

Improving the Quality of Financial reports by applying fair value accounting in banks listed on the Iraq Stock Exchange (an applied study)

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Abstract : The research aims to address the concept of fair value accounting according to International Financial Reporting Standard No. (13) with regard to accounting measurement and disclosure. And the principle of historical cost refers to events that took place in previous periods far from reality, so the information is old and shady, and specialists in the accounting profession had to find suitable alternatives to keep pace with the development and change in the economic conditions accompanying the contemporary business environment, so this research came to clarify the role of measurement Accounting disclosure according to the fair value principle improves the quality of financial reporting, and thus influences the administrative decision-making process. The research was applied in three banks listed in the Iraq Stock Exchange, which are the Middle East Investment Bank, the Khaleeji Commercial Bank and the Commercial Bank of Iraq for the years (2017-2021), where the profit multiplier model was used for the period (2017-2021) to measure the fair value of the shares of these banks, then The quality of financial reporting was measured using the (Chen, 2016) model, as the nature of the correlation and impact relationship between fair value accounting and the quality of financial reporting for these banks was determined during this period. The research reached a set of conclusions, the most important of which was that the importance of fair value accounting emerged through the changes that would make the financial statements more useful and transparent about the financial situation in the business environment as well as enhancing confidence through the presentation and accounting disclosure of the financial statements, as the financial reporting aims to Providing useful information to current and prospective users to assist them in making their various operational and strategic decisions, as well as helping to provide the necessary information for estimating future operational, investment and financing cash flows. Measuring and disclosing fair value can help improve the quality of financial reporting by providing appropriate information. And reliable can help meet the needs of users of accounting information .

Keywords: fair value accounting, honest representation, timeliness, appropriate accounting information, reliability.

Introduction: Economic units use the historical cost principle as a measurement principle. Then came those who advocate the need to use fair value accounting such as the Accounting Standards Board (IASB) the Financial Accounting Standards Board (FASB) and the American Institute of Accountancy by issuing several accounting standards that emphasize the use of fair value in measurement and the accounting value is presented fairly assets and liabilities in the current market conditions this leads to timely provision of information and thus leads to increased transparency in a way that can improve the quality of financial reporting. Fair value accounting not only deals with recording the acquisition of assets but looks much further than that. It is the financial risk resulting from holding it, as investors look forward to financial information that has been prepared on the basis of generally accepted accounting standards, and at a time when financial markets are important in the development of the economy it is possible to determine the common exchange. Significance between fair value accounting and financial markets and ultimately helps to improve the quality of financial reporting Fair value accounting depends on the amount that would be received to sell an asset or paid to settle a liability on a measurement date for a regular period. The process between market participants in the current prevailing market conditions and valuation of assets and liabilities according to the amount for which the asset can be bought or sold in an ongoing transaction between two or more parties willing to complete the transaction, i.e. regardless. From a forced sale and liquidation Fair value is the cash received for the sale of an asset from a willing seller to a willing buyer who has useful information about the facts apart from the duress. The quality of financial reports is one of the tasks that is still evolving in terms of its concept, methods of measurement, and the reflection of its impact on user decisions and the final outputs of the accounting information system, and helps reduce performance defects and reach the goal to be achieved in ways that help users achieve it and make rational decisions .

The first topic : Research Methodology

1-1 -Research problem:- The research problem appears in the Iraqi economic institutions' use of the concept of historical cost in accounting measurement and disclosure, and this concept has become inappropriate and does not meet ambition, and accounting experts have been forced to search for a better principle that suits the developed economic conditions associated with accounting. The modern business environment and this alternative are accounting measurement and disclosure according to fair value, and the research problem can be clarified through the following questions: Can fair value accounting contribute to improving and developing the quality of financial reports in banks listed on the Iraq Stock Exchange according to international standards?

1-2- The importance of the research: -

The main importance of the research is to focus on the Iraqi banking sector and the extent of banks refusal to apply the fair value in addition to the statement of the role that fair value accounting can play in improving the quality of financial reports. In line with the requirements of the modern business environment.

1-3-research aims:-

The objectives are: 1- Dealing with the concept of fair value accounting under Standard No. (13) in relation to accounting measurement and disclosure.

2- Using the concept of financial reporting quality and clarifying the role of measurement and accounting disclosure according to the fair value principle.

1-4- Research hypotheses :

The research is based on the following hypotheses :

The application of fair value accounting can help improve the quality of financial reporting in banks listed on the Iraq Stock Exchange .

1-5- Research Sample:

The research sample was represented by three banks listed on the Iraq Stock Exchange, namely the, middle East Investment Bank, the Khaleeji commercial Bank, and the commercial Bank of Iraq for the years 2017-2021.

1-6- the contribution of the current research:

The contribution of the current research can be clarified by linking fair value accounting and the quality of financial reports in accordance with international standards by focusing on Criterion (13), as well as contributing to laying a rationale for the application of fair value accounting in a manner commensurate with the requirements of the Iraqi business environment by focusing on the banking sector and showing its impact improving the quality of reporting.

The second topic: the theoretical aspect of the research Preface:

This topic deals with the theoretical aspect of fair value accounting ,and reporting quality as follows :

2-1- the concept of fair value :

concepts included in the current value school in accounting measurement which emerged in order to face the historical cost deficiencies which could not reflect the financial position in companies in an appropriate manner as the changes that occur today which include large expansions in investments have been reflected in the function performed by the economic unit in previous periods . Fair value is the price determined under fair market conditions, and there is no need or intention to liquidate or sell assets quickly and fair value differs from the market value specified in the financial market, that is, fair value differs from the actual market value, and the reason for the difference is that the provisions used to develop fair value may not be the same as the provisions of shareholders in the same market, it is the value based on the analysis of financial information about a particular economic unit"Al-Amiri, 2010: 478" . Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under fair market conditions and there is no need or intention to liquidate or sell the asset immediately. Thus it is the Thus, it is the amount that can be realized through the exchange of an asset or the payment of a liability between knowledgeable and willing parties in a purely commercial transaction "IFRS,2020:2".

2-2-The importance of fair value accounting:-

The International Accounting Standards Board and the American Accounting Standards Board have made extensive efforts to defend fair value accounting in the face of severe criticism of it recently after the financial crisis The Financial Stability Forum (FSF) expert committee has been tasked with determining the procedures to be followed for asset valuation, especially in passive markets (**Hamad and Mohsen, 2012: 13**) and the importance of fair value accounting has been identified through the following :

1-Fair value accounting has a fundamental role to restore confidence and credibility to prices in the markets, especially in periods of financial crises, so fair value accounting must be used because of its role in increasing the credibility of accounting information"**Allen,2008:54**". 2- The main objective of the application of any accounting measurement system is honest disclosure and to show an unbiased picture of the business result and the financial position of the economic unit (Moyer, 2008:3). 3- Fair value accounting measures the true value of assets, and therefore shows economic conditions in their true form and is therefore the best and most trusted metric "Shteivi, 2011: 4". 4- Fair

value accounting standards help to achieve more credibility and relevance to accounting information, so returning to historical cost accounting means returning to mistrust and inappropriateness"Plantin, 2008:16". The application of economic units to account for fair value can achieve a set of things as follows:

- "Ghoneimi, 2012: 31".

1- Objectivity of measurement, confidence and credibility of the accounting information contained in the financial statements.

- The relevance of accounting information to the needs of its internal and external users.

3-Avoid criticism of historical cost accounting, which was the reason for what the profession has reached in the current period.

2-3- Measurement of (fair value using the earnings multiple model):

Ratio is one of the important indicators in the financial markets for the purpose of evaluating investment in ordinary shares, and the content of this ratio expresses the number of times the investor receives the profit to justify the price set for the share, and the fair value of the share is calculated according to the following equation: "Jihad, 2019: 14".

$$v = (M) (e) \div (1 + K) n$$

Where: m: the value of the share in the market to its profitability p: The last closing price of the stock in the stock market. E: Earnings per ordinary share.

Ordinary earnings per share (E) are calculated according to the following formula: "Allawi, 2014: 12" $E = NI \div .SU$ where: E: earnings per ordinary share. NI: net income during the year. SU: the number of common shares As for the required rate of return (discount rate) (k), it is calculated according to the following equation: (Abdul-Zahra et al., 2013: 203)

$$K = R_{fr} + B (R_s + R_{fr})$$

where:

K: Required rate of return (discount rate

B: beta coefficient. R_{fr} : risk-free rate of return

R_s : Market rate of return per share

The rate of return per share in the market is measured by the following formula: "Obeidat, 2008: 8"

$$R_s = (p_0 - p_1 + D_{ij}) \div p_1$$

-:where

. R_s : Market rate of return per share

P0: the closing price of the stock

P1: The opening price of the stock

D_{ij} : Dividend per share

2-4- the concept of the quality of financial reporting.

The concepts of the quality of financial reporting is a set of qualitative characteristics that must be characterized by accounting information to be of benefit to the parties benefiting from it, through which their various administrative decisions can be rationalized, and these characteristics are somewhat similar to water. and air filter filters, as they purify useful information about non-useful, and are divided into two groups. "Source:Donald E. Kieso, Jerry J. Weygandt, Terry D. Warfield. "2020".

A- Fundamental qualitative characteristics of accounting information :-

1-Relevance: It means the ability of accounting information to cause a difference in the decisions of users of accounting information by changing their expectations (decisions) or fixing them Accounting information is appropriate if it is relevant or useful to the decision for which it was designed and includes three sub-characteristics:

A. Predictive value: If it can be used as input by its users to predict future outcomes.

B. Confirmation value: When you provide users with feedback or an approximation to their previous expectations .

C - Material: Information is material when its omission or non-disclosure affects decisions taken on the basis of the information.

2-Honest representation: Reports represent economic phenomena with words and figures that are useful. They must not only show the appropriate phenomena, but also truly represent those phenomena that they must represent. They include three sub-characteristics:-

a. Completeness: It means that all the phenomena described include all the information necessary for the user to understand the phenomena described, including all descriptions and explanations.

B. Neutrality: free from bias in choosing to present financial information without distortion, weight and focus. c. Free from error: the absence of errors or omissions in phenomena.

B. Reinforcing characteristics of accounting information: They are those that must be available in accounting information, and their non-availability does not mean that the information is not useful, but rather the degree of benefit, which is as follows:

- 1- Comparability: decision makers choose between alternatives, so the information is more useful if it can be compared with information similar to companies or the same company from time to time and enables them to identify and understand the similarities and differences between the paragraphs. Comparability does not imply uniformity.
- 2- Verifiability: It constitutes the truth of the economic phenomenon, what it should represent, and that the different cognitive abilities and independent users arrive unanimously about it, and not in full agreement.
- 3- Temporality: It means that the information is available to its users to make decisions at the time when it has the ability to influence those decisions.
- 4- Understandability: tabulating, classifying, and presenting information with clarity and consistency that makes it understandable.

-5-Objectives of the quality of financial, reporting :

The overall objective of financial reporting is to provide financial information about the economic unit, in a form that is useful to current and prospective users to help them make rational decisions, by following many complementary methods “ Thabit, 2013:56”. In addition to the general objective of the quality of financial reporting, there is a set of sub-objectives that can be clarified as follows: “Elliott, 2011: 102”, Ghazi, 2022: 42 “.

- 1- Financial reporting aims to provide the necessary information to estimate future cash flows in order to help address uncertainties .
- 2- Financial reporting aims to provide appropriate accounting information through which to determine the ability of the economic unit to pay dividends in the future.
- 3- Financial reporting aims to provide appropriate financial information for making investment and credit decisions, to assist current and prospective investors and creditors in Making special Decisions that help them..

The model (Chen, 2016) is one of the models that can be used to measure the quality of financial reports. According to this model, there is a relationship between firm size, return on investment ratio, financial leverage, and accruals quality. These variables can affect the quality of accounting information with respect to appropriate characteristics. and reliability, and this model can be illustrated by the following:

$$QFI = \beta_0 + \beta_1 FS + \beta_2 ROA + \beta_3 LEV + \beta_4 AccQ + e$$

While: **QFI:** quality of accounting information.

FS:

The size of the firm is measured by the natural logarithm of the firm's assets during the period.

ROA: Return on investment measured by the ratio of net income to total assets.

LEV: Leverage is measured by the ratio of long-term debt to total assets.

AccQ: Quality of receivables measured in terms of operating cash flow to operating profit.

$\beta_0, 1, 2, 3, 4$: model parameters. E: Random error.

The third topic is the applied side of the research

3-1-definition of the research sample :

The research sample consisted of three banks listed on the Iraq Stock Exchange, which are the Middle East Investment Bank, the Khaleeji Commercial Bank, and the Commercial Bank of Iraq. These banks can be illustrated by the following:

- 1- middle east investment bank: the middle east Investment bank was established in 1993 after obtaining the incorporation certificate from the Iraqi Ministry of Trade Companies Registrar Department and the banking license from the Central Bank of Iraq. The bank began its work on May 8, 1994 with a capital of 400 million dinars. Now, the registered and paid-up capital of the bank is 250 billion 625 times higher than it was when it was founded.
- 2- Al khaleej commercial bank: ai Khaleeji commercial bank was established as a private joint stock company ,under the incorporation certificate No. 7002 dated October 20, 1999 issued by the Companies Registration, Department in accordance with Companies Law No. “21” for the year 1997 as amended, with a capital of “600” million ,dinars paid in full. The bank commenced its business through the main branch on April 1, 2000, after obtaining a license to practice banking.
3. The Commercial Bank of Iraq: The Commercial Bank of Iraq, which is considered one of the first private sector banks to be established in Iraq, was established in 1992 after amending local laws to allow the establishment of private banks in Iraq, with a capital of 250 billion Iraqi dinars. The business of the Commercial Bank of Iraq witnessed huge developments after it opened a network of branches throughout the capital and its neighboring regions.

3-2- Applying value accounting and measuring ,the quality of financial reporting in the research sample.

3-2-1- Using the profit multiplier model:

applying fair value accounting and improving the quality of accounting disclosure in the Commercial Bank of Iraq: In order to calculate the fair value of the bank shares, the research sample, the data of Equation No. “1”, represented by

the value of the share in the market, must be determined to its profitability “M”, the profitability of the ordinary share “E”, and the required rate of return “discount rate” “K”. The value of the share in the market can be explained to its profitability in the research sample banks for the period “2017-2021” through the following table: Table “1”: The value of the share in the market to its profitability in the banks, the research sample for the period “2017-2021” Thus, it is possible to calculate the fair value of the shares of banks in the research sample for the period “2017-2021” as shown in the following table:

Table “1”

Banks	year	required rate Of Return K	the value Of a Share in The Market to its earnings M	Earnings per share E	Fair value V
Middle East Investment Bank	2017	2.636	-159.111	-1.063	46.517
	2018	14.23	-14.159	-4.029	3.746
	2019	-0.846	317.776	0.352	726.345
	2020	-0.093	25.143	3.41	94.529
	2021	-7.133	-1284.6	-0.297	-62.209
	Average	1.7588	-222.99	-0.3254	161.7856
Khaleej Commercial Bank	2017	136.9	1.772	10324.42	132.668
	2018	-261.152	380.202	118.358	-172.976
	2019	-1.417	-10.682	-3.831	-98.136
	2020	-3.983	-25906.8	-0.004	-34.739
	2021	-65.778	-8.931	-72.085	-9.938
	Average	-39.086	-5108.89	2073.372	-36.6242
Iraqi Commercial Bank	2017	-343.838	12.092	281.135	-9.916
	2018	-5410.8	11.076	87.794	-0.18
	2019	-4131.12	17.605	77.764	-0.331
	2020	10.557	3.102	634.285	170.248
	2021	-3239.1	11.53	114.518	-0.408
	Average	-2622.86	11.081	239.0992	31.8826

source: prepared by the researcher based on the financial statements of the banks, the research sample.

it is noted From the above, table that the fair value was for the Middle ,East Investment Bank for the years 2017, 2018, 2019, 2020, 2021 in the amount of “46.517”, “3.746”, “726.345”, “94.529”, “(-62.209) dinars, respectively, and for the Gulf Bank The commercial ones were in the amount of “132.668”, “-172.976”, “-98.136”, “-34.739”, “-9.938” dinars, respectively, and for the Commercial Bank of Iraq, they were in the amount of “-9.916”, “-0.18”, “-0.331”, “170.248” and “-0.408” dinars, respectively. As for the average fair value of the shares of the banks, the research sample for the period “2017-2021”, they were for the Middle East Investment Bank, the Khaleeji Commercial Bank, and the Commercial Bank of Iraq, and they were in the amount of “161.7856”, “-36.6242”, and “31.8826” dinars, respectively.

3-2-2- Measuring the quality of financial reports using the “ChEN 2016” model in the research sample: the following equation:

$$QFI = \beta_0 + \beta_1 FS + \beta_2 ROA + \beta_3 LEV + \beta_4 AccQ + e$$

Whereas: QFI: Quality of Financial Reporting.
 FS: The Size of the Company, measured by the natural logarithm of The Companys assets during the period.
 ROA: Return on investment, measured by the ratio of net income to total assets.
 LEV: Leverage, measured by the ratio of long-term debt to total assets.
 AccQ: Quality of receivables, measured by the ratio of operating cash flow to operating profit.
 $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$: parameters of the model.
 e: random error.

The total assets of the banks in the research sample for the period “2017-2021” can be clarified through the following:

Table “2”

Banks	year	Total assets
Middle East Investment Bank	2017	770690
	2018	800747.802
	2019	658231.494
	2020	638427
	2021	672424
	Average	708104.0592
Khaleej Commercial Bank	2017	603312.990
	2018	578336.519
	2019	549145.531
	2020	510798.284
	2021	538490.755
	Average	556016.8158
Iraqi Commercial Bank	2017	460702.017
	2018	444138.292
	2019	449777.104
	2020	616949.229
	2021	512311.665
	Average	496755.6614

Source: prepared by the researcher based on the financial statements of the banks, the research sample .

it can be seen From the above table that the total assets of Middle East Investment Bank for the years 2017, 2018, 2019, 2020 and 2021 amounted to “770690”, “800747.802”, “658231.494”, “638427”, “672424” dinars respectively, and to Gulf Commercial Bank was “603312.990”, “578336.519”, “549145.531”, (510798.284) (538490.755) dinars respectively, and for the Commercial Bank of Iraq it was (460702.017), (444138.292), (449777.104), “616949.229”, “512311.665” dinars respectively. The averages were for the Middle East Investment Bank, the Gulf Commercial Bank and the Commercial bank of iraq, and they were (708104.0592), (556016.8158), (496775.6614) dinars respectively

The return on investment in the banks of the research sample for the period “2017-2021” can be calculated as shown in the following table :

Table “3” Return on Investment

Banks	year	net income	Total assets	return on investment ROA
Middle East Investment Bank	2017	(518.555)	770690	-0.00075
	2018	(2295.243)	800747.802	-0.00287
	2019	78.677	658231.494	0.00012
	2020	1193	638427	0.00187
	2021	(37)	672424	-0.00006
	Average	-328.424	708104.1	-0.00034
Khaleej Commercial Bank	2017	42330.107	603312.990	0.07016
	2018	591.790	578336.519	0.00102
	2019	(3931.358)	549145.531	-0.00716
	2020	(1.477)	510798.284	-0.00001
	2021	(5038.770)	538490.755	-0.00936
	Average	6790.058	556016.8	0.01093
Iraqi Commercial Bank	2017	9924.074	460702.017	0.02154
	2018	10833.738	444138.292	0.02439
	2019	6532.195	449777.104	0.01452
	2020	35456.553	616949.229	0.05747
	2021	138009.256	512311.665	0.02539
	Average	15151.16	496775.7	0.028662

Source: prepared by the researcher based, on the financial statements of ,the banks, the research sample.

It is noted from the above table that the return on investment “ROA” was for Middle East Investment Bank for the years 2017, 2018, 2019, 2020 and 2021 in the amount of “-0.00075”, “-0.00287”, (0.00012), (0.00187), (-0.00006) respectively, and for Gulf Bank Al-Tijari was (0.07016), (0.00102), (-0.00716), (-0.00001), (-0.00936) respectively, .and for the Commercial Bank of Iraq it was (0.02154), (0.02439), (0.01452), (0.05747), (0.02539) respectively

The average return on investment “ROA” for the middle East Investment bank, Gulf commercial bank and the Commercial bank of Iraq were “-0.00034”, “0.01093”, “0.028662” respectively. 2021” can be clarified through the following table :

Table “ 4” Leverage

Banks	year	Long term debt	Total assets	Leverage <i>LEV</i>
Middle East Investment Bank	2017	324513	770690	0.42107
	2018	429184.675	800747.802	0.53598
	2019	271009.546	658231.494	0.41172
	2020	266144	638427	0.41687
	2021	271988	672424	0.40449
	Average	312567.8	708104.1	0.438026
Khaleej Commercial Bank	2017	265803.563	603312.990	0.44057
	2018	232934.933	578336.519	0.40277
	2019	201579.973	549145.531	0.36708
	2020	180767.476	510798.284	0.35389
	2021	204966.519	538490.755	0.38063
	Average	217210.5	556016.8	0.388988
Iraqi Commercial Bank	2017	134711.253	460702.017	0.2924
	2018	153130.565	444138.292	0.30425
	2019	146612.889	449777.104	0.32597
	2020	272745.127	616949.229	0.44209
	2021	159654.573	512311.665	0.31164
	Average	169770.9	496775.7	0.33527

Source: prepared by the researcher, based on the financial, statements of the banks the research sample.

It is clear from the above table that the financial leverage was for the Middle East Investment Bank for the years 2017, 2018, 2019, 2020, 2021 in the amount of “0.42107”, “0.53598”, “0.41172”, “0.41687”, “0.40449” respectively, Gulf Commercial Bank was “0.44057”, “0.40277”, “0.36708”, “0.35389” (0.38063) respectively, and Commercial Bank of Iraq was (0.2924), (0.30425), (0.32597), (0.44209), (0.31164) respectively. The averages were for the Middle East Investment Bank, the Gulf Commercial Bank and the Commercial Bank of Iraq, and they were (0.438026), (0.388988), and (0.33527) respectively.

The quality of receivables in the banks of the research sample for the period “2017-2021” can be clarified through the following:

Table “5”

Banks	year	operating cash flow	operating profit	Quality of receivables <i>AccQ</i>
Middle East Investment Bank	2017	95.609902	26884.543	0.00356
	2018	54817.678	15984.627	3.4294
	2019	(147249.068)	16235.072	-9.06981
	2020	(1452)	41584	-0.03492
	2021	27788.916	28448	0.97683
	Average	-13199.8	25827.25	-0.93899
Khaleej Commercial Bank	2017	(133181.981)	25950.300	-5.13219
	2018	1810.026	16617.411	0.10892
	2019	6287.320	10919.468	0.57579
	2020	(18048.172)	12500.096	-1.44384
	2021	(27764.316)	8990.864	-3.08806
	Average	-34179.4	14995.63	-1.79588
Iraqi Commercial Bank	2017	25371.290	23750.164	1.06826
	2018	19758.236	7564.467	2.61198
	2019	19542.316	21364.643	0.9147
	2020	88661.386	57268.076	1.54818
	2021	(113531.163)	29351.238	-3.86802
	Average	7960.413	27859.72	0.45502

Source: prepared by the researcher, based on the financial statements, of the banks, the research sample.

It is clear from the above table that the quality, of the dues was to the middle East Investment bank for the years 2017, 2018, 2019, 2020, 2021 in the amount of ”0.00356”. “3.4294”, “-9.06981”, “-0.03492”, “0.97683” respectively, Gulf Commercial Bank was “-5.13219”, “0.10892”, “0.57579”, “-1.44384”, “-3.08806” respectively, and Commercial bank of Iraq was “1.06826”, “2.61198”, “0.9147”, “1.54818”, “-3.86802” respectively ..

The averages were for the Middle East Investment Bank, the Gulf Commercial Bank and the Commercial Bank of Iraq and they were (-0.93899), 1.79588), (0.45502) respectively Thus, the quality of financial reporting in the banks of the research sample for the period (2017-2021) can be calculated as shown in Table (6)
quality of financial reporting in banks Research sample for the period “2017-2021”

Table (6)

Banks	year	Natural logarithm of total assets FS	return on investment ROA	Leverage LEV	Quality of receivables AccQ	Quality of financial reporting QFI
Middle East Investment Bank	2017	1.02041	-0.00075	0.42107	0.00356	1.44429
	2018	1.02329	-0.00287	0.53598	3.4294	4.9858
	2019	1.00854	0.00012	0.41172	-9.06981	-7.64943
	2020	1.00624	0.00187	0.41687	-0.03492	1.39006
	2021	1.01014	-0.00006	0.40449	0.97683	2.3914
	Average	1.013724	-0.00034	0.438026	-0.93899	0.512424
Khaleej Commercial Bank	2017	1.00198	0.07016	0.44057	-5.13219	-3.61948
	2018	0.9988	0.00102	0.40277	0.10892	1.51151
	2019	0.9949	-0.00716	0.36708	0.57579	1.93061
	2020	0.98945	-0.00001	0.35389	-1.44384	-0.10051
	2021	0.99342	-0.00936	0.38063	-3.08806	-1.72337
	Average	0.99571	0.01093	0.388988	-1.79588	-0.40025
Iraqi Commercial Bank	2017	0.98168	0.02154	0.2924	1.06826	2.36388
	2018	0.97892	0.02439	0.30425	2.61198	3.91954
	2019	0.97987	0.01452	0.32597	0.9147	2.23506
	2020	1.00366	0.05747	0.44209	1.54818	3.0514
	2021	0.98967	0.02539	0.31164	-3.86802	-2.54132
	Average	0.98676	0.028662	0.33527	0.45502	1.805712

Source: prepared by the, researcher based on the financial ,statements of the banks the research sample.

It is noted from the above table that the quality of financial reporting was for Middle East Investment Bank for the years 2017, 2018, 2019, 2020, 2021 in the amount of (1.44429), (4.9858), (-7.64943), (1.39006), (2.3914) respectively, and for Gulf Commercial Bank was in the amount of (-3.61948), (1.51151), (1.93061), (-0.10051), (-1.72337) respectively during these years, and for the Commercial Bank of Iraq it was (2.36388), (3.91954), (2.23506), (3.0514), (-2.54132) respectively during the years 2017, 2018, 2019, 2020, 2021 . . The average quality of financial reporting during the five years of research were for the middle east Investment Bank, Gulf Commercial Bank and the Commercial Bank of Iraq and were (0.512424), (-0.40025), (1.805712) respectively.

It is clear from the above that the Commercial bank of Iraq has achieved the highest quality of financial reporting with a general average of “1.805712”, followed by the Middle East Investment Bank with a general average of “0.512424”, and the third place came Gulf commercial bank, which achieved a general average during the research years “-0.40025”.

3-3- Analytical Statistics:

During this paragraph, analytical statistics will be presented and the research hypothesis tested in order to indicate the impact between its variables represented in Fair value accounting and the Quality of financial reporting, and before indicating the impact between these variables, it is necessary to clarify the correlation matrix for the variables of the research model, as shown in the following table:

(7) Table

Pearson's correlation matrix between search variables

variables	The fair value of the shares	Quality of financial reporting	Total assets	Return on investment	Financial leverage	Quality of receivables
The fair value of the shares	1					
Quality of financial reporting	0.651*	1				
Total assets	0.165*	0.022	1			
Return on investment	0.158*	-0.075	-0.264	1		
Financial leverage	0.163*	0.041*	0.883	-0.072*	1	
Quality of receivables	0.163*	0.996*	0.002	-0.071	0.017*	1

* Correlation is significant at the 0.05 level (2-tailed) .

Source: Researcher preparation based on the statistical program (SPSS-25

It is noted through the above table, that the Pearson correlation coefficient between the fair value of the share and the quality of financial reporting was “0.651”, meaning that the relationship between these two variables is a positive and significant relationship at the level of “0.05”, either the Pearson correlation coefficient between the fair value of the share and the total assets was “0.165”, meaning that the relationship between these two variables is a positive and significant relationship at Level “0.05”, and the Pearson correlation coefficient between the fair value of the share and the return on investment was “0.158” meaning that the relationship between these two variables is a positive and

significant relationship at the level of “0.05”, while the Pearson correlation coefficient between the fair value of the share and the leverage was “0.163”, meaning that the relationship between these two variables is a positive and significant relationship at the level of “0.05”, and the Pearson correlation coefficient between the fair value of the share and the quality of receivables was “0.163”, meaning that the relationship between These two variables are a positive and moral relationship at the level of “0.05”, and for the relationship between the quality of financial reporting and both the financial leverage and the quality of receivables, as well as the relationship between the return on investment and leverage, and the relationship between financial leverage and the quality of receivables was a positive and moral relationship at the level of “0.05”, either the relationship between the other variables is a, non-significant relationship at the level of “0.05” The hypothesis of the research is as follows: The application of fair value accounting can help improve the quality ,of financial reporting in banks listed on the Iraq Stock Exchange. The results of testing this hypothesis can be illustrated through the following table:

Table (8)
Research hypothesis test results

independent variable	Coefficients		Variance analysis (ANOVA)		Form summary			dependent variables
	R	R ²	F	Sig. F	β_i	T	Sig.T	
The fair value of the shares	0.651	0.424	4.953	0.018	3.216	6.338	0.034	Quality of financial reporting
	0.165	0.027	5.901	0.032	0.874	5.925	0.028	Total assets
	0.158	0.025	2.345	0.009	2.675	7.749	0.023	Return on investment
	0.163	0.027	7.091	0.044	1.089	5.954	0.019	Financial leverage
	0.163	0.027	4.965	0.021	2.413	6.714	0.019	Quality of receivables

Source: Researcher preparation based on the statistical program (SPSS-25)

It is clear from the above table, that the value of the correlation coefficient between measurement and accounting disclosure according to the fair value and the quality of financial reporting has reached “0.651” and this indicates that the relationship between these two variables is a direct correlation relationship, and the value of the coefficient of determination R² “0.424” and this explains the amount of “42.4%” of the variation in the quality of financial reporting, and the value of Sig < 0.05 This means that the value of F and the value of T are significant and thus accept the hypothesis that there is a statistically significant effect For measurement and accounting disclosure according to fair value on the quality of financial reporting in banks listed on the Iraq Stock Exchange, as increasing the measurement and accounting disclosure according to fair value by “1%” will lead to an increase in the quality of financial reporting by “3.216%” Thus, there is a positive impact relationship between measurement and accounting disclosure according to fair value and the quality of financial reporting, and the reason for this is that the bank's measurement and accounting disclosure at fair value will lead to the provision of appropriate and reliable information that can help users in rationalizing their various administrative decisions, and therefore, it is necessary to measure and disclose accounting fair value correctly to improve the quality of financial reporting and to help meet the needs of all users, as well as relying on the audit committee through the availability of The characteristics of independence and financial or accounting experience and that its size is appropriate to carry out the tasks assigned to it, and after the audit committee has these characteristics, this shall be completed by this committee to carry out the main tasks assigned to it. As can be seen from the above table, the value of the correlation coefficient between measurement and accounting disclosure according to fair value and total assets amounted to (0.165) This indicates that the relationship between these two variables is a direct correlation relationship, and the value of the coefficient of determination R² “0.027” and this explains the amount of “2.7%” of the variation in total assets, and the value of Sig < 0.05 This means that the value of F and the value of T are significant and thus accept the hypothesis that there is a statistically significant impact of measurement and accounting disclosure according to fair value on the total assets in banks listed on the Iraq Stock Exchange, as the increase in measurement and disclosure Accounting at fair value by (1%) will lead to an increase in total assets by “0.874%”, and thus there is a positive impact relationship between measurement and accounting disclosure according to value. This is done by increasing investment in fixed assets in the commercial banks of the research sample and listed on the Iraq Stock Exchange in a way that can help improve the performance and quality of services provided by these banks in general. It is also noted that the value of the correlation coefficient between measurement and accounting disclosure according to fair value and return on investment has reached “0.158” This indicates that the relationship between these two variables is a direct correlation relationship, and the value of the

coefficient of determination R^2 "0.025" and this explains the amount of "2.5%" of the variation in the return on investment, and the value of $\text{Sig} < 0.05$ This means that the value of F and the value of T are significant and thus accept the hypothesis that there is a statistically significant effect of measurement and accounting disclosure according to fair value on the return on investment in banks listed on the Iraq Stock Exchange, as the increase in Measurement and accounting disclosure according to fair value by "1%" will lead to an increase in the return on investment by "2.675%", and thus there is a positive impact relationship between measurement and accounting disclosure according to fair value and return on investment, and the reason for this is to improve the financial performance indicators of the banks of the research sample by increasing profits and improving the level of profitability in these banks, which ultimately leads to improving the return on investment index. It is also clear that the value of the correlation coefficient between measurement and accounting disclosure according to fair value and leverage has reached "0.163" This indicates that the relationship between these two variables is a direct correlation relationship, and the value of the coefficient of determination R^2 "0.027" and this explains the amount of "2.7%" of the variation in leverage, and the value of $\text{Sig} < 0.05$ This means that the value of F and the value of T are significant and thus accept the hypothesis that there is a statistically significant effect of measurement and accounting disclosure according to fair value on the leverage in banks listed on the Iraq Stock Exchange, as the increase in measurement and disclosure Accounting according to fair value by "1%" will lead to an increase in leverage by "1.089%", and thus there is a positive impact relationship between measurement and accounting disclosure according to fair value and leverage, as financial leverage is a key feature of CFD trading, and may represent an effective tool for the trader, and the banks of the research sample can use leverage To take advantage of relatively minor price movements, and raise the investment portfolio to gain greater exposure, or to raise capital. The value of the correlation coefficient R between measurement and accounting disclosure according to the fair value and quality of receivables amounted to "0.163", and this indicates that the relationship between these two variables is a direct correlation, and the value of the coefficient of determination R^2 was "0.027", and this explains what amounted to "2.7%" of the variance In the quality of receivables, and the value of $\text{Sig} < 0.05$ means that the value of F and the value of T are significant, and thus accepting the hypothesis that there is a statistically significant effect of measurement and accounting disclosure according to fair value on the quality of receivables in banks listed in the Iraq Stock Exchange, as an increase Accounting measurement and disclosure according to fair value by "1%" will lead to an increase in the quality of receivables by "2.413%", and thus there is a positive impact relationship between accounting measurement and disclosure according to fair value and the quality of receivables, and the quality of receivables is measured by the ratio of operating cash flow to operating profit, so this improves The ratio of the improvement of all operating cash flow to operating profit in the research

sample banks. Based on the above, it can be said that there is a possibility of applying fair value accounting in banks listed on the Iraq Stock Exchange, and the application of fair value accounting can help improve the Quality of financial reporting in banks listed on the Iraq Stock Exchange, and thus the research hypothesis, has been proven .

The Fourth Topic: Conclusions And Recommendations :

1-Conclusions:

1-Fair value, is the price determined in ,fair market conditions and there is no, need to liquidate or sell assets and a certain date is determined and at this moment certain information is provided, special circumstances and the existence ,of expectations that may change over time.

2- The fair value ,accounting came to constitute a qualitative change that would make the financial statements reflect more accurately the financial position of the economic unit as well as enhance the transparency through which the requirements of the presentation and accounting disclosure of accounting information can be determined.

3- The importance of fair value accounting comes from honest disclosure and showing an unbiased image of the result of the business, the financial position and the economic unit, as well as achieving more credibility and appropriateness of accounting information, so fair value accounting is more appropriate to the requirements, of the modern business environment.

4- The quality of financial reporting is only what it provides a set of characteristics of accounting information .

- Recommendations :2

1-Using fair value in accounting measurement because of the ability of this measurement to show information on the real value and to provide a valid base on which the users of that information rely in making their various administrative decisions.

2- Consolidating the concept of fair value, its characteristics and methods of measurement in the minds of those interested in the accounting profession and workers in the field of securities.

3 - The need for the attention of the departments ,of economic units in general and banking ,units in particular to the application of fair value accounting and the statement of the importance of this in the measurement and accounting disclosure and the amendment of standards in line with the results reached.

4- Benefiting from the, important experiences and ,efforts made by the International Accounting Standards Board in issuing an Iraqi accounting ,standard aimed at determining the requirements of measurement and accounting disclosure according to fair value in proportion to the circumstances.

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