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The Role of Audit in the Measurement and Accounting Disclosure of Quality Costs and their Impact on Tax Profits

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Abstract

The lack of use of financial indicators in measuring quality costs and not disclosing them is reflected in the measurement of profits and tax, so the aim of this research is to show the use of financial indicators in measuring quality costs is extremely important in planning and controlling accounting profits, assuming that their disclosure shows the amount of profits Taxation on the company, and this was applied to Al-Reham Factory / Branch (X) by collecting data from the company's financial statements, and it was found that attention to quality costs and their disclosure in the financial statements did not receive the necessary attention, in addition to that they occupy a small percentage of the company's costs. The study found the need to pay attention to the disclosure of quality costs and to show them appropriately in the financial statements because of its role in measuring tax profits in a more.

Keywords: Audit, Measurement, Disclosure, Quality Costs, Profits, Noodlelfair Manner.

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Introduction

The study of the process of accounting disclosure of the elements of quality costs and reporting on them in financial statements is of great importance in accounting thought, as the use of financial and non-financial indicators in measuring quality costs avoids the company elements of quality costs that are not necessary as a result of the proper operation of the data resulting from their measurement, and the proper disclosure of quality costs leads to rationalization of other cost elements and linking them to the activities benefiting from them only, It also leads to the existence of financial and cost awareness that serves as a database on which the relevant authorities of the company are based, as well as the great role in reducing the percentage of loss and thus reducing the failure rate in production, which saves costs, whether for materials or work and expenses are one of the most important elements of costs that affect tax profits..

Importance

What corporate departments seek in continuous improvement processes by adding quality costs and reducing other costs such as tax profits and the desire to increase net profits, to the importance of using financial indicators that are disclosed in the financial statements and thus provide a database on which to measure tax profits.

The Problem

The lack of use of financial indicators in measuring quality costs and the lack of disclosure of them reflects negatively on accounting and tax profits, causing a gap in profits.

Hypothesis

Disclosure of indicators to measure quality costs contributes to the reduction of tax profits.

The Purpose

1. How to use financial indicators in measuring quality costs.
2. How the disclosure of quality costs affects tax profits.

The Research Sample

The research community is represented by toy production companies / factory (X) to distinguish it by the requirements of quality standards.

The Metrics Used

$$\text{Accounting Profits} = \text{Sales} - \text{Expenses}$$

1. Tax Profits = Accounting Profits × Tax Rate
2. Tax rate = 10% (for joint stock companies)
3. Quality indicators
   - Ratio of quality to sales = (quality cost) / (sales value)
   - Ratio of quality to cost of production = (quality cost) / (production quantity)

Theoretical Framework

1. The Cost of Quality Concept

The attention paid to quality costs came as a result of the negative effects of poor quality costs, and to avoid these effects it was necessary to produce high-quality products and get rid of the defective (Sorour, 2014), as a result of which most economic units spend about 20% - 30% of the total manufacturing cost on quality such as prevention and evaluation costs and the processes of discovery and repair of internal and external failures, In order to provide the best product or service to the customer and to meet his needs and the requirements of the modern environment (Halihel and Salman, 2014).

One of the general management managers at computer maker Hewlett Packard says: The earlier you detect the error or before it happens, the more savings will be. If you discover an error in a portion that costs 2 dinars and decide to get rid of it, you lose 2 dinars. But if I do not discover the error and use this part in the computer industry, this may cost me 100 dinars for the cost of repairing the part, and if the defective part is not discovered and the computer is sold and it is in the hands of the customer, the cost of repair becomes hundreds of dinars, and depending on the number of computers produced in this way and must be repaired, the cost of repair will exceed the cost of manufacturing.

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Thus, quality costs play a prominent role in providing information to the internal management in terms of rational plans and budgeting, and to external parties benefiting from financial reports such as tax authorities. Quality costs have been defined as "the sum of the costs borne by a product related to the determination of a level of product quality, its achievement and control, and the assessment of the conformity of product specifications with the requirements and desires of customers" (Ashioni, 2005), as "target melasma or emerging melasma as a result of the production of a poor-quality product" (Horngren, 2000), as well as "sacrificing the economic resources available to the company for future benefits determined by the production of a product that satisfies consumers and conforms to approved quality standards" (Charles, 1996).

- We can define it as "any cost spent in such a way that the product is ultimately evaluated to suit the criteria of competition and the desire of the customer". The purpose of spending quality costs is: (Hamoudi and Al-Nuaimi, 2007).
- To set specifications and standards.
- Obtain the required quality and conform to specifications and standards.
- Re-processing and repair of defective or poor-quality products.

Dimensions of Quality Costs

- Many writers and researchers have opinions on extracting dimensions of quality costs, which have been developed as follows: (Dilowrth, 1995).
- **Performance:** Any costs that add operational characteristics and general qualities that distinguish the service or product from the available alternatives.
- **Special Features:** That is, the additional costs add additional qualities and features that will be unique to the corresponding products or services.
- **Reliability:** Any ability of the product or service to perform the same functions required under certain operational conditions and during a specified period of time taking into account the time of holidays and stops.
- **Conformity:** i.e. comparison by measuring the efficiency and effectiveness of the service or final product with the standard specifications set to ensure that the design conforms and corresponds to the specifications.
- **Durability:** Any measure of the life of the product and services for the duration of the product or the state of its deterioration or loss.
- **Serviceability:** Any possibility of modifying, correcting and repairing the product in terms of cost and time, taking into account the availability of parts and tools of the product and after-sales services.
- **External Appearance and Aesthetics:** That is, the appearance and appearance of the exterior, and here is the criterion of aesthetics, taste and sensation that the product leaves in the psyche of the customer (consumer).
- **Perceived Quality:** Is the extent to which the customer will leave an impression towards the product or service, that is, how confident he feels about the success of the product.

The Nature of Quality Costs and their Types

To increase the intensity of competition in the markets and the need to dispose of products and provide the best services at a level of quality that satisfies the customer in terms of time and price, it is necessary to add costs that help meet those requirements, which have been associated under the concept of quality costs, so that its scientific concept serves the development that meets the requirements of management and modern technology, these costs must be corresponding to what was spent for him. Research and studies have shown that there are types of costs borne by the departments of companies that have a significant impact on the total costs related to quality, namely:

- **Prevention Costs:** These costs occupy the forefront and priority compared to other quality costs as their increase helps in reducing the costs of evaluation and failure of both types (internal and external) as well as quality improvement processes, that is, they are costs that arise as an attempt to prevent the occurrence of problems, failures and errors from the beginning and often agree before the manufacture of the product or the provision of services and their examples: quality planning, product design, Operations costs, training costs, information costs and more. (Feigenbaum, 1991).
- **Evaluation Costs:** Means "the target costs to determine whether the product or service is identical to its requirements" (Hansen, 1992), i.e. the costs achieved to get rid of defective products in order to estimate the condition of materials or products by carrying out a range of activities such as inspection and testing of raw materials and production of quality under manufacturing and completeness, i.e. the total costs spent to ensure that materials and products achieve conformity standards based on specific criteria, These costs

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include raw material inspection costs, inspection costs during production stages, final inspection costs and others (Jackson, et., al, 2009).

- **Internal Failure Costs:** These are the costs associated with the product whose production failed to conform to the quality specifications and were discovered in the unit before they came out to the customer, such as the costs of re-inspection and testing of products within the economic units, the costs of restart, the costs of irreparable loss, the costs of solving a problem or analyzing the error and others (Ayshoni, 2005).
- **The Costs of External Failure:** The costs borne by the economic unit after the delivery of defective products to customers, Or costs related to errors discovered by customers after purchase, which he reports and returns to the economic unit, such as costs of external failure, costs of warranty, costs of repairing defective products returned, return of contribution lost as a result of loss and others (Drury, 2008).)

The Costs of Previous Quality Shall be Grouped and Classified into Two Main Types

- Control costs, including (prevention costs and evaluation costs), which are costs related to conformity with the required standards and specifications and defined as "future investment costs spent to ensure the implementation of the work correctly and required without future failure or failure" and thus are costs paid for the first time and each time to prevent problems.
- The costs of failure of control include (the costs of internal failure and the costs of external failure): which are costs that are not related to conformity with the required standards and specifications and can be defined as "costs that agree in the event of failure to accomplish the required work" and thus are costs paid the first time and each time the failure occurs.

Accounting Measurement of Quality Costs

Measurement is seen as a means by which one or several domains are matched to one or several other domains using a particular unit of measurement such as numbers, symbols or letters, and the U.S. Accounting Standards Board (FASB) has defined accounting measurement as "the allocation of numbers of objects or events according to specific rules" and "a comparative process aimed at obtaining accurate information to distinguish between one alternative and another in the event of decision-making" (Schreud et al., 2006). Since accounting is a process of communication and measurement of the company's activities using the Monetary Measurement Unit to help decision makers make rational decisions by providing appropriate, appropriate and timely information and data, accounting can be used as an indicator in measuring quality costs in the following form: (Halhal and Salman, 2015).

1. **Work Index:** It means the percentage between the costs of quality or one of its elements and the costs of direct work or standard or actual hours, and most studies indicate that the use of the standard method in evaluation is the best to overcome the state of waste and being a planned performance, and this indicator can be easily understood but it is difficult to apply in the case of long comparisons of the decrease in working hours due to development and technological change.
2. **Cost Index:** It means the percentage between the costs of quality or one of its elements and the costs of manufacture, whether for inputs or outputs, and the costs of outputs are the best in terms of evaluation because they reflect the costs of quality, and this method is characterized by ease and is not affected by technological changes and developments.
3. **Sales Index:** It means the percentage between the costs of quality or one of its elements and the net recorded sales or the value of the contribution, which is sales minus the cost of direct materials, and the measure of contribution value is preferred because materials constitute the highest part of the value of sales while it is not feasible in the case of multiple prices where there will be many deviations and distortion of the basis of net sales.
4. **Production Index:** It means the percentage between the costs of quality or one of its elements and the number of units produced, and this measure is feasible if the product is stereotypical, but if it is atypical, it is useless.

Another model for measuring quality costs is the model of measuring hidden quality costs carried out by Taguchi, on the basis that the traditional principle of maintaining the quality of production is to work to keep products within the limits of specifications, but his idea in this is that any deviations from the goal constitute a loss and that the product must achieve the goal and not only stay within the limits of specifications i.e. the principle (crossover zero level of defects). Examples include hidden quality costs, potential lost sales, the cost of redesign due to poor quality, the cost of producing additional manufacturing of defective products, the cost of changing programs due to poor quality, and others. (Schiffauerova, A, 2006).

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2. The Accounting Disclosure

The comprehensible nature of accounting information is an important condition for the summary of the use and utilization of financial information, but it depends on the level of clarity, understanding and perception of users of financial statements. The ISO 900 Quality Law calls for the following:

It is necessary to assess the quality at the level of processes and activities.

- It is necessary for the accounting system to provide data that enables the amount of contribution of each activity to the achievement of income at the level of the company as a whole.

Thus, the philosophy of quality promises the need to evaluate and measure the activities and processes related to quality, and what the accounting system contributes at the level of internal units is to evaluate the quality of the performance of these units and for external parties as a database, including tax authorities.
The disclosure of quality costs and how to measure them is entitled to the following: (Shamma, 1999).

1. Determine the burden borne by the company.
2. Manage the cost of quality properly in a way that contributes to achieving the best results for the company.

Rationalize other cost elements by separating the idle and unwanted part by linking them to the beneficiary activities.

While not addressing quality costs and disclosing them leads to the following:

1. Its impact in the following periods, especially in the event that future returns are not achieved as a result of spending these costs.
2. Manipulation of the result of the company's business.
3. The difficulty of determining the exact yield achieved because of the difficulty of linking its extinction, which is resorted to estimated costs.
4. Depriving the company of the enjoyment of tax privilege as a result of not following the high quality system.

3. Tax Profit

The tax is seen as a sum of money deducted by the official bodies represented by the state based on the authority of the law, represented by tax legislation to finance public spending as a percentage determined on the accounting profits announced in the lists and reports issued, and the idea of tax on corporate profits appeared in 1999 according to the Financial Law as an embodiment of the separation of the principle of tax on persons and tax on companies. (For the dirt of 2014) and the corporate profit tax is levied once on the total income achieved during the year and at a predetermined rate, and since the accounting income is determined on the basis of the corresponding expense with the revenue and the taxes are based on what is achieved from the revenue, i.e. the recognition of the revenue, and thus the tax return will be based on the historical cost by analyzing the costs and classifying them into depleted costs, which are the costs that have been spent and spent to form the revenue and thus are considered expenses to be deducted, Unexhausted costs are capitalized and appear in the budget. However, because of the breadth and development of accounting matters, including cost accounting, which needed to develop products and pay attention to reputation and after-sales services by adding other costs and thus.

4. Measurement and Accounting Disclosure of Quality Costs and their Impact on Tax Profits

Quality costs become one of the most difficult costs in terms of measurement if they are not shown in the records and so as a result of the lack of data on them will show their accounting effects in long periods, that is, they do not appear in the short term, and thus the company will lose part of its market share such as the costs of fame and reputation, the negligence and inaccuracy in accounting measurement resulting from the lack of sales, for example, distorts costs and misleads decisions associated with improvement and development programs as well as misleads the concerned authorities to calculate tax profits as profits to be calculated On the basis of accounting profits because the cost of quality will be determined less than real, and thus the accounting disclosure of financial and non-financial items, including costs, is extremely important, although there are two types of costs that are disclosed and others that are not disclosed and in both cases are in the interest and desire of the management and in line with its wise decisions. Good disclosure leads to:

1. Reduce the cost of storage, damage, reproduction, reduction of processing times for the defect, complaints of consumers (customers) and guarantees provided to them, and the cost of inspection and testing.
2. Commenting on the previous paragraph, the reduction of costs leads to a decrease in capital costs.
3. Productivity rises due to lower labor costs.

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4. Lower cost of labor, capitalism and productivity leads to lower operational costs.
5. Prices decrease if the company uses good quality costs because they lead to increased sales and thus increase profits by increasing revenues.

Applied Aspect

Extracting the financial indicators adopted by the factory in measuring quality costs (cost of work, cost scale, sales and production cost scale), and we will rely on the measures of sales and cost of production as they are one of the most common and used measures, and to determine the ratio of total cost to quality Table (1) shows this in the following form.

Table 1: Quality Cost Ratios based on Sales Value Quality

Industry	Cost as a percentage of sales
Simple industries with few permissions	2% -5.0%
Traditional mechanical industries	5%-1%
Industries precision	10% - 2%
Complex electronic industries, including those related to aviation and space	25% - 5%

Table Preparation of researchers based on (Hammoudi and Al-Taimi, 2007).

It is clear from the previous table that the percentage of quality cost is related to the type of industry, the more accurate and complex the industry, the greater the cost of quality, which in turn will increase its proportions, because any small defective part will cost the company huge amounts so it needs accuracy, tests, high control and a degree of disclosure otherwise the manufacturer will bear a fine and additional taxes.

As for the research sample, it is one of the simple companies whose quality ratio ranges between (2%-0.5%), and on this basis we will rely on the sales data and production costs for the years of research obtained and obtained, and table (2) shows this in the following form.

Table 2: Balancing the Production and Sales Costs of the Factory (X)

Data	Year		
	2015	2016	2017
Sales value	80665845	917667200	1019593550
Production costs	288772807	289263600	330516000

Table prepared by researchers based on factory data (X).

Table (2) shows the data related to sales and production costs that have been extracted from the company's records. To extract the value of quality by relying on the previous table by multiplying the value of sales × the ratio of quality costs, and table (3) shows this in the following form.

Table 3: Value of the Calculated Quality Cost of the Factory (X))

Year	Sales Value	Quality cost ratio	Quality cost value
2015	806658450	2%	16133169
2016	917667200	2%	18353344
2018	1019593550	2%	20391871

Table / Prepared by researchers

After that, the ratios of the four elements of quality from the total costs of quality will be determined and analyzed, and it has been shown that the factory has international standards that can be taken into account and Table (4) shows this in the following form:

Table 4: Quality Elements Criteria

Quality elements	Ratio
prevention cost	10%
Assessment cost	25%
failure cost	65%

Table / Prepared by researchers

Table 4 shows that the highest percentages of costs were from the share of failure costs (internal and external) and the lowest percentage of costs was allocated to the cost of prevention. Calculating the costs of quality and using scientific and accounting methods in the following form.

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1. Prevention Costs (Prevention): These Include

1. **Design Engineering:** The cost of models and maps used in production is represented when purchasing raw materials from local or foreign markets, where it is calculated by the amount of materials purchased × the purchase price at market value × number of purchases.
2. **Incentives for Quality Assurance and Product Development:** The amounts paid to the employees of the quality department are represented as a contribution to the development of products.
3. **Process Engineering:** These amounts paid to employees for courses held for quality development programs and ISO are calculated on the basis of the number of times the courses held.

2. Evaluation Costs

1. These costs include the following: measurement and inspection of the product.
2. Damaged materials as a result of qualitative tests.
3. Maintain the accuracy of measuring instruments.

3. Internal Failure Costs: These Costs Include the Following

1. **Restarting Defective Production:** It is calculated by multiplying the number of defective quantities × their prevailing market price.
2. **Value of the Damaged Product:** These costs arise due to poor storage settings or as a result of their storage for long periods and are also calculated by multiplying the number of defective quantities × their prevailing price in the market.
3. **Costs of Materials Disbursed for Modification:** It is calculated by multiplying the quotient of the amount of materials disbursed for adjustment by its prevailing price in the markets.

4. Costs of External Failure: These Costs Include the Following

1. **Price Reduction:** It is calculated from the product of multiplying the number of units whose prices have been reduced × the price difference (real price - discounted price).
2. **Replacement of Defective Production:** The product of multiplying the number of units disbursed and returned × their prevailing price in the markets.
3. **The Cost of Repairing Defective Products:** It is extracted from the cost of rejected products that do not conform to the specifications and quality requirements from receiving them by the customer and from the product of multiplying the number of units returned × their prevailing price in the markets, and table (5) shows the costs of quality and in the following form:

Table 5: Calculated Cost of Modular Quality of the Factory (X))

Year						Quality cost elements
%	2015	%	2016	%	2017	
First: Elements of Prevention Cost (Prevention)						
46%	996975	40%	998978	39%	1090766	Correction engineering
26%	556234	36%	838734	34%	930865	Incentives and rewards for the quality of product development
28%	598870	24%	660854	27%	750634	Process engineering
100%	2152079	100%	2498566	100%	2772265	Total cost of prevention (prevention)
Second:. Elements of the Evaluation Cost						
25%	984520	20%	882588	18%	874512	Measurement and product inspection
21%	845585	19%	850530	20%	947893	Damaged materials as a result of qualitative tests
54%	2121370	62%	2750890	62%	2990750	Maintain the accuracy of measuring instruments and their calibrations
100%	3951475	100%	4484008	100%	4813155	Total evaluation costs
Third: Elements of the cost of internal failure						
11%	303830	13%	425222	15%	530270	Restart defective output
56%	1548798	57%	1887990	56%	1909880	Value of the damaed product
33%	935588	30%	985374	29%	990879	Costs of materials spent for modification
100%	2788216	100%	3298586	100%	3431029	Total cost of internal failure
forth. Elements of the cost of external failure						
81%	5830739	79%	6340850	84%	7834400	Lower prices
9%	660335	12%	960465	8%	720812	Replace defective production
10%	750325	9%	770869	8%	820210	The cost of repairing defective products
100%	7241399	100%	8072184	100%	9375422	Total cost of external failure
	16133169		18353344		20391871	Total cost quality

Table prepared by researchers

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Table 6: Quality Cost Ratios for Total Standard Quality Costs Calculated for Factory (X)

Ratio	Amount	cost quality
year 2015		
13%	2152079	cost prevention
24%	3951475	evaluation costs
17%	2788216	cost of internal failure
46%	7241399	failure cost External
100%	16133169	Total cost year 2015
year 2016		
14%	2498566	cost of prevention (prevention)
24%	4484008	evaluation costs
18%	3298586	cost of internal failure
44%	8072184	failure cost External
100%	18353344	Total cost year 2016
year 2017		
14%	2772265	cost of prevention (prevention)
24%	4813155	evaluation costs
17%	3431029	cost of internal failure
45%	9375422	failure cost External
100%	20391871	Total cost year 2017

Table prepared by researchers

From the previous table we note that the highest costs were from the share of the costs of external failure, followed by the costs of evaluation, then the costs of internal failure and the lowest costs of prevention (prevention).

Extraction of actual factory quality costs(X)

After the standard costs of quality have been extracted, we analyze the actual quality costs, Table (7) shows this as follows:

Table 7: Actual Quality Costs Calculated for Factory (X))

Year						cost quality components
%	2015	%	2016	%	2017	
First: Elements of Prevention Cost (Prevention)						
84%	803045	70%	870330	12%	930750	Correction engineering
16%	150666	30%	384321	6%	430830	Incentives and rewards for the quality of product development
-	-	-	-	82%	6304110	process engineering
100%	953711	100%	1254651	100%	7665690	cost prevention total
Second: Elements of the Evaluation Cost						
-	-	-	-	%6	576385	Product measurement and inspection
1%	60000	1%	80000	1%	100000	Materials damaged as a result of quality checks
99%	5690346	99%	7887630	93%	9550760	Maintain the accuracy of measuring instruments and their calibrations
100%	5750346	100%	7967630	100%	10227145	total appraisal cost
Third: Elements of the cost of internal failure						
13%	1676351	16%	2311218	22%	3890570	Restart defective output
75%	9890711	72%	10220312	70%	11890700	Value of the damaged product
12%	1600530	12%	1750630	8%	1989515	Costs of materials spent for modification
100%	13167592	100%	14282160	100%	17770785	Total cost of internal failure
Forth: Elements of the cost of external failure						
56%	390860	68%	980870	64%	1001630	Lower prices
44%	312850	32%	463613	36%	574340	Replace defective production
-	-	-	-	-	-	The cost of repairing defective products
100%	703710	100%	1444483	100%	1575970	External failure cost
	20575359		24948924		37239590	total cost of quality

Source prepared by researchers

From Table (7) it is shown that the share of internal failure costs is the most among the quality costs and throughout the study periods and the lowest was the sharv e of evaluation costs.

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Actual quality cost ratios:

We will extract the actual quality cost ratios based on Table (7) and Table (8) showing this and in the following form.

Table 8: Quality Cost Ratios to Total Actual Quality Costs Calculated for Factory (X)

Ratio	Value	Quality Costs
years 2015		
5%	**953711**	**Prevention Cost**
28%	**5750346**	**Evaluation Cost**
64%	**13167592**	**cost of internal failure**
3%	**703710**	**failure cost External**
100%	**20575359**	**Total cost year 2015**
years 2016		
5%	**1254651**	**Prevention Cost**
32%	**7967630**	**Evaluation Cost**
57%	**14282160**	**cost of internal failure**
6%	**1444483**	**failure cost External**
100%	**24948924**	**Total cost year 2016**
years 2017		
21%	**7665690**	**Prevention Cost**
27%	**10227145**	**Evaluation Cost**
48%	**17770785**	**internal failure cost**
4%	**1575970**	**failure cost External**
100%	**37239590**	**Total cost year 2017**

The table prepared by the researchers:

From Table (8) notes that the highest percentage was for the costs of internal failure and over the years of study. After that, we compare the cost of standard quality with the cost of quality achieved and table (9) shows this in the following form:

Table 9: Comparison of Standard Quality Costs and Actual Quality Costs Calculated for Factory (X))

Deviation	Quality Costs Actual	Quality Costs planned	Quality Costs Element
Comparison costs for 2015			
(1198368)	**953711**	**2152079**	**Prevention Cost**
1798871	**5750346**	**3951475**	**Evaluation Cost**
10379376	**13167592**	**2788216**	**cost of internal failure**
(6537689)	**703710**	**7241399**	**failure cost External**
4442190	**20575359**	**16133169**	**Quality Costs Total**
Comparison costs for 2016			
(1243950)	**1254651**	**2498566**	**Prevention Cost**
3483622	**7967630**	**4484008**	**Evaluation Cost**
10983574	**14282160**	**3298586**	**cost of internal failure**
(6627701)	**1444483**	**8072184**	**failure cost External**
6595580	**24948924**	**18353344**	**Quality Costs Total**
Comparison costs for 2017			
4893425	**7665690**	**2772265**	**Prevention Cost**
5413990	**10227145**	**4813155**	**Evaluation Cost**
14339756	**17770785**	**3431029**	**cost of internal failure**
(7799452)	**1575970**	**9375422**	**failure cost External**
16847719	**37239590**	**20391871**	**Quality Costs Total**

Table prepared by researchers

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From Table 9 we note the following:

1. There are significant and clear deviations between the costs of standard quality and between the actual costs of quality, meaning that the increase in the cost of production weakens the chance of competition for the goods offered in the markets.
2. The actual control cost decreased from the standard during (2015 and 2016), which indicates that the company does not take the optimal level of the relationship between the elements of quality cost because the relationship becomes positive the more the cost of prevention decreases the cost of internal and external failure, which indicates that the company does not take some quality costs such as process engineering, measurement, product inspection and the cost of repairing defective products.
3. The significant increase in the cost of actual quality is due to the lack of awareness of the officials of the quality department and the administrative levels of these costs, and the increase in the cost of measurement indicates the non-use of machines and machines used in the examination.
4. The reason for the high costs of actual internal failure indicates the high value of damage costs and the costs of modifying products, and this result is naturally normal as a result of low costs of prevention because the relationship is positive the more prevention costs increase, the lower the costs of internal failure. Over the years of study.

Table 10: Comparison of Ratios of Standard Quality Costs and Actual Quality Costs Calculated for Factory (X))

deviation	Actual quality cost ratios	Planned quality cost ratios	Quality Costs Element
Comparison costs for 2015			
(8%)	**5%**	**13%**	**Prevention Cost**
4%	**28%**	**24%**	**Evaluation Cost**
47%	**64%**	**17%**	**costs of internal failure**
(43%)	**3%**	**46%**	**failure cost External**
Comparison costs for 2016			
(9%)	**5%**	**14%**	**Prevention Cost**
8%	**32%**	**24%**	**Evaluation Cost**
39%	**57%**	**18%**	**costs of internal failure**
(38%)	**6%**	**44%**	**failure cost External**
Comparison costs for 2017			
7%	**21%**	**14%**	**Prevention Cost**
3%	**27%**	**24%**	**Evaluation Cost**
31%	**48%**	**17%**	**costs of internal failure**
(41%)	**4%**	**45%**	**failure cost External**

Table prepared by researchers

From the above table, whose data are based on Table 9, it is clear that:

1. In 2015, the highest cost ratio was the costs of internal failure.
2. In 2016, the highest cost ratio was the costs of internal failure.
3. In 2017, the highest cost ratio was the costs of internal failure.
4. From the three years of study, it was found that the highest percentage of costs was the share of the costs of internal failure, thus moving the company away from the standard ratios.

Extract the ratio of quality costs to sales:

We will extract the ratio of standard and actual quality costs based on sales and then extract the deviation and table (11) shows this in the following way:

Table 11: Ratios of Comparison of Quality Costs based on the Calculated Sales of the Factory (X)

Year	The sales	Standard quality Costs ratio	Actual quality Costs ratio	Deviation
2015	**806658450**	**2%**	**25%**	**23%**
2016	**917667200**	**2%**	**34%**	**32%**
2017	**1019593550**	**2%**	**37%**	**35%**

Table from the preparation of researchers.

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We note from the table above that the ratios do not correspond to the optimal level of quality quality, which was determined on the basis of 2% of sales, with a significant deviation and throughout the study period, and thus this is an increase in the cost of production, which affects the market share of the goods offered.

Calculation of tax profits:

After the costs of quality, their proportions and deviations have been calculated, we will calculate the tax profits in the following form:

First: Calculating tax profits based on standardization: by subtracting sales from production costs and standard quality costs and table (12) shows this in the following form.

Table 12: Tax Profits Based on the Standard Profits Calculated for the Factory (X)

Year			Statement
2015	2016	2017	
806658450	917667200	1019593550	Revenues
288772807))	(289263600)	33051600))	Production costs
(16133169)	(18353344)	20391871))	Costs quality
501752474	610050256	668685679	Profit total
10%	10%	10%	Tax rate
50175247	61005026	66868568	profit Tax
451577227	549045230	601817111	profit Net

Table from the preparation of researchers

Second: Calculating tax profits based on actual accounting profits: by subtracting sales from production costs and actual quality costs, table (13) shows this in the following form.

Table 13: Tax Profits Based on Actual Quality Costs Calculated for the Factory (X)

Year			Statement
2015	2016	2017	
806658450	917667200	1019593550	Revenues
(288772807)	(289263600)	(330516000)	Production costs
(20575359)	(24948924)	(37239590)	Costs quality
497310284	60345676	651837960	Gross profit
10%	10%	10%	Tax rate
49731028	60345468	65183796	profit Tax
447579256	543109208	586654164	profit Net

Table prepared by researchers

Table 14: Comparison of Tax Profits between the Standard and the Actual Calculated for the Factory (X)

Deviation	Actual tax profits	Standard tax profit	Year
444219	49731028	50175247	2015
6659558	60345468	61005026	2016
1684772	65183796	66868568	2017

Table prepared by researchers.

From the tables (12, 13, 14) we note a clear and significant deviation in tax profits between the standard and the actual and throughout the study period.

The net profit after tax and table (15) are shown as follows:

Table 15: Net Profit after Tax between the Standard and the Actual of the Factory (X)

Deviation	Actual net profit	Standard net profit	Year
3997971	447579256	451577227	2015
5936022	543109208	549045230	2016
15162947	586654164	601817111	2017

Table prepared by researchers

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From the table above we note the increase in net profit after taxes and interest based on normative and throughout the study period.

Conclusions

1. The cost of quality is of great importance to the departments of companies because it affects the quality and quantity of their products and how to market them to customers, and the costs of prevention are the highest percentage because they are the dam preventing the occurrence of other costs of quality.
2. Accounting income report forms, represented by financial statements and reports, are related only to the measurement of income at the company level, and therefore are not suitable for quality management, which needs detailed reports suitable for evaluating the performance of various departments and activities within the organization.
3. Quality costs are limited to actual expenses associated with the measurement of quality control only, while it requires monitoring the measurement of total quality costs.
4. Tax profits are based on the tax law first and in their measurement on accounting profits and therefore are subject to the available accounting figures.
5. Companies enjoy tax privileges as a result of deducting costs entirely from revenues, which encourages corporate management to follow the quality systems that achieve this advantage, current and future.
6. Quality costs represent a percentage of total costs up to 30%. The level of actual tax profits is lower than the norm, while there is a rise in...

Recommendations

1. It is necessary for the departments of companies to disclose how to measure the costs of quality because this enhances their value and position in the market and increases the demand for their products.
2. The disclosure of quality costs enhances the credibility of the accounting profits on which tax profits are based.
3. Financial reports should be developed so that they reflect not only financial factors but non-financial factors for their importance in evaluating efficiency according to the concept of quality.
4. It is necessary to reconsider the measurement of the components of quality costs in full and the foundations of accounting for them.
5. It is necessary to disclose financial and non-financial indicators and data for comparison, control purposes and calculation of taxes.
6. It is necessary to fully disclose all items of quality costs in order to benefit from the tax privileges granted.
7. Imposed on the company.
8. It is necessary to pay attention to the foundations and standards included in the regulations and rely on them in order to achieve more profits.

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