

The Effect Of Adopting International Financial Reporting Standards On The Quality Of Financial Reports And Its Role In Improving The Value Of The Economic Unit- The Case Iraqi Commercial Banks

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Abstract

This study investigates the impact of the quality of financial reports performed as a result of adopting international financial reporting standards in Iraqi commercial banks listed on the Iraq Stock Exchange. Thus, the paper looks at how the reports' quality affects the economic unit's ability to achieve its value. Four Iraqi banks were chosen at random as the research sample, and their financial records were compared between 2011 and 2015 and between 2016 and 2020 to show how they fared before and after the adoption. In particular, earnings quality equations are used in the study to examine the accuracy of financial reporting, and Q Tobin's equation is used to determine the economic unit's value. The result reveals a statistically significant positive correlation between the adoption of International Financial Reporting Standards and the quality of bank reports, and statistically significant inverse correlation between the former and the worth of economic units.

Keywords: commercial banks, Iraq, financial reports quality, economic unit value, International Financial reporting standards.

1. Introduction

Companies are urged to play a more significant role by investing in capital markets in other nations as a result of the rapid expansion of the world economies. As a result, it becomes clear that consumers want accurate, comparable, and coherent financial reporting in order to get the right information about the financial health and productivity of economic units. As a result, the International Accounting Standard Board outlines its new public benefit goals after being established in 2001 as the International Accounting Standards Committee's replacement.

The International Accounting Standards Board (IASB) has the authority to set international financial reporting standards (IFRS) and to approve interpretations of those standards. These standards

are intended to be applied by profit-making entities. (PWC, 2019). To deliver high-quality financial reports to help different financial market participants and other users around the world in making their informed economic decisions, a single set of high-quality accounting standards that can be used globally has been created (Paul & Burks, n.d.). Since the IASB released them, more than 145 nations and jurisdictions have permitted the use of IFRS for locally listed companies, making their adoption the most pervasive globally (AICPA, 2011). The main purpose of IFRS is producing high quality financial reports. The quality of financial reports can be defined as the accuracy with which financial reports convey information about the operations of companies. Therefore, the concept of the quality of financial reports is broad and includes the disclosure

of financial information and non-financial information useful for decision-making. (Opanyi,2016)

To keep pace with the progression of providing reports of good quality to the user, it has become imperative for Iraqi economic units to apply IFRS as a unified language that allows units to compare information locally and globally. In 2016, the Iraqi Central Bank issued special instructions to Iraqi banking institutions for the purpose of using IFRS. Furthermore, in 2019, the CBI updated its 2016 requirement to implement IFRS by requiring banks to adopt as well as comply with IFRS 9 Financial Instruments.(IFRS, 2020)

Studies have highlighted the importance of the application of IFRSs to improve the quality of financial reports and its contribution to the formation of economic value for units. The adoption of IFRS reduces the cost of contracting across borders with suppliers, labor, customers, lenders, investors, etc., expanding the amount of international transactions in all markets in which public companies participate. As such, the expected result will be increasing in overall market efficiency (Ball, 2016). In this regard, Madawaki (2012) referred to a number of benefits of IFRS adoption. The most important of which is attracting foreign direct investment through greater transparency and a lower cost of capital for potential investors, and ensuring relevant and meaningful investment portfolio decisions are taken in other countries.

Nevertheless, the present study concentrates on two aspects, i.e., the extent to which high-quality financial reports are produced and enhancements of the economic value of selected banks after the adoption of international financial reporting standards. Accordingly, the research is conducted in two stages: Firstly, the essential equations are applied to determine the impact of the IFRS adoption on the financial reports quality through comparison between five years before adopting (2011-2015) and five years after adoption (2016-2020). Secondly, the paper will clarify the impact of the quality of reporting resulting from applying IFRS in improving and attaining the value of the economic unit. Therefore, it can be regarded as a new addition to the other studies in terms of checking the effectiveness of IFRS adoption in Iraqi banks.

Additionally, it manipulates a relevant time frame (10 years) to obtain appropriate results and also utilizes a different and more recent earnings quality equations to determine the quality of the reports. In order to measure the relevance of the financial reports, the equation designed by Francis will be adopted as a substantial one since it highlights the relationship between balance sheet information and market data (Francis, 1999). To measure the faithful representation (the second key feature of information quality) a linear regression equation for working capital accruals will be used which is set by (Francis, 2008) depending on current and future cash flows in addition to the change in revenues and fixed assets.

Furthermore, income smoothing is one of the most significant growing issues in the business environment, which management generally used to mislead investors, thus, researchers consider it necessary to check it to determine the quality of the reports as evidence of IFRS adoption efficiency. For this aim, the scale developed by (Dechow & Schrand, 2010) is adopted. The last measure of reports quality is the accuracy of profit forecasts since it is important for investors to know the banks' ability to generate cash flows and for creditors by checking the banks' ability to meet its obligations.

In this context, the researchers employ an equation (Dechow & Schrand, 2010). The second dependent variable is the value of the economic unit, the researchers use Tobin's Q. It is a method which is used as an indicator of the performance of companies (their value) was introduced by the scientist James Tobin (1969) and it is one of the best measures of companies' performance. As far as the significance of the study, it stems from the importance of adopting IFRS as an essential tool for improving the quality reporting and enhancing the economic value of the banks.

To sum up, the outcomes may help to increase the interest of local accountancy bodies in the seriousness of improving the quality of financial reporting in Iraqi banks. It also helps to reinforce the production of transparent information in Iraqi banks to meet the requirements of users and boost their confidence in the financial statements issued by Iraqi banks. Finally, it can help Iraqi banks move towards achieving better economic value through the quality of their reports

2-Review of Related Literature

The adoption of IFRS and its relationship to the accuracy of reports and the economic unit's value are the subject of a number of preceding studies that are examined in this one. However, the studies highlight various conclusions on the adoption of IFRS, providing a diversity of proposals and recommendations in this area. For instance, (Al Tamimi, 2017) highlighted the mechanism for the adoption of IFRS by Iraqi banks, the application process, and its impact on the quality of accounting information. It also pointed out the development of IFRS and how it affects the quality of information. It examined whether the qualitative characteristics of the accounting information were reached when applying IFRS for a sample of 10 Iraqi banks using the questionnaire. (Al Tamimi, 2017) concluded that there is a positive impact of IFRS development on the quality of the accounting information contained in the financial statements of Iraqi banks.

Another study is proposed by (Almusawi, 2015). It aimed at diagnosing the suitability of international financial reporting standards with the Iraqi environment and the possibility of its application through a study of a sample of the Iraqi banking sector. This was done by studying the level of awareness of the organizers of the reports and their beneficiaries, in addition to exploring the necessary information for users. The study also focused on the obstacles, challenges, costs and benefits of the application. The practical side was conducted through a questionnaire addressed to accountants and auditors of research sample banks. The findings of this study show that environmental, cultural and cognitive factors are an important determinant for the adoption of international financial reporting standards by the research sample banks.

As for (Dogan, 2015)'s study, It sought to ascertain how international financial reporting norms affected economic development in underdeveloped nations. 49 developing nations that have embraced international financial reporting norms were the subject of the study. The findings demonstrated that international financial reporting standards had a large and favorable impact on developing countries' economic growth and helped them to sustain both financial stability and economic

growth. It also discovered a link between rising levels of foreign investment flowing into emerging nations and their adoption of international financial reporting standards. Finally, it found that the adoption of IFRS contributes to transparency and comparability in financial reporting and improves the quality of financial information reported for developing countries. Thus, it will make the capital markets more accessible to foreign investors and improve the flow of capital.

The effect of the mandated adoption of IFRS on the caliber of accounting information for Nigerian banks was examined in a study by (Uwuigbe, 2017). In addition to focusing on the annual reports of the survey sample of 12 Nigerian publicly traded banks, the study's findings were used as the primary data. Additionally, it demonstrated a strong link between the caliber of accounting data and the adoption of international financial reporting standards.

Concerning (Yasas, 2019)'s study, it focused on investigating the impact of the adoption of international financial reporting standards on the quality of accounting information. The study was based on 29 registered manufacturers that had data prior to IFRS (2009-2011) and subsequent to IFRS (2013-2015). The data was analyzed using the multiple regression method. The results illustrated that the importance of the value of accounting information did not improve significantly in the post-IFRS period compared to the pre-IFRS period. The study found that there is no clear evidence that adopting IFRS improves the quality of reporting in Sri Lankan.

Moreover, Pascan (2014) analyzed the impact of international financial reporting standards in Romania on the quality of accounting. The main objective is to test whether IFRS adoption in Romania increases the quality of accounting data reported by Romanian entities listed on the Bucharest Stock Exchange. Two regression models were applied in order to test the suitability of the equity book value of and net income during the period 2010-2013, which included two years of reports according to Romanian accounting regulations and two years of reports according to IFRS. The findings demonstrated that Romania's implementation of IFRS has improved the quality of accounting, notably in relation to the book value of

shares. It also demonstrated that the equity book value is 5.14 percent more adequate than it was during the pre-IFRS period. When comparing the post-IFRS era to the IFRS period before it, the quality of net income showed an improvement of (0.05 %).

In relation to Ki (2019)'s study, it stated whether the value relevance of accounting information has changed after the adoption of IFRS in South Korea. The sample was the Korean stock markets (KSE and KOSDAQ). The study indicated that the impact of the adoption of IFRS on the value relevance can differ between the Korean stock markets (KSE and KOSDAQ) because they have different characteristics. The findings maintained that the value relevance of accounting information for listed companies in Korea decreased after the adoption of IFRS. However, it found that the decline in the total of value relevance was largely attributable to the companies listed on the KSE Stock Exchange while the value relevance of the companies listed on the KOSDAQ increased after the IFRS. The study found that the effect of adopting IFRS on value relevance is different depending on the types of financial statements. The consolidated accounting information for KSE companies showed a more value relevance than the individual accounting information, but less in value relevance than the pre-IFRS period. For KOSDAQ-listed companies, the results were inconsistent and revealed lower value relevance compared to the pre-IFRS period.

Finally, the study by Lin (2019) focused on the potential for improving financial statement comparability as one of the primary goals of implementing international financial reporting

standards and the convergence of IFRS and Generally Accepted Accounting Principles(GAAP). The study examined German-American GAAP companies, which are businesses that reported using US GAAP from 2002 to 2004 before adopting IFRS and IFRS from 2005 to the present (2006-2010). Comparing the two approaches' efficacy revealed that both adoption and convergence increased comparability, according to empirical studies. The adoption of IFRS does not always result in a large incremental gain in profitability, according to the difference-in- differences technique, which examines the relative benefits of these two regulatory measures

3- Methodology

The research sample is represented by Iraqi private banks listed on the Iraqi Stock Exchange, which have been applying international financial reporting standards since 2016. Out of 12 banks, 4 banks were randomly selected which are: Bank of Baghdad, Ashur Commercial Bank, National Bank of Iraq, and Sumer Commercial Bank. The study excluded Islamic banks since they have different standards to comply with. Banks that were newly established more specifically after 2011 or during the selected period of 2011-2020 also excluded since they are not relevant to the comparison of the study.

The following Table (1) will represent the variables of the study and the methods that are adopted to clarify and measure these variables. It consists of three variables: independent, which is the adoption of international financial reporting standards, dependent, which is the quality of reporting, and a second dependent, which is the value of the economic unit.

Table (1): Variables of the Study

The variables	Measures	Sources	Other details
International Financial Reporting Standards(IFRS)	This variable will be connected to the results of the other variables to show its significance for each of the two variables analytically.		
Quality of reports	The measurements are set of earning quality to determine the		The annual financial reports of the banks

	characteristics of the information included in the annual reports and as follow: 1- Relevance 2- faithful representaion 3- Prediction of profits. 4- Income smoothing.	1-(Francis, 1999) 2-(Francis,2008:62) 3-(Dechow & Schrand,2010) 4-(Dechow & Schrand,2010)	have been utilized to apply these equations
The economic value of units	The researchers used Tobin's' Q to determine this variable	James Tobin (1969)	

The hypothesis of the study are:

1-The preparation of financial reports in Iraqi banks according to international financial reporting standards does not lead to the production of high quality reports. This hypothesis can be divided into four sub-hypotheses:

a) There is no positive relationship between the adoption of IFRS and the production of information that provides accurate future predictions of profits.

b) There is no positive relationship between the adoption of IFRS and the production of information that limits income smoothing practices.

c) There is no positive relationship between the adoption of international financial reporting standards and the production of faithful representation information

d) There is no positive relationship between the adoption of international financial reporting standards and the production of relevant information

2-There is no positive correlation between quality of financial reporting resulting from the adoption of international financial reporting standards and the improvement in the economic value of the Bank.

In order to achieve the objectives of the study and verify the above hypotheses, the researchers adopted the equations below:

1- Quality of financial reports: the researcher use different equations to measure the quality of reports and as stated below:

Prediction of profits: In this context, the modern equations developed by (Dechow & Schrand, 2010) used to calculate the predictive ability of profits. This is done by using the square root of the persistence equation to determine predictive capacity, as shown below:

$$NIBE_{i,t} = \alpha + NIBE_{i,t-1} + \varepsilon_{i,t} \dots (1)$$

Where:

NIBE_{i,t}: is the net income before extraordinary items in the current period divided by average assets.

NIBE_{i,t-1}: Represents net income before extraordinary items in the previous period divided by average assets.

$$R^2 FROM NIBE_{i,t} = \alpha + NIBE_{i,t-1} + \varepsilon_{i,t} \dots (2)$$

Faithful representation: To measure the true representation of financial reporting, a linear regression equation for working capital accruals will be used depending on the current and future cash flows in addition to the change in revenues and fixed assets. Therefore, the latest model developed by (Francis, 2008:62) will be adopted.

$$\frac{TCA_{jt}}{Assets_{jt}} = \varphi_{0,i} + \varphi_{1,j} \frac{CFO_{jt-1}}{Assets_{jt}} + \varphi_{2,j} \frac{CFO_{jt}}{Assets_{jt}} + \varphi_{3,j} \frac{CFO_{jt+1}}{Assets_{jt}} + v_{j,t}$$

The higher the accrual values are, the lower quality of reports, and vice versa

Where:

TCA: The value of the accruals for the current period

Cash flow i,t-1: is cash flows of the unit in the previous period

Cash flow i,t: is cash flows of the unit in the current period

Cash flow i,t +1: is cash flows for the unit for the next period

Relevance: In this context, two models of relevance measurement will be adopted, which were presented by (Francis, 1999). This is measured in terms of the relationship between balance sheet information and market data. In this case, the simultaneous relationship between the market value of the shares at time t plus six months of the next year and the total assets and total liabilities at time t is examined as follows:

$$Pit+6 = a0 + a1Post + a2TAit + a3 TLit + a4 Post*TAit + a5 Post*TLit + uit+6 \dots (1)$$

Where:

Pit + 6: Market value of shares + 6 months

TA it: Total assets per share

TL it: Total liabilities per share

Post: A dummy variable equal to 1 for the period after the adoption of IFRS and 0 for the previous period, as 2011-2015 is considered a period before the adoption of IFRS and the year 2016-2020 is a period after the adoption of IFRS.

Uit + 6: residual values

To detect the change of relevance, the proportional approach is used interchangeably. Specifically, the regression R of the equation below and for each period before and after the adoption of IFRS is determined:

$$Pit+6 = a0 + a1 TAit + a2 TLit + uit+6 \dots (2)$$

High relevance is generally seen as a sign of high earnings quality and, consequently, high quality reports because the earnings were reported, because profits were represented in a way as to be free of mistakes or prejudices.

Income smoothing: The primary purpose of this measure is to determine the level of income smoothing. This measure is considered highly significant to help users of financial reports determine the reliability of the revenue presented in the reports. In this regard, the measure developed by (Dechow and Schrand, 2010) will be used and as follow:

$$\sigma(\text{net income}) / \sigma(\text{operating cash flow})$$

The above equation represents the measurement of income smoothing through the ratio of the standard deviation of net income to operating cash flow. A lower ratio indicates more smoothing of the profit flow relative to the cash flow.

2- Value of economic units:

The scale (Tobin's Q) was used to measure the unit's economic value according to the model developed by James Tobin (1969) and as follow:

$$\text{Tobin's Q} = \text{MVE} + \text{QS} + \text{DEbt} / \text{TA}$$

Where:

TQ: It is an equation to determine the value of the unit. If (Q > 1), it indicates that the market value of the bank

is higher than the value of its assets, as it reflects good value and high profitability, and vice versa.

MVE: It is the result of multiplying the share price at the end of the period by the number of ordinary shares subscribed to.

PS: the cash value of the bank's preferred shares

TA: book value of the bank's total assets

DEBT: value of short-term liabilities - value of short-term assets + book value of long-term debt

4-Results and Discussion

A) Testing the prediction of future profits for the Banks of research sample. The quarterly data was used for the years from 2011 to 2020, and the E-Views program was utilized to estimate the persistence equation, and then allocating the ability of the prediction of profits:

Where: PV stands for prediction value and PE stands for prediction error

Table (2) prediction of income values test

Bank of Baghdad			Sumer Commercial Bank			Ashur Commercial Bank			National Bank of Iraq		
years	PV	PE	years	PV	PE	years	PV	PE	years	PV	PE
2011 Q1	73127222	8867844	2011 Q1	0.014625	-0.008651075	2011 Q1	0.04185	-0.01523	2011 Q1	0.010778	-0.00389
2011 Q2	7472748	9843049	2011 Q2	0.012429	-0.012499302	2011 Q2	0.030479	-0.02255	2011 Q2	0.009674	-0.00411
2011 Q3	14328630	9214660	2011 Q3	0.009014	-0.003562123	2011 Q3	0.025152	0.590574	2011 Q3	0.008942	-0.00051
2011 Q4	18929725	8799506	2011 Q4	0.012134	-0.004412353	2011 Q4	0.198325	0.041464	2011 Q4	0.010524	0.006032
2012 Q1	22022448	-14694807	2012 Q1	0.013416	-0.003096614	2012 Q1	0.091214	-0.08702	2012 Q1	0.014996	0.000834
2012 Q2	6949023	7535105	2012 Q2	0.014884	-0.000274694	2012 Q2	0.024088	-0.02012	2012 Q2	0.014597	0.013175

Bank of Baghdad			Sumer Commercial Bank			Ashur Commercial Bank			National Bank of Iraq		
2012 Q3	12236492	11407532	2012 Q3	0.017308	0.006629135	2012 Q3	0.024023	-0.02146	2012 Q3	0.02117 2	0.020847
2012 Q4	19004151	8725180	2012 Q4	0.022579	0.010329585	2012 Q4	0.023623	-0.01461	2012 Q4	0.02901 7	0.017068
2013 Q1	22022522	-9420896	2013 Q1	0.027648	0.013431256	2013 Q1	0.025461	-0.02327	2013 Q1	0.03125 6	-0.01886
2013 Q2	10845632	14854322	2013 Q2	0.032264	0.063443288	2013 Q2	0.023518	-0.02235	2013 Q2	0.01270 5	0.007389
2013 Q3	20523145	-13501174	2013 Q3	0.063131	0.057970431	2013 Q3	0.023227	-0.01945	2013 Q3	0.01694 4	0.006929
2013 Q4	6723183	-6263121	2013 Q4	0.077479	0.099674167	2013 Q4	0.02397	-0.01935	2013 Q4	0.01902 5	0.01245
2014 Q1	1875010	-1754740	2014 Q1	0.10915	-0.10105044	2014 Q1	0.02421	-0.02075	2014 Q1	0.02321 1	-0.02077
2014 Q2	1623959	-1605495	2014 Q2	0.01363	0.015914451	2014 Q2	0.023879	0.039415	2014 Q2	0.00722 6	0.002399
2014 Q3	1548741	-1524228	2014 Q3	0.025747	0.016856933	2014 Q3	0.040928	-0.03191	2014 Q3	0.01118	0.003069
2014 Q4	1553211	-1540941	2014 Q4	0.033126	0.018719777	2014 Q4	0.025462	0.044295	2014 Q4	0.01372 6	0.001467

Bank of Baghdad			Sumer Commercial Bank			Ashur Commercial Bank			National Bank of Iraq		
2015 Q1	1544165	-1532354	2015 Q1	0.038348	-0.031196988	2015 Q1	0.042769	-0.03927	2015 Q1	0.01424 6	-0.00919
2015 Q2	1543826	-1517471	2015 Q2	0.013094	0.023718871	2015 Q2	0.023891	-0.01567	2015 Q2	0.00866 4	0.003088
2015 Q3	1554572	-1522000	2015 Q3	0.029854	-0.026029969	2015 Q3	0.025235	-0.01207	2015 Q3	0.01235 1	0.000335
2015 Q4	1559165	-1518419	2015 Q4	0.011214	0.034024012	2015 Q4	0.026644	-0.01054	2015 Q4	0.01286 5	0.010838
2016 Q1	1565204	-1556712	2016 Q1	0.034614	-0.028843628	2016 Q1	0.027482	-0.02325	2016 Q1	0.01893 1	-0.01349
2016 Q2	1541374	-1522284	2016 Q2	0.012314	-0.005625651	2016 Q2	0.024099	-0.01672	2016 Q2	0.00887 8	0.001724
2016 Q3	1549204	-1525911	2016 Q3	0.012832	-0.008715227	2016 Q3	0.024996	-0.01283	2016 Q3	0.01171 7	-0.00305
2016 Q4	1552309	-1543817	2016 Q4	0.011138	0.002451435	2016 Q4	0.02636	-0.0107	2016 Q4	0.01065 2	0.007853
2017 Q1	1541374	-1530885	2017 Q1	0.016868	-0.007580527	2017 Q1	0.027356	-0.02313	2017 Q1	0.01607	-0.01004
2017 Q2	1542849	-1528366	2017 Q2	0.014301	-0.010576985	2017 Q2	0.024099	-0.01617	2017 Q2	0.00920 2	-0.0034

Bank of Baghdad			Sumer Commercial Bank			Ashur Commercial Bank			National Bank of Iraq		
2017 Q3	1545800	-1524814	2017 Q3	0.011158	0.003447384	2017 Q3	0.025154	-0.0142	2017 Q3	0.009073	0.007174
2017 Q4	1550605	-1540116	2017 Q4	0.017306	0.000574923	2017 Q4	0.026015	-0.0102	2017 Q4	0.014826	0.001899
2018 Q1	1542849	-1539930	2018 Q1	0.019157	-0.015409756	2018 Q1	0.0274	-0.02137	2018 Q1	0.015089	-0.01014
2018 Q2	1537256	-1533648	2018 Q2	0.01117	-0.011969147	2018 Q2	0.024613	-0.02381	2018 Q2	0.008602	-0.01628
2018 Q3	1537765	-1532191	2018 Q3	0.008602	-0.008104333	2018 Q3	0.023123	-0.01763	2018 Q3	0.00165	-0.00328
2018 Q4	1539218	2494449	2018 Q4	0.009335	-0.006220688	2018 Q4	0.024458	-0.01579	2018 Q4	0.004981	-0.00787
2019 Q1	4515317	-833876	2019 Q1	0.010813	-0.008155998	2019 Q1	0.025363	-0.02264	2019 Q1	0.00429	-0.0015
2019 Q2	4255080	-3379807	2019 Q2	0.010555	-0.005555834	2019 Q2	0.02367	-0.02331	2019 Q2	0.007417	-0.00176
2019 Q3	2181783	78569	2019 Q3	0.011878	-0.007966306	2019 Q3	0.022997	-0.0175	2019 Q3	0.008994	-0.00053
2019 Q4	3205129	-933774	2019 Q4	0.011264	-0.002304	2019 Q4	0.024461	-0.01954	2019 Q4	0.010539	-0.00083

Bank of Baghdad			Sumer Commercial Bank			Ashur Commercial Bank			National Bank of Iraq		
2020 Q1	3213258	330167	2020 Q1	0.014116	-0.015972852	2020 Q1	0.024295	-0.02017	2020 Q1	0.011226	-0.00644
2020 Q2	4153109	3946352	2020 Q2	0.008004	-0.010917691	2020 Q2	0.024069	-0.00352	2020 Q2	0.008516	0.005156
2020 Q3	7519271	3189424	2020 Q3	0.007407	-0.009050141	2020 Q3	0.028749	-0.0103	2020 Q3	0.013408	0.000511
2020 Q4	9447067	-1996540	2020 Q4	0.008125	-0.013443326	2020 Q4	0.028152	0.002674	2020 Q4	0.013544	0.0057

The analysis of income prediction:

- **Analysis of Baghdad Bank:**

The results indicated the following points:

1. The significance of the regression model because the probabilistic value of F is less than the 5% level of significance.
2. The value of the regression coefficient was (0.738836), which is significant at the level of significance at 5%. It indicates that changing one unit of $NIBE_{i,t-1}$ leads to a change of $NIBE_{i,t}$ by (0.738836).
3. Forecast accuracy depends on forecast error which is the difference between the value that occurs and the value that has been predicted for a certain time period. Hence, Error = Actual – Expectation

$$e_t = A_t - F_t$$

Based on the results shown in the table 2, it is clear that the square root of the prediction error was high in the pre-adoption years, especially in 2011

and 2012, and then it decreased from the third quarter of 2013. The period from 2013 to fourth quarter of the 2018. They showed that the forecast error has decreased, which indicates the high quality of forecasted earnings, and thus the high quality of reporting future earnings forecasts. In 2019, the variance error increased in the third quarter, as well as in the first, second and third quarters of 2020 which indicates low reporting quality. Finally, the findings showed the insignificance of adopting IFRS and the high level of profit forecasting.

- **Analysis of Sumer Commercial Bank:**

The results stated the following points:

1. The significance of the regression model because the probabilistic value of F is less than the 5% level of significance.
2. The value of the regression coefficient is (0.565029), which is significant at the level of significance of 5%. It indicates that a change of one unit of $NIBE_{i,t-1}$ leads to a change of $NIBE_{i,t}$ by (0.565029).

3. Through the estimated persistence equation, it was shown that the square root of the forecast error variance (the mean squares of the forecast error of 0.030266) is a low indicator and indicates the accuracy of forecasting, and the equation is able to predict greater future profits. Table (2) shows the predictive values for each year and an error forecasting, as the negative number of the forecast error indicates that the predictive value is greater than the true value, which indicates that there are greater future profits.

Sumer Bank reflects a positive correlation of the IFRS adoption and the accuracy of forecasting future profits. The results showed that the square root of the prediction error was high for the years 2012, 2013, 2014 and the beginning of 2015, and this indicates the inaccuracy of forecasting profits in the pre-adoption period in general. Post adoption of IFRS reflects a decrease in the forecasted error for most of the years, except for the last quarter of 2016 and the third and fourth quarter of 2017 which interprets the efficiency of IFRS in increasing the quality of reports.

4. The value of the interpretation coefficient of (32%) indicates that time explains 32% of the changes in net income before the regular items, and the rest of the ratio (68%) refers to other random variables.

• Analysis of Ashur Bank:

The results demonstrated the following points:

1. The value of the regression coefficient is (0.284917), which indicates that changing one unit of $NIBE_{i,t-1}$ leads to a change of $NIBE_{i,t}$ by (0.284917).
2. Through the estimated persistence equation, it was shown that the square root of the forecast error variance (the average of the squares of the forecast error of (0.099307) is an indicator of forecast accuracy and we predict greater future profits. Table (2) shows that Ashur Bank has also clarified the positive correlation of the IFRS adoption and the accuracy of forecasting. As it was found that the square root of the prediction error variance was

relatively high before adoption, especially in the third and last quarter of 2011, as well as in 2014, when the variance of the error increased in the second and last quarter of this year to maintain its decline for the rest of the years until 2020. As it turned out, there is an increase in the forecast error for the last quarter of 2020, which indicates the inaccuracy of the forecast for this year.

3. The value of the interpretation coefficient of (8.14%) indicates that time explains 8.14% of the changes in net income before the regular items, and the rest of the percentage (91.86) refers to other random variables.

• Analysis of National Bank of Iraq:

The results revealed the following points:

1. The value of the regression coefficient is (0.550636), which indicates that changing one unit of $NIBE_{i,t-1}$ leads to a change of $NIBE_{i,t}$ by (0.550636).
2. Through the estimated persistence equation, it was shown that the square root of the forecast error variance (the mean squares of the forecast error of (0.009196) is an indicator of forecast accuracy and we predict greater future profits. Table (2) shows that it became clear that the forecast error variance was almost higher for most of the years before the adoption of IFRS. As the prediction error increased from the last quarter of 2011 to the last quarter of 2012, it rose again in the second, third and last quarter of 2013, and then rose again in 2014 and similarly to the year 2013, and the same is true for the year 2015. This shows that there is a noticeable rise in the prediction error in these years. After the adoption, the error had risen in the second quarter of 2016, to rise again in the last two quarters of 2017. In the years 2018 to 2020, it maintained a decrease in the level of error to rise again in the second, third and fourth quarters of the year 2020. If we compare the years before and after the adoption, it becomes clear that the error rate was higher in the years before the adoption of the standards
3. The value of the interpretation coefficient of (30%) indicates that time explains 30% of the

changes in net income before the regular items, and the rest of the percentage (70) refers to other random variables.

With reference to the preceding analysis, the first hypothesis is dismissed since there is a positive

correlation for IFRS adoption and the increase of forecasted profits of reports.

B) Testing income smoothness for the Banks of research sample. The quarterly data was used for the years from 2011 to 2020, and as follow:

Table (3) smoothness income test

Bank of Baghdad		Sumer Commercial Bank		Ashur Commercial Bank		National Bank of Iraq	
Year	income smoothness	Year	income smoothness	Year	income smoothness	Year	income smoothness
2011- 1st	-8.61288E-07	2011- 1 st	0.00010	2011- 1st	-0.00015	2011- 1st	0.00005
2011- 2nd	1.33944E-06	2011- 2 nd	0.00016	2011- 2nd	-0.00032	2011- 2nd	0.00032
2011-3rd	5.54664E-06	2011-3 rd	0.00015	2011-3rd	-0.00037	2011-3rd	0.00035
2011-4th	3.90875E-06	2011-4 th	0.00000	2011-4th	0.00002	2011-4th	0.00139
2012-1st	-7.21824E-07	2012-1 st	-0.00005	2012-1st	-0.00018	2012-1st	0.00053
2012-2nd	0.00096078	2012-2 nd	-0.00004	2012-2nd	-0.00003	2012-2nd	0.00103
2012-3rd	9.96417E-07	2012-3 rd	0.00040	2012-3rd	-0.00001	2012-3rd	0.00156
2012-4 th	0.000389234	2012-4 th	0.00002	2012-4th	-0.00002	2012-4th	0.00194

Bank of Baghdad		Sumer Commercial Bank		Ashur Commercial Bank		National Bank of Iraq	
2013-1 st	2.65248E-07	2013-1 st	0.00004	2013-1st	-0.00002	2013-1st	0.00048
2013- 2 nd	2.28633E-07	2013- 2 nd	0.00004	2013- 2nd	-0.00004	2013- 2nd	0.00088
2013- 3 rd	4.06212E-08	2013- 3 rd	0.00000	2013- 3rd	-0.00002	2013- 3rd	0.00079
2013-4 th	3.6334E-09	2013-4 th	0.00001	2013-4th	-0.00003	2013-4th	0.00182
2014-1 st	2.7724E-09	2014-1 st	0.00015	2014-1st	-0.00005	2014-1st	-0.00001
2014- 2 nd	-2.52539E-12	2014- 2 nd	0.00002	2014- 2nd	-0.00017	2014- 2nd	-0.00003
2014- 3 rd	-7.18139E-10	2014- 3 rd	-0.00007	2014- 3rd	-0.00003	2014- 3rd	-0.00007
2014-4 th	-8.27044E-11	2014-4 th	0.00003	2014-4th	-0.00008	2014-4th	-0.00014
2015-1 st	3.66172E-09	2015-1 st	-0.00002	2015-1st	0.00003	2015-1st	0.00001
2015-2 nd	9.4774E-09	2015-2 nd	-0.00003	2015-2nd	0.00009	2015-2nd	0.00001
2015-3 rd	1.26537E-08	2015-3 rd	-0.00002	2015-3rd	0.00008	2015-3rd	-0.00008
2015-4 th	1.52863E-08	2015-4 th	-0.00003	2015-4th	0.00007	2015-4th	0.00005
2016-1 st	-2.66523E-10	2016-1 st	0.00000	2016-1st	-0.00005	2016-1st	0.00003

Bank of Baghdad		Sumer Commercial Bank		Ashur Commercial Bank		National Bank of Iraq	
2016- 2 nd	1.07032E-09	2016- 2 nd	-0.00001	2016- 2 nd	-0.00001	2016- 2 nd	0.00006
2016-3 rd	1.16476E-09	2016-3 rd	-0.00003	2016-3 rd	-0.00002	2016-3 rd	0.00003
2016-4 th	1.75367E-10	2016-4 th	-0.00001	2016-4 th	-0.00003	2016-4 th	0.00020
2017-1 st	-6.43057E-09	2017-1 st	0.00002	2017-1 st	-0.00004	2017-1 st	0.00000
2017- 2 nd	-1.12211E-08	2017- 2 nd	0.00001	2017- 2 nd	-0.00003	2017- 2 nd	0.00001
2017-3 rd	-1.70906E-08	2017-3 rd	0.00000	2017-3 rd	-0.00027	2017-3 rd	0.00003
2017-4 th	-7.76359E-09	2017-4 th	0.00001	2017-4 th	-0.00007	2017-4 th	0.00005
2018-1 st	-2.86037E-10	2018-1 st	-0.00001	2018-1 st	0.00001	2018-1 st	-0.00001
2018-2 nd	-3.53732E-10	2018-2 nd	0.00000	2018-2 nd	0.00000	2018-2 nd	0.00000
2018-3 rd	-1.28044E-10	2018-3 rd	0.00000	2018-3 rd	0.00001	2018-3 rd	0.00000
2018-4 th	-2.96068E-07	2018-4 th	0.00000	2018-4 th	0.00001	2018-4 th	0.00000
2019-1 st	5.16354E-08	2019-1 st	0.00000	2019-1 st	0.00000	2019-1 st	0.00000

Bank of Baghdad		Sumer Commercial Bank		Ashur Commercial Bank		National Bank of Iraq	
2019-2 nd	1.63551E-08	2019-2 nd	0.00000	2019-2 nd	0.00000	2019-2 nd	0.00001
2019- 3 rd	5.89379E-08	2019- 3 rd	-0.00002	2019- 3 rd	0.00001	2019- 3 rd	0.00003
2019-4 th	3.85427E-08	2019-4 th	-0.00001	2019-4 th	0.00001	2019-4 th	0.00001
2020- 1 st	4.73441E-08	2020- 1 st	0.00000	2020- 1 st	0.00000	2020- 1 st	0.00001
2020-2 nd	2.92516E-07	2020-2 nd	0.00000	2020-2 nd	0.00008	2020-2 nd	0.00007
2020-3 rd	7.64349E-07	2020-3 rd	0.00000	2020-3 rd	0.00014	2020-3 rd	0.00008
2020-4 th	2.71037E-07	2020-4 th	0.00000	2020-4 th	0.00006	2020-4 th	0.00017

- Analysis of testing income smoothness**

As these values show larger profit fluctuation relative to cash flow and consequently worse profits in terms of quality, a lower ratio suggests more smoothing of profit flow relative to cash flow. According to table 3, Bank of Baghdad demonstrated income smoothing techniques in the first quarters of 2011, 2012, and 2014, notably in the second, third, and fourth quarters, recorded the highest levels of income smoothing. Regarding the years following adoption, 2017 and 2018 had higher income smoothing, which shows the bank was attempting to conceal the true performance and make subpar financial reports.

The same is right with the Ashur Bank, the results showed there were practices of income smoothing before and after adoption. What is striking is that the income smoothing was higher for the years before adoption, represented in 2011, 2012, 2013 and 2014, while the income smoothing was limited in 2016 and 2017, after adoption, which shows the efficiency of IFRS adoption in lowering the levels of income smoothing.

Regarding Sumer Bank, the income smoothing practices were higher before the adoption compared to after the adoption, as it is clear that the bank had income smoothing practices before the adoption in 2012 and 2015. Post IFRS adoption, there were practices to hide the real performance in several years represented in 2016 and the first quarter From 2018, the third and fourth quarter of 2019. The

results did not show a decrease in the income smoothing in the period of IFRS adoption if it compared to the prior period.

National Bank of Iraq recorded the highest percentage of low income smoothing practices compared to the rest of the banks, where it did not record any smoothing practices after the adoption of international financial reporting standards from 2016 to 2020. Thus, there was a profit management in the

years before the adoption represented by the highest percentage in 2014 and the third quarter for 2015.

Based on the above, it is clear that there is a positive relationship between adopting IFRS and reducing income smoothing practices. Therefore, the second hypothesis is dismissed.

C) Testing faithful representation for the banks of research sample. The yearly data was used for the years from 2011 to 2020, and as follow:

Table (4) faithful representation test

Bank of Baghdad			Sumer Bank			Ashur Bank			National Bank of Iraq		
Year	Predicti on value	Residua ls	Year	Predicti on value	Residua ls	Year	Predicti on value	Residua ls	Year	Predicti on value	Residua ls
2011	0.26683 6	0.00101 8	2011	0.09085 1	- 0.00823	2011	-0.5813	0.01269 6	2011	- 0.44768	- 0.00547
2012	- 0.59891 9	0.00000 0	2012	- 0.61692	0.00201 4	2012	0.57295 1	0.00134 6	2012	- 0.95729	0.00761 3
2013	- 0.22299 9	0.00498 6	2013	- 0.12849	0.00374 9	2013	- 0.68733	- 0.00367	2013	- 0.54708	0.0019
2014	0.03287 0	- 0.00774 5	2014	-0.1789	0.00302 5	2014	- 0.31164	- 0.00472	2014	0.07241 8	- 0.00987
2015	0.12918 5	0.00122 6	2015	0.06246	0.00333 2	2015	- 0.18741	0.00913 8	2015	0.32214 5	0.00229 6

Bank of Baghdad			Sumer Bank			Ashur Bank			National Bank of Iraq		
2016	0.20361 7	0.00288 0	2016	0.12102 8	0.00325 9	2016	0.19923 1	- 0.00094	2016	0.34968 5	0.02537 1
2017	0.08033 4	0.00285 8	2017	- 0.04813	- 0.00725	2017	0.10000 6	0.01304 7	2017	0.04328 7	- 0.00677
2018	- 0.20177 0	- 0.00047 3	2018	- 0.01213	0.00141 1	2018	- 0.25768	-0.0192	2018	0.25304 2	0.00294 7
2019	- 0.00525 7	- 0.00474 9	2019	- 1.58782	- 0.00131	2019	0.22516 2	-0.0077	2019	0.19265 2	- 0.01802
2020			2020			2020			2020		

- Analysis of the results regarding faithful representation:**

Prior to delving into the data, it is important to keep in mind that the quality will be lower the greater the residual values, and vice versa. The Bank of Baghdad's performance as shown in table 4 was inconsistent, with residual values that were high in 2011, 2012, and 2013, fell in 2014, then rose once more in 2015, 2016 and 2017. Following that, it fell in the final two years, 2018, and 2019. This indicates that the first three years prior to adoption saw low report quality, followed by an improvement in 2014 and a subsequent decline in quality for the start of IFRS adoption, which is represented in 2016 and 2017 as a result of the rise in residuals values. From the foregoing, it is clear that there is no conclusive evidence that the IFRS adoption was the reason for the decline in the residual values, because the first

years of adoption were high in the residual values. However, it can be said that the quality gradually increased as a result of the adoption of the standards by the passage of the time, since first years of adoption could be confusing for the staff who have less knowledge of IFRS.

The results of Sumer bank are roughly different from the Bank of Baghdad, as most of the years witnessed a decline in the quality levels of receivables, especially before the adoption, as the quality of reports increased only in the year 2011. After adoption, 2016 and 2018 recorded a decrease in quality as a result of an increase in the residuals. On the other hand, 2017 and 2019 recorded a higher level of quality of receivables, which justifies that the years before adoption, the quality of reporting was noticeably low, while years after adoption, it began to gradually rise.

As for Ashur's results, they showed a relatively low faithful representation in the years before adoption as a result of the residuals values rising, except for the years 2013 and 2014 the quality increased. Post-adoption years, the results witnessed an increase in faithful representation in most of the years of adoption except for 2017, when the quality of reports decreased as a result of the residuals rise.

With reference to the findings of National Bank, they recorded slight improvement in the quality of reports with regards to faithful representation, when most pre adoption years were less faithfully represented as a result of the increase of residuals, then quality increased after IFRS adoption. The first year of adoption 2016 recorded a

decline in the quality of information, year 2017 recorded an increase in the quality of the receivables, then it decreased again in 2018, and rose again in 2019, and this is evidence of the variation and instability of the quality of receivables, whether before or after the adoption of IFRS.

Lastly, if we compare the results of pre and post adoption years for the four banks, it is clear that after adoption there is improvement in the quality of information reported. Therefore, the third hypothesis is dismissed.

D) Testing the relevance of the reported information and as follow:

Table (5) Relevance test

Baghdad bank			Sumer bank			Ishur bank			National bank		
Years	RV	PE	Year s	RV	PE	Years	RV	PE	Years	RV	PE
2011	6445146 52927	804734707 3	2011	6584838 40581	- 4977338 40581	2011	179348 133661	- 2231513 3661	2011	16438622 4143	- 4386224 143
2012	7136364 24304	- 160416424 304	2012	- 1595565 67427	4318965 67427	2012	272071 384460	- 3257138 4460	2012	33915033 3254	- 1259683 33254
2013	6368871 05534	108612894 466	2013	6809095 37543	- 2961095 37543	2013	250182 473330	1202175 26670	2013	36159653 6117	- 4445653 6117
2014	6341124 34451	148387565 549	2014	7595437 25458	- 2720437 25458	2014	199571 965387	1779280 34613	2014	23474531 7358	1902546 82642
2015	3128618 37511	177138162 489	2015	3215064 98244	1409935 01756	2015	175681 699807	9318300 193	2015	27152011 5115	- 5652011

											5115
2016	2671955 27336	127804472 664	2016	2305231 73254	2194768 26746	2016	175483 923872	- 5483923 872	2016	26959139 4280	- 2709139 4280
2017	2572292 37757	270762243	2017	2469851 336460	3676871 17964	2017	270316 622097	- 1303166 22097	2017	28072673 6905	- 5572673 6905
2018	2689569 73072	- 914569730 72	2018	4193707 63829	- 1394167 93875	2018	139615 079094	- 2961507 9094	2018	23990105 3760	9894624 0
2019	2566400 88970	- 941400889 70	2019	2301340 06405	6149435 8067	2019	160519 371341	- 4801937 1341	2019	28872723 0400	- 1122723 0400
2020	4229977 18138	- 224247718 138	2020	3366741 44514	- 1624447 4504	2020	161642 346951	- 3914234 6951	2020	41747705 8668	1350229 41332

Analysis of relevance:

According to the 5 table's findings, the years 2012 before the introduction of IFRS and 2018 through 2020 following the adoption of IFRS saw the highest levels of relevance recorded by the Baghdad Bank. The findings indicated a minor improvement in information relevance following adoption due to the reduced prediction error, particularly in the initial three years (post adoption of IFRS).

Sumer Bank's findings were unexpected because the relevance increased in the years prior to adoption while declining in the majority of the years following adoption. In contrast, the prediction error rate for post-adoption years grew in 2016, 2017, and 2019. This is because the rate of prediction error for information relevance only increased in 2012 and

2015. This shows that the information held by the bank did not improve as after the IFRS adoption.

The results of the Ashur Bank were completely opposite to the results of Sumer, as they reflected the effectiveness of adopting IFRS. The fact that Ashur bank recorded the highest levels of relevance for all post-adoption years, and the lowest relevance was recorded only in the pre-adoption years, specifically in 2013, 2014 and 2015. These results clearly reflect the importance of adopting IFRS in enhancing the relevance of the financial reports.

The results of the National Bank were almost similar to that of Sumer Bank, as they showed equal levels of relevance for before and after IFRS adoption. Regarding pre- adoption, the error rate recorded its highest level in 2014, which indicates irrelevance of the information. On the other hand, the

post-adoption years recorded the highest levels of error rate for both 2018 and 2020, which shows the inadequacy of the information.

Thus, approximately 80% of the banks' results reflected the positivity of IFRS in reinforcing the relevance, therefore, the fourth hypothesis is dismissed.

E) Testing the economic value of the banks

Table (6) economic value test

Banks	Years	MVE	PS	current liabilities long term liability	current ASSET	Debt	Total assets	Q value
Baghdad Bank	2011	392,892,000,000	0	735,647,496,000	841,245,291,000	- 105,597,795,000	875,367,336,000	0.328
	2012	203,220,000,000	0	1,093,402,136,000	1,257,407,835,000	- 164,005,699,000	1,300,654,984,000	0.030
	2013	360,500,000,000	0	1,473,642,144,000	1,708,093,725,000	- 234,451,581,000	1,764,904,558,000	0.071
	2014	387,500,000,000	0	1,535,086,127,000	1,770,087,708,000	- 235,001,581,000	1,827,505,325,000	0.083
	2015	292,500,000,000	0	1,281,048,325,000	1,493,192,477,000	- 212,144,152,000	1,549,536,698,000	0.052
	2016	227,500,000,000	0	917,602,412,000	1,042,904,322,000	- 125,301,910,000	1,200,424,117,000	0.085
	2017	152,500,000,000	0	813,210,605,000	939,879,339,000	- 126,668,734,000	1,090,152,647,000	0.024
	2018	72,500,000,000	0	846,795,838,000	1,041,715,072,000	- 194,919,234,000	1,113,538,558,000	-0.110
	2019	75,000,000,000	0	859,102,781,000	992,747,885,000	- 133,645,104,000	1,132,744,205,000	-0.052
	2020	102,500,000,000	0	1,141,092,385,000	1,344,553,839,000	- 203,461,454,000	1,419,528,237,000	-0.071
Sumer Bank	2011	82,000,000,000	0	62,099,276,000	158,953,268,000	-96,853,992,000	168,075,673,000	-0.088
	2012	118,320,000,000	0	111,454,487,000	253,336,158,000	- 141,881,671,000	270,141,859,000	-0.087
	2013	187,300,000,000	0	114,233,226,000	294,268,044,000	- 180,034,818,000	311,033,773,000	0.023

	2014	250,000,000,000	0	160,107,649,000	399,909,659,000 0	- 239,802,010,000	420,615,472,000	0.024
	2015	237,500,000,000	0	105,878,189,000	342,515,117,000 0	- 236,636,928,000	369,588,387,000	0.002
	2016	225,000,000,000	0	84,633,695,000	323,390,110,000 0	- 238,756,415,000	351,772,887,000	-0.039
	2017	225,000,000,000	0	122,662,900,000	358,454,124,000 0	- 235,791,224,000	290,176,183,000	-0.037
	2018	225,000,000,000	0	141,111,468,000	380,758,549,000 0	- 239,647,081,000	409,535,591,000	-0.036
	2019	127,500,000,000	0	80,919,690,000	316,121,965,000 0	- 235,202,275,000	350,387,452,000	-0.307
	2020	100,000,000,000	0	70,239,325,000	298,459,511,000 0	- 228,220,186,000	333,165,030,000	-0.385
Ishur Bank	2011	66,033,000,000	0	84,686,679,131	155,472,957,300 0	-70,786,278,169	169,295,071,626	-0.028
	2012	139,500,000,000	0	97,368,734,000	250,399,855,000 0	- 153,031,121,000	267,892,762,553	-0.051
	2013	155,400,000,000	0	124,903,668,000	331,550,831,000 0	- 206,647,163,000	355,829,503,000	-0.144
	2014	232,500,000,000	0	166,974,236,000	409,192,757,000 0	- 242,218,521,000	433,199,929,000	-0.022
	2015	107,500,000,000	0	181,639,999,000	422,705,928,000 0	- 241,065,929,000	451,830,440,000	-0.296
	2016	85,000,000,000	0	130,130,161,000	353,319,362,000 0	- 223,189,201,000	382,770,655,000	-0.361
	2017	75,000,000,000	0	110,189,374,000	345,416,360,000 0	- 235,226,986,000	376,315,630,000	-0.426
	2018	57,500,000,000	0	199,071,136,000	435,759,514,000 0	- 236,688,378,000	467,479,690,000	-0.383
	2019	60,000,000,000	0	157,616,273,000	397,423,184,000 0	- 239,806,911,000	424,655,845,000	-0.423
	2020	70,000,000,000	0	200,390,477,000	446,509,122,000 0	- 246,118,645,000	473,954,153,000	-0.372

National Bank	2011	85,000,000,000	0	79,247,530,000	180,676,890,000	-	101,429,360,000	184,664,516,000	-0.089
	2012	84,000,000,000	0	182,588,102,000	331,512,115,000	-	148,924,013,000	337,248,547,000	-0.193
	2013	124,640,000,000	0	373,926,027,283	533,783,159,731	-	159,857,132,448	542,405,926,120	-0.065
	2014	225,000,000,000	0	351,805,884,522	600,236,236,048	-	248,430,351,526	615,235,071,804	-0.038
	2015	137,500,000,000	0	275,368,264,753	547,392,374,000	-	272,024,109,247	592,231,994,000	-0.227
	2016	102,500,000,000	0	291,008,150,000	494,115,800,000	-	203,107,650,000	578,847,033,000	-0.174
	2017	117,500,000,000	0	318,261,007,000	536,401,355,000	-	218,140,348,000	603,980,329,000	-0.167
	2018	145,000,000,000	0	267,907,313,000	482,296,948,000	-	214,389,635,000	525,757,058,000	-0.132
	2019	152,500,000,000	0	376,160,873,000	583,284,133,000	-	207,123,260,000	632,802,650,000	-0.086
	2020	230,000,000,000	0	586,481,915,000	830,940,810,000	-	244,458,895,000	893,964,966,000	-0.016

- **Analysis of economic value:**

Starting with Baghdad bank, it is clear that the years before the adoption of IFRS recorded higher ratios of the economic value compared to the years after the adoption. According to this equation, if the value of the ratio is greater than one, then this is evidence that the market value of the bank is higher than the value of its assets, and this shows that the bank has a good economic value. Based on the results in Table 6, there is an increase in the bank's value in the last three years for adoption, starting from 2017 and that fact reflects the efficiency of IFRS adoption.

In Sumer Bank, table 6 showed different results, as the value of the bank decreased

significantly for the years after the IFRS adoption, while before the adoption, the value of the economic unit recorded an increase for each of 2013, 2014 and 2015. In Post adoption years, the value of the bank dramatically decreased for all years starting with 2016 and ending with 2020 which reflected the inefficiency of IFRS.

As for Ashur Bank, it recorded significantly lower ratios after IFRS adoption, and this shows the ineffectiveness of IFRS in enhancing the value of the unit. The bank's economic value before adoption was also low, as the adoption did not make any positive change after 2016.

Concerning National Bank, it also recorded a fall in the value of the economic unit for most of the sample

years. Adoption of the IFRS has not affected, even marginally, the increase in the value of the bank for a five-year period, starting in 2016 to 2020.

Finally, there is no positive relationship between the adoption and creation of economic value for banks, so the fifth hypothesis was accepted.

Conclusions and Recommendations

This study looks at how the implementation of IFRS has affected the caliber of financial reporting and how that has improved the value of the economic unit in Iraqi private banks between 2011 and 2020. The findings demonstrated that the adoption of IFRS has a discernible effect on the quality of financial reports by improving the ability to estimate future profits, decreasing the use of income smoothing techniques, and improving the relevance and faithful depiction of financial reports. The researchers concluded from earlier studies, the majority of which demonstrated the effectiveness of these standards in raising the caliber of financial reports, therefore these findings disproved the null hypothesis that IFRS cannot be used to increase report quality.

The fifth null hypothesis is supported by the study's findings, which showed that these requirements were ineffectual in raising the economic value of Iraqi banks. Based on the aforementioned, researchers advise that in order to achieve the required quality in the financial reports, the criteria should be applied and complied with greater seriousness. The inadequacy of the local accounting regulations, for the requirements of applying standards, as well as the issues related with the complex character of some standards, is the most significant of these problems that the Iraqi banks encountered. Thus, the problems related to the re-evaluation of financial statements' elements must be resolved, and the weakness of professional guidance must be addressed. In addition, banks need strategic plans to provide a qualified and trained accounting staff that understands the culture of IFRS.

In order to establish a market value for banks, a set of indicators, such as competitive advantage, market share, brand, and economic added value, can be used and developed. The researchers also suggest a number of supporting elements that help to

maximize the value of the bank, such as the degree to which social issues are adopted, the amount of focus placed on intellectual capital, the caliber of accounting information disclosed, the emphasis placed on research and development, and the extent to which IFRSs are adopted.

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