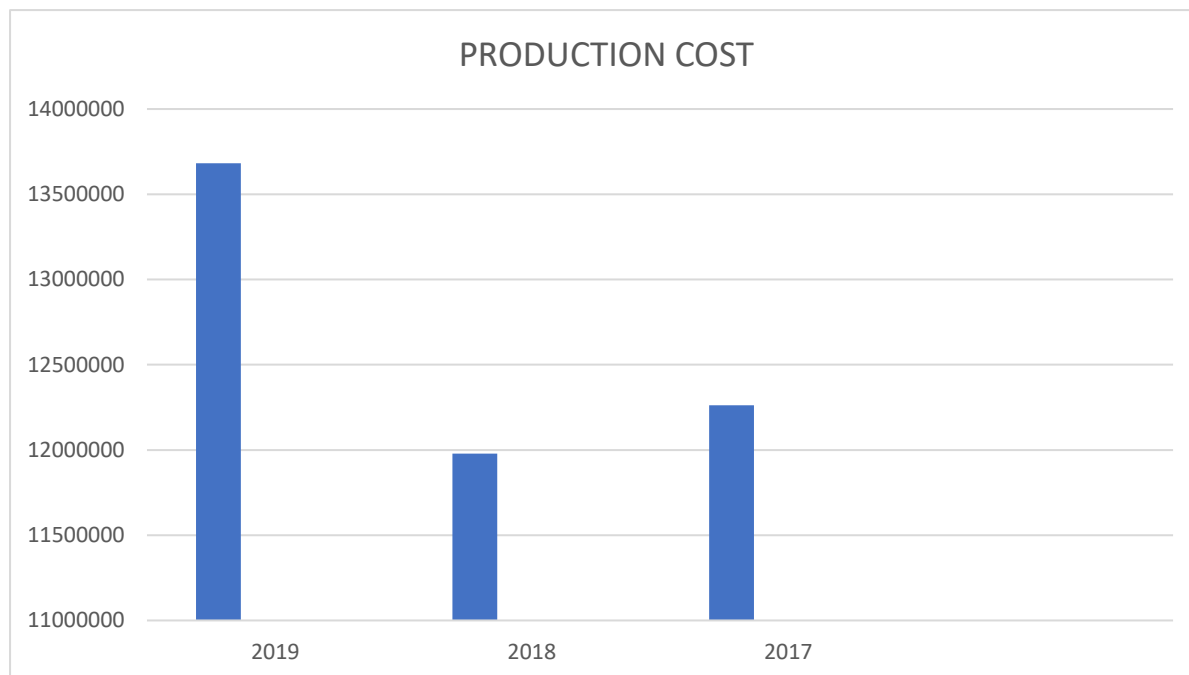
Higher inventory cost is disadvantage for Iraqi leather company that must effectively controls its inventory. Most business owners demand to entirely understand how much the main inventory costs to purchase the costs of inventory beside knowing other Inventory costs that depend of all a company expenses incurs for having inventory. These expenses include the appropriate taxable amounts, the cost of storage, and the cost of capital (C. M. A 2019).

6. Production Cost

Production cost at Iraqi leather company can be termed as the costs of all industrialization actions that happened during the trajectory of production other than direct labors and materials such as depreciation, salaries, rents and property taxes, repairs and maintenance, electricity bills. industrialization actions are indirect in nature are fixed and are impacted by units produced in the production facility (Ferenc, 2000).

Total costs of leather goods stood at 13,682,475 million Dollar during 2019 as compared to 11979517 million Dollar in an identical period of 2018. During that time leather exports came down in the same period which shows a reduction of 12.5%. The higher production costs are making Iraqi company uncompetitive in the global and domestic market and this was the main reason for the come down. 'In 2019, the Iraqi leather industry is obverse increased costs of production due to augmentations in the average of raw materials price and this has impacted exports. Therefore, export figures appear the dropped in exports of leather goods (Robertson, 2022).

Leathers are procured from Ethiopia and Saudi Arabia. 'The leather industry is one of the most polluting industries because it expends great bulks of water and transacts with animal skins and hides. This process produces great bulks of wastewater, which is wealthy in organic content. So, Iraqi company should not follow a policy of manufacturing at the cost of environment, it should also be conscious of the risks potential in following a policy of environmental keeping at the cost of manufacturing. Achieving the best balance between the two should be the way for achieving development in the leather industry (Robertson, 2022). The leather industry in Iraq is equally vigilant to the state of environmental deterioration but due to economic and infrastructural problems, it needs much financial assistance and new technical to ameliorate the state of environment beside its products (Farnsworth, 2020).



When the production costs are higher than plan, Iraqi leather company has to produce a nominated number of units to reach the cost balance. Therefore, producing and selling all leather goods will allow this company to receive the minimum production costs. Occasionally,

this company used a higher industrialization cost because it used a wrong budgetary appreciation. industrialization costs are fixed in nature, and they have related with the unit produced (Accountants S.A., 2021).

7. Conclusion

Iraqi leather company uses the perpetual inventory system that used in businesses. Where Iraqi company choose to manually update their inventory records at specific periods. So this way including many disadvantages such as:

- The persistent inventory system cannot be maintained manually because it has a high cost of accomplishment through install expert software and equipment. This will cost company even more because the recurring improves and repair will still be indispensable on an ongoing basis even after this installed (McIntosh, 2022).
- In a persistent inventory system for Iraqi leather company, all processing are recorded as soon as it take place. Therefore, the recorded inventory may not show the real inventory over time. This will be a disadvantage on this company because physical inventory counts aren't used in a persistent inventory system. The recorded numbers will not match with the real inventory such as many errors are entered into the system and items are stolen. So, recorded Inventory may not show real Inventory (McIntosh, 2022).
- Because the complexity of the inventory system and higher inventory cost in this company, the persistent inventory system is requiring to offer additional training to each of its employees, such as they need to be trained on how to use special equipment and specific software (McIntosh, 2022).
- A Higher Production cost perform disadvantage for cost accounting systems of Iraqi leather company. Direct production costing stratifies to goods or services, raw materials, and production workers. When this company includes non-production costs on its production goods, it will raise each product cost and raises the consumer production price. Usually, higher-coated products will result in decrease trade earnings due to goods are in fact more expensive than indeed reported (Thakur, 2022).
- Iraqi leather company must deal with overhead costs such as employee benefits, insurance, property taxes, rent, utilities, and equipment depreciation. Iraqi leather company can treat manufacturing overhead as part of the cost that will activity rate it products for gains through pay the bills and obtain a huge gain (Thakur, 2022).
- In such a messy environment in Iraqi market, rising overhead expenses can force this company to raise prices on its products, even if materials and labor do not rise. Therefore, failing to control overhead costs could price it out of the global and local market (Thakur, 2022).
- Higher industrialization costs in this company leads to higher prices of the products. Thus, there is bound to be an economy inflationary statue. So, there is unfavorable interconnection between the industrialization costs and the direct costs. Consequently, the prices of the products through every produce sectors resort to excess. That will make the real value of funds falls and lead to a decrease in request (Thakur, 2022).

- This company must depend on raw material source of goat/calf/sheep skins.
- This company must have strong and eco-sustainable tanning base.
- In spite of this company has many industrial sectors and good workers at competitive wage levels, but it needs to modern factories and new machines.
- This company need to more government support to develop its Products.

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