

The impact of the compulsory application of international financial reporting standards on accounting reservation (An applied study in a sample of Iraqi banks)

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Abstract

The research aims to study and diagnose the accounting conservatism practices in the banks listed in the Iraqi market for financial instruments by using the modified receivables model and then urging the economic units to choose conservative practices that suit the business environment in which these units operate in order to help provide honest, clear, easy to understand and amenable information. For comparison and fairly for all parties to the economic unit, and the research was applied in a sample of Iraqi banks for the period (2016-2020). Through the use of the modified receivables model for the most beautiful measure of the level of accounting conservatism and the statement of the role of the international financial reporting standards on the accounting conservatism, and purely reached a set of conclusions, the most important of which was that there is a possibility to use the modified receivables model in measuring the level of accounting conservatism in the research sample bank, as well as these practices It can help in rationalizing the administrative decisions of this bank.

Keywords international financial reporting standards, accounting reservation .

I.INTRODUCTION

The criteria are seen as the process that focuses on serving the information needs of external users of accounting information who have the right, but they lack power and authority to access the financial information they want from the administration of the economic unit, so the information that the administration connects to them must be used, so look at international financial reporting standards on It is a way to report the events and the results of the economic unit and its performance, there is no great gain that can be obtained from measurement without reporting, and financial reporting represents information provided by the Economic Unit Department to help users make capital allocation decisions and other decisions. Accounting reservation is one of the guidelines for holding records Which requires a high degree of verification before the economic unit can submit a legal claim for any profit, and the application of international standards helps reduce international differences in accounting standards to a person.

II. RESEARCH METHODOLOGY

The problem of research:

International financial standards are the main pillar to urge economic units to choose the conservative practices that suit the works in which these units work, in order to help provide sincere, clear and easy to understand information and comparable and fairly to all parties in the economic units, which make confidence prevail between the parties owners Interests in the unit, and that the role that the international financial informative

standards can play in supporting accounting accounting practices is evident through these criteria keenness to achieve proper measurement and sufficient accounting and accurate disclosure and at the appropriate time, including issues related to the establishment of economic unity, financial situation and financial performance And property, managing manner and guaranteeThe inclusion of financial reports of economic units on all the necessary and necessary information to give users of these reports a clear picture of the activity of the economic unit, and the problem of research can be expressed through the following question (is there a possibility to measure the practices of accounting reservations by using sports models and equations in Iraqi banks)

The importance of research:

The importance of research is the importance of its variables represented by the practices of accounting reservation and the management of profits and the relationship between them in light of the application of international standards for financial reporting, as drawing a shameful image of the financial statements of the company comes in fact with many benefits, as accounting reservation encourages the administration to practice more care In its decisions, this also means that there is a greater room for positive surprises, instead of disappointing disorders.

The objectives of research:

The research achieves the study and diagnosis of accounting reservation practices in the banks listed in the Iraq Stock Exchange through the use of the modified dues model, then explaining the role of these practices in applying international financial reporting standards in a way that helps in achieving the goals of management in the short and long term

The hypothesis of research:

The research is based on a basic hypothesis that the following:- (There is a possibility to measure the practices of accounting reservation by using sports forms and equations in banks, the research sample in light of the application of international standards for financial reporting)

The methodology of research:

In implementation of the objectives of the research, the deductive approach and the inductive approach was followed. The deductive approach was followed in the theoretical aspect through relying on Arab and foreign sources available in libraries, while the inductive approach was followed on the applied side of this research

Society and appointed by the research:

Its eye is represented by the two Iraqi banks listed in the Iraq Stock Exchange, which is the International Development Bank, and the Middle East Investment Bank, for the period from 2016 to 2020

III. THE THEORETICAL ASPECT OF THE RESEARCH

The concept of calculating reservation :

Accounting reservation is the name of events and synonymous with the concept of caution and caution, which means taking into account or recognizing the expected losses of the expected gains and revenues, which leads to the evaluation of the assets of economic unity with the least possible and also evaluates its chapters with the highest possible value, in order to reduce the risks The result of the uncertainty cases related to future events and information (Abdul Zahra, 379: 2018)

Accounting reservations arose as a result of the non -confirmation cases that prevailed in various accounting practices, in order to help facilitate the selection process between the available accounting alternatives in a manner that leads to an absence in assessing the assets of economic unity and its net income, management and its tendency to exaggerate the evaluation of some elements Financial statements (Al -Mousawi, 41: 2016)

Accounting planning is seen as the restriction leading to reducing the book value of the origins of economic unity compared to its market value, due to the existence of an unannounced fame for this unit during a specific period of timeThis arises as a result of the rational behavior by the economic unit confrontation, the conditions of confirmation, in order to ensure that the risks accompanying the modern business environment and preparation for these risks (2005: 275, Ryan & Beaver)And the policy of accounting reservation (or what is known as the policy of caution and caution) is one of the traditional accounting policies in preparing financial reports, and the content of this policy in a simple way is to exercise caution in recognition and measurement of income and assets, and the application of the policy of reservation in accounting that the accountant confesses losses, that

is, news Bad, while caution is dealt with when admitting revenues or profits, that is, good news (Abdul Hadi, 1: 2021).

It is clear from the above that accounting reservation represents a ruling restriction that must be taken when carrying out the measurement process and accounting disclosure in a way that contributes to reducing the severity of the risks resulting from non -confirmation cases regarding accounting information, as the impact of accounting reservation is not limited to the profit of economic unity but rather extends to The market value of its shares.

The importance of accounting reservation:

Accounting reservation involves the application of the most severe accounting standards, when admitting profits in the event of doubt and ambiguity, and this is achieved in the face required by recognizing immediately the expenses that occurred and which are likely to occur as loss With a supportive bond or what is proven in the future (Malikov, et, el., 2018: 292)

The importance of accounting reservation can be clarified through the following: (Al -Najjar, 183: 2014), (Abdul Zahra, 379: 2018)

1. The economic unit that practices accounting reservation is often the accounting information included in its financial lists is objective
2. Accounting reservation can be provided by a safety margin for accountants and the financial statements in order to protect them from the dangers of accounting disclosure on incorrect information
3. Helping to reduce the risk of uncertainty, as well as reduce excessive optimism in assessing the assets and net profit of economic unity
4. The information provided by the accounting reservation is characterized by the required quality from the point of view of both the economic unit and the external users of accounting information, and thus help in rationalizing administrative decisions
5. Helping to reduce financing costs and avoid economic unit from exposure to bankruptcy risks, because accounting reservation can give previous performance indicators that help me predict bankruptcy and financial stumbling.

It is clear from the foregoing, that accounting reservation practices help reduce the risk of uncertainty, and reduce excessive optimism in assessing the assets and net profit of the economic unit, and that accounting information will be objective and are more suitable for the needs of all users because the information provided by the accounting reservation provides It is characterized by the required quality so that it can meet the needs of users entering and out of this information and can enable them to make rational, rational decisions and appropriate times.

The factors affecting accounting reservation:

There are a group of factors that affect the conservative practices carried out by the economic unit, and these factors are the size of economic unit, debt contracts, corporate governance, vocational accounting organization, financial market efficiency and judicial system, and these factors can be clarified through Ante (Al -Najjar, 2014: 184-185)

1. The size of the economic unit: - The size of the economic unit affects the conservative practices, as the large economic units are exposed to many political pressures, so these units resort to the practice of accounting reservation in order to avoid exposure to political costs, and on the other hand, the economic units Small size is exposed to more problems than the problems that large units are exposed to, so they also resort to accounting for accounting reservations in order to avoid judicial cases and avoid any other expenses (Al -Najjar, 2014, 184).
2. Indicians 'contracts: - The debt is held between the economic and non -unit in order to obtain a specific debt, and accounting information plays an important role when the debt contracts are concluded with creditors and when following up and settling those properties and with the knowledge of these creditors, the accounting reservation will increase when the unit is adopted Economic in its financing on loans, as accounting reservation provides lenders with warning guidelines in a timely manner (Abu Al -Khair, 2008: 10).
3. Corporate Governance: - Corporate governance is seen as laws and standards that determine the relationship between the administration of economic unity on the one hand, and the shareholders and stakeholders or parties associated with economic unity on the other hand, and corporate governance includes relations between different interests and goals and the administration of economic unity, and includes Other stakeholders working, customers and creditors, equipped, organizers, and society as a

whole. Researchers believe that increasing the effectiveness of governance in economic units leads to an increase in conservative practices (Al -Najjar, 2014, 185)

4. Professional accounting organization: - The specific authorities in setting accounting standards and the authorities concerned with monitoring the application of these standards are the authorities responsible for the accounting organization, and the responsibility of this.
5. The parties help in increasing the demand for accounting reservation, knowing that this responsibility is not legal but rather a national responsibility, and the role of the concerned authorities is to set accounting standards in the request for accounting reservation, which is based on a tribal basis when setting accounting standards and alternatives to measurement and accounting assessment (walker; 2014: 45).
6. The efficiency of the financial market: - It is noteworthy that the stock prices in the efficient securities market reflect all available information related to the market and therefore it is the outcome of the opinions of all investors in this market, so we conclude from this that stock prices are always fair and therefore it is impossible to overcome the market continuously Unfortunately, the more active and efficient financial market, the more economic units are towards the practice of accounting reservation (KIM, et.al, 2001: 134).
7. The judicial system:- The more the judicial system in the state is characterized by force, the greater the orientation of economic units towards accounting reservation, due to the administration's concerns about exposure to legal accountability as a result of an exaggeration in raising the values of assets and reducing the values of the litigants and displaying them in the financial statements (133: 2008, Zhang)

It puts from the foregoing, that there are a set of factors that affect accounting reservation, which are the size of economic unit, debt contracts, corporate governance, vocational accounting organization, the efficiency of the financial market and the judicial system, the lower the size of the economic unit and the economic unit depends on its financing on loans and this unit activates governance Companies are the existence of a competent financial market and the presence of a strong judicial system, whenever this calls for the economic unit to practice accounting reservation when it is supports their financial statements.

Modified dues and its relationship to rationalizing administrative decisions:

The researchers have presented many models to measure the accounting reservation that economic units can be practiced, and one of the most important of these models is the modified dues model, this model came as a development of the model of the dues from before (XU) and its colleagues in 2012 depending on the idea that accounting reservation results in negative cumulative dues In the long run, accounting reservation is measured according to the following equation (2012: 10, XU, et.al).

$$\text{Conacc} = (\text{NIO} + \text{DeP} - \text{CFO}) * (-1) / \text{TA}$$

Whereas: - Conacc: the degree of accounting reservation, NIO: the operational wind, DeP: the extinction of fixed assets, CFO: the cash flow of operational activities, TA: the total assets last time.

The negative value of Conacc indicates the existence of accounting reservation, and the accounting reservation of the economic unit increases by increasing that negative value. This model is characterized by the possibility of using it to measure the reservation at the level of each economic unit or each year separately, as well as its reliance on the accounting information included in the financial statements and does not need other information from the financial market (Zhong, 2017: 199).

The role of accounting reservation practices can be explained in rationalizing administrative decisions. During the identification of the problem, identifying available alternatives, evaluating alternatives and comparing them, by studying the costs of each alternative and returning from it in the sense of expressing the advantages and disadvantages of each alternative in a digital form, and the best is chosen accordingly. However, in many cases, we find that there are some factors that affect the process of comparison between alternatives, and finally decision-making. , And the comparison between the available alternatives is re-obtained in case of obtaining new information (Saleh and others, 2017: 142).

IV. THE PRACTICAL SIDE OF THE SEARCH

Introduction to the research sample:

The current research will be applied in a sample of Iraqi banks listed in the Iraq Stock Exchange, and as follows:

1. The International Development Bank: - The International Development Bank was established in 2011 with a capital of (100) million Iraqi dinars. Iraqi Dinar

2. The Middle East Investment Bank: - The Middle East Investment Bank was established in the year 1993, and it started its banking business on 5/8/1994 with a capital of 400 million dinars, and now the capital of the registered and actually driven bank is (250) billion high at (625 Weakened what it was at the foundation

Measure the level of accounting reservation of the International Development Bank using the modified dues for the period (2017-2020):

For the purpose of measuring the level of accounting reservations of the sinking sinks, the modified dues form, which is based on the idea that accounting reservation, will result in negative, cumulative dues in the long term, through the use of the following Riyadh equation

$$\text{Conacc} = (\text{NIO} + \text{DeP} - \text{CFO}) \times (-1) / \text{TA}$$

If the value of Conacc is negative, this indicates that the bank practices accounting reservation, and the level of accounting reservation of the banks can be measured, as stated by the following:

First: Measuring the level of accounting reservation to the International Development Bank:

The level of accounting reservation of the International Development Bank for the period (2016-2020) can be measured, and as shown in the following table:

Table (1): Measuring the level of accounting reservation of the International Development Bank for the period (2016-2020) (The amounts of thousands of dinars).

the year	The operating quarter NIO	The disappearance of fixed assets DEP	Operating cash flow CFO	The total assets last time TA	Accounting reservation degree CONACC	The result
2016	19453932	3564642	(127652916)	654596192	0.230-	Discreet
2017	14967114	4701343	(17092963)	650770424	0.056-	Discreet
2018	9013423	2527800	(19193311)	660960008	0.046-	Discreet
2019	6096012	2747559	36697324	768378726	0.036	Unreserved

2020	16054983	4044625	223763928	1069745295	0.190	Unreserved
Average	13117093	3517194	19304412	760890129	-0.021	Discreet

Source: Preparing the two researchers based on the bank's financial statements sample research.

It is clear from the table above that the degree of accounting reservation of the International Development Bank for 2016 was (-0.230) and this indicates that this bank has exercised the accounting reservation during this year, either during 2017 it was the degree of accounting reservation (-0.0). 056) which indicated the practice of accounting reservation during this year, and during 2018 the degree of accounting reservation (-0.046) which indicated the practice of this bank accounting reservation during this year, and during the years 2019 and 2020 Was the degree of accounting reservation (0.036), (0.190) respectively, indicating that the International Development Bank did not exercise accounting reservation during these two years, and based on the general average degree of accounting reservation, this bank is a practitioner of accounting reservation during the research years for the period (2016-2020).

Second: Measuring the level of accounting reservation of the Middle East Investment Bank - :

The level of accounting reservation of the Middle East Investment Bank for the period (2016-2020) can be measured, as described in the following table:

Table (2) Measuring the level of accounting reservation of the Middle East Investment Bank for the period (2016-2020) (Amounts in thousands of dinars)

the year	The operating quarter NIO	The disappearance of fixed assets DEP	Operating cash flow CFO	The total assets last time TA	Accounting reservation degree CONACC	The result
2016	14132964	2839303	8262803	656850484	0.013 -	Conservative
2017	578721	2718686	95609902	770690000	0.120	Unreserved
2018	(1985298)	2648923	53162896	800749802	0.066	Unreserved

2019	193789	2547596	(147583400)	658231494	0.228-	Conservative
2020	(1687258)	7144175	(4062911)	647868750	0.015-	Conservative
Average	2246584	3579737	1077858	706878106	0.014-	Conservative

Source: Preparing the two researchers based on the bank's financial statements sample research.

According to the table above, the accounting reservation of the Middle East Investment Bank was (0.013-) indicating that the bank exercised the accounting reservation during this year, either during 2017 and 2018 it was the degree of accounting reservation (0.120), 0.066) respectively, indicating that the bank did not exercise accounting reservations during these two years, while the degree of accounting reservation during 2019 and 2020 (-0.228), (-0.015) respectively, was the order Which refers to the bank's practice of accounting reservations during these two years. Based on the general average degree of accounting reservation, this bank is a practitioner of accounting reservations during the research years for the period (2016-2020) where the degree of accounting reservation for these years (-0.014), so that the bank can be counted as a practitioner of the accounting reservation because it has exercised the reservation in three out of five years.

The role of accounting reservation practices in rationalizing the administrative decisions of the banks sample research:

The level of accounting reservation in banks can be explained by the search sample for the period as follows:

Table (3) Level of accounting reservation in the research sample for the period (2016-2020)

Sequence	Bank name	The year	Accounting reservation	
			Degree of accounting reservation	Result
1	International Development Bank	2016	-0.230	Conservative
		2017	-0.056	Conservative
		2018	-0.046	Conservative

		2019	0.036	Unreserved
		2020	0.190	Unreserved
		2016	-0.013	Conservative
2	Middle East Investment Bank	2017	0.120	Unreserved
		2018	0.066	Unreserved
		2019	-0.228	Conservative
		2020	-0.015	Conservative

Source: Prepare the researchers.

Note from the table above, the degree of accounting reservation of the International Development Bank during the years 2016, 2017, 2018 was (-0.230), (-0.056), (-0.046) respectively, indicating the practice of this bank For accounting reservation during this period, while the degree of accounting reservation during the years 2018, 2020 (0.036), (0.190) respectively, indicating that this bank did not exercise accounting reservation during these two years, so this bank can be counted Practicing accounting reservations during the research years. It is also noted that the degree of accounting reservation of the Middle East Investment Bank during the years 2016, 2019, 2020 was (-0.013), (-0.228), respectively, indicating that this bank's practice of accounting reservation during this The period, while the degree of accounting reservation during the years 2017, 2018 for the tumor k7 (0.120), (0.066), which indicates that this bank does not exercise accounting reservation during these two years, so this bank can be counted as a practitioner of accounting reservations During the search years.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusions :

The conclusions of the theoretical aspect can be explained by the following:

1. The accounting reservation represents a governing restriction to be taken from the measurement and accounting disclosure process in such a way as to reduce the severity of risks resulting from failures with regard to accounting information.
2. Accounting reservation practices help reduce the risk of uncertainty, reduce over-optimism in assessing the assets and net profit of the economic unit, and accounting information is objective and appropriate to the needs of all users.
3. The lower the size of the economic unit and its reliance on loan financing, the more it activates corporate governance, an efficient financial market and a strong judicial system, the more the economic unit should exercise accounting reservations.

4. The dimensions of the accounting reservation are compliance with the requirements of accounting standards and the efficiency and effectiveness of control systems, corporate governance, quality of profits and avoidance of debt pressures
5. The adjusted receivables model is one of the best models that can be used to measure accounting reservation at the level of each unit.

Recommendations:

The research reached a set of recommendations as follows:

1. The need to activate the role that the financial market supervisory body can play in order to activate the effective regulatory role in the financial disclosure process and to oblige economic units to increase the levels of reservation and within reasonable levels.
2. The external auditor expresses his opinion clearly on the level of reservation of the economic units charged with auditing them, as his opinion shows the adequacy of the level of reservation in the published financial statements because of the positive impact on the increased quality of financial reports.
3. Interest in continuing to measure the level of accounting reservation conditional on Iraqi economic units by investors and shareholders to reduce profit manipulation and maintain the long-term value of the economic unit.
4. The need to distinguish by enacting conditional accounting and unconditional accounting reservations, and the economic unit must choose the type of reservation that is appropriate to its circumstances and surrounding evidence in order to adapt to this environment and provide adequate accounting information.
5. Conduct more specialized scientific studies in Iraq related to measuring the optimal level.

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