

The industrial specialization of the external auditor and its impact on investors' decisions

Athraa Mousa Abd Al- jubouri

acco.stp25@qu.edu.iq

Dhiaa Zamil Khader Al-Hilali

dhiaa.zamil@qu.edu.iq

University of Al Qadisiyah

Corresponding Author: Athraa Mousa Abd Al- jubouri

Abstract : This research aims to examine the impact of the external auditor's industry specialization on investor decisions. The study was applied to three private commercial banks listed on the Iraqi Stock Exchange during the period from 2020 to 2022. The variables were quantitatively measured based on the annual financial reports of a sample of Iraqi banks listed on the Iraqi Stock Exchange. The weighted market share measure was used, which is calculated by multiplying the market share ratio by the portfolio share ratio to assess the level of industry specialization of the auditing companies that audited the selected banks in the sample. As for investors' decisions, they were measured based on the trading value of the stocks of each company during the year, as investor economic decisions are reflected in their buying, selling, or holding of stocks, which in turn impacts the traded stock value, one of the key findings of the study is that the external auditor's industry specialization plays an important role in supporting investors' decisions. Industry specialization helps maintain trust in the credibility and integrity of financial reports, thanks to the auditor's knowledge and professional competence, which enhances the auditor's ability to detect illegal activities in financial statements. This creates a level of trust among stakeholders, positively impacting their investment decisions and ensuring that their investments are made in a sound manner. The statistical analysis results showed that there is a significant effect of the external auditor's industry specialization on investors' decisions.

1- Introduction: The auditing profession has been exposed to several crises related to the loss of credibility and presence of many cases of financial fraud in the audited financial statements and lack of trust as a result of the repeated cases of manipulation in those statements, in addition to a series of collapses that many companies were as the auditors did not mention in their reports any 'exposed to and the accompanying financial crises worldwide indicators and warnings indicating the existence of insolvency in the companies for the related parties and weakness of its role beneficiaries of those statements, which reflects the shortcomings of its performance and the during that period. Therefore, the need to improve the auditing profession and enhance its performance became urgent after the failures witnessed by the largest global companies resulting from the improper performance of the external auditor's industrial performance. The auditors' knowledge of certain sectors requires them to specialize in this sector, a as this is considered one of the important tools to raise the efficiency of their industrial performance. This is achieved the auditors' capabilities in both the accuracy of estimating potential risks and reducing them, in by improving addition to raising the quality of planning decisions for the audit process and discovering and identifying errors and methods followed by management in managing its profits, the professional and financial fraud . In addition to the scientific competence of the specialized auditor contributes to achieving a noticeable improvement in the performance in capital markets , and through increasing the auditor's of economic units and protecting the rights of those dealing knowledge of his client's activity and using that knowledge to enhance his ability to detect material distortions and d thus the quality of the financial fraud , which can contribute to improving the quality of the auditing process an . statements , which This is expected to have a positive impact on the decisions made by investors

2-The first topic

2-1-Research methodology

The importance of the research stems from the importance of its variables, through :**The importance of the research** which the subject of the auditor's industrial specialization will be highlighted, as it is one of the modern trends in the t of the continuous changes witnessed by the auditing profession , as a field of auditing that is being focused on in ligh

result of developments in the business environment, which characterize the global economy and openness to global market consistent with the changes taking place in markets, which requires the need to develop auditing operations in a manner that auditors become more knowledgeable. And experience in the nature of the work of the audit clients' activity in financial statements by auditors are expected to play an effective role in adding credibility and integrity to the expressing their concern. For his neutral and technical opinion Violations and material distortions that will contribute to creating a sense of reassurance and confidence among stakeholders in banks, which will have a positive impact on the decisions made by investors and lead to their funds being invested correctly.

2-2 a result Due to the complexities and developments that the business environment has :**Research problem** witnessed recently, uncertainty has increased and the risks facing companies have risen. The spread of fraud also led to the formation, in addition to the deterioration and financial collapse of misleading financial statements, asymmetry of information in many major companies worldwide, which led to the global financial crisis, all of this raised many questions about the external auditors, considering that the auditing transparency and credibility of the financial statements prepared by the process is one of the main references that are relied upon to enhance users' confidence in those statements. There has been experience and knowledge of become an urgent need for the auditor to develop his work mechanisms and increase his clients' activities, and auditing the financial statements through specialized and professional auditors contributes to believes that In reducing manipulation and fraud in the financial statements, and based on the above, the researcher be industrial **To what extent does the “** : the research problem can be formulated through the following main question “**specialization of the external auditor affect investors' decisions**”

2-3 problem and its importance . The research generally Based on the nature of the research :**Research objectives** seeks to highlight the importance of the role played by the industrial specialization of the external auditor in the concept of industrial influencing Investor decisions , and the research aims to provide an intellectual framework specialization for the external auditor and its importance, in addition to approaches to measuring it, as well as knowing the experience and the extent of the impact of the elements of industrial specialization for the auditor, from professional knowledge, in supporting Investor decisions by detecting errors and illegal actions. Furthermore, the research aims to measure investor decisions and understand how the auditor's industrial specialization contributes to guiding investors towards making sound decisions and investing their money correctly based on the information included in their reports

2-4 Through the question that was addressed in the research problem, the current research :**Research hypothesis** hypothesis: “ There is a statistically significant effect of the industrial specialization of the depends on the following hypothesis ”.external auditor on investors' decisions

2-5 The research community consists of all private commercial banks whose : **Research community and sample** listed on the Iraq Stock Exchange, which number 43 banks . 21 Islamic banks were excluded from the shares are research community and 22 commercial banks were approved, and three banks were chosen from them as a sample for The reason for choosing this sector is that it is (2022 -ding between (2020 the research, during the period of time extent one of The most traded financial sectors for stocks In addition to its importance It is a major player in the Iraqi s main driver, as it preserves money and facilitates its economy, as it is considered the backbone of the economy and its circulation and development

2-6 The research boundaries are represented by private commercial banks whose :**Spatial and temporal boundaries** a is complete during the research period extending shares are listed on the Iraq Stock Exchange and whose data from (2022-2020).

2-7 StatisticalIn order to achieve the research objectives and reach the results of the :**methods and programs** research sample, the following was adopted: On Microsoft Office(Excel) collecting and analyzing data and testing in hypotheses

3-The second topic

3-1 There are multiple views on the concept of **The concept of industrial specialization of the external auditor** industrial specialization , and Dodgson et al (:2020111 appearance from Forms Experience " Until then :indicate that while , "that acquire it The auditor from during practice same the job in industry "CertainBaatwah et al, 2021:206 see ge and skill The process that Enable him the extent that possession The auditor For space petition from knowledge To while he knew him ", from performance practical Auditing Foreign Affairs in sector industrial "Moeinand Chandra, 2022:49 Ardillah educational, Which as "the extent of Auditor's knowledge With experience and skill operational and .Increase from His ability on discovery distortions The essence in Lists Finance

Based on the above, it can be said that the auditor's industrial specialization means that The person who has experience and scientific experience in the fields of the auditing depth knowledge , exper -performs this task has in process , in addition to having comprehensive knowledge in a specific activity or sector, which enables him to understand the characteristics. Therefore, understand more precisely and broadly the nature of his clients' activity and their the auditor's industrial specialization in a specific activity gives the auditor extensive experience and knowledge . in a specific activity

3-2 ecialization is considered one Industrial sp :**The importance of industrial specialization for the external auditor** as it helps in facing the changes and developments that ‘ of the main means of developing the auditing profession he most occur in the business environment and the regulatory environment related to the profession. It is also one of t . prominent entrances to continuity for companies in the auditing market in light of the increasing competition (Zhang et al.,2017:23)The adoption by audit firms of the industrial specialization strategy in the audit services market will te to In reducing or limiting risks in the audit business environment on the one hand , and on the other hand contribu Another point is that adopting the industrial specialization strategy by audit firms will lead to enhancing transparency al statements , which will reduce the phenomenon of information symmetry. As a result, the and disclosure in financi demand from audit clients for specialized audit services will increase, which will help in developing financial markets e auditor ’s industrial specialization also contributes to reducingTh . and reducing the crises facing companies on Depends that his appreciation of the items And For easy identification of the auditor a result ‘Inevitable audit risks from practical experience, and this professional Personal based To his professional knowledge acquired The ruling Financial, and thus reduce By lists mistakes distortions and Discovery of fundamental knowledge will enable him to (those risksAlareeni, 2018: 15)

3-3specialize in industryThe motives that led to the demand for the auditor to s

(Butar-Butar & Indarto, 2018)indicated that there are three main motives that contributed to the auditor’s specialization : Industrially , the first motive is the increasing importance of industrial specialization among major quality services that are -lobal markets . By providing highaudit firms , which enhances their ability to compete in g difficult for other audit firms to provide , the second motive is the collapse of a number of major international the financial community, as a companies, and the decline in confidence in members of the auditing profession by result of their inability to detect manipulation and fraud in a timely manner , which prompted many audit firms to financial specialize in order to raise the quality of the auditing process and enhance their ability to detect fraud in f statements, and finally The third motive focuses on the importance of specialization, as the specialized auditor is quality -considered an industrial expert who is more committed to applying professional standards and provides high addition, auditors rely on personal judgment and assessment, as the more the auditor is an industrial audited data. In expertthe greater his ability to issue correct judgments , which leads to improving the quality of the audit process and ‘ - thus reducing the impact of exposure to risks by stakeholders)Butar assessing potential risks, andButar & Indarto , 2018:4)

As confirmed by thestudy (Kharuddin et al., 2020) NidalThere are several factors that have led to the demand for the auditor to specialize inindustry economic changes and developments in the complex business environment at namel ‘ the global and local levels, in addition to global openness and the increasing intensity of competition between major es that highlight the importance of the auditor’s companies. This motive is considered one of the important motiv industrial specialization in order to keep pace with The developments in the complex and constantly changing work gnificantly reduces the environment contribute to making auditing a profession that keeps pace with its times and si inevitable risks. Moreover, the increasing number of civil cases and lawsuits is considered... Criminal actions against ult of members of the profession are among the main reasons that led to the demand for auditor specialization, as a res the members ’ failure to disclose the true information contained in the financial reports, which will cause financial damage to stakeholders who rely on this audited information in their decisions(Kharuddin et al., 2020:2) (Nidal ,2020:69)

3-4 roaches to Measuring Industrial SpecializationApp For auditors

1-This approach is considered one of the most widely used approaches in determining :**Market share approach** industrialspecialization.The auditor who has a large market share in a specific sector is considered an industrial specialist in thatsector (Kommunuri, 2013:4). Alsothe auditor who controls a large market share in a specific sector ‘ ence in that sector by owning the largest market share in that sector, has the highest level of knowledge and experi which gives him a competitive advantage, so that he has a motive. Strong adoption of new audit techniques with according to the following expected benefits and improved audit quality. This approach is calculatedequation: (Omidfar & Moradi, 2015: 401)

Moin/Total market share of auditors for auditors Market activity Market share of auditors = share staff In the same -activity

2- Section share entrance: This entrance is based on the various factors that the quantity serves. Therefore, the certified preparer is considered a specialized manufacturer in a specific sector if he achieves the highest revenues in it, and the specialist is considered a specialized manufacturer and expert in a specific sector if he obtains a percentage of the revenues, as there is no investment in resources even if he does not have a large market share in this drink, and the donor has a large market share in this liquid and can measure the development of this entrance through the following: Neal & Riley, 2004: 170). The World Bank’s share of secretaries = auditors’ portfolio share in a specific activity / total shares of the recruitment department manager in all activities.

3- Oral market share approach: Researchers Neal & Riley propose entering the market hour for scouting, which allows those who excel on a small day and are competitive, provided that the market hour is for the high-volume ones that night. Conversely, those who lag behind are allowed until the next day, provided that this large percentage does not constitute a significant portion of the differentiating portfolio. Market share entry is measured as follows: (Neal & Riley, 2004: 170)

Market share of regulators = Market share percentage \times Distribution share

- Measure of auditor or firm advertising: An audit firm or auditor is considered a specialist in a specific sector if it is advertised on the website. Specialists oversee audit services in that sector, while they are not considered specialists tomorrow and have not advertised. Despite the existence of many different industry standards for specialized criteria, research studies have not yet begun to arrive at a generally accepted measure of specialization (Al-Nasrawi, 2023: 44). **Based on this, as mentioned in the previous presentation, the course's industrial specialization continues to rely fully and deeply on its field of specialization, including monitoring and studying everything related to this field.** This enables supervisors to build a structure of specialized skills and knowledge of specific demand, which is evident from other notaries' inability to provide high-quality self-service to those with accumulated experience waiting for clients. This has increased the ability to begin detecting material misstatements and irregularities in financial statements, in addition to improving the ability to assess potential risks.

4. Investor Decisions and Approaches to Their Measurement

4-1 The Concept of Investor Decisions: Investment decisions are among the most prominent decisions made by management in a company. Investment decisions involve investing funds in available investment projects to achieve the expected return, with significant risks of not obtaining this return or possibly losing the entire invested funds. Therefore, these decisions require conducting a feasibility study of the available investment projects to avoid making incorrect, suboptimal decisions that could lead to negative consequences for the company. (Nurlela et al., 2019: 448) Mumtaz et al. (2018: 3) defined it as "the process of selecting the best investment alternative from among the available alternatives. Good decisions are usually based on comprehensive information about the investment that investors gather from various sources, such as financial statements and the internet." Al-Marr (2022: 472) defined it as "investing available funds in an investment project to obtain an expected return, where there is a potential risk of not obtaining this return or of losing it." Dawood (2023: 75) views it as "a choice between available investment alternatives." And the possible and multiple ones based on economic foundations and standards in addition to environmental standards in order to work towards achieving the investment incentive by having investors receive messages disclosing the economic and environmental performance of the units. From the above, it can be said that investor decisions represent "the process of comparing multiple available investment alternatives and selecting the optimal alternative from among those alternatives in terms of returns, while avoiding the risks and losses associated with it as much as possible."

4-2 The Importance of Investment Decisions

The importance of investment decisions is represented by the following: (Musdalifah Azis, 2020, and Sayyedhom and Ahmed, 2018: 53)

- (1) The investment decision is one of the most important, riskiest, and most significant financial decisions in the life of a company and project, due to the large sums of money that the company risks in order to obtain future cash flows.
- (2) The investment decision results in a set of expected returns based on changes in the level of activity and the state of the market and economy.
- (3) The ability to make sound investment decisions provides information related to the future returns of an investment.
- (4) Long-term investment is the sole driver and maintainer of the company's existence.
- (5) The investment decision is considered a decision that mortgages the company in the medium and long term and is difficult to reverse.
- (6) The process requires Investments represent large and significant sums of money compared to the company's or project's assets.

The investment decision is one of the most important and difficult decisions made by management in a company, as it aims to determine the size of the investment and impacts the company's survival, continuity, and growth. These decisions are extremely important due to the large sums spent on the investment. Regardless of the size of the decisions, the investment decision is the most sensitive to its importance, and it is essential that it be sound.

4-3 Steps for Making Investment Decisions

Mashhadani & Al-Fatlawi (2021: 161-Al) explained that there are several steps followed to make investment decisions:

1. Determine the primary objective of the investment.
2. Gather information that assists in decision-making.
3. Identify the factors through which the basic factors that control the decision-making process can be identified.

4. Evaluate the expected returns from available investment alternatives.

5. Select the investment alternative that best suits the objectives.

4-4 Approaches to Measuring Investor Decisions: There are several measures for investment decisions, which we will explain below:

1. Current assets per total Assets

Current assets are current assets in the balance sheet accounts, representing the value of all assets that are converted into cash within a single fiscal year. Current assets include cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other liquid assets that can be easily converted into cash. Current assets include: cash on hand (treasury), notes receivable, debtors, securities, and inventory. Total assets are the economic resources allocated for project purposes during a specific accounting unit. They are aggregates of services expected to be obtained in the future and include both current and fixed assets (Efni, 2017:30).

2. Market Value (Annual Price Average) over Book Value

Market value is defined as the equilibrium value between supply and demand, or the price of shares traded on a stock market determined by sellers when trading shares. The method of calculating market value is the market price of a common share divided by the number of shares issued. A company's value is estimated based on the market price of its shares. (Al-Ardi, 2013: 192). Book value is determined through the company's accounting records, measuring the historical value of the portion of the company's investments financed with equity capital (Al-Ardi, 2013: 191).

3. The Value of Traded Shares to Total Share Value Ratio

This metric is considered one of the most common measures for measuring investor decisions, as it is based on the value of traded shares for each company during the year. This is because investors' economic decisions involve buying, selling, or holding shares, all of which are reflected in the value of traded shares. Banks will be measured and ranked based on the value of traded shares during the year relative to their total share value, according to the equation below: (Maji, 2019: 435).

Measurement of investor decisions = Amount of traded shares (million dinars) / Value of shares (million dinars)

If the result of the previous equation is positive, it indicates investor interest in this bank among the banks in the research sample. This means that the aforementioned bank has received greater investor interest than the other banks, as they have taken Qara

6- Section Three: The Practical Aspect

First: An Overview of the Iraq Stock Exchange and Measuring the Level of Professional Specialization of External Auditors of Banks (Research Sample)

1- Establishing the Iraq Stock Exchange

The Iraq Stock Exchange is considered an emerging financial market, playing a vital and important role in the process of economic development and growth in Iraq. In 1987, interest in the role of the private sector increased, as it contributed to building and developing the country's economic sector. Therefore, the need arose to establish a financial market for the trading of company shares. The Baghdad Stock Exchange was established pursuant to Law No. 24 of 1991. At that time, it was a government market with a non-profit status. From 1992 to 2003, the market was administered by the Iraqi Ministry of Finance. The market was closed in 2003 by a decision of its Board of Directors. When the market reopened in 2004, it included only 15 companies, but over time, the number of companies increased to nearly 100. A total of 113 private and mixed joint-stock companies from various sectors were listed on the market. After 2003, the market was issued.

Table (1) An overview of the banks in the research sample

Market	Capital in 2022	Capital upon Establishment	Date of Listing on the Market	Date of Establishment	Bank Name	At
Regular	250,000,000,000	100,000,000	2004	1992	Baghdad	1
Regular	300,000,000,000	600,000,000	2004	1999	Commercial Gulf	2
Regular	250,000,000,000	55,000,000,000	2008	2005	Al-Mansour	3

Second: Measuring the Level of Industrial Specialization among Audit Firms and Companies Auditing Banks (Research Sample)

The level of industrial specialization of audit firms and companies that audited banks (research sample) was measured using the weighted market share metric, taking into account all private joint-stock companies listed on the Iraq Stock

Exchange that were audited by these firms and audit firms during the research period (2020-2022). The weighted market share is calculated by multiplying the market share percentage by the portfolio share percentage for these firms and companies. This requires measuring the market share and its cut-off point, as well as measuring the portfolio share and its cut-off point for the audit firms and companies that audited the banks in the research sample, by applying the equations according to the following steps: (Al-Ghanimi, 2022: 100)

1- Bank of Baghdad

Table (2) Level of Industrial Specialization of Audit Firms and Companies That Audited Bank of Baghdad According to Weighted Market Share for the Period (2020-2022)

The market	Capital in 2022	Capital at incorporation	Listing date	Date of establishment	Bank name	T
Regular	250,000,000,000	100,000,000	2004	1992	Baghdad	1
Regular	300,000,000,000	600,000,000	2004	1999	Business Bay	2
Regular	250,000,000,000	55,000,000,000	2008	2005	Mansour-Al	3

Second: Measuring the level of industrial specialization among auditing offices and companies auditing banks (research sample)

industrial specialization of the auditing offices and companies that audited the banks (research sample) was measured stock companies listed on the Iraq Stock -by using the weighted market share scale, taking into account all private joint -e audited by these offices and auditing companies during the research period extending from (2020) Exchange that wer The weighted market share is calculated by multiplying the market share percentage by the portfolio share . (2022 off point, as well as -This requires measuring the market share and its cut .percentage for those offices and companies off point for the auditing offices and companies that audited the banks in the -measuring the portfolio share and its cut :e following stepsresearch sample , by applying the equations according to th(Al-Ghanimi, 2022: 100)

Bank of Baghdad -1

Table (2) The level of industrial specialization of the auditing offices and companies that audited the Bank of (2022 -Baghdad according to the weighted market share for the period from (2020

Notes	Level Specialization Professional Offices and Audit Firms	Percentage of professional specialization according to the weighted market share	Cut-off Weighted Market Share	Weighted Market Share	Cut-off Portfolio Share	Portfolio Share	Cut-off Market Share	Market Share	Name of the auditing firm or company that audited the bank	Year
Average	0.0213	0.0332	0.0025	0.0357	0.111	1	0.022	0.036	Saad Rashid Office	2020
		0.0094	0.0025	0.0119	0.111	0.5	0.022	0.024	Zuhair Al-Bahrani Office	
Average	0.0178	0.0341	0.0025	0.0366	0.111	1	0.022	0.037	Saad Al-Husni Office	2021
		0.0016	0.0025	0.0041	0.111	0.333	0.022	0.012	Zuhair Al-Bahrani Office	
	0.0462	0.0365	0.0025	0.039	0.111	1	0.022	0.039	Saad Rashid Office	2022
		0.0559	0.0025	0.0584	0.111	0.75	0.022	0.078	Farqad Al-Sa'ani Company	

Source: Prepared by the researcher based on the bank's financial reports www.isx-iq.net

It is worth noting that the equations in Appendix 1 and 2 were relied upon to measure the level of industrial audit offices. The values of the table above show the measurement of the level of industrial specialization in specialization of audit offices and companies that audited the Bank of Baghdad based on the weighted market share It can be noted according to the table above that there .(2022-om (2020) equation during the specified research period fr is a disparity between the levels of industrial specialization in audit offices and companies during the period from Salman -ared in (Saad Rashid Office and Farqad Alas the highest level of industrial specialization appe .(2022-2020) industrial specialization was recorded at In contrast, the lowest level of Company) for the year 2022 at a rate of 0.0462 . Saad Rashid and Zuhair Al Bahrani offices) in 2021, at)0.0178 d by the difference in the This can be explaine .number of banks audited by audit offices and companies during the specified research period

2-Gulf Commercial Bank

table)3(The level of industrial specialization of the auditing offices and companies that audited Gulf (2022-Commercial Bank according to the weighted market share for the period from (2016

Observations	Level	Percentage							Name of audit office or firm that audited the bank	Year
	Specialization Professional audit offices and firms.	Specialization Professional	Market Share Cutoff	Weighted Market Share	Portfolio Share Cutoff	Portfolio Share	Market Share Cutoff	Market Share		
Average	0.0243	0.0154	0.0025	0.0179	0.111	0.5	0.022	0.036	Adel Al-Hasoun Company	2020
		0.0332	0.0025	0.0357	0.111	1	0.022	0.036	Saad Rashid Office	
Average	0.0376	0.0341	0.0025	0.0366	0.111	1	0.022	0.037	Saad Rashid Office	2021
		0.0411	0.0025	0.0436	0.111	0.714	0.022	0.061	Farqad Al-Salman Company	
Average	0.0462	0.0365	0.0025	0.039	0.111	1	0.022	0.039	Saad Rashid Office	2022
		0.0559	0.0025	0.0584	0.111	0.75	0.022	0.078	Farqad Al-Salman Company	

Source: Prepared by the researcher based on the bank's financial reports www.isx-iq.net

From the table above, it can be noted that there is a disparity between the levels of industrial specialization among audit firms and companies during the period (2020-2022). The highest level of industrial specialization was found at Saad Rashid Office and Farqad Al-Salman Company in 2022, at 0.0462. Conversely, the lowest level of industrial specialization was found at Adel Al-Hasoun Company and Saad Rashid Office in 2020, at 0.0243. This difference between the two can be explained by the difference in the number of banks audited by audit firms and companies during the specified research period.

3- Al-Mansour Bank

Table (4) Level of Industrial Specialization of Audit Firms and Companies That Audited Al-Mansour Bank According to Weighted Market Share for the Period (2020-2022)

Notes	level Specialization Professional For audit offices and companies	rate Specialization Professional according to The share Market likely	Weighted Market Share Off-Cut	Weighted market share	Portfolio share threshold	Wallet share	Market share threshold	market share	Name of the audit office or company who audited the bank	year
Average	0.0838	0.1642	0.0025	0.1667	0.111	1,000	0.022	0.167	a company Hasib Kazem	2020
		0.0035	0.0025	0.0060	0.111	0.500	0.022	0.012	office to improve -Al Aradi	
Average	0.0828	0.0341	0.0025	0.0366	0.111	1,000	0.022	0.037	-Ayad Quraishi Company	2021
		0.1316	0.0025	0.1341	0.111	1,000	0.022	0.134	Haseeb Kazim Company	
Average	0.0624	0.0235	0.0025	0.0260	0.111	1,000	0.022	0.026	-Ayad Quraishi Al	2022

		0.1014	0.0025	0.1039	0.111	1,000	0.022	0.104	Company	
									Haseeb Kazim Company	

It can also be noted, according to the table above, that there is a discrepancy between the levels of industrial specialization among audit firms and companies during the period from 2020 to 2022. The highest level of industrial specialization was found at Haseeb Kazim Company and Tahseen Al-Ardi Office in 2020, at 0.0838. Conversely, the lowest level of industrial specialization was found at Iyad Al-Quraishi and Haseeb Kazim in 2022, at 0.0624. This difference between the two can be explained by the difference in the number of banks audited by audit firms and companies during the specified research period.

Third: Measuring Investor Decisions for the Research Sample Banks

Investor decisions for Iraqi banks listed on the Iraq Stock Exchange were measured during the research period (2019-2023) based on the value of each company's traded shares during the year. Investors' economic decisions are reflected in their purchase, retention, or sale of shares, all of which are reflected in the value of traded shares. Banks will be classified and ranked based on the value of traded shares during the year relative to their total share value, as shown in the equation below:

Measuring Investor Decisions = Amount of Traded Shares (million dinars) / Value of Shares (million dinars)

If the result of the previous equation is positive, this indicates investor interest in this bank among the banks in the research sample. This means that the aforementioned bank has received greater investor interest than other banks, as investors have made a decision to invest in it more than its competitors.

1- Bank of Baghdad

Table (5) Measuring Investor Decisions for the Bank of Baghdad for the period (2020-2022)

the number of shares traded to the total value of shares	Ratio of the number of shares traded to the total value of shares	Share value (million dinars)	Amount of traded shares (million dinars)	year
	0.235505	250,000	58876.20	2020
	0.257659	250,000	64414.80	2021
	0.102982	250,000	25745.60	2022
	0.198715		Average total	

Table (5) displays the results of measuring investor decisions for the Bank of Baghdad, which indicate that the bank's trading volume to total share value is somewhat volatile, with an average of (0.198715). This indicates that the aforementioned bank has received less investor interest than other banks, as investors make more investment decisions in it than its competitors.

2-Gulf Commercial Bank

Table (6) Measuring investor decisions for the Gulf Bank for the period (2020-2022)

traded to the total value of shares	Ratio of the number of shares traded to the total value of shares	Share value (million dinars)	Amount of traded shares (million dinars)	year
	0.016635	300,000	4990.40	2020
	0.067069	300,000	20120.80	2021
	0.070884	300,000	21265.20	2022
	0.051529		Average total	

Table (6) displays the results of measuring investor decisions for Gulf Bank, which indicate that the bank has a relatively good ratio of trading volume to the total value of its shares, with an average of (0.051529). This indicates that the aforementioned bank has received greater investor interest than other banks, as investors make more investment decisions in it than its competitors.

3-Al-Mansour Bank

Table (7) Measuring investor decisions for Al-Mansour Bank for the period (2020-2022)

the total value of shares	Ratio of the number of shares traded to the total value of shares	Share value (million dinars)	Amount of traded shares (million dinars)	year
	0.015615	250,000	3903.80	2020
	0.026300	250,000	6575.10	2021
	0.018343	250,000	4585.80	2022
	0.020086		Average total	

Table (7) displays the results of measuring investor decisions for Mansour Bank, which indicate that the bank's turnover ratio to total share value is low, with an average of 0.020086. This indicates that the aforementioned bank has received less investor interest than other banks, as investors make more investment decisions in it than its competitors.

7- Conclusions and Recommendations

7-1 Conclusions

This section highlights the most important conclusions reached by the researcher, both theoretical and practical, as follows:

1. The auditor's industrial specialization is an important means in the field of auditing to enhance the efficiency of their professional performance. The auditor's scientific and industrial competence can also help them plan the audit process effectively, detect fraud and manipulation, and increase the accuracy of their assessment of audit risks and their knowledge of their clients' activities and environment. Specialization can also contribute to supporting the application and keeping pace with international auditing standards.
2. The external auditor's industry specialization plays an important role in enhancing investor decisions, as it contributes to maintaining confidence in the credibility and integrity of financial reports. This is achieved through the auditor's industry knowledge and competence, which increases their ability to detect illegal actions in the financial statements. This creates a sense of trust among stakeholders, which positively impacts the decisions made by investors.
3. The applied results of the research showed that the number of auditing firms and companies that audited the financial statements of the banks selected in the research sample, whose shares were listed on the Iraq Stock Exchange during the research period, showed that most auditing firms and companies tended to specialize in a specific sector (the banking sector).

7-2 Recommendations

In accordance with the conclusions reached by the researcher in the previous section of the study, she recommends the following:

1. The Iraq Stock Exchange should emphasize and monitor the importance of assigning specialized auditing firms and companies to banks and other economic sectors, given their professional competence and ability to detect violations and assess the risks of material misstatement and management practices in manipulating earnings. This contributes to enhancing disclosure and transparency in financial reports, which in turn enhances corporate performance and improves their reputation in the stock market.
2. Auditing firms and offices in Iraq should coordinate with professional organizations to develop training programs for their members and auditing offices, hold specialized workshops, and hold seminars to highlight the importance of industrial specialization and its application mechanisms, with the aim of improving the quality of industrial performance and increasing confidence in the profession.
3. The necessity of studying the reasons for the poor performance of many banks (research sample) and taking the necessary measures to address the challenges and develop their performance.

3-Bank management must improve its plans and strategies and work on finding innovations related to its resources to benefit from them greatly in maximizing value, developing its performance and improving its market share.

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Appendices

(Appendix 1

Actual observations of audit offices and companies according to the sectors listed on the Iraq Stock Exchange during (2022-extending from (2020 the period

Actual views of audit firms and companies by sector for 2020

Audit office or portfolio firm	Communications	Investment	Money transfer	Hotel and Tourism	Insurance	Agriculture	Industry	Services	banks	Names of audit offices and companies	T
1	0	0	0	0	0	0	1	0	0	Jubouri and Partners -Ahmed Al Company	1
1	0	0	0	0	0	0	0	0	1	Quraishi Company-Ayad Rashid Al	2
2	0	0	0	0	0	0	0	0	2	Khalil Ibrahim and Partners Company	3
10	0	2	0	0	1	0	0	3	4	Shaiby and Partners -Adel Ismail Al Company	4
6	1	0	0	0	0	0	2	0	3	Hassoun and -Adel Mohammed Al Partners Company	5
2	0	0	0	0	0	0	0	0	2	Ezz El Din Nouri El Khashab and Partners Company	6
2	0	0	0	0	0	0	0	0	2	Firas Ismail Qurban and Partner Company	7
4	1	0	0	0	0	1	0	0	2	Salman Company-Farqad Hassan Al	8
1	0	0	0	0	1	0	0	0	0	Mustafa Fouad Abbas Company	9
2	0	0	0	0	0	0	0	0	2	Assaf and -Muhammad Fadel Al Partner Company	10
2	0	1	0	0	0	0	0	0	1	Tamimi and -Hashem Hassan Al Partner Company	11
14	0	0	0	0	0	0	0	0	14	Haseeb Kazim Jawid Company	12
1	0	0	0	0	0	0	0	0	1	Obaidi's -Hamoudi Al Ahmed Jassim office	13
1	0	0	0	0	0	0	1	0	0	Abidi's office-Ahmed Abdul Rasoul Al	14
1	0	0	0	0	0	0	0	0	1	Aras Mohammed Saeed Office	15
1	0	0	0	0	0	0	0	0	1	Bayati's -Amal Abboud Qaddouri Al office	16
2	0	0	0	0	0	0	0	1	1	Ardi Office-Tahseen Al	17
1	0	0	0	0	0	0	0	0	1	Jabbar Hawi Aboud's office	18
1	0	0	0	0	0	1	0	0	0	Jubouri's office-Hussein Alwan Al	19
1	0	0	0	0	0	0	0	0	1	Haider Mohammed Darwish's office	20
1	0	0	0	0	0	0	0	0	1	Tutanji's office-Dilshad Aziz Al	21
1	0	0	0	0	0	0	0	0	1	-Abdul Amir Al Office of Riya Karnawi	22
4	0	0	0	0	1	0	0	1	2	Zuhair Mahmoud Al Bahrani's office	23
3	0	0	0	0	0	0	0	0	3	Saad Rashid Jassim Office	24
1	0	0	0	0	0	0	1	0	0	Saad Abdul Jabbar Secretary's Office	25
2	0	0	0	0	0	0	0	0	2	Samir Mohammed Hussein's office	26
1	0	0	0	0	0	0	0	0	1	Bazzaz's office-Shahla Hekmat Al	27
1	0	0	0	0	0	0	0	0	1	Diaa Hassan Jameel Office	28
2	0	0	0	0	0	0	0	0	2	Abbas Ali Abbas Office	29
2	0	0	0	0	0	0	0	0	2	-Abdul Hussein Abdul Azim Al Yasiri's office	30
1	0	0	0	0	0	0	1	0	0	Khodadad's office Ali Murad	31
1	0	0	0	0	0	0	0	0	1	Awad Abdel Salem's office	32
2	0	0	0	0	0	0	0	0	2	Office of Faiq Hazrat Navrooz Ali	33
2	0	0	0	0	0	0	0	0	2	Abidi's office-Fayeq Majeed Al	34
1	0	0	0	0	1	0	0	0	0	Yawar Office-Fredron Majeed Al	35
6	0	0	0	0	0	0	0	0	6	-Majid Jamal Abdul Rahman Al Abbasi's office	36

1	0	0	0	0	0	1	0	0	0	Office of Fareeh and Partner Obaid	37
1	0	0	0	0	0	0	0	0	1	Mohamed Sabry Mohamed's office	38
6	0	0	0	0	0	0	0	0	6	Mahmoud Rashid Ibrahim's office	39
3	0	0	0	0	0	0	0	0	3	Munib Mustafa Hussein Office of	40
1	0	0	0	0	0	1	0	0	0	Nidal Abdul Zahra Mardaw's office	41
1	0	0	0	0	0	0	0	0	1	Saeedi's office-Nihad Shia Al	42
1	0	0	0	0	0	0	0	0	1	Hashem Salim Mutamara Office	43
2	0	0	0	0	0	0	0	0	2	Hisham Abdul Jabbar Abdullah's office	44
1	0	0	0	0	0	0	0	0	1	Hilal Bashir Daoud Hamo's office	45
1	0	0	0	0	0	0	0	0	1	Hiam Mahmoud Khalil's office	46
1	0	0	0	0	0	0	0	0	1	Haitham Saeed Khader's office	47
2	0	1	0	0	1	0	0	0	0	Haitham Fakhry Ismail's office	48
3	0	0	0	1	0	0	0	0	2	-Zaghir Kazim Al Office of Walid Mansour	49
111	2	4	0	1	5	4	6	5	84	Total views	

Actual views of audit firms and companies by sector for 2021

Audit office or firm portfolio	Communications	Investment	Money transfer	Hotel and Tourism	Insurance	Agriculture	Industry	Services	banks	Names of audit offices and companies	T
2	0	0	0	0	0	0	1	0	1	Jubouri and Partners -Ahmed Al Company	1
3	0	0	0	0	0	0	0	0	3	Quraishi Company-Ayad Rashid Al	2
11	0	0	0	0	0	0	0	0	11	Haseeb Kazim Jawid Company	3
1	0	0	0	0	0	0	0	0	1	Partners Khalil Ibrahim and Company	4
11	0	2	0	0	1	0	0	2	6	Shaiby and Partners -Adel Ismail Al Company	5
6	1	0	0	0	0	0	2	0	3	Hassoun and -Adel Mohammed Al Partners Company	6
4	0	0	0	0	0	0	1	1	2	Ezz El Din Nouri Ismail El Khashab and Partners Company	7
2	0	0	0	0	0	0	0	0	2	Firas Ismail Qurban Ali Company	8
7	1	0	0	0	0	1	0	0	5	Salman Company-Farqad Hassan Al	9
1	0	0	0	0	0	1	0	0	0	Farih and Partner Obaid Company	10
5	0	0	0	0	0	0	0	0	5	Mahmoud Rashid Ibrahim Company	11
3	0	0	0	0	1	0	0	0	2	Mustafa Fouad Abbas Company	12
1	0	0	0	0	0	0	0	0	1	Mahari -Muwaffaq Ahmed Al Company	13
1	0	1	0	0	0	0	0	0	0	Tamimi and -Hashem Hassan Al Partner Company	14
2	0	0	0	0	0	0	0	0	2	Haitham Saeed Khader and Partner Company	15
2	0	0	0	0	0	0	0	0	2	Obaidi's -Ahmed Jassim Hamoudi Al office	16
1	0	0	0	0	0	0	0	0	1	Aras Mohammed Saeed Office	17
1	0	0	0	0	0	0	0	0	1	Bayati's -Amal Abboud Qaddouri Al office	18
1	0	0	0	0	0	0	0	1	0	Ardi Office-Tahseen Al	19
1	0	0	0	0	0	0	0	0	1	Jabbar Hawi Aboud's office	20
1	0	0	0	0	0	1	0	0	0	office Qaisi's-Janan Ali Hamoud Al	21
1	0	0	0	0	0	0	0	0	1	Abidi's office-Hassanein Hamid Al	22
1	0	0	0	0	0	1	0	0	0	Jubouri's office-Hussein Alwan Al	23
3	0	0	0	0	1	0	0	1	1	Zuhair Mahmoud Al Bahraini's office	24
3	0	0	0	0	0	0	0	0	3	Saad Rashid Jassim Office	25
1	0	0	0	0	0	0	1	0	0	Saad Abdul Jabbar Secretary's Office	26
2	0	0	0	0	0	0	0	0	2	Samir Mohammed Hussein's office	27
2	0	0	0	0	0	0	0	0	2	Abbas Ali Abbas Office	28
3	0	0	0	0	0	0	0	0	3	-Abdul Hussein Abdul Azim Al Yasiri's office	29
1	0	0	0	0	0	0	0	0	1	office Awad Abdel Salem's	30
1	0	0	0	0	0	0	0	0	1	Office of Faiq Hazrat Navrooz Ali	31
3	0	0	0	0	0	0	0	0	3	Abidi's office-Fayeq Majeed Al	32
1	0	0	0	0	1	0	0	0	0	Yawar Office-Fredron Majeed Al	33

3	0	0	0	0	0	0	0	0	3	-Majid Jamal Abdul Rahman Al Abbas's office	34
1	0	0	0	0	1	0	0	0	0	Bayati's office-Mazen Adi Hussein Al	35
1	0	0	0	0	0	0	0	0	1	Mohamed Sabry Mohamed's office	36
4	0	0	0	0	0	0	0	0	4	Office of Munib Mustafa Hussein	37
1	0	0	0	0	0	0	0	0	1	Saeedi's office-Nihad Shia Obaid Al	38
4	0	0	0	0	0	0	0	0	4	Jabbar Abdullah's Hisham Abdul office	39
1	0	0	0	0	0	0	0	0	1	Hilal Bashir Daoud Hamo's office	40
1	0	0	0	0	0	0	0	0	1	Hiam Mahmoud Khalil's office	41
2	0	0	0	1	0	0	0	0	1	-Office of Waled Zaghier Kazim Al Mansour	42
107	2	3	0	1	5	4	5	5	82	Total views	

Actual views of audit firms and companies by sector for 2022

Audit office or firm portfolio	Communications	Investment	Money transfer	Hotel and Tourism	Insurance	Agriculture	Industry	Services	banks	Names of audit offices and companies	T
2	0	0	0	0	0	0	0	0	2	Quraishi Company-Al Ayad Rashid	1
2	0	0	0	0	0	0	1	0	1	Jubouri and Partners -Ahmed Al Company	2
3	0	0	0	0	0	0	1	0	2	Obaidi -Ahmed Jassim Hamoudi Al Company	3
1	0	0	0	0	0	0	0	0	1	Khalil Ibrahim and Partners Company	4
8	0	0	0	0	0	0	0	0	8	Haseeb Kazim Jawid Company	5
8	0	2	0	0	1	0	0	0	5	Shaiby and Partners -Adel Ismail Al Company	6
4	0	0	0	0	0	0	1	0	3	Ezz El Din Nouri Ismail El Khashab and Partners Company	7
6	1	0	0	0	0	0	2	0	3	Hassoun and -Adel Mohammed Al Partners Company	8
3	0	0	0	0	1	0	0	0	2	Company Mustafa Fouad Abbas	9
8	1	0	0	0	0	1	0	0	6	Salman -Farqad Hassan Al Company	10
1	0	0	0	0	0	0	1	0	0	Firas Abdul Amir Hussein and Partner Company	11
1	0	1	0	0	0	0	0	0	0	Tamimi and -Hashem Hassan Al Partner Company	12
3	0	0	0	0	0	0	0	0	3	Mahari-Muwaqqaf Ahmed Al Company	13
7	0	0	0	0	0	0	0	1	6	Mahmoud Rashid Ibrahim Company	14
3	0	0	0	0	0	0	0	0	3	Firas Ismail Qurban Ali Company	15
1	0	0	0	0	0	0	0	0	1	Haitham Saeed Khader and Partner Company	16
1	0	0	0	0	0	0	0	1	Ardi Office-Tahseen Al	17	
1	0	0	0	0	0	0	0	0	1	Bayati's -Amal Abboud Qaddouri Al office	18
1	0	0	0	0	0	1	0	0	0	Jubouri's office-Hussein Alwan Al	19
1	0	0	0	0	0	0	0	0	1	Jabbar Hawi Aboud's office	20
1	0	0	0	0	0	0	0	0	1	Abidi's office-Hassanein Hamid Al	21
2	0	0	0	0	0	0	0	0	2	office Samir Mohammed Hussein's	22
3	0	0	0	0	1	0	0	1	1	Zuhair Mahmoud Al Bahrani's office	23
3	0	0	0	0	0	0	0	0	3	Saad Rashid Jassim Office	24
2	0	0	0	0	0	0	0	0	2	Abbas Ali Abbas Office	25
3	0	0	0	0	0	0	0	0	3	-Abdul Hussein Abdul Azim Al Yasiri's office	26
1	0	0	0	0	0	0	0	0	1	Abidi's office-Fayed Majeed Al	27
1	0	0	0	0	0	0	0	0	1	Office of Faiq Hazrat Navrooz Ali	28
1	0	0	0	0	0	0	0	0	1	Saeedi's office-Nihad Shia Obaid Al	29
1	0	0	0	0	0	0	0	0	1	Awad Abdel Salem's office	30

4	0	0	0	0	0	0	0	0	4	Office of Munib Mustafa Hussein	31
1	0	0	0	0	1	0	0	0	0	Yawar Office-Fredron Majeed Al	32
2	0	0	0	0	0	0	0	0	2	-Majid Jamal Abdul Rahman Al Abbasi's office	33
3	0	0	0	0	0	0	0	0	3	Hisham Abdul Jabbar Abdullah's office	34
2	0	0	0	0	0	0	0	1	1	Hilal Bashir Daoud Hamo's office	35
1	0	0	0	0	1	0	0	0	0	Bayati's -Mazen Adi Hussein Al office	36
1	0	0	0	0	0	0	0	0	1	Hiam Mahmoud Khalil's office	37
1	0	0	0	0	0	0	0	0	1	Tawil's office-Talat Talib Al	38
1	0	0	0	0	0	0	0	1	0	Ahmed Ibrahim Nema's office	39
2	0	0	0	1	0	0	0	0	1	-Kazim Al Office of Walid Zaghir Mansour	40
101	2	3	0	1	5	2	6	5	77	Total views	

(Appendix 2

1. Market share = Number of audited banks audited by an audit firm / Total number of banks audited by audit firms
2. Market share cut-off = $1/54 \times 1.2 = 0.022$
3. Portfolio share = Number of audited banks audited by an audit firm / Total number of companies for all sectors
4. Portfolio share cut-off = $1/9 = 0.111$
5. Weighted market share = Market share x Portfolio share
6. Weighted market share cut-off = Market share cut-off x Portfolio share cut-off
7. Professional specialization ratio based on weighted market share = Weighted market share - Weighted market share cut-off