Problems expected for the application of International Financial Reporting Standard No. (9)

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Abstract :

The application of the International Financial Reporting Standard No. (9) began in the countries of the world at 1/1/2018, where the methods of recognition, classification and valuation of assets, presentation and disclosure to the exception hedging tools have been studied, and this study aims to identify the problems expected from the application of this standard in Iraqi private banks and used A sample of 80 people and the results of the theoretical and practical study have showed that allocations should be increased to deal with expected credit losses and that a reliable database should be established to estimate expected losses due to poor credit quality, reclassify Iraqi bank assets and determine which departments will be classified before the calculation of future cash flows, and that banks' equity is necessary to cope with the increase in lending, and ions of the banks they are currently working on should be modified in order to calculate the requirements for the changes mentioned in the standard, in addition to other conclusions and recommendations.

Keywords: International Financial Reporting Standard (9), International Accounting Standard (39) Classification and measurement of financial assets, impairment of assets, recognition of expected cintroduction

لمشاكل المتوقعة لتطبيق معيار الابلاغ المالي الدولي رقم (9) دراسة ميدانية في البنوك التجارية العراقية الخاصة

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المستخلص:

إستجابة للانتقادات التي اثيرت بشان تعقيدات معيار المحاسبة الدولي 39 تم إصدار معيار الابلاغ المالي الدولي 9 ، ليكون مسايرا لطريقة إدارة الشركات لأعمالها والمخاطر التي تواجهها، ويؤكد الاعتراف بالخسائر الائتمانية على القروض والديون المتأخرة في دورة الائتمان. وقد تم تطوير المعيار على ثلاث مراحل، وقام المجلس الدولي لمعايير المحاسبة بإصدارات محدثة من المعيار بعد اكتمال كل مرحلة أو تعديلها، وتم منح الكيانات الفرصة لتبني النسخة المحدثة ، وفي يوليو 2014 تم إصدار المعيار بصيغته النهائية. واختبرت الدراسات الحديثة الآثار المختلفة للتبني الإلزامي للمعايير الدولية للإبلاغ المالي، ويعتبر التطبيق الإلزامي للمعيار هو الأكثر أهمية في السنوات الأخيرة، وبالتالي فإن فهم العوامل الخارجية لهذا النظام مهم جدًا في تقييم إجمالي التكاليف والفوائد عليه فإن تاثير تطبيف المعيار سيرتب العديد من المشاكل ولتحقيق هدف الدراسة سيتم تناول مباحث الدراسة كما يلي:

المبحث الأول : منهجية الدراسة والدراسات السابقة

المبحث الثاني : الجانب النظري

المبحث الثالث: الدراسة الميدانية والاستنتاجات والتوصيات

الكلمات المفتاحية: معيار الابلاغ المالي، والديون المتأخرة، البنوك التجارية العراقية الخاصة

Introduction:

In response to criticism raised about the intricacies of IAS 39, IFRS 9 was issued, to be in line with the way companies manage their business and the risks they face, and to confirm the recognition of credit losses on loans and debts late in the credit cycle. The standard was developed in three phases, and the International Accounting Standards Board issued updated versions of the standard after each phase was completed or modified. Entities were given the opportunity to adopt the updated version, and in July 2014 the standard was issued in its final form. Recent studies have examined the various effects of the mandatory adoption of international financial reporting standards, and the mandatory application of the standard is the most important in recent years, and therefore understanding the external factors of this system is very important in evaluating the total costs and benefits on it, the effect of applying the standard will arrange many problems and to achieve the goal of the study will be The study topics are addressed as follows:

The first part: study methodology and previous studies

The second part: the theoretical side

The third part: the field study, conclusions and recommendations

The first part

Research methodology and previous studies

First: Research method

A- Study Problem: The study problem focused on the following questions:

1. IFRS 9 is a source of concern because it will not only affect financial institutions, but will affect the exterior of these institutions. In other words, the entities will undergo significant changes as a result of the implementation of this standard which will depend on the probable result of the application of this standard.

2. The income statement will be the most volatile because it increases the risk of measuring assets at fair value by recognizing changes in fair value in the income statement when they are incurred.

3. Early recognition of impairment losses on receivables and loans, including book debts. Entities will need to start reporting their potential credit losses during the first loan reporting period, even if the asset is fully recoverable.

4. The standard requires new planning requirements to cover hedge accounting, and the changes made by the standard will represent an excellent opportunity to improve the balance sheet, improve the efficiency of the reporting process and reduce costs, and in both cases it can lead to unpleasant surprises. This is sufficient even if the impact assessment does not start. The implications of its findings for the financial statements, and its time to start dealing with systems, processes, controls, etc. in an expressive and thoughtful way.

B- Importance of of the study:

The importance of this study is summarized as it is considered to be one of the first studies that aims to identify the problems that Iraqi private banks will face in starting to implement the standard and the great preparations necessary for the application. In addition, he discussed the conditions that banks must provide in terms of measuring financial assets and then presenting those assets in financial statements.

C- Objectives of the study:

This study aimed to identify International Financial Reporting Standard No (9) in addition to providing empirical evidence on whether the mandatory application of IFRS 9 would enhance the indirect effects of private accounting information in financial private banks in Iraq.

D- Hypotheses of the study:

Through the questions asked in the study problem, the study of the hypotheses is formulated as follows:

1- There is a significant relationship between the clarity of the directives of the Central Bank of Iraq and the application of the International Financial Reporting Standard No.9, and the fact that Iraqi private banks are able to present statements who recognize fair value gains and losses in accordance with the requirements of the standard in the coming period.

2- There is a significant relationship between the requirements of IFRS 9 and the management of private banks and they are fully aware of its application as it will introduce significant changes in the bank.

3- There is a significant relationship between IFRS 9 and the focus on the reasons for rebalancing financial assets and liabilities, and the fair value gains will be greaterompared to their losses.

E- Data collection method:

For the purpose of collecting data and information related to the study, the researcher relied on the following:

1- The available research, articles and studies in international courses and journals to cover the theoretical side

2- A questionnaire was prepared and distributed to the study population consisting of a sample that included some accounting professors, some employees of the Central Bank / Basra Branch, and account auditors in the Audit Financial Superime and private auditing offices

F-Studying Population:

The study sample consist of 80 people was randomly selected from the study population and distributed as follows (5 employees of a staff section of Iraqi Central Bank / Basra branch, 15 Chartaterd Accountants in the Bureau of Basra Audit Financial Superim, 20 Charetered accountants in private offices, university professors, 18 professors with masters and doctorates in accounting, 22 directors and accounts manager in various private banks)

G- Limits of the study:

The study is limited to measurement, presentation and disclosure requirements only, excluding hedging instruments which will be outside the scope of the study.

Secondly: Previous studies and contribution of the study:

1- Previous studies

Study Dimu Ehalaiye et al 2017

This study was conducted to prove the predictive ability of fair value disclosure on a sample of 107 U.S. banks over a three-year period for future performance as measured by operating cash flow and earnings, the fair value of an element of organized actions having a value greater than its historical cost. However, limited studies have shown that fair value is predictable. Evidence of the impact of the 2007/08 global financial crisis on the relationship between the bank's fair value and future performance was also presented. The effect of the characteristics of the bank's size, capital adequacy and growth prospects on the predictive ability was tested and therefore whether the lack of liquidity in the market would affect the base relationships. The results indicate that fair values have predictive power for both cash flow and earnings performance measures and that operating cash flow did not adversely affect predictive ability. the fair values of the bank. However, it has been found that the ability to predict fair value is strongest when it comes to cash flow from operations.

Study by Douglas Ayres et al 2017

This study used a sample of US companies using the measure of firm fair value to study the effect of fair value accounting on analyst behavior, and the study showed that firms at fair value High value intensity analysts have accurate earnings forecasts, which is a big and far reaching effect for Magnan, Manini and Parbonetti. In addition, the results indicated, through the use of the information required by Financial Accounting Standard No.157, that there are significant positive correlations between the accuracy of analysts' expectations and fair value assessments of level 1 and level 2. However, no correlation was found for level 3 ratings in non-financial industrial firms Reverse financial firms. This indicates that the qualitative characteristics of fair value measurements, including their business objectives and accounting treatment, on average, can impact the accuracy of analysts' expectations beyond a simple matter of measurement.

The study by Brian Brat ten et al. 2016

This study used a sample of bank holding companies to test the possibility of fair value adjustments included in other comprehensive income (OCI) based on the forecast of the bank's future performance. It also examined the reliability of these estimates and their effect on their predictive value. The results showed that fair value adjustments included in other comprehensive income can anticipate a profit for the year and the following two years. However, there are no similar effects for all unrealized gains and losses measured in other statements of comprehensive income. While unrealized gains and losses on

available-for-sale securities are positively related to future earnings, unrealized gains and losses on derivative contracts classified as cash flow hedges are negatively related to future earnings. He also found that a reliable measurement of fair values improves predictive value. He also clarified that fair value adjustments recorded in other comprehensive income during the 2007-2009 financial crisis predicted future profitability, which contradicts criticisms that fair value accounting has forced banks to record the significant drop in settlement.

The Gea study - Carrasco Gayetano & Patel Nihil 2016

This document analyzes the main challenges that financial institutions will face in ensuring compliance and provides an overview of the new standard. Although there is still uncertainty in terms of the methodology of implementation. The authors of this article believe that the implementation of IFRS will lead to a more efficient and less risky financial system.Which is called byLeuz and Wysocki 2003 why the mandatory application of the standard is the most important in recent years, and therefore understanding the externalities of this system is very important in assessing total costs and benefits.

A study by Jannis Bbichof and Holger Daske 2016

This study clarified three criteria in the basic relationship between European accounting law and academic accounting research. It clarified the status of the new International Financial Reporting Standard No. 9 on accounting for financial instruments and how the standard can be applied after its adoption in the Union. All international accounting standards (IAS) and interpretations published by (IFRIC) and (IASB) and three groups of standards need to be clarified. In this matter, we find that a study focused on the impact of adopting international financial reporting standards on self-reliant companies and did not pay much attention to the effect of their dependence on the financial effects of external factors - the indirect effects of the company's accounting information on the level of economic activity of other companies - because the external factors of the systems can affect On Social Welfare (Admati and Pfleiderer 2000.

The Ann L.C Chan et,al 2015

This study aimed to demonstrate whether companies have increased loss accounting in time to adopt International Financial Reporting Standards (IFRS) across Europe since 2005. Company asymmetric timing, which represents market size, book value and leverage, was used. Companies that have chosen to

implement IFRS before the mandatory application date to deal with the impact of uncertain events. There has been an increase in the timely identification of losses for the control sample between IFRS and higher debt and in countries less dependent on private debt or bank financing. Regarding the characteristics of the company such as interest coverage, return on assets, earnings volatility, loss, quality of maturity and growth, in addition to industrial and national impacts, she pointed out that corporate finance incentives play a decisive role in determining when to consolidate corporate losses after the adoption of mandatory international financial reporting standards. These are the same recomendations as Li 2010 study

The study by Maik Lachmann et, al 2015

This study used a number of chartered accountants as participants to assess credit risk in order to calculate liabilities at fair value that cause a deterioration in the company's credit risk when reporting gains in the account of result. Improvements in credit risk also lead to losses. It is widely argued that these effects are irrational on the income statement and that gains in fair value can be misinterpreted by users of financial statements and expressed as positive signals and a loss in fair value as negative signals. The justifications for these results show that they are indeed valid, and over 70% misjudged the company's credit risk because it improves (deteriorates) when fair value gains (losses) are realized. Information that explicitly defines the relationship between the direction of the change in credit risk and the impact of the income statement significantly reduces misinterpretation by participants and is more beneficial when fair value gains are recognized as a reduction of losses.

Irina-Doina Pascan 2015 study

This article analyzed the impact of the change from national accounting standards to international financial reporting standards on the quality of accounting in Europe after the application of international financial reporting standards on a large scale, which was reinforced under of the International Accounting Standards Board in 2002, and this study is considered one of the empirical studies that analyzed Different's views on whether or not to adopt International Financial Reporting Standards (IFRS) for reap the benefits of their adoption linked to the increase in the comparability and transparency of financial reports, which the application of international financial reporting standards should lead to improving the quality of accounting information.

The Cipullo Nadia and Vinci Guerra Rosa study 2014

This study analyzed the effect of accounting rules on bank liquidity after introducing for the first time the concepts and risks of liquidity. This is considered essential in the critical review of internal IFRS 9 data, after revealing, in recent years, a strong suspicion of liquidity risk, the verification of the content of the standard and the extent to which the capital markets are convinced of the ability to meet clients' liquidity needs. In order to improve the mechanisms for classifying and measuring financial instruments, the International Accounting Standards Board introduced International Financial Reporting Standard 9 as an alternative to IAS 39.

The Enrico Onali and Gianluca Ginesti study 2014

This study examined the market reaction from the date of the announcement of IFRS 9 concerning more than 5,400 listed European companies. He found that the comments were generally positive after the application of the standard. He ruled out the possibility of error samples or data mining to get results. The results of the main study indicated that they are strong in relation to the events and the extent of media coverage of each event. These results indicate that investors see the new regulation as an improvement in shareholders' fortunes and support the idea that the comparison of European corporate accounting standards is advantageous for international investors and exceeds the costs of informing the company.

Chen Chen et al. 2013

This study examined the external factors through the adoption of mandatory IFRS standards on the effectiveness of investments for companies in 17 European countries. Using the return on investment between the company and its peers to obtain information on the investment performance of its peers, and the results showed that the indirect effect of the difference in return on equity of shareholders of the company compared to the effect of peers and foreign companies on increasing the efficiency of investment in the company after the adoption of international standards, now this effect is not On domestic counterparts. The impact of increased disclosure by outsiders and locals after the implementation of IFRS has been indirectly on the effectiveness of investment in the business. In addition, changes in the company's investments resulting from the difference in return on assets compared to its foreign counterparts are more valuable after the application of IFRS and the changes resulting from increased disclosure by its foreign counterparts are related to the value. Results reveal additional analyzes that are heavily influenced by law enforcement, peer training and industry competition

Astudy Chee Yeow Lim et al 2013

This article aims to study the implications of the bank's reclassification decision on the characteristics of analysts' earnings expectations for the period 2008-2009. In October 2008, the International Accounting Standards Board amended IAS 39 to allow banks to reclassify financial assets previously measured at fair value and allow them to measure them at amortized cost by reclassifying financial assets, in order to avoid bank the ability to recognize unrealized fair value losses, thereby increasing its revenues and regulatory capital during the market downturn and when economic conditions were highly volatile, it found that choosing a reclassification during the financial crisis reduced accuracy of analysts' forecasts and increased the dispersion of expectations. The paper also found that the observed decline in predictability was limited in the year of adoption and when the economic environment was highly volatile.

The study by Mari Paananen et al 2012

This study looked at the determinants of banks' decision to reclassify financial assets after amending IAS 39 and the results of the capital market after reclassifications using the difference method to test bank account numbers for market price. at the time of reclassification. The study identified the potential drivers of bank reclassification behavior, namely the solvency margin and exposure to financial markets. And its potential negative impact on reclassifications on the market prices of bank account numbers. The results of the study showed that the minimum capital adequacy requirements are indeed linked to the bank's decisions to reclassify financial assets. It is also noted that the level of exposure to fair value measurements increases the likelihood of reclassification. It was noted in the second part of the analysis that the dependence of investors on earnings and the carrying value of shares after reclassification is earlier than the amendment of IAS 39, as it does not There is no difference in the assessment by investors of the accounting numbers of the control group of unclassified banks and of reclassified banks.

The Christian Laux and Christian Leuz 2010 study

This study aimed to record assets and liabilities on the balance sheet at fair value and to record changes in fair value as well as gains or losses in the income statement, in order to determine the fair value when using market price. Some critics have argued that fair value accounting worsened the severity of the financial crisis in 2000. 2008. The fact that fair value accounting contributes to a significant increase in debt in boom times and leads to massive reductions in write-off representations when market prices fall,

which depletes the bank's capital, forcing banks to sell their assets at resale prices, leading to the resale prices of assets in one bank are related to those of other banks, this is what is being discussed with regard to fair value accounting issues, and there appears to be no evidence of this. This has been tested using empirical evidence regarding the role of fair value accounting of US banks in the crisis. These losses are likely to pose obvious problems for banks and other financial institutions.

The study by Christopher S. Armstrong et al 2010

This study examined the reactions of the European stock market to events related to the adoption of IFRS in Europe. The adoption of these standards gave rise to high-level debates within the government. The reaction was found to be increasingly positive for companies that had substandard information prior to accreditation, which is evident in banks despite the inconsistency of information prior to adoption of the standard and in line with investors' expectations regarding the benefits of quality information derived from international financial reporting standards. In contrast, companies based in unspecified countries have reacted increasingly negatively, in line with investor concerns about the application of international financial reporting standards in those countries. In exchange for a positive reaction to the adoption of IFRS for companies which previously had quality information, in line with investors' expectations in favor of convergence with respect to the adoption of international standards

2- contribution of the study:

The results obtained from previous studies show that they focused on the extent to which Financial Reporting Standard No. 9 contributes to the preparation of transparent financial reports that can be relied upon in making financial decisions on the side of management and owners. This study represents a research contribution to identify the difficulties facing the private banking sector when applying the standard, in addition to making a serious contribution to the field of accounting research.

For the purpose of identifying what was stated in Financial Reporting Standard No. 9, the standard must be studied and briefly, which will be covered in the second research of the study

The Second part

Theoretical study

first: Before discussing the major changes to IFRS 9, the items mentioned in each of the two standards should be compared as follows:

No	Comparison Item	International Accounting Standard No.39	International Financial Reporting Standard No.9
1	The name of the standard	Financial instruments recognition and measurement	**Financial instruments**
2	Effectiveness of application	It was implemented as of 01/01/2001 and early implementation is permitted at the beginning of the year ending on 3/15/1999	**It has been implemented as of 1/1/2018, and is expected to be applied in Iraq as of 1/1/2019**
3	Scope of the standard	All financial assets and liabilities and hedge accounting	**Includes financial assets, financial liabilities, impairment and hedge accounting.**
4	Classification foundations	Intention to contract for short-term profits, and derivatives are subject to specific restrictions	**Fair value through profit and loss FVPL and AC amortized cost**
5	Classification of equity	Fair Value Through Profit and Loss FVPL, AFS	**Fair value through profit and loss FVPL and FVOCI**
6	Classification of debt instruments	Fair value through profit and loss FVPL and AFS, Held-to-Maturity HTM	**The classification is based on the business model and contractual cash flow characteristics measured at AC amortized cost if the objective of the business model is to collect the cash flows.**
7	Measuring debt instruments	It is measured at amortized cost if it is classified as held to maturity, and some classifications are measured on the basis of fair value.	**It is measured at fair value through profit and loss if the business model aims to trade in order to collect profit, but if the model is kept in order to sell it before the maturity date, it is measured at fair value through profit and loss, and if it is held until the maturity date, it is measured at amortized cost.**
8	Measuring equity instruments	They are measured at fair value, excluding unquoted shares. Investments are measured at cost because the fair value is not reliable	**The assets that are held should be measured at FVPL if the rating is to reduce or lead to a mismatch in the accounting measurement.**
9	Implicit Derivatives	It is considered a hybrid contract and is measured at FVPL	**An embedded derivative is separated from the base contract and measured as a**

			derivative in accordance with what is stated in this Standard if the economic characteristics of the embedded derivative and its risks are not closely related to the characteristics and risks of the underlying contract, and are measured at fair value through profit and loss.
10	Fair value option	The entity may identify financial assets that are measured at fair value on initial recognition and it has the option to do so without observing other criteria	**The entity measures the financial asset at fair value through profit and loss or loss upon initial recognition only, and after initial recognition, the financial asset is measured at amortized cost.**
11	Reclassification of debt instruments	Debt is reclassified among 4 groups defined in the standard according to specific factors (profit / loss) according to the movement of the classifications included in the standard, and the classification is reclassified from the date of maintaining the debt instrument until the maturity date in a serious manner unless exceptions occur.	**When the objectives of the business model change, it is allowed to reclassify financial instruments from profit or loss to amortized cost or vice versa, provided that those changes are clear to the relevant parties and it is expected that this will be rare.**
12	Reclassification of equity instruments	It is permitted to reclassify between equity instruments available for sale and fair value through profit and loss, when the unrealized profit and loss is recognized on the basis of fair value, and when the transfer from fair value through profit to available-for-sale instruments cannot be reversed, the recognized profit or loss Realized, all profits and losses realized from available-for-sale instruments are included in profits and losses as a discount to shareholders' equity.	**If the entity reclassifies the instrument between FVTPI into the FVTPL category, the instrument continues to be measured at fair value, and the accumulated gains in other comprehensive income from equity are reclassified to the Profit and Loss account at the date of reclassification.**

Second: The main changes

1. Classification and measurement of financial assets

The new standard is based on the classification and measurement of financial assets at fair value, the recognition of changes in fair value in profit or loss through other comprehensive income (FVPL) or

((FVOCI) as loans, and fair value through profit or loss can be used if the asset qualifies at fair value through profit or loss Other comprehensive cost or amortized to avoid mismatches A financial asset is measured at amortized cost if it meets the following two conditions and is not classified at fair value through profit or loss:

- That the asset be maintained in a business model that aims to retain the assets to collect the contractual cash flows.

-That the contractual conditions of the financial asset give rise on specific dates to cash flows which are payments of principal amounts and interest on unpaid principal amounts.

Amortized cost means: This is the amount by which the financial asset or liability is valued at initial quotation less principal payments, plus or minus accumulated amortization using the effective interest rate method for any difference between the initial quoted amount and the amount due less discounts for depreciation. The contract is valued at amortized cost. According to Standard 9, contract should be measured in all cases using FVTPL, except in certain cases.

A debt instrument is measured at fair value through comprehensive income if it meets both of the following conditions and is not designated at fair value through income:

- That the asset be maintained in the economic model which aims to collect contractual flows and sell financial assets.

- That the contractual conditions of the financial asset give rise on specific dates to cash flows which are repayments of principal amounts and interest on unpaid principal amounts.

Fair value is: the price that can be received or paid to transfer a liability in an ordinary transaction between market participants at the valuation date, and it is either in the primary market for the asset or liability, or on the most advantageous market in the absence of the main market.

The entity may, at the time of initial listing (establishment date) of any share not held for trading, permanently choose to present subsequent changes in fair value in other comprehensive income. In addition, the entity may classify financial liabilities at fair value through profit or loss because determining whether presenting the effects of changes in credit risk on financial liabilities in other comprehensive income may lead to the emergence or increase of an accounting asymmetry in earnings.

IFRS 9 aims to improve consistency and comparability of reporting and is simpler than IAS 39, but it may be difficult to determine whether the terms of loans and receivables are "primarily" sufficient to be measured at amortized cost or at fair value through comprehensive income. The other. There is a factor of uncertainty concerning the interpretation of tax laws, the amount and timing of future taxable profits

given the multiple factors and the nature of existing contractual arrangements, differences that arise between actual results and assumptions, and future changes in these assumptions, which may require future adjustments to calculate tax. Entities create provisions based on reasonable estimates of possible outcomes, which provisions are based on several factors such as the experience of tax departments and various interpretations of tax systems by the entity and the tax department.

It can be said that the complications that may arise and their effects on classification and measurement can give Standard No. 9 the same results as International Accounting Standard No. 39.

2. Classification changes and other measurements

Although there are some simple requirements, they require classification and measurement in accordance with International Accounting Standard No. (39) to set new standards for reclassifying financial assets and liabilities. The classification and measurement of financial assets, impairment and hedging are treated separately. Other aspects of IAS 39 such as scope, recognition and fixation of financial assets remain the same, with the exception of some amendments. Submarine 2009 p1-23

3- Decline in the value of financial assets:

The calculation of depreciation is the second major area of fundamental change where:

• The new standard eliminates the valuation requirements for investments in equity instruments as they can only be measured at fair value through profit or loss or FVOCI without recycling changes in fair value to profit or loss.

• The standard defines a new entry for loans and receivables, including trade receivables, which is the “expected credit loss” model that places more emphasis on credit risk than if the loss had actually been incurred.

4. Expected credit losses

According to the expected credit loss (ECL) model, the unit calculates the allowance for credit loss by estimating the cash flow deficit that it will incur in different hypothetical situations for the specified future periods and multiplying the decrease by the probability that each condition will achieve the potential outcome. Every loan carries some risk of default, and all of these assets have an expected loss associated with them from the time they are created or acquired. This may be an "expected credit loss" because the new model is confusing, as these amounts are not necessarily "expected" or "losses", which in fact represent measures of credit risk for an asset. (D. Beerbohm 2015). The standard defines three distinct approaches for measuring expected credit losses:

• A general entry applied to all loans and debit accounts that are not eligible for other entries;

• A simplified introduction to certain trade receivables and the so-called "International Financial Reporting Standard No. 15 on asset contracts" and other options for these assets and lease receivables, and

• "Credit Adjustment Approach" and is applied to loans that decrease in credit value on initial recognition (such as loans obtained at a steep discount due to credit risk).

In all cases, provisions and changes made by recognizing impairment losses are recorded in profit or loss.

Estimating expected credit losses is a complex process and in some cases the unit must define each potential scenario, and the standard also allows the use of models to estimate expected losses which do not require a clear scenario and a probability analysis, as is the case when there is a condition that the average credit loss for a large group with common risk characteristics can be a reasonable estimate of the potential amount.

Third: Classification and measurement

1. Valuation on initial recognition

On initial recognition, all financial assets and financial liabilities are measured at fair value (sometimes adjusted to take account of transaction cost issues), as is the case with the exception of trade receivables which do not. do not include a significant financing component as defined in IFRS 15 Contract revenue for customers. Which is measured at the transaction price (as in the case of the invoice amount which excludes collection charges on behalf of third parties such as sales taxes).

2- Classification and valuation of financial assets after initial verification

Depending on the option of investing in equity instruments, the measurement is made at FVOCI. While loans, receivables and investments in debt securities and other similar assets are measured at amortized cost or at the fair value of other comprehensive income (FVOCI), and in exceptional cases, on the initial recognition of investments, financial instruments are valued in the FVOCI option. The company, in its only option, is to designate the investment in the equity instrument as definitive if the asset is not a trading contract or contingent consideration in the business group. Changes in fair value are recognized in other comprehensive income and are not reclassified in income even if the asset is depreciated or sold. The option to classify fair value in other comprehensive income for equity investments means that these investments are different from other financial assets. The standard defines an equity investment as an equity instrument in IAS 32 Financial Instruments: Presentation is a contract that establishes a residual interest in the assets of the company after deduction of all its liabilities.

3. Cost as a basis for estimating fair value

In special circumstances, cost may provide an adequate estimate of fair value when no information is available to measure fair value or if a wide range of potential fair value measures represents the best cost of estimating fair value. value.

Fourth:

1. Testing the business model

Fair value through other comprehensive income is classified at amortized cost or FVOCI when the asset is part of a group or a portfolio managed according to an economic model aimed at collecting contractual cash flows (amortized cost) or both, otherwise it is evaluated to value. Just through profit or loss.

2. Classification of business models

Business models are determined across the activities of the entity and ensure this with relevant evidence, including how information relating to financial assets is assessed and implemented by senior management, risks that affect performance of the group, the way in which these risks are created and managed and the way in which the directors are remunerated.

Fifth: Presentation and disclosure

Subsequent changes have occurred in the disclosure requirements for financial instruments in IFRS 7 when applying the Financial Instruments Standard: as is the case for mutual disclosures and subsequent changes in requirements current related to new requirements, and units must ensure that systems and processes are audited for information to meet the requirements. The information obligations to be provided and, in some cases, the information to be provided represent a challenge for the unit. Units should also update their information on significant estimates and judgments in accordance with IAS 1, as more financial instruments need to be classified as FVPL or FVOCI. After the adoption of the standard.

After the study methodology, previous studies, and the theoretical aspects of the standard have been identified, these aspects must be linked to the practical side, leading to conclusions and recommendations, which will be covered in the third topic

The Third part

Field of the study, Conclusion and Recommendations

1- Field of the study:

The original study population consists of a set of macro-elements that the researcher seeks to generalize the results related to the problem studied. The study sample of 80 people was randomly selected from

the study population and distributed as follows (a staff section of the Central Bank / Basra branch consisting of 5 employees, 15 legal accountants in the Bureau of Basra Governorate Financial Supervision, 15 employees, legal accountants in private offices, 20 chartered accountants, university professors, 18 professors with masters and doctorates in accounting, 22 director general and account manager in various private banks) with the aim of obtaining precise results for the members of the sample in terms of qualifications and various scientific specializations, different job titles and different years of experience. Determine the percentage in the target population

First: Reliability of the scale:

In order to check the internal consistency of the paragraphs of the scale and to determine the validity, adequacy and measurement of the questionnaire for the variables of the current study (international standards, presentation, measurement and risks), the researcher used the SPSS system to measure the Alpha Cronbach coefficient as in table (1).

variables	Number of Paras	Cronbach's Alpha
IFRS	5	**0.85**
Disclosures	7	**0.84**
Measurement	6	**0.83**
Risks	6	**0.82**

The results presented in Table (1) based on the results of SPSS v.2 indicate high consistency between the current study measures (0.85 - 0.82), compared to the Sekaran and Bogie scale. (2010), which indicates that the inconsistency scores are greater than 0.7.

Second: Description and analysis of variables:

Table (1) shows the arithmetic mean and the standard deviation of the independent variable and the dependent variable. The nominal categories (strongly agree, agree, neutral, disagree, and strongly disagree) were converted to numeric categories (1, 2, 3, 4, 5) respectively, then entered in the statistical program:

(Table 2)

#	The variable	Mean	Standard Deviation	Weight	Explanation
1	The independent	3.90	0.76	4	**Accept**
2	The Present	3.88	0.82	4	**Accept**
3	The Measurement	3.55	0.90	4	**Accept**
4	The Risk	3.98	0.74	4	**Accept**

Table No (2) shows that the mean value of the sample responses to the first variable (2) is an independent variable (3.90), and this value is very close to the weight (4), which means (Okay). The mean value of the variable (current) sample was (3.88). This value is very close to the weight (4) which means (I agree). This indicates that the majority of the study population agrees that when presenting financial statements that recognize fair value gains (losses), investors are more likely to undervalue the business. And that the mean value of the third variable sample (measure) was (3.55). This value is close to the weight (4), which means approval. This means that the majority of the population studied agree that all derivatives, whether commercial or unmeasured, are measured at FVTPL, except in a few cases. And that the value of the mean value of the fourth variable (risk) approved sample was (3.98) and that this value is very close to the weight (4) which means (okay), and that it indicates the majority of the sample response agree, meaning that the amount of the change in the fair value of financial assets and liabilities is attributable to Change in credit risk.

Third: hypotheses test

Correlations

Hypothesis testing relates to a relationship in research as follows:

Table (3) shows a significant correlation between the independent variable (IFRS 9) and the dependent variable (current). Correlation value (0.735) with a significant level (0.05).

- Table (3) shows a significant correlation between the independent variable (IFRS) and the dependent variable (measure). Its value reaches (0.634) at a significant level of (0.05).

Table No. (3) Shows the significant correlation between the independent variable (IFRS) and the dependent variable (risk), with a correlation value (0.804) with a significance level of 5%.

Table (3): Results of the correlation between the independent variable and the dimensions of the dependent variable.

The dependent Variable	**First dependent Variable (disclosure)**	**Second dependent Variable (Measurement)**	**Third dependent Variable (Risks)**	**T- table**
The independent Variable	0.735	0.634	0.804	
T- value				1.96
P- Value	0.000	0.000	0.000	
Result	Acceptance Hypothesis	Acceptance Hypothesis	Acceptance Hypothesis	

Results of the acceptance of the hypotheses in table (4), where the significance of the correlation values appears at a significance level T greater than 1.96. The table also shows the results of the analysis of variance of the relationship between the independent variable and the dimensions of the dependent variable

Model	**Sum of squares**	**d.f**	**Mean Squares**	**F**	**P-Value**
Regression	16.356	1	16.356	432.962	**0.000**
Residual	3.457	49	0.22		
Total	19.813	50			

Table No (5) Transaction form

Model	**Unstandardized Coefficients**		**Standardized Coefficients**		**P-Value**
	B	Std. Error	Beta	T	
Constant	0.603	0.126		3.329	**0.000**
TQM	0.812	0.042	0.882	24.765	**0.000**

Analytical indicators of the effect of the independent variable to achieve the dimensions of the dependent variable Table (6)

Dependent R2	**indicators**	**Independent Variable**	**Significance level**
present	F	206.67	**0.05**
	P value	0.000	
	R2	0.540	
	B	0.735	
Measurement	F	103.65	**0.05**
	P value	0.000	
	R2	0.401	
	B	0.634	
Risks	F	231.19	**0.05**
	P value	0.000	
	R2	0.646	
		0.804	

2- The Conclusions:

We summarize the analysis indicators at the level of the theoretical dimensions that we conclude as mentioned above:

A- The independent variable has a significant effect on presentation and disclosure, because the calculated value (206.67) is greater than the tabular value at P = 0.05 and (0.735). B, where the independent variable (current) explains 54% of the dependent variable (presentation and disclosure) of Coefficient of determination (R2 = 0.540).

B. The independent variable (measure) has a great influence on the measure. The calculated value (F is 103.65), which is greater than the scale at P = 0.05 and (0.634). B. Interpret the independent variable (40.1%) of the dependent variable (measure) as the value of the coefficient of determination (R2 = 0.401)

C- The independent variable (risk) has a significant effect on the risk with the calculated value of F (231.19), which is greater than the scale of P (= 0.05) and (0.804). The independent variable explains 4.6% of the dependent variable (risk) by the value of the determining factor (R2 = 0.646)

3- The recommendation:

The results achieved through the desk study and the questionnaire can be considered as recommendations to be taken into account when applying IFRS 9, as follows:

1- Provisions must be significantly increased to deal with the expected loser.

2-Iraqi banks should create a reliable database to estimate the expected future losses that correspond to the age of the facilities granted, noting that the credit quality of Iraqi banks is of poor quality.

3- The assets of Iraqi banks must be reclassified and the services that will be classified must be determined before calculating future cash flows.

4-Iraqi private banks must increase their capital to cope with the increase in loans, and the Central Bank may have an interest when it applies standard n ° 9 in a real way.

5- Banks modify the systems they are currently working on in order to calculate the requirements of the changes mentioned in the standard.

6- Iraqi banks must increase financial statements as per the requirements of Standard No.9, in addition to their need to recover data from their old wallets

7- Iraqi banks should be prepared to further reduce the value of their financial assets in order to deal with credit losses in accordance with Standard No. 9

8-The urgent need to prepare financial reports in accordance with the regulatory requirements of the standard.

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Appendix

Dear / Professor / Auditor / ....

After Compliment,

The researcher is preparing a research in the field of financial accounting / Financial Reporting Standard No. 9 based on international accounting standards, hoping to answer all the questions of the attached questionnaire by placing a mark √ according to the field that you see fit, where the number (5) represents strongly agreed, and the number (4) agreed. The number (3) is neutral and the number (2) does not agree, while the number (1) represents I strongly disagree, knowing that all the questions of the questionnaire focus on investment in the banking sector.

Your answer will be treated with absolute confidentiality and for scientific research purposes only.

Yours sincerely

The researcher
Dr. Alaa Al-alddin Abdul -Wahab
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#	A question	5	4	3	2	1
1	IFRS 9 includes a common data model, analytics architecture, and businesses that take advantage of the application to ensure data consistency					
2	The Investors trust the International Financial Reporting Standards as they produce clear and transparent financial statements					
3	Measurement and Classification influence the Satisfaction of the investors when making investment decisions					
4	IFRS 9 lacks a specific system regarding liquidity risk.					
5	IFRS 9 serves accounting estimates and deals with unexpected events					
6	IFRS 9 is based on fair value through other comprehensive income classification for investment portfolios.					
7	IFRS 9 purposes to identify risks early through commitment to internal risk management					
8	IFRS 9 leads to more fear for banks such as cost, risk, impact on profit and loss and a significant lack of clarity.					
9	IFRS 9 provides assurance that risks arising from financial derivatives are accounted for fairly in the financial statements					
10	IFRS 9 permits for the application of business complexity to financial assets and liabilities					
11	IFRS 9 lacks an explicit reference to liquidity as it does not include the liquidity risk component of the risk premium.					
12	IFRS 9 leads to a mismatch in the accounting of financial assets and liabilities.					
13	IFRS 9 Liquidity Risk Disclosure provides all information recorded for assessing the liquidity of assets and liabilities, timing and amounts of cash inflows and outflows.					
14	IFRS 9 includes a package of introduced improvements, including a logical model for classification and measurement, and an expected loss model.					
15	IFRS 9 requires more information in the systems when moving from the charged					

	loss model to the expected loss model.					
16	The investor has the full knowledge of how to coordinate around the impact of the Basel rules on their budgets					
17	The Iraqi Central Bank's directives are clear enough to apply Financial Reporting Standard No. 9 to 2018 accounts.					
18	Iraqi banks are able to implement the requirements of IFRS 9 during the next period.					
19	The management of the banks are sufficiently aware of the Financial Reporting Standard No. 9, as it will introduce fundamental changes to the bank.					
20	IFRS 9 takes into account the focus on the reasons for rebalancing					