

Application of IAS 38 to improve the quality of accounting information (quality of profits) An applied study of a sample of banks listed on the Iraq Stock Exchange

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Abstract : The research aims to clarify the requirements of International Accounting Standard No. 38 (intangible assets) and the importance of applying this standard in the Iraqi environment, and in the banks of the research sample in particular, and to the extent of its contribution to improving the quality of accounting information represented in the quality of profits declared to those banks, where the problem of research was the weak application of accounting procedures and treatments related to intangible assets represented in International Accounting Standard No. 38, The hypothesis was in the possibility of applying the standard in the banks of the research sample and that its application leads to improving the quality of accounting information (the quality of profits), and to achieve this was used four banks as a sample for research to apply the requirements of the standard, the researcher concluded that there is great importance of the standard in accounting for intangible assets in addition to the possibility of applying the standard to banks sample research and that its application has improved the quality of information accountant The most important of which is the quality of the declared profits as it canceled the capitalization of some of the expenses that those banks capitalized as intangible assets and were considered among the expenses, which led to the show of business results in a real way, and the researcher also recommended the need to recognize intangible assets that meet the recognition criteria contained in this standard in addition to working to develop the requirements of this standard in a way that contributes to the treatment of intangible assets developed internally and that training and development courses are carried out that enable those in charge of preparing Financial statements in banks from the application of the requirements of the standard.

INTRODUCTION: Intangible assets at the present time are of great interest to most economic units, as they have become a large percentage of the total assets, and play a prominent role in supporting competitive advantage and in achieving economic gains, and is one of the most important reasons for the disparity between the book value and the market value of many units, and that this great importance of intangible assets was accompanied by difficulty in the process of recognition, measurement and disclosure of those assets, Therefore, the need has emerged to find methods, rules and accounting treatments to be applied in the process of recognition, measurement and accounting disclosure of intangible assets.

The issuance of International Accounting Standard No. 38 (Intangible Assets) by the International Accounting Standards Committee in 1998, which included the identification of the bases of recognition, methods of measurement and disclosures related to intangible assets, which is considered one of the most important standards that enable economic units to address many of the problems they face in the accounting process for their intangible assets.

After the great trend by many economic units and researchers during recent years to adopt international accounting standards in the Iraqi environment, because of its key role in imparting accuracy and transparency to the accounting information included in the financial statements, we have dealt in this research with the application of IAS 38 To improve the quality of accounting information (quality of profits) for a sample of banks listed on the Iraq Stock Exchange, to show the extent of its contribution to improving the quality of accounting information represented in the quality of profits declared to banks sample research, and therefore the research was divided into four sections, the first dealt with research methodology and previous studies, the second touched on the theoretical side of the research, the third included the applied side of the research, and finally the fourth section, which included conclusions and recommendations.

The first topic: research methodology and previous studies

First: Research Methodology:

1- Research problem:

The research problem was the weak application of special international accounting procedures and treatments in the process of recognition, measurement and disclosure of intangible assets, represented in International Accounting Standard No. 38 (Intangible Assets) in some banks listed on the Iraq Stock Exchange, because these banks apply the unified accounting system with respect to these assets, and that this system does not comply with the requirements of the above standard, In line with the orientation of the local business environment towards the application of international accounting standards, the most important of which is International Accounting Standard 38 (Intangible

Assets) because of its accounting treatments for intangible assets that can help produce quality accounting information and enable various users of financial statements to make appropriate decisions, it can crystallize the research problem in the form of the following question:

Does the application of International Accounting Standard No. 38 (Intangible Assets) in the banks of the research sample contribute to improving the quality of accounting information (quality of profits) of those banks?

From the above question, the following two questions branch:

1- Is there a possibility of applying International Accounting Standard No. 38 (Intangible Assets) in the banks of the research sample?

2- Does the application of International Accounting Standard No. 38 (Intangible Assets) in the banks of the research sample improve the quality of accounting information (quality of profits) of those banks?

2- Research Objectives:

The main objective of the research is to clarify the requirements of International Accounting Standard 38 (intangible assets) and the importance of applying this standard in the Iraqi environment, and in the banks of the research sample in particular, and to the extent of its contribution to improving the quality of accounting information represented in the quality of the declared profits, and through it we seek to achieve the following sub-objectives, which are as follows:

A- Clarifying the bases of recognition and requirements for measurement and disclosure of intangible assets stipulated in International Accounting Standard No. 38 (Intangible Assets) and its importance in its application in the Iraqi environment, with a focus on the banks of the research sample.

B- Statement of the importance of compliance with the requirements of recognition, measurement and accounting disclosure of intangible assets stipulated in International Accounting Standard 38 (Intangible Assets).

C- Explaining the role of the standard in improving the quality of accounting information represented in the quality of profits for the banks of the research sample.

3- The importance of research:

The importance of this research comes, as it touched on a topic of great interest at the present time for most economic units and investors, represented in intangible assets, where the research dealt with the application of International Accounting Standard No. 38 (intangible assets), which specializes in determining the methods of recognition, measurement and disclosure of intangible assets, and that studies on this type of assets are few, especially in the Iraqi environment, In addition to explaining the importance of applying the standard in the Iraqi environment, especially in the banks of the research sample, and what can be achieved by the application of this standard of advantages, the most important of which is improving the quality of accounting information for those units, the most important of which is the quality of the declared profits, and thus to meet the needs of different users of accounting information related to those assets, which are relied upon in the decision-making process.

4- Research hypotheses:

Based on the research problem, the following hypothesis was formulated: :

The application of International Accounting Standard No. 38 (Intangible Assets) in the banks of the research sample contributes to improving the quality of accounting information (quality of profits) of those banks.

From the above hypothesis, the following two hypotheses branch:

1- There is a possibility of applying International Accounting Standard No. 38 (intangible assets) in the banks of the research sample.

2 - The application of International Accounting Standard No. 38 (intangible assets) in the banks of the research sample to improve the quality of accounting information for those banks, the most important of which is the quality of profits declared.

5- Research population and sample:

The research community consists of banks listed on the Iraq Stock Exchange, and four banks (Asia, Ceyhan, Arab Mashreq, Kurdistan) were selected to be adopted as a sample for the application of International Accounting Standard No. 38 (Intangible Assets)..

6- Research Methodology:

Two basic methodologies were used in the research:

The first is the inductive method and the second is the deductive method.

7- Data collection methods:

The researcher used the following means in collecting data:

A- The theoretical aspect: He relied in this aspect on books, periodicals, research, master's theses and Arab and foreign doctoral theses, and also through reviewing previous studies for the purpose of enabling the researcher to enrich the research with the necessary information.

B- The applied aspect: The data and information published for the year (2021) of the banks of the research sample were relied upon.

8- Research limits:

A- Spatial boundaries: The spatial research boundaries are represented in a sample of Iraqi banks listed on the Iraq Stock Exchange.

B- Time limits: The research temporal limits were represented in the financial statements published for the year (2021) for the banks of the research sample.

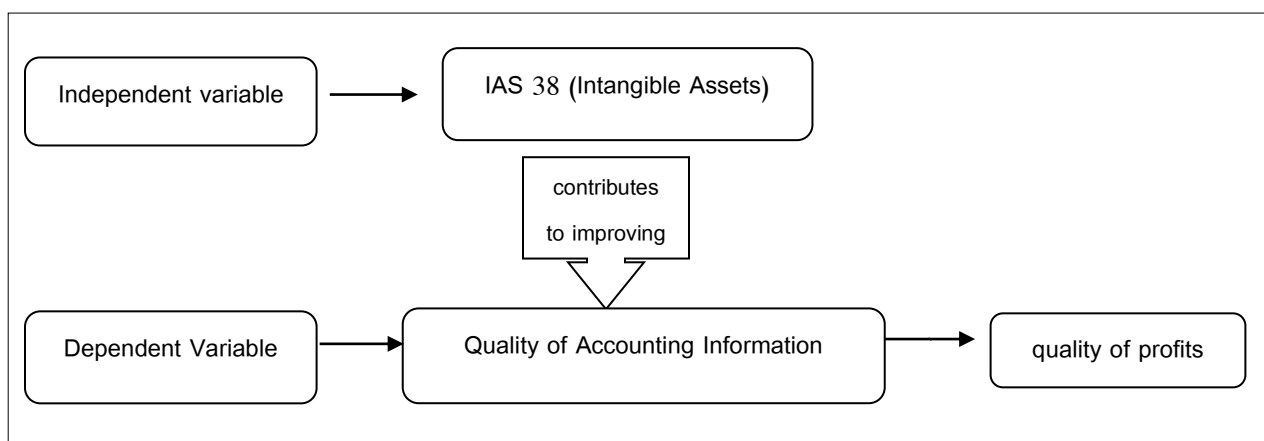
9- Default search form :

Based on the research problem and its hypotheses, the research model may be represented by the following variables:

A. Independent variable: IAS 38 (Intangible Assets)

B- Dependent Variable: Quality of Accounting Information

Figure 1 Illustration of the default search form



(Source: prepared by the researcher)

Second: Previous studies and the contribution of the current research:

1- Previous studies:

No	Statement	Details
11	Researcher Name	Salman – Amer Mohammed, 2019
	Study Title	A vision in the possibility of adopting International Accounting Standard 38 (Intangible Assets) in the Iraqi environment
	Type of study	Research submitted to the second scientific conference of the Iraqi Association of Certified Public Accountants - Journal of Chartered Accountant
	Year of study	2019
	Objective of the study	The study aims to enhance the credibility of the presentation and comparison of financial statements to help its users to make rational decisions through a mechanism to adopt accounting treatments called for by Standard 38 that are compatible with the conditions of the Iraqi environment.
	Key Findings	Among the most important findings of the study are: 1- Iraq is about to make a qualitative leap for its accounting system based on international accounting standards, including Standard 38, which enables it to produce transparent and comparable financial statements. 2- The adoption of international accounting standards in the accounting system gives a kind of credibility on the performance indicators of the economic unit.
	The most important recommendations	Among the most important recommendations of the study are: 1- Applying the mechanisms proposed in the study as one of the ways for the possibility of adopting the standard in the Iraqi environment. 2- It is necessary to find accounts concerned with this standard within the accounting manual of the unified accounting system so that it can be adopted under the system.

No	Statement	Details
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2	Researcher Name	Nour - Abdel Nasser Ibrahim and Al-Awaoud - Hanan, 2015
	Study Title	Profit management and its impact on the quality of accounting profits - an experimental study on Jordanian industrial companies public shareholding
	Type of study	Research presented to the Fifth International Conference of the Faculty of Economics and Administrative Sciences for the period between 22-24/4/2015 Applied Science University - Jordan
	Year of study	2015
	Objective of the study	The study aims to: 1- Testing the extent to which Jordanian companies practice profit management. 2- Knowing the impact of profit management practices on the quality of the announced profits.
	Key Findings	Among the most important findings of the study are: 1- Low quality of profits in Jordanian industrial companies in general. 2- The practice of Jordanian industrial companies to manage profits aimed at reducing profits.
The most important recommendations	Among the most important recommendations of the study are: 1- The need to formulate accounting policies, principles and standards in a way that ensures that companies do not exploit flexibility to manipulate their profits. 2- The need for the effective application of corporate governance rules for all public shareholding companies in Jordan.	

No	Statement	Details
33	Researcher Name	Khalil- Ahmed Abdullah,2022
	Study Title	The impact of accounting disclosure of intangible assets on the quality of financial reports
	Type of study	Research published in Alexandria University Journal of Administrative Sciences, Volume (59) - Third Issue, by Application to Industrial Joint Stock Companies Listed on the Stock Exchange
	Year of study	2022
	Objectives of the study	The study seeks to achieve several objectives, including: 1- Knowing the extent of disclosure of intangible assets in the financial statements. 2- Studying the impact of accounting disclosure of intangible assets on the quality of financial reports
	Key Findings	Among the most important results of the study: 1- Most companies disclosed intangible assets in separate statements 2- The disclosure of intangible assets makes the information of the financial statements of a retrospective value and enables to control the present and predict the future, and that compliance with the requirements of disclosure of intangible assets ensures the provision of understandable information
The most important recommendations	Among the most important recommendations of the study are: 1- The need to raise awareness among companies of the importance of disclosure of intangible assets as one of the main pillars of the modern business environment and one of the competitive advantages of companies. 2- Companies listed on the Egyptian Stock Exchange must disclose the accounting treatment of their intangible assets clearly and independently.	

No	Statement	Details
44	Researcher Name	Modibbo Abubakar,2015
	Study Title	Intangible Assets And Value Relevance Of Accounting Information Of Listed High –Tech Firms In Nigeria Intangible assets and appropriate value of accounting information for high-tech companies listed in Nigeria
	Type of study	Research published in the Research Journal of Finance And Accounting. November 2015
	Year of study	2015
	Objective of the study	This study aims to assess the increasing importance of the value of intangible assets that are not recognized as unrecognized trademarks in current accounting practices.
	Key Findings	Among the most important results of the study: 1- The contribution of intangible assets in improving the quality of accounting information for users. 2- There is a correlation between the importance of recognizing intangible assets that have not been recognized and the value of accounting information, in the sense that the recognition of intangible assets will increase the quality of accounting information.
The most important recommendations	One of the most important recommendations of the study is the need to expand IAS 38 to include intangible assets developed internally such as the trademark.	

2- Contribution of the current research:

The research contributed to his statement of the importance of applying this standard in the Iraqi environment, especially in the banks of the research sample, and clarifying the requirements of that standard and the accounting procedures and treatments it contains to be followed in accounting for intangible assets, and that as a result of the application of this standard on these banks, it has contributed to the identification of real intangible assets owned by those banks, in addition to canceling the recognition of some of the items that have been recognized And considered as intangible assets, although it does not meet the recognition criteria contained in this standard, and therefore the standard contributed to improving the quality of accounting information contained in the financial statements, the most important of which is the quality of profits announced to the banks of the research sample, and also helped to

impart some accuracy and transparency and make accounting information more appropriate and have honest representation, and the search was distinguished from previous studies as it dealt with the application of Standard No. (38) in the Iraqi environment represented in a sample of banks listed in the market Iraq Securities to show the extent of its contribution to improving the quality of accounting information represented in the quality of profits announced.

The second topic: the theoretical side

First: International Accounting Standard / Objectives, Scope and Main Requirements

1- International Accounting Standard No. (38) and its stages of historical development:

In 1998, the International Accounting Standards Committee issued International Accounting Standard No. 38 (Intangible Assets), where this standard replaced International Accounting Standard No. (9) Research and Development Costs issued in 1993, which also replaced a previous version of R&D costs issued in 1978, and limited amendments were made to this standard in 1998, and in 2001 after the International Accounting Standards Committee was replaced by the Accounting Standards Board The latter decided to continue the work of the International Accounting Standard No. (38) Intangible Assets, and at the year 2004 the Board issued this standard after making some amendments to it, as this standard aims to indicate the accounting treatment of intangible assets that do not fall within the scope of another international accounting standard, where this standard recognizes the intangible asset if it meets the criteria for recognizing the asset and was within the limits of the definition of the intangible asset, The standard also specified the measurement methods and disclosures required for intangible assets, as well as the process of testing the impairment of the value of intangible assets (**Adam, 2015:96**).

2- Scope of International Accounting Standard No. (38) "Intangible Assets":

This standard is applied in accounting for all intangible assets, except those within the scope of another international accounting standard (**Melville, 2019:100**).

B- The rights reserved by the lessee under the terms of the license agreements, such as motion pictures, video recordings, plays, manuscripts, patents and copyrights, are within the scope of this standard and are excluded from IFRS 16 (leases) (**IFRS, 2022: 1044**).

To determine whether an asset containing tangible and intangible elements should be processed together under IAS 16 Real Estate, Plant and Equipment or through this standard, the economic unit uses personal diligence to evaluate the element that is considered most important.

D- This standard applies to intangible assets used as computer programs and other expenses such as expenditure for preparation and processing for operation in extractive industries or in insurance companies, (**Mashkour, 2021:94**).

3- The most important terms contained in the standard: There are some terms contained within this standard, the most important of which we will address:

A - Intangible assets: We will address within this term the concept of intangible assets, their definition, characteristics, different classifications and the importance of those assets.

1- The concept of intangible assets: It is difficult to define a concept for intangible assets, and similar terms are often used and not completely correctly, and these terms include intellectual capital, intellectual resources, knowledge assets or intangible resources, but intangible assets are the widely recognized term in accounting, (**Bryl, 2017:332**) as for (**kieso,2019:12-25**) mentioned two characteristics through which he defined the concept of intangible assets as lacking physical presence and not financial instruments, and they are usually classified as long-term assets because most of these assets provide services over more than one period.

2- Definition of intangible assets: International Accounting Standard No. 38 stipulates that an intangible asset (is a non-monetary asset that can be identified and has no material content), as it is an asset that is not a monetary element, and does not have any physical components, and represents the resources controlled by the economic unit through which future economic benefits are expected to flow, (**Elena,2019:4**).

3- Types and classifications of intangible assets: There are multiple views on the classification of intangible assets, (**Kieso, 2019:12-6**) divided intangible assets into six main categories as follows:

A- Intangible assets related to marketing: Examples of such assets include trademarks or trade names, newspaper headlines, website names and non-competition agreements.

B- Intangible assets related to customers: Intangible assets related to the customer result from interactions with external parties, such as customer lists, order backlog or production, and contractual and non-contractual relationships with customers.

C. Intangible assets related to works of art: Art-related assets include property rights in plays, literary and musical works, photographs, videos and audiovisual materials.

D. Intangible assets related to contractual arrangements: Intangible assets related to contracts represent the value of rights arising from contractual arrangements, such as licensing and concession agreements, building permits, broadcasting rights, and service or supply contracts.

Technology-related intangible assets: Technology-related intangible assets related to technological innovations or advancements, such as patented technology or trade secrets granted by the U.S. Patent and Trademark Office.

F- Goodwill: Although economic units may capitalize some of the costs incurred in the development of specific assets such as patents and copyrights, these amounts are not of importance in general, but companies record large amounts as intangible assets when they are purchased, especially in cases of business mergers.

B- Research: According to this criterion, the research is a planned original investigation, which is conducted with the aim of acquiring new scientific or technical knowledge and understanding, and an example of research activities is that a company specialized in the pharmaceutical industry tests aimed at gaining new knowledge to develop a new vaccine, and during this stage the company is searching for the unknown, and therefore at this early stage it is not possible to expect any flow of future economic benefits to the economic unit, **(Jortikka, 2021:15)**.

C- Development: According to this standard, development is the application of research results or other knowledge to a plan or design for the production of new or significantly improved materials, devices, processes, systems or services before the start of production or commercial use, **(Memis, 2019:107)**.

D- Goodwill: Goodwill can be defined from two sides, the first is the fame that arises internally and the second is acquired through business merger, from the first side, it is defined **(Al-Douri and Mahmoud, 2020:77)** as an existence that emerges as a result of several elements such as reputation, customer loyalty, location, products and similar factors, which are not separate and cannot be determined, or it is the intangible value of an economic unit, which arises due to administrative leadership and good reputation among its customers, either on the other hand, it has been defined as the difference between the purchase price of a particular economic unit or part of it and the fair value of the net assets earned, in other words, goodwill can be proven under accounting standards in the budget of the purchased unit when a certain economic unit is purchased at a value higher than the fair value of its net assets, Where the difference is treated as goodwill for the purchased unit and appears in the balance sheet of the economic unit purchased **(Bryl, 2017:337)**.

4- Recognition and measurement in accordance with International Accounting Standard No. (38):

A- Recognition conditions: According to this criterion, an intangible asset must be recognized if it falls within the limits of the definition of an intangible asset and meets the criteria for recognition of the asset (i.e. it is likely that future economic benefits attributable to the intangible asset will flow into the economic unit and the cost of the intangible asset can be reliably measured), **(Barry & Jamie, 2015:486)**.

B- Measurement: The following methods of measurement of intangible assets according to the method of obtaining them:

1- Separate acquisition: Intangible assets purchased from another party are measured at cost, and the cost includes all purchase costs in addition to other expenses to make the intangible asset ready for its intended use, **(Al-Hadari, 2019: 54)**.

2- Owning the intangible asset through the business merger process: When a merger occurs, which takes place through a certain economic unit purchasing the net assets of another economic unit, where the assets and liabilities of the purchased unit are transferred to the purchasing unit and its existence ends, in this case the intangible assets are recognized as follows:

Intangible assets defined and identified by the purchasing unit, such as a patent, copyright or trademark, are recognized at fair value at the date of purchase in accordance with the requirements of IFRS 3 (Business Merger).

b. goodwill, the amount representing the increase in the purchase amount of the purchased unit over the fair value of the net assets is recognized as goodwill in the records of the purchased unit, **(IFRS Expert, 2019:278)**.

3- Acquisition through asset exchange: In the case of owning an intangible asset against another asset, the purchased asset is measured at its fair value unless the exchange lacks commercial substance, or the fair value of that asset cannot be reliably measured, then the intangible asset purchased is measured by the book value of the relinquished asset **(Mirza et al., 2015: 289)**.

4- Acquisition through a government grant: Sometimes an intangible asset is acquired free of charge or through a symbolic compensation, and this occurs when a government transfers or allocates intangible assets to an economic unit, such as the right to land planes at an airport, the operating license for radio and television stations, certain permits, or the right to obtain other restricted resources. The economic unit may choose to prove that intangible asset at fair value or nominal amount plus any expenses directly attributable to the preparation of the intangible asset for its intended use **(Jarbou, 2014:113)**.

5- Intangible assets that arise within the economic unit:

A- Internally generated goodwill: The criterion requires not to recognize the internally generated goodwill, because it is an economic resource that cannot be separated, and because it does not arise through contractual or legal obligations that can be determined and cannot be measured reliably and at a specific cost, **(Tamimi and Saad: 2012)**, also this standard does not recognize each of the (trade names, administrative data, publication addresses, customer lists and

similar items) generated internally and does not consider them intangible assets, but there are intangible assets that are self-developed by the economic unit and are recognized if their costs can be measured reliably and there is a possibility to identify and distinguish them from the rest of the assets and it is expected that there will be a flow of benefits in the future, **(Abu Nassar and Hamidat, 2016 : 547)**.

B- Research and Development Costs: R&D costs include the following:

1- Research costs: The costs incurred in the research period are considered as an expense closed in the income statement, because the economic unit is unable to show the intangible asset because it has not reached the stage of developing that asset. 2- Development costs: This standard recognizes internally generated intangible assets other than goodwill if those assets are identifiable and distinguishable from other assets, such as the recognition of a new production technology, **(IFRS Expert - 2019:281)**. The intangible asset is recognized during the development phase if it satisfies the following) the technical feasibility of completing the intangible asset, so that it becomes available for use or sale, the intention of the economic unit to complete, use or sell the intangible asset, its ability to use or sell the intangible asset, the mechanism by which the intangible asset will be born Tangible potential future economic benefits, availability of sufficient technical and other financial resources to complete the development and use or sale of an intangible asset, the ability of the unit to reliably measure expenditures attributable to the intangible asset during its development, **(Barry & Jamie,2015:491)**.

C- Establishment and pre-operation expenses (pre-commencement of work): In the case of payment of expenses for the purpose of providing economic benefits in the future, but no intangible asset is acquired that must be recognized, then such expenses are recognized as direct expenses once realized, **(Abu Nassar, 2016: 549-550)**, and these expenses include the following:

1- Establishment expenses: It is the expenses incurred by the economic unit during the period of its establishment, which are related to its formation, such as legal fees and lawyers' fees for the purpose of preparing the unit's contract and its regular form, and expenses related to obtaining the necessary licenses, **(Adam, 2015: 59)**.

2- Pre-operating expenses: They are the administrative and general expenses that are paid before the start of work and that the unit benefits from before starting its activity, such as the expenses of issuing a new product or the salaries of workers before starting work, **(Abu Nassar and Hamidat, 550: 2016)**.

6- Computer programs: It is a legal entity for the computer system, and without these programs, there is no benefit from the physical components of devices and media, as it has received great importance with regard to the process of recognizing it as a moral asset and provided it with legal protection, as it is the first classifications of informatics or information technology, **(Al-Douri and Mahmoud: 2020)**, Computer programs are recognized as an intangible asset if they meet the conditions mentioned earlier in the development stage, and the economic unit may resort to purchasing computer programs from another party for the purpose of internal use and divided into:

A- Drivers: They are programs that the computer cannot work without, such as Windows operating systems, where they are processed as part of the cost of the hardware computer because the computer does not work without them, and computers are treated as property of buildings and equipment under the international standard No. (16).

B- Special programs: It is represented by the programs used by the economic unit for administrative, financial, control or production purposes, such as programs related to human resources, accounting programs and other programs, and such programs are recognized as an intangible asset, and the recognized amount is the cost of purchase plus any expenses until the asset is ready for use, **(International Financial Reporting Standards expert, 2019:285)**.

C- Useful life and amortization of intangible assets: Intangible assets are divided in terms of amortization into two types:

1- Intangible assets with a specific useful life: They are assets that must be amortized due to their specific useful life or that the benefit and use of them is for a specific period, as in the case of obtaining a license for the purpose of exploiting a trademark for a specific period.

2- Intangible assets with an indefinite useful life: They are assets that do not have to be amortized because their useful life is not specified and there is no specific period to benefit from them, for example, the purchase of the economic unit of the patent for an unlimited period of time and there is no specific useful life for the purpose of benefiting from it, **(Abu Nassar and Humaidat: 551: 2016)**, According to IAS 36, the economic unit is required to test an intangible asset with a specific and indefinite useful life to determine the decline in value, by comparing the recoverable amount with the book amount annually or when there is an indication of the possibility of a decrease in the value of the intangible asset, Limited, **(UK – IAS,19:2020)**.

D- Post-recognition measurement: After the initial recognition of the intangible asset, the economic unit can choose between one of the following two models for measuring intangible assets:

1- Cost Model: Under this model, the measurement is made by recording the intangible asset in the financial statements at cost after subtracting the accumulated amortization amount in addition to any accumulated impairment losses in value.

2 – Revaluation Form: Under this model, the intangible asset is recorded with the revaluation amount, which represents the fair value of the intangible asset on the date of revaluation minus accumulated amortization and impairment losses, (Thuong,2020:3),

4- Disclosure: Among the disclosures required by the standard:

A- The economic unit must disclose the following for each category of intangible assets, with the need to distinguish internally generated intangible assets from other intangible assets (determining the useful lives of intangible assets whether their duration is limited or unlimited, if they are limited in life, those ages must be disclosed, methods used to exhaust intangible assets with a specified lifespan, Total book amount and accumulated amortization amount including impairment losses at the beginning and end of the period), (SB-FRS 38,2019:24).

b- Disclosure of changes such as changing the assessment of the useful life of the asset, the method of depletion or the residual values.

C- The economic unit must disclose the total R&D expenditures recorded as an expense during the period, (International Financial Reporting Standards, 2022: 1061-1064).

D-This standard also encourages the economic unit to disclose the following information, although it is not required to do so) a description of any intangible asset that has been amortized and is still in use, a brief description of significant intangible assets controlled by the economic unit but not recognized because they have not met the recognition requirements contained in this standard, (Melville,2019:111).

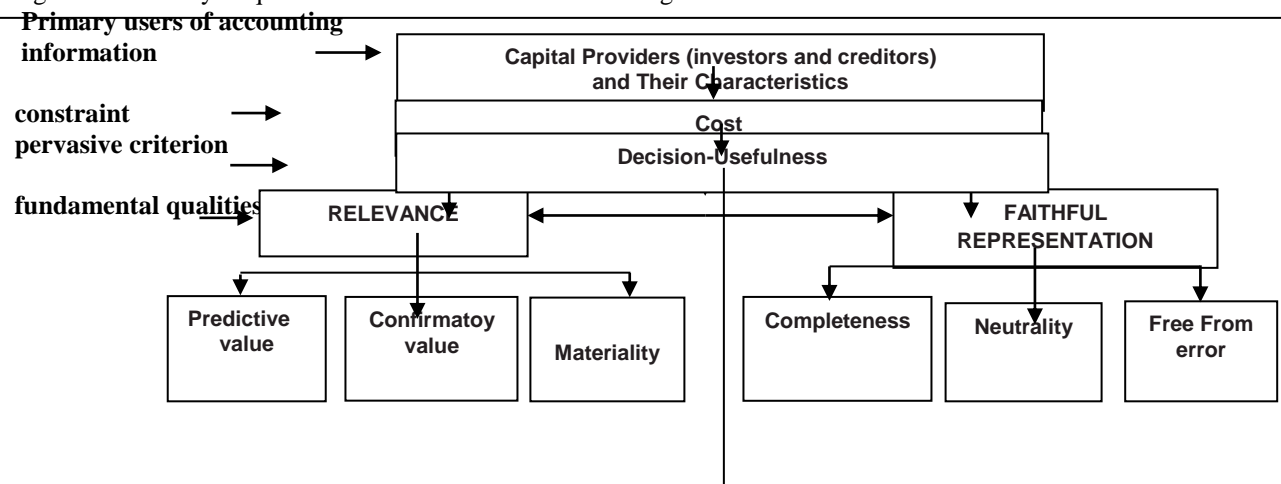
Second: Quality of accounting information / concept, characteristics and measurement models

1- The concept of the quality of accounting information: There is no specific concept of the quality of accounting information, as it is seen according to the views of producers and users of accounting information, as the producers of this information focus on accuracy as a measure of quality, while its users see the usefulness, effectiveness and predictability as a measure of quality, taking into account the cost of this information, (Al-Jajawi and Al-Obaidi, 2016), the quality of information has been defined as Accounting as the credibility of the accounting information contained in the financial reports and the degree of its usefulness to users, and that it is free from distortion and misinformation and is prepared in the light of a set of legal, administrative, professional and technical standards, (Alasbahi & Ishwara, 2021:191), It was also defined as the conformity of accounting information presented in financial reports with the appropriate efficiency, to meet the requirements of users, (Mohammed, 154: 2015), and defined as the accuracy with which financial reports convey information about the operations and events of the economic unit, especially its cash flows, in order for investors to see (Nassif and Kazim, 2021:268), and also defined as the qualities that make the accounting information presented in the financial statements useful to users, (Mohammed, 2017:35).

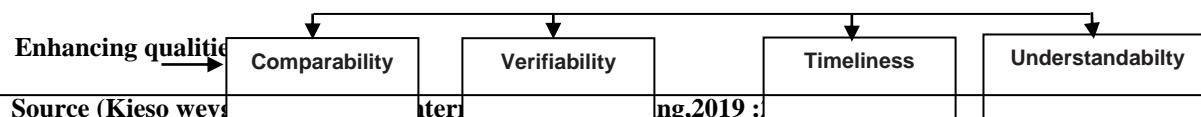
2- Qualitative characteristics of accounting information according to the common framework (IASB/FASB):

The Financial Accounting Standards Board (FASAB) has determined the qualitative characteristics of accounting information that distinguish the best (most useful) information from the lowest (least useful) information for decision-making purposes, and the qualitative characteristics are either basic or reinforcement, depending on the extent of their impact on the decision taken based on that information, and the predominant standard by which accounting information can be judged is The benefit of the decision, that is, providing useful information for the decision-making process, and the appropriateness and honest representation are the basic qualities of accounting information that provide useful information for the decision-making process, as appropriate information makes a difference in the decision through the presence of predictive or confirmatory value and relative importance, and honest representation is characterized by completeness, neutrality and error-free, in addition to the reinforcing qualities of accounting information, which is comparability and verifiability and timing of the,(, The qualitative characteristics of accounting information are defined as the qualities that must characterize the accounting information presented in financial reports in order to become useful and be used as a sound basis for the purpose of making appropriate decisions by users of this information, (Al-Jaarat, 2015: 13), and the following figure shows the hierarchy of accounting information characteristics:

Figure 2 Hierarchy of qualitative characteristics of accounting information



Ingredients of Fundamental qualities



3- Models for measuring the quality of accounting information: The following are some of the approaches to measuring the quality of accounting information addressed by researchers:

1- The entrance to measurement according to the qualitative characteristics of accounting information: This entrance depends on the basic qualitative characteristics and reinforcement, and there is for each of these characteristics a scale or several measures addressed by many researchers, and the quality of accounting information is measured according to this model through a survey of the opinions of users of accounting information, in addition to the analysis of two-axis transactions provided by Barua based on the trade-off between appropriateness and honest representation (**Zubaidi, 2020:64**).

2- Profit quality approach: This approach focuses on profit management as a key factor that affects the quality of profits, and profit management represents the possibility of choosing some accounting policies by the management of the economic unit to achieve personal benefit or maximize the value of the economic unit, (**Ibrahim, 2016:48**).

3- The entrance to the timing of the recognition of profits and losses: This entrance assumes that the failure to recognize profits and losses in a timely manner leads to poor quality of profits and thus to a weakness in the quality of accounting information, and one of these models presented by Basu 1997, which is based on the fact that accountants prefer to recognize unrealized losses before unrealized profits, in the sense of disclosing losses faster than disclosing profits, (**Jassim and Shaaban, 2021:263**).

4- Accrual quality approach: This entrance refers to the extent to which accounting benefits are interpreted to achieve profits and operating cash flows, (**Al-Asadi, 2018:109**), and models for this entrance (Healy 1985, Deangelo 1986, Jones 1991, The Industry 1991, Modified Jones 1995, Dechow and Dichev 2002, McNichols 2002, Larcker and Richardson 2004, Francis et al 2005, Barth et al 2008), (**yurt, 2015:36**).

5- Models That Use Specific Accruals: There are some indicators that are used to measure specific elements in the financial statements, which are called indicators (Beneish), as the economic units sometimes use specific elements in the financial statements to show profits more as a result of assumptions and different accounting methods pursued by the administration and commensurate with its orientations, and examples of this are the capitalization of some expenses and consider them among the intangible assets and not to show them. It is included in expenses for the purpose of increasing profits, where (Beneish) used several indicators to measure the profit management process, namely (Sales Days in Receivables Index DSRI, GMI Gross Margin Index, Asset Quality Index AQI, Sales Growth Index SGI, Extinction Index DI), Sales Overhead and Administration Index (SGAI), Leverage Index (LVGI), (**yurt,2015:52**).

Third: The role of International Accounting Standard (38) in improving the quality of accounting information (quality of profits)

The quality of profits is defined as the ability of the disclosed profits to reflect the real and actual profits of the economic unit in addition to its ability to predict future profits, and two main components can be found to determine good profits, the first is the credibility of the reported profits in expressing the real reality of the economic unit, and the second is determined in the ability of profits to meet the needs of users for accounting information in the process of making appropriate decisions by enabling them with objective forecasting, Which means the safety of those profits and the possibility of relying on them, and that good profits represent those profits that result from an accounting system that adopts accounting standards and rules characterized by appropriateness and general acceptance, and their application results in accounting profits in which the integrity of the numbers and the sincerity of representation are available in a way that reflects the quality of the content of accounting information as a result of sound accounting practices, (**Saleh, 2021:1246**).

In the same context, profit management represents one of the management practices that affect the reported income, which makes it express unreal results for the performance of the economic unit and may lead to negative results in the long term, so it represents an attempt by the administration to influence the number of profits declared in the short term to achieve self-interests, and may be through the process of profit management practiced by the management of economic units to inflate the items Intangible assets in violation of the rules and procedures contained in the International Accounting Standards, by capitalizing some expenses that belong to a certain period and considering them as one of the intangible elements in order to maximize profits for this period, so the application of International Accounting Standard No. 38 (Intangible Assets) and its requirements and standards for the purpose of recognizing

intangible assets can contribute to reducing practices, (Abu Bakr, 2016:153), The strict rules established by this standard regarding the process of recognizing intangible assets produced internally, especially those related to R&D activities, appear due to the fact that these activities are difficult to verify the expected future economic benefits from them, and that allowing their capitalization without these conditions can be exploited by economic units to manage reported profits or manipulate them through the capitalization of certain expenditures that can be classified as R&D activities despite the lack of Units with R&D activities should disclose through the notes attached to the financial statements that these activities have commenced and that an intangible asset can be created in later periods (Mindermann & Brosel, 2009:15).

In the same context, the provision of great discretion to recognize intangible assets leads to the creation of an opportunity for management to engage in the process of profit management, and thus affect the property of honest representation of accounting information, and many studies agree that intangible assets represent an argument for administrative opportunism, as the results indicate that less profitable companies that have fewer opportunities for growth tend to manage profits and capitalize some expenses into intangible assets, (Jaafar,2011:38).

Beneish conducted 1997,1999 important studies on the entrance to the specific accrual, and created eight models or indicators that assume a relationship between the financial values of some items in the financial statements and profit management operations to determine the companies that carry out these operations, and the most important of these indicators is the asset quality index, and in the following table this model or indicator is mentioned:

Table 1 Asset Quality Index

Indicator Name	Equation and description of variables	Observations
Asset Quality Index	$AQI = \left(1 - \frac{\text{Current Assets}_t + PPE_t}{\text{Total Assets}_t} \right) / \left(1 - \frac{\text{Current Assets}_{t-1} + PPE_{t-1}}{\text{Total Assets}_{t-1}} \right)$	<p>This indicator measures the ratio of intangible assets to total assets divided by the same ratio for another year, the change in this indicator shows that if it is greater than 1 that the economic unit has capitalized part of its expenses as intangible assets to achieve a greater profit, and this indicator will be used in the applied aspect mainly to know the quality of profits for the banks of the research sample tomorrow the application of the standard and whether they capitalize intangible assets that do not meet the recognition criteria contained in this criterion.</p>

Source (İşletmelerde Kârı Yüksek Gösterme Yöntemleri ve Türkiye’de Hisse Senetlerinin Halka Arzı Öncesi kârı yüksek gösterme Eğilimleri,2006, Osman Yükseltürk) and(Çetin yurt 2015,Accounting Quality Models: A Comprehensive Literature Review)

The third topic: the applied side
 First: Banks of the research sample:

The research sample was represented in a group of banks listed in the Iraq Stock Exchange numbered (4 banks), which represent each of (Asia Iraq Islamic Bank for Investment and Finance, Cihan Bank for Investment and Islamic Finance, Mashreq Arab Islamic Bank, Kurdistan International Islamic Bank), as these banks have capitalized expenses as intangible assets despite the fact that they do not meet the recognition criteria contained in this criterion, the most important of which are (establishment expenses) .

Second: Application of the standard to the banks of the research sample:

1- Application of the standard to the Asia Iraq Islamic Bank for Investment and Finance: By reviewing the bank's lists and as shown below, it was noted that the deferred revenue expenditure, which includes both the establishment expenses, the decorations and partitions, and the systems and software, are capitalized within fixed assets - property and equipment - and this is contrary to the requirements of International Accounting Standard No. 38 (intangible assets) With regard to the calculation of the expenses of establishment, systems and software, for the expenses of establishment, the standard stipulates that the payment of any expenses to provide future economic benefits to the economic unit, but it is not owned an intangible asset that can be recognized, in these expenses are recognized as expenses, (**Abu Nassar, 550: 2016**), as for systems and software, the standard indicated that the programs used by the economic unit for administrative, financial or control purposes, such as human resources programs, accounting programs and other Software is recognized as intangible assets, (**IFRS Expert, 2019:285**), while decorations and partitions will be transferred to fixed assets – furniture and appliances.

Table 2 Deferred revenue expenditures of the bank as at 31/12/2021

Account Name	Total Cost in 1/1/2021 (Iraqi Dinar)	Additions & Exclusions 2021 (Iraqi Dinar)	Total Cost in 31/12/2021 (Iraqi Dinar)	Accumulated amortization balance as of 1/1/2021 (Iraqi Dinar)	Amortization amount for the year 2021 (Iraqi Dinar)	Total amortization up to 31/12/2017 (Iraqi Dinar)	Balance as at 31/12/2021 (Iraqi Dinar)
Establishment expenses	-	379399419	379399419	-	152601185	152601185	226798234
Decorations & Partitions	1569700715	148134713	1717835428	888804874	167497350	1056302224	661533204
Systems & Software	1548443290	(155233185)	1393210105	776652355	333804288	1110456643	282753462
Total	3118144005	372300947	3490444952	1665457229	653902823	2319360052	1171084900

The accounting treatment will be in accordance with Accounting Standard No. (38) as in the following entry:

From

Establishment expenses \ 379399419

assets - furniture and appliances \ 661533204

Intangible assets - systems and software \ 282753462

To

Deferred Revenue Expenditure \ 1171084900

Amortization expense \ 152601185

Table 3 Intangible assets of the Bank in accordance with International Accounting Standard No. (38)

Account Name	Total Cost in 1/1/2021 (Iraqi Dinar)	Additions & Exclusions 2021 (Iraqi Dinar)	Total Cost in 31/12/2021 (Iraqi Dinar)	Accumulated amortization balance as of 1/1/2021 (Iraqi Dinar)	Amortization amount for the year 2021 (Iraqi Dinar)	Total amortization up to 31/12/2017 (Iraqi Dinar)	Balance as at 31/12/2021 (Iraqi Dinar)
Systems & Software	1548443290	(155233185)	1393210105	776652355	333804288	(1110456643)	282753462

2- Application of the standard to Cihan Bank: By reviewing the financial statements of Cihan Bank, we found that the bank has disclosed through the statement of financial position intangible assets, and by reviewing the details of intangible assets within the bank's financial report, as shown below, it was found that they contain one account, which is the expenses of incorporation, and under the requirements of International Accounting Standard No. (38), these expenses cannot be considered among the intangible assets and are considered expenses incurred on The period during which it was spent, as this standard indicated in paragraph 69 thereof that these expenses are proven to be borne as an expense, which are the expenses that are spent for the establishment of an economic unit with legal personality or for

the opening of a new workplace, (**International Financial Reporting Standards, 2022: 1055**), and therefore we will apply this standard by closing the balance of the establishment expenses of (810332) on 1/1/2021 in the retained earnings account because these expenses do not belong to this year, but are related to expenses for previous years, As for the additions during the year to these expenses, which are (5662838), they are considered within the expenses of the current period after subtracting adjustments during the year (169612), in addition to ...
Table 4 Details of the Bank's intangible assets as at 31/12/2021

The accounting treatment will be carried out in accordance with the requirements of the standard as during the

Account Name	Balance in 1/1/2021 (thousand Iraqi dinars)	Additions during the year 2021 (thousand Iraqi dinars)	Amortization amount for the current year (thousand Iraqi dinars)	Settlements during the year 2021 (thousand Iraqi dinars)	Balance as at 31/12/2021 (thousand Iraqi dinars)
Establishment expenses	810332	5662838	(967894)	(169612)	5335664

following entry:

From

Retained earnings \ 810332

Establishment Expenses \ 5493226

To

Intangible Assets (Establishment Expenses) \ 5335664

Amortization expense \ 967894

3- Application of the standard to the Arab Islamic Mashreq Bank:

After reviewing the financial statements of the bank as in the below, it was noted that the bank has disclosed intangible assets separately within the statement of financial position, and by reviewing the details of intangible assets, it was found that these assets consist of h / expenses of incorporation and h / systems and software and h / decorations, fixtures and partitions and h / cards, and as we have shown previously the expenses of incorporation are not among the intangible assets for not meeting the conditions contained in the standard and therefore will be considered a balance These expenses are as at 31/12/2021 and are closed in the rounded profits account because the amount of reduced adjustments during the year is greater than the additions during the year, as for systems and software, they are considered according to this criterion among the intangible assets, and with regard to the calculation of decorations, fixtures and partitions, it is considered among the tangible assets, as for the card account, after asking the competent people in the bank, they answered that it represents (MasterCard and Visa Card) and therefore cannot be considered among the intangible assets and Considered among the tangible assets.

Table 5 Details of the intangible assets of this bank as at 31/12/2021

Account Name	Balance in 1/1/2021 (thousand dinars)	Additions during the year 2021 (thousand dinars)	Settlements during the year 2021 (thousand dinars)	Amortization amount for the current year (thousand dinars)	Balance as at 31/12/2021 (thousand dinars)
Establishment expenses	203633	510770	(614332)	(15311)	84760
Systems & Software	461840	13184	0	(110940)	364084
Decorations, fixtures and partitions	16942	57674	0	(8126)	66490
Cards	74377	14454	(16065)	(13286)	59480
Total	756792	596082	(630397)	(147663)	574814

* Note (The additions within the systems and software amounted to 13184 thousand dinars for the purchase of a banking system, the purchase of a Vatika account password, the license of the e-mail protection device and the purchase of the Public Information system, while the additions related to the decorations of 57674 represent the work of decorations for the General Administration, Abu Flos Office, Ramadi branch, and the installation of a cashier table for the Ramadi branch).

Accounting treatment will be carried out in accordance with the requirements of the standard in accordance with the following entry:

From

Establishment Expenses \ 100071

Tangible Assets \ 125970

To

intangible assets \ 210730

Amortization expense \ 15311

Table 6 Details of the intangible assets of this bank after the application of Standard 38

Account Name	Balance in 1/1/2021 (thousand dinars)	Additions during the year 2021 (thousand dinars)	Settlements during the year 2021 (thousand dinars)	Amortization amount for the current year (thousand dinars)	Balance as at 31/12/2021 (thousand dinars)
Systems & Software	461840	13184	0	(110940)	364084
Total	461840	13184		(110940)	364084

4- Application of the standard to Kurdistan International Islamic Bank:

After perusal of the Bank's financial statements, it was found that the intangible assets reported in the statement of financial position consist of the following:

Table 7 Details of KIB's intangible assets as at 31/12/2021:

Account Name	Balance in 1/1/2021 (thousand dinars)	Add-ons or downloads during the year 2021 (thousand dinars)	Cost at 31/12/2021	Accumulated amortization balance on 1/1/2021 (thousand dinars)	Amortization amount for the current year (thousand dinars)	Accumulated amortization balance on 31/12/2021 (thousand dinars)	Balance as at 31/12/2021 (thousand dinars)
Establishment expenses	6027616	597534	6625150	(6027616)	(458634)	(6486250)	138900
Systems & Software	2331525	(593885)	1737640	(1038663)	(182724)	(1221387)	516253
Total	8359141	3649	8362790	(7066279)	(641358)	(7707637)	655153

As shown above, the bank's intangible assets consist of the accounts of the expenses of incorporation, systems and software, and as we have previously shown that the standard does not recognize the expenses of incorporation as intangible assets and are considered expenses once realized, as for systems and software, they are according to the requirements of this standard considered one of the intangible assets, so the accounting treatment will be carried out in accordance with the requirements of the standard and as in the following entry:

From

Establishment expenses \ 597534

Accumulated amortization \ 6027616

To

Intangible Assets \ 6166516

Amortization expense \ 458634

Table 8 Details of KIB's intangible assets after the implementation of Standard 38

Account Name	Balance in 1/1/2021 (thousand dinars)	Add-ons or downloads during the year 2021 (thousand dinars)	Cost at 31/12/2021	Accumulated amortization balance on 1/1/2021 (thousand dinars)	Amortization amount for the current year (thousand dinars)	Accumulated amortization balance on 31/12/2021 (thousand dinars)	Balance as at 31/12/2021 (thousand dinars)
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Systems & Software	2331525	(593885)	1737640	(1038663)	(182724)	(1221387)	516253
Total	2331525	(593885)	1737640	(1038663)	(182724)	(1221387)	516253

Third: The impact of the application of the standard on the quality of accounting information and hypothesis testing:

The quality of accounting information will be measured using the indicator (asset quality), which is one of the specific maturity indicators for (Beneish) that was mentioned in the second section of this research as the items of this indicator are more affected after the application of accounting standard No. (38), this indicator measures to what extent the intangible assets that have been capitalized represent real assets other than current and fixed assets, Where if the result of the index is greater than 1, this indicates that the economic unit capitalizes intangible assets that do not meet the recognition requirements contained in this standard, as they do not represent real assets and that the aim of them is to manage profits and show them as high as possible as a result of reducing expenses for the current period, and the previous year was considered to be before the application of the standard and the current year is after the application of the standard.

Table 9 Asset Quality Index (AQI) for the banks of the research sample:

NO	Bank Name	$1 - \frac{\text{Current Assets}_t + \text{PPE}_t}{\text{Total Assets}_t}$	$1 - \frac{\text{Current Assets}_{t-1} + \text{PPE}_{t-1}}{\text{Total Assets}_{t-1}}$	(AQI)
1	Asia Bank	0.02	0.03	$0.02 \div 0.03 = 0.67$
2	Cihan Bank	0.007	0.012	$0.007 \div 0.012 = 0.58$
3	Mashreq Arab Islamic Bank	0.0794	0.0802	$0.0794 \div 0.0802 = 0.99$
4	Kurdistan International Islamic Bank	0.0035	0.0036	$0.0035 \div 0.0036 = 0.97$

From the above table, we note that the ratio of intangible assets has changed after the application of accounting standard No. (38) in the asset quality index, where the ratio for the Bank of Asia before application was (0.03) while it became after application (0.02).), which shows that the application of the standard improved the quality of accounting information for assets by canceling the capitalization of assets that do not meet the criteria for recognition as intangible assets, while the final index result of the bank was (0.67), which is less than 1, which indicates that the application of the standard has improved the quality of assets, as for Cihan Bank, the ratio before application was (0.012) while it became after Application (0.007) The final index result of the bank was (0.58), which is less than 1, which indicates that the application of the standard has improved the quality of assets for this bank, and for Mashreq Arab Islamic Bank, the ratio before application was (0.0802) while after application it became (0.0794) The final index result of the bank was (0.99) which is also less than 1, which also indicates that the application of the standard has improved the quality of assets for this bank, as well as for the Kurdistan International Islamic Bank, the ratio

before application was (0.0036) while it becameAfter the application (0.0035) either the final index result of the bank was (0.97) which is also less than 1, which also indicates that the application of the standard has improved the quality of assets for this bank, as well as that the application of the standard canceled the capitalization of the expenses of incorporation and was considered among the expenses for the period concerned, which led to showing the real profits of the banks of the research sample and not showing the profits higher than can through the capitalization of those Expenses and consider it one of the intangible assets to reduce expenses and increase the amount of profits.

Finally, the researcher believes that the application of the standard has improved the quality of profits of the banks of the research sample by canceling the recognition of the founding expenses that these banks capitalized within the intangible assets without considering them among the expenses for the period in question, and thus the application of the standard has led to the recognition of real intangible assets in addition to showing the amount of profits, which represents the reality of the business results of those banks.

After what was discussed through the theoretical and applied sides of the research, it was found that there is a possibility of applying the International Accounting Standard No. (38) on the banks of the research sample, which proves the first hypothesis of the research, and the application of the standard has improved the quality of the declared profits by canceling the capitalization of the establishment expenses and considering them within the expenses, which showed the real profits number of the banks of the research sample, which proved the second hypothesis of the research.

Fourth Theme: Conclusions and Recommendations

First: Conclusions: After completing the theoretical and applied side of the research, we can summarize the following conclusions:

1- Intangible assets are of great importance at the present time, due to the transformation of the economy from dependence on tangible assets to assets of knowledge production and technology, which represent mostly intangible assets.

2- The process of recognizing intangible assets and determining their values is one of the most prominent difficulties facing economic units, as a result of the intangible nature of these assets in addition to the difficulty of measuring their costs reliably and verifying the expected future benefits from them.

3- Despite the principles of accounting standard No. (38) that determine the process of recognition, measurement and disclosure of intangible assets, it did not significantly address the process of determining values and recognizing intangible assets developed internally despite their importance, as this standard does not recognize many of these assets as a result of not measuring their costs reliably or verifying the expected future benefits from them. However, it encouraged economic units to disclose any intangible assets that do not meet the criteria for recognition as intangible assets, as well as disclosure of research and development expenditures.

4- The application of the standard contributes to reducing the capitalization of intangible assets that do not represent real assets, which reduces the opportunistic actions of the management of economic units in capitalizing some costs for the purpose of increasing profits in a certain period, which leads to reducing the process of profit management.

5- There are some banks listed on the Iraq Stock Exchange that still apply the unified accounting system, especially with regard to intangible assets represented in the account of deferred revenue expenditures.

6- Some banks listed on the Iraq Stock Exchange capitalized expenses and considered them among the intangible assets, although they do not meet the recognition criteria contained in this standard, the most important of which are the expenses of incorporation, where the amount of incorporation expenses that were capitalized by the banks of the research sample (5786122234) Iraqi dinars.

7- The application of the standard led to improving the quality of accounting information (asset quality) through the use of the asset quality index, where the percentage of intangible assets decreased after the application of the standard for the banks of the research sample, which resulted in the recognition of only the real intangible assets of the banks of the research sample and the exclusion of the expenses of establishment of intangible assets, where the total assets of the banks of the research sample after the application of the standard (3633147946262) Iraqi dinars compared to before the application of the standard, as its total amount was (3638934068496) Iraqi dinars.

8- The application of the standard resulted in reporting real profits for the banks of the research sample by recognizing the expenses of establishment as an expense during the period and canceling their capitalization of intangible assets, in addition to canceling the amortization expense for the expenses of incorporation that was canceled capitalized from intangible assets, which led to showing profits representing the real reality of the results of the banks' business and to reduce the profit management practices that may be carried out by the banks of the research sample, Where the net profit (loss) of the Bank of Asia before the application of the standard (1073209230) while after the application reached (1300007464), while Cihan Bank was net profits before application in the amount of (6835674000) while after the application amounted to (2310342000), and for the Arab Mashreq Bank the net profit before application

amounted to (542549000) and was after the application (457789000), as for the Kurdistan Bank the net profit before the application was (5218561000) and amounted after the application to the amount of (5079661000).

Second: Recommendations: According to the conclusions reached by the researcher, several recommendations can be formulated from his point of view as follows:

1- Banks recognize only real intangible assets that meet the definition of intangible assets and the criteria for recognizing assets to ensure the capitalization of real intangible assets that benefit users of financial reports in the process of making appropriate decisions.

2- Working on developing local accounting rules and procedures in the Iraqi environment in line with international accounting standards with regard to intangible assets.

3- Organizations and professional bodies concerned with issuing and amending international accounting standards and rules should review International Accounting Standard No. 38 (Intangible Assets) and work to develop it in a way that contributes to addressing the process of recognition, measurement and disclosure of internally developed intangible assets and showing them in the financial statements, due to the importance of these assets and because this standard does not recognize many of them, which leads to creating a gap between the market value and the book value of many economic units.

4- Conducting development and training courses for cadres in charge of preparing the financial statements of banks listed on the Iraq Stock Exchange for the purpose of identifying the requirements of International Accounting Standard No. 38 (intangible assets) and enabling them to apply the standard correctly.

5. Disclosure of any intangible assets or expenditures that do not meet the recognition criteria contained in this standard to be recognized as intangible assets in the notes contained in the financial reports to enable users of accounting information to accurately identify the activity of economic units related to these assets.

6- Separating intangible assets from tangible assets and disclosing them independently in the financial statements, to enable users of accounting information and relevant authorities to know what banks own of intangible assets.

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