



**The Impact of Financial Statements on Earnings Quality Assessment Using
Accounting Earnings Quality Models for a Sample of Banks Listed on Iraq Stock
Exchange**

Dr. OMER ADEEB QASSIM

College of Administration and Economics, Wasit University.

oqassim@uowasit.edu.iq

<https://orcid.org/0009-0008-9861-8234>

Abstract.

The research aims to measure the impact of financial state in evaluating the quality of earnings using accounting earning quality models for a sample of banks and the possibility of predicting their future profits. The study community consists of companies listed on the Iraq Stack Exchange, the number of which is more than one hundred companies, Five companies were selected From within the banking sector as a sample for the study according to the, company's treading and activity in the market and according to the data and integrated Financial Statements during the time period 2017-2024.

The research was based on two main models The First model; the effect of Financial Statements on evaluating the quality of accounting profits due to the existence of a Functional Vela tion ship between them using the Statistical analysis method (linear regression) Where the Financial statements (Accruals quality Earnings persistence, and predictive ability) are independent variables and the earnings quality (Accruals quality) is a dependent variable.

The second model: Measuring the quality of earnings (Accruals. quality. Earning's persistence, and predictive ability), their ability to continue and predicting earning.

the research reached many conclusions, the most Important of Which the majority of bangle in the study sample impetrate by quality of their profits, but at varying vats.

The most Important recommendations, to vary in two models to measure accounting earnings quality (Earnings persistence and predictive ability) and then marking Sound investment decisions,

Key words: Earnings Quality, Financial Statements.

Introduction.

The quality of profits is one of the important and basic concepts in financial accounting and financial analysis, and a basic requirement for most entities related to economic units, as it has a direct impact on the decisions of investors, financiers, financial analysts, management and other users of financial statements.

Despite the fact that the management tries to hide confidence in its financial statements, and despite the adoption of international standards in the preparation of financial statements (IFRS), it seems that the accuracy of the reported profits is in question and doubt, here the confidence in the disclosed profits fades, there are possibilities that the management will use profits and biased reports by the management, not the hiding of deficits and inefficiency, whether at the level of form and content, or both, because it has the freedom to choose accounting methods in the preparation of the Financial Reports. The financial statements are the source of information on which decisions are based, and the quality of accounting profits is the profits that are characterized by the main advantage of the accounting information used by the users of the financial statements, which achieves the purpose of disclosure of these statements and provides the environment and predictive ability for the continuity of profits through the statements reflected in the balance sheet, income statement, and cash flow statement.

Achieving the quality of profit means achieving the quality of all the elements of the financial statements as it is the final result.

in the company's policies and decisions and in all its operational, investment and financing fields, and is considered an important and comprehensive indicator in the company's performance in these areas.

The research aims to measure the impact of financial statements on the evaluation of earnings quality using accounting earnings quality models for a sample of banks listed on

the Iraqi Stock Exchange and the possibility of continuity and forecasting of future profits for them.

First Topic: Research Methodology

First: The Problem of Study

The research problem is characterized by the existence of a gap between the actual performance of the company and the net profit declared by the management resulting from the separation of ownership from management, which prompted the management to think of innovating methods and methods in accounting treatments, whether at the level of form or content, or both because of their freedom in choosing accounting methods in the preparation of the company's financial reports, which was considered by many specialists to be the pickaxe with which the company is demolished, and leads to its collapse in the future, caused by the Unreal profits and eat their capital because of cash dividends.

The problem of the topic can be formulated through the following question:

Is there an impact of earnings quality on the continuity of profits and the prediction of the company's future performance?

Second: The importance of research impotence of study

The importance of the research comes in that it focuses on one of the basic and important topics in financial accounting, which is the financial statements, and that profits represent the important element of its elements that the users of the financial statements are interested in, and it also represents an essential element in measuring the success or failure of the company, so this research adopts its importance by identifying the role that earnings quality measures play in making investment decisions and predicting future decisions.

Third: Research Objectives

The most important goals can be achieved in the following:

1. Identify the concept of profit quality and how to measure it based on the financial statements.
2. Identify the possibility of using earnings quality measures in predicting and continuing the future performance of the company and its profits.

Research Hypotheses

1. The existence of a significant effect that tasted statistical significance between the financial statements and the quality of profits.
2. The banks in the research sample are characterized by the quality of their profits and have the ability to continue and predict their future profits.

Research Limits

- 1-Time Limits: Period 2017-2024
2. Spatial Limits: A sample of commercial banks listed on the Iraq Stock Exchange

Research Sample and Society

The research community is distinguished by companies listed on the Iraqi Stock Exchange, which is more than a hundred companies, and used five banks as a sample of this community.

Previous Studies:

1- A study (Mohi: 2022) tagged (Measuring the level of accounting earnings quality and its impact on investors' economic decisions, an applied study of a sample of Iraqi commercial banks listed on the Iraq Stock Exchange).

The study aimed to identify the concept of profit quality and then adapted its measurement and gave the most important indicators achieved in this field based on the financial statements and adapted their impact on decision-making, the study reached many results, the most important of which is the existence of an acceptable level in the quality of accounting profits, and recommended that the Iraqi Stock Exchange should adopt indicators to measure the quality of profits in their economic decisions.

2- A study (Hamid & Dabbas 2021) tagged (The Impact of Accounting Earnings Quality Using the Sustainability Model (Earnings Continuity) on the Company's Performance Applied Research in a Sample of Banks Listed on the Iraq Stock Exchange).

The study aimed to measure the impact of accounting earnings quality on the performance of companies that were a sample of banks listed on the Iraq Stock Exchange for the period 2009-2018.

The researchers used the measurement according to three main steps: the first step was to measure the continuity of profits, the second step was to measure the company's performance, and finally to measure the impact through the statistical method, which is the linear regression analysis.

The study reached many conclusions, perhaps the most important of which is that the upper majority of banks listed on the Iraqi Stock Exchange are distinguished by their quality in profits according to the profit continuity model, in addition to the moral impact with statistical significance between the continuity of profits and the company's performance.

The study recommended that banks should use models of financial performance to help them avoid failure or loss, as well as to identify their strengths and weaknesses.

3- A study (Ali et al. 2021) tagged (The Extent of the Possibility of Quality Measures. Profits in Evaluating the Financial Position of Banks, and an Applied Study in a Sample of Commercial Banks Listed on the Iraq Stock Exchange).

The study aimed to measure the quality of earnings through its measures (quality of continuity entitlements, and predictive ability) for a sample of (8) banks listed on the Iraq Stock Exchange.

In the applied aspect of the study, the study was based on the (Microsoft Excel) program and the leafy statistical program (EViews v.9)

The period was from 2013 to 2017.

The study reached a set of conclusions that predicting future profits and continuity (sustainability) of the business by measuring the quality of profits.

The study recommended the need to focus on the measures of continuity and predictive ability in the process of measuring the quality of profits, but this does not mean that the dimensions of the third measurement, which is the quality of financial receivables, also plays a role in identifying the imbalances that occur in the company and the percentages of manipulations in it.

4- A study (Nouri & Jabr 2021) tagged evaluates the quality of earnings using the cash flow statement to improve earnings forecasting (an applied study)

The study aimed to evaluate the quality of profits using the cash flow statement for the purpose of improving earnings forecasting, the study used a sample of companies listed on the Iraq Stock Exchange from different sectors – industry, agriculture, services, banking and for a period of time from 2008 to 2017 using the SPAS program in regression analysis , the program (2019-3020 R_) for the artificial neural networks (ANN) and the program for time series (MANITA)-17)

The study reached many conclusions, the most important of which is that the monetary basis is the best in predicting profits in the industrial and agricultural sectors, and banks, and the two bases are equal in cutting off services, where there is a direct and statistically significant relationship between the indicators

The profitability among the explanatory variables based on accrual and the forecasting of profits was 33%, which means that 67% indicates that there is no relationship between the profitability indicators on the basis of accrual and the improvement of the forecast of profits in the banking sector. Therefore, the study recommended the use of monetary fundamentals as it is the best in forecasting this sector.

5- Al-Najjar and Al-Rifai (2024) study tagged (The Impact of Earnings Quality on the Readability of Financial Reporting: An Applied Study on Companies Listed in the Egyptian Stock Market)

The purpose of the study was to select the effect of earnings quality on financial reportability on a sample of companies listed on the Egyptian Stock Exchange for the period 2018-2019.

The statistical model was used to analyze the linear regression through earnings quality variables as an independent variable which was measured through the ratio of cash flows from compound activities to net profits, and the financial reports were read as a dependent variable and measured by using the natural algorithm of the size of the board report file.

The study has now reached the insignificance of the effect of earnings quality on the ability of

Financial reports for reading, and recommended many recommendations, perhaps the most prominent of which is the need to urge researchers to conduct more studies and researches on the impact of earnings quality on the readability of financial reports and through the use

of other measures for the variables adopted in the study, and to work on the interest of researchers related to the academic, stereotypical, and professional aspects of the need to urge companies and the importance of financial reports with good readability.

6- A study (Al-Barami et al. (2021) tagged (The Role of Earnings Management Methods in the Credibility of Financial Statements: From the Perspective of External Auditors – External Study)

The study aimed to identify the role of profit methods in the credibility of the financial statements on the one hand, and to identify the reasons and motives behind it on the other hand, which relied on the use of its questionnaire and then distributed it to external auditors who have professional practices, and the number of (70) references reached

The study reached many results, most notably that the methods and procedures of earnings management are mostly carried out by specialized accountants who have the ability, efficiency and skill in accounting standards, which means that it is difficult to disclose them, and it also showed that there is a role for profit management methods on

The credibility of the financial statements represents this role according to the precedence in the statements, where the first round came for the income statement, then the statement of cash flows, and finally the financial position.

6. Study (2007: Demerjian et al. Mengerian: Ability and Earnings (Quality)

The study focused on the type and form of the relationship between managers according to their skill, efficiency, and the extent of managerial concerns and profits. The number of views reached more than seven thousand views in the companies listed on the market except for all securities for the time period, as a long time series was used that extended from 1989 to 2009.

The study reached many endeavors, most notably the existence of a clear relationship between the managers of those who are awarded with high efficiency and administrative ability and their presence of profits, and recommended that those who receive management should be granted with high administrative ability, efficiency and skill.

7- A study (mock: 2017) tagged (The Impact of Earnings Quality on the Quality of Financial Structures of the Economic Institution).

The study aimed to highlight the impact of the institution's management practice of earnings management on the quality of its financial statements, and how the earnings management practices lead to misleading users of accounting information by showing false and untrue results and thus its impact on the credibility of the announced financial statements. So it is necessary to be honest and real, the researcher promised him

The adoption of methods by some institutions called creative accounting methods, including profit management, which tries to reflect the reality of their performance, is unethical. The study recommended the need to activate the role of the supervisory authority on the one hand, and activate the application of governance and spread awareness among the concerned institutions on the other hand.

The second topic / the theoretical aspect.

First: Profit Quality: Concept and Metrics

1. The concept of earnings quality

The main purpose of financial reports is to disclose financial and economic events with high quality, as earnings quality provides the predictive ability of accounting information to predict and sustain profits in the coming years through its financial statements.

The terms quality in earnings and the quality of earnings

(Earning Quality)

They do not refer to the same meaning. The quality in profits means the degree to which the tests of managers affect the declared profit, the more the accounting alternatives are used in a controlled manner, the lower the income of the economic unit, and others consider it as the degree to which the management of the economic unit benefits from accounting flexibility, as the economic unit that does not change its accounting policies and methods, despite the availability of an opportunity to do so, its profits are of high quality. (Hameed and al-Dabbas (202: 185)

Earnings quality is defined as the ability of the disclosed earnings to change the company's performance on the ground, as well as it makes predictions of future profits, as well as the quality of profits represents the continuity of profits, their non-fluctuation, and their

measurement (Nouri and Jabr 2017-216), and the researchers addressed many concepts according to their perspectives, as shown in Table (1) (Ali and Wahzoun 2021:76).

Table (1) Definition of Earnings Quality According to the Views of Many Researchers

Researchers	Definition	Viewpoint
Frank,2000:424	1- It was defined on three axes, which are that high-quality profits are characterized by continuity and the quality of profits is high if accounting principles are used that do not lead to inflating revenues, and the closer the profits are to cash, the higher the quality in the income statement.	Investors and analysts and accountants
Schipper and Vincent,2003:1	2. The extent to which the declared income is close to the economic income.	
Wild et al:2004:394	3- It is the ratio between cash flows from operating activities and net income, i.e., the closer the net income is to the cash flows in the operating activities, the higher the quality of the profits.	
Carmichael:2007:511	4- It is the value of the accounting policies chosen to reflect the economic reality and represent the ability to achieve future profits.	
Schroeder et al:2009:158	5- It is the degree of correlation between the accounting income of the economic unit and its economic	

	income	
Twistle and ph :llip:2003:85	The measure of profits is to achieve the primary objectives of the financial statements, which are to provide information to investors, creditors, and other users that are useful in assessing the sources of cash flow of the economic unit.	Auditors and the authors Standards

Source: Jaber Hussein Ali et al. - The Extent to which Earnings Quality Measures Can Be Assessed in Assessing the Financial Position of Banks: An Applied Study in a Sample of Commercial Banks Listed on the Iraq Stock Exchange

2. Earnings quality measures. quality Measuring the earnings

There are several measures to measure the quality of earnings according to the financial statements derived from them, which can be displayed as follows:

1- Accruals quality

Receivables represent the difference between accounting earnings and cash flows if (Dechow, Patricia: 2002:77) provides a model of earnings quality based on the idea that the function of receivables is to adjust the recognition of cash flows over time – to better reflect the company's performance – this model relates to the total current receivables (TCAs) measured by variables in working capital, and late, current and future cash flows from operations. It has been used as an alternative to earnings quality (Hamid and Dabbas 2021): 137) The current gross accrual is measured by the change in working capital, in view of the fact that the relevant cash flow realization generally occurs within one year, as follows:

It can be measured by the following equation (Annes etat:2018:6)

$$\frac{TCA_{j,t}}{Asset_{t-1}} = a_0 + a_1 \frac{CFO_{j,t-1}}{Asset_{t-1}} + a_2 \frac{CFO_{j,t}}{Asset_{t-1}} + \frac{CFO_{j,t+1}}{Asset_{t-1}} + \epsilon_{j,t}$$

which is calculated as follows:t=Total current receivables in the year TCA_{jt}

$$TCA_{jt} = \Delta CA_{j,t} - \Delta CL_{jt} - \Delta cash_{j,t} + \Delta stdeb_{jt} - Depn_{j,t}$$

Whereas: TCA_{jt} = Total Current Entitlements in Year t.

CFO = cash flow from operating activities in a t year which is calculated.

As net income before exceptional items minus total receivables (TCA)

CFO_{t-1} = Cash flows from operating activities for the previous year.

CFO_{t+1} = Cash Flows from Operating Activities for the Next Year E= Error Factor

2- Earnings Persistence. .

Most researchers have used earnings continuity as a measure of earnings quality, and continuity is expressed as the degree of current earnings continuity over the future period.

Earnings continuity is often measured using the estimated time series method such as estimating the slope coefficient (β) of the simple regression model as follows:
(Francis:2004:980)

$$\epsilon_t \quad X_{t+1} = \alpha + \beta X_t + \epsilon_t \text{ Where } X_{t+1} \text{ next year's profit}$$

β = Coefficient of Continuity

X_t = Current Year's Earnings ϵ = Error Factor

The coefficient (β) is relied upon, i.e. the closer it gets to (1), the β more continuous (X_t) is. The closer you get to zero, the less continuous it is.

3. Predictive ability.

Predictability is based on the ability to predict profits on itself, as a measure of the quality of profits, predictive power is based on the opinion that the number of profits that repeats itself is of high quality (Mohamed Waldbbas: 2021: 188). Predictive power is calculated according to the following equation. (Menicucci :2020:34))

Predictive Ability to Earnings:

Whereas :

$$\sqrt{\sigma^2 \epsilon_{j,t}}$$

σ^2 = Variation in estimation error for the company in t.

= The estimate error of the model used to measure earnings continuity. $\epsilon_{j,t}$

The high variance in profits indicates a decrease in the value of predictive profits, and profits with high predictive power are considered to be of quality, and after this metric, it is a desirable advantage for profits from the point of view of investors (Ali et al. 2021:83).

Second: Financial Statements:

Financial statements are one of the most important outputs of the accounting system and the cornerstone of financial reports for companies and the financial analyst through which liquidity, profitability, solvency and other financial indicators can be measured, and this will work to help investors, creditors and others in the process of analysis and making the right decisions.

The financial statements constitute the outputs of the accounting system in their entirety, and these outputs are divided into two sections: the first: the basic financial statements, and the second: the complementary lists to the basic statements, while the basic statements are the lists that the units must prepare and disclose periodically in order to serve the relevant stakeholders and beneficiaries, which are: income statements, financial status, cash flow and change in equity, while the supplementary statements are lists that are voluntarily prepared by the establishments based on certain circumstances, which are such as Value Added Lists and Preferential Lists for Total Items Listed in the Basic Lists. etc. (Select & Airport: 2011 (28)

Financial statements are defined as a set of reports relating to the common financial position over a specific period of time, these statements aim to provide stakeholders with documented information for decision-making that includes the main financial parameters, the statement of financial position (balance sheet), the income statement, the statement of cash flows, and the statement of change in equity.

Women who reflect the results of the institution achieved are shown in the financial statements of all those who deal with them. Such as shareholders, debtors and customers, the state represented by its various interests... Therefore, financial statements are not a goal, but rather a means of obtaining and displaying information related to them in order to benefit from them in decision-making, judging the results of operations, and evaluating their financial position (Figure 2017 - (16)

Based on the above, the financial statements represent the link between the institution and its related parties, in detailed data aimed at achieving the financial needs of its users, predictive management of those needs and activities, and then making the right decisions.

As for the form of the relationship between the quality of profits and the financial statements, it is a close and fundamental relationship, for the quality of profits is an indicator of the quality of accounting information, it has a clear impact on future forecasting and cash flows, which represents an essential element of the financial statements. In addition to the income statements and the financial statements, in the sense that the quality of profits depends to a large extent on what the financial statements indicate, through the analysis of those statements, which is the main way to evaluate the realism, profitability and continuity of the profits that have been achieved.

Applied Study

Study Population and Sample:

The study population consists of more than (100) companies listed on the Iraq Stock Exchange, (5) companies were selected from within the banking sector as a sample for this pool, and the sample was selected according to the following:

- The company has active trading in the market
- The company must have a large capital
- The company's financial statements must be integrated during the period of 2017-2024.

Data Sources: Data were collected from the following sources:

- Online Company Listings
- Annual Financial Reports for Companies
- Iraq Stock Exchange Website

Table (2) Names of the companies sample of the study for the period 2017-2024

Listed Capital 30-8-2025	Foundation Capital	Year of Establishment	Company Name	Sequence
400 billion	126 million	1992	Iraqi Islamic Bank	1

dinars	dinars			
327.600 billion dinars	150 million dinars	1992	Iraqi Islamic Commercial Bank	2
252.500 billion dinars	1 billion dinars	2001	Mosul Development and Investment Bank	3
250 billion dinars	25 billion dinars	2005	Ashur International Investment Bank	4
445 billion dinars	55 billion dinars	2005	Al Mansour Investment Bank	5

Source: Prepared by the researcher according to the annual reports of the securities.

First: Measuring the relationship between the financial statements and the quality of profits for the study sample

Analysis of the relationship and impact between financial statements (statement of financial position, statement of income, statement of cash flows) as independent variables and quality of earnings (quality of receivables) as a dependent variable as shown in the following multiple linear regression equation:

$$Y = a_0 + a_1x_1 + a_2x_2 + a_3x_3 + e$$

Whereas:

Y = Dependent variable (quality of receivables)

a 0 = fixed limit

X1 = Financial Status List

X2 = Income Statement List

X3 = Cash Flow Statement

e = Random error limit

1. Estimating the Model (Mosul Bank for Development and Investment)

By estimating the model, we notice that there is no relationship between the independent variables (x1) (x2) and the dependent variable (y) the quality of receivables, while the variable x3, which represents the cash flow statement, observes that there is an inverse relationship with the dependent variable, which is the quality of receivables, because the probability value is less than 5%.

As for (R2), it reached 46%, which expresses the response of the independent variables to the dependent variable by 46%, and 54% is due to other variables outside the model.

Also, through the probability value (F), we can see that it reached less than 5%, which indicates that the model is significant as a whole.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.436372	0.335592	1.300305	0.2634
X1	-2.98E-10	5.90E-10	-0.504376	0.6405
X2	-5.32E-08	7.17E-08	-0.742177	0.4992
X3	-1.14E-09	7.69E-10	-1.480797	0.0128
R-squared	0.461260	Mean dependent var		-0.016675
Adjusted R-squared	0.057205	S.D. dependent var		0.272757
S.E. of regression	0.264840	Akaike info criterion		0.487474
Sum squared resid	0.280562	Schwarz criterion		0.527195
Log likelihood	2.050105	Hannan-Quinn criter.		0.219573
F-statistic	11.141578	Durbin-Watson stat		2.827015
Prob(F-statistic)	0.033573			

2. Estimating the model (Commercial Islamic Bank of Iraq)

By estimating the model, we observe that there is a relationship between the independent variables (x1)(x2) (x3) and the dependent variable (y) the quality of receivables because the probability value is less than 5%.

As for (R2), it reached 67%, which expresses the response of the independent variables to the dependent variable by 67%, and 33% is due to other variables outside the model.

Also, through the probability value (F), we can see that it reached less than 5%, which indicates that the model is significant as a whole.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.304186	0.849867	1.534577	0.0397
X1	-3.01E-06	1.92E-06	-1.567653	0.0220
X2	1.46E-05	9.97E-06	1.465715	0.0466
X3	-3.30E-06	1.39E-06	-2.379519	0.0360
R-squared	0.676239	Mean dependent var		-0.001825
Adjusted R-squared	0.433419	S.D. dependent var		0.242158
S.E. of regression	0.182276	Akaike info criterion		-0.259735
Sum squared resid	0.132898	Schwarz criterion		-0.220015
Log likelihood	5.038941	Hannan-Quinn criter.		-0.527636
F-statistic	2.784933	Durbin-Watson stat		1.634401
Prob(F-statistic)	0.003839			

3. Estimating the model (Al-Mansour Investment Bank)

By estimating the model, we observe that there is no relationship between the independent variables (x1)(x2) (x3) and the dependent variable (y) the quality of receivables because the probability value is greater than 5%.

As for (R2), it reached 32%, which expresses the response of the independent variables to the dependent variable by 32%, and 68% is due to other variables outside the model.

Also, through the probability value (F), we can see that it reached less than 5%, which indicates that the model is significant as a whole.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.013828	0.026909	-0.513880	0.6344
X1	1.89E-13	4.20E-12	0.045071	0.9662
X2	1.78E-10	1.28E-09	0.138728	0.8964
X3	-2.40E-11	8.05E-11	-0.297939	0.7806
R-squared	0.323606	Mean dependent var		-0.010738
Adjusted R-squared	0.278690	S.D. dependent var		0.035954
S.E. of regression	0.046998	Akaike info criterion		-2.970563
Sum squared resid	0.028835	Schwarz criterion		-2.930843
Log likelihood	5.808225	Hannan-Quinn criter.		-3.238464
F-statistic	12.032235	Durbin-Watson stat		2.211468
Prob(F-statistic)	0.041061			

4. Estimate the model (Assyrian International Bank)

By estimating the model, we notice that there is no relationship between the independent variables (x1)(x2) and the dependent variable (y) the quality of receivables, while the variable x3 , which represents the cash flow statement, observes that there is an inverse relationship with the dependent variable, which is the quality of receivables, because the probability value is less than 5%.

As for (R2), it reached 73%, which expresses the response of the independent variables to the dependent variable by 73%, and 27% is due to other variables outside the model.

Also, through the probability value (F), we can see that it reached less than 5%, which indicates that the model is significant as a whole.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.084469	0.287887	-0.293409	0.7838
X1	1.62E-07	4.74E-07	0.341778	0.7497
X2	-1.92E-07	5.81E-07	-0.329468	0.7583
X3	-3.08E-06	1.20E-06	-2.571449	0.0319
R-squared	0.739389	Mean dependent var		0.008300
Adjusted R-squared	0.543931	S.D. dependent var		0.221360
S.E. of regression	0.149491	Akaike info criterion		-0.656311
Sum squared resid	0.089390	Schwarz criterion		-0.616590
Log likelihood	6.625242	Hannan-Quinn criter.		-0.924211
F-statistic	3.782851	Durbin-Watson stat		1.898899
Prob(F-statistic)	0.015678			

5. Estimating the model (Iraqi Islamic Investment Bank)

By estimating the model, we observe that there is no relationship between the independent variables (x1)(x2) (x3) and the dependent variable (y) the quality of receivables because the probability value is greater than 5%.

As for (R2), it reached 37%, which expresses the response of the independent variables to the dependent variable by 37%, and 63% is due to other variables outside the model.

Also, through the probability value (F), we can see that it reached less than 5%, which indicates that the model is significant as a whole.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.330933	0.518932	0.637720	0.5583
X1	-6.62E-07	9.21E-07	-0.718245	0.5123
X2	3.86E-06	1.03E-05	0.374334	0.7272
X3	1.46E-06	1.61E-06	0.909256	0.4146
R-squared	0.378993	Mean dependent var		-0.005438
Adjusted R-squared	0.236763	S.D. dependent var		0.307502
S.E. of regression	0.368587	Akaike info criterion		1.148574
Sum squared resid	0.543426	Schwarz criterion		1.188295
Log likelihood	5.594296	Hannan-Quinn criter.		0.880673
F-statistic	22.29688	Durbin-Watson stat		2.299389
Prob(F-statistic)	0.031014			

Second: Measuring the Quality of Earnings for the Study Sample

1- Receivables Quality Measure

represents the difference between accounting earnings and cash flows if

(Dechow, Patricia, 2002:3), a model of earnings quality based on the idea that the receivables function is to adjust the recognition of cash flows over time.

It can be measured by the following equation (Annes.. et at: 2018:6):

$$\frac{TCA_{j,t}}{Asset_{t-1}} = a_0 + a_1 \frac{CFO_{jt-1}}{Asset_{t-1}} + a_2 \frac{CFO_{jt}}{Asset_{t-1}} + \frac{CFO_{jt+1}}{Asset_{t-1}} + \epsilon_{jt}$$

which is calculated as follows: t = Total current receivables in the year TCA_{jt}

Whereas: TCA_{jt} = Total Current Entitlements in Year t .

CFO = cash flow from operating activities in a t year which is calculated. As net income before exceptional items minus total receivables (TCA)

CFO_{t-1} = Cash flows from operating activities for the previous year.

CFO_{t+1} = Cash Flows from Operating Activities for the Next Year

= Error factor. ϵ

The results of the quality of the banks indicate that there are results with an inverse relationship, i.e. negative in all the study sample except for one bank, Ashur International Bank, as this inverse relationship between the quality of receivables and the quality of profits is evidence that they are granted with good profit quality, as under this measure, the lower the percentage of quality of receivables, the higher the quality of profits.

Table (3) shows the ranking of the banks according to the quality of profits according to the scale of receivables.

Table (3) Ranking of Banks by Dividend Schedule according to the Receivables Quality Scale for the Period (2017-2024)

Receivables Quality Measure (Weighted Rate)	Bank Name	Sequencing
-0.0859	Al Mansour Investment Bank	1

-0.0435	Iraqi Islamic Investment Bank	2
-0.0146	Iraqi Islamic Commercial Bank	3
-0.01334	Mosul Development and Investment Bank	4
0.0664	Ashur International Investment Bank	5

Source: Prepared by the researcher

Through the results calculated according to the receivables quality scale shown in Table (3), Al-Mansour Investment Bank enjoys a higher decline than other banks, with a percentage of (-0.0859), followed by the Iraqi Islamic Investment Bank (IRIB), which was (-0.0435), and the Commercial Bank of Iraq, which ranked third with a percentage of (-0.0146), and Mosul Bank for Development and Investment, which ranked fourth with a ratio of -0.01334.) while the last percentage of the International Investment Bank of Ashur was (0.0664).

2. Profit Continuity

Most researchers have used earnings continuity as a measure of earnings quality, and continuity is expressed as the degree of continuity of current earnings during the future period, and high-quality profits have been defined as (sustainable profits) as often referred to in the financial analysis Hamid and Al-Dabbas 2021-187 Earnings continuity can be measured according to the following equation:

(Schipper and Vincent ,2003:3)

$$X_{t+1} = \alpha + \beta X_t + \varepsilon_t$$

Whereas:

X_{t+1} Represents next year's earnings

α = Fixed limit

β = Coefficient of Continuity

X_t = Current year's earnings

ε_t = Random Error

The results of the continuity scale indicate that there is a direct relationship between the continuity in profits and the existence of profits, i.e., the closer the results of the linear regression to the correct one, the more profits are in continuity, and this indicates the increase in the quality of profits (Ali et al.: 2021: 189) and Table (4) shows the order of the sample of banks according to the quality of profits according to the continuity scale.

Table (4) Ranking of Banks by Earnings Quality According to the Continuity Scale for the Period (2017-2024)

Continuity Scale (Weighted Rate)	Bank Name	Sequencing
0.095528422	Mosul Development and Investment Bank	1
0.083347283	Al Mansour Investment Bank	2
0.083202621	Iraqi Islamic Commercial Bank	3
0.045017424	Ashur International Investment Bank	4
0.004147286	Iraqi Islamic Investment Bank	5

Source: Prepared by the researcher

Through Table (4), it indicates that there is a continuity in general for all the selected five banks sample, but in different proportions and order, where Mosul Bank for Development and Investment came in the first place with a percentage of (0.095528422), followed by Al-Mansour Investment Bank in the second place, the result of the continuity scale was (0.083347283), and so on for the rest of the other three banks, after the Commercial Bank of Iraq obtained the third rank with a percentage of (0.083202621) and then Ashur International Investment Bank with a percentage .0.045017424) while the last in this scale was the Iraqi Islamic Bank with a percentage (0.004147286).

3- Predictive power scale:

It is the ability to predict future profits and is a measure of the quality of profits

(Frances.et al:2006:301) Predictive power is measured by the same regression equation used in measuring continuity, as the relationship between continuity and predictive value is clear and the more continuous profits are more predictive (Ali et al.: 2021:182) The predictability is calculated according to the following equation:

(Menicucci:2020:34)

Earnings Predictability =

$$\sqrt{\sigma^2 \varepsilon_{j.t}}$$

Whereas:

= σ^2 Variation of the company's estimation error in year t

= $\varepsilon_{j.t}$ Random grading error

The high variance is indicative of a decrease in predictive earnings capacity

Table 5 shows the ranking of the banks according to the quality of profits according to the measures of predictive power.

Table (5) Ranking of Banks by Earnings Quality According to the Predictive Power Scale for the Period (2017-2022)

Predictive Power Scale (Weighted Rate)	Bank Name	Sequencing
0.0223606797	Iraqi Islamic Investment Bank	1
0.024494897	Ashur International Investment Bank	2
0.03774393	Iraqi Islamic Commercial Bank	3
0.0979795897	Al Mansour Investment Bank	4
0.12489999599	Mosul Development and Investment Bank	5

Source: Prepared by the researcher

From the above table, the Iraqi Islamic Investment Bank is one of the most banks in its predictive capacity for profits, with a percentage of (0.0223606797), which is the lowest percentage in the sample of banks, followed by Ashur International Investment Bank with a percentage of (0.024494897), Commercial Bank came in third place with a percentage of (0.03774393), and Al-Mansour Bank came in fourth place in predictive capacity with a percentage of (0.0979795897), and Mosul Bank was the last with a percentage.0.12489999599).

Findings and recommendations

Results:

1- The so-called creative accounting, as a result of the separation of ownership from management and the conflict of interest between the management, shareholders and beneficiaries of the financial statements, led to the management of some institutions thinking about beautifying the reality and real financial situation of them, by inventing methods and methods in accounting treatments that some described as the pickaxe with which the company demolishes itself.

2- There is a significant effect with statistical significance between the financial statements and the quality of profits, and that the majority of the banks in the study sample are characterized by the quality of their profits, but in different percentages through the scale of the quality of profits and have the ability to continue and predict future performance.

3. The use of accounting metrics (quality of receivables, continuity of profits, predictive ability) gives a clearer picture in the statement of knowing the ability of banks and then making the right decisions for them.

Recommendations

1. The necessity of activating and tightening the supervisory role by specialized technical and professional bodies to limit manipulation and distortion of data and information carried out by some bank departments and the use of the most severe penalties in this regard.

2. Adopting the standards of earnings quality and adopting them by all those interested in the validity of data and information and adopting them as a reliable advisory guide.

3. The necessity for banks to adopt models for financial performance in order to help them identify and identify their strengths and weaknesses, and thus make correct and constructive decisions.

4- The need to raise awareness of the users of the financial statements and the development of effective training programs by professional and specialized institutions in revealing the methods of the administrations of some banks to identify the real financial reality.

5- The necessity of conducting many researches and studies by experienced academics, professionals, and specialists, and high efficiency in the quality of profits and measuring this quality through formal accounting measures and the use of other indicators for the same purpose.

Study Sources:

1-Al-Barami, Al-Mabrouk Khaled Mohamed et al., The Role of Earnings Management Methods in the Credibility of Financial Statements from (The Perspective of External Auditors: A Field Study), Journal of Economic Studies - Faculty of Administration and Economics, University of Sirte, Volume Four, Second Issue 2021.

2-Hamid, Thaer Kamel and Al-Dabbas, Wafa Abdel Amir Hassan, The Impact of Accounting Earnings Quality Using the Sustainability Model (Earnings Continuity) on the Company's Performance: An Applied Research in a Sample of Commercial Banks Listed on the Iraq Stock Exchange, Journal of the College of Science City, Vol. 13, No. 2, 2021.

3-Souria, Zawi, The Impact of Earnings Management on the Quality of the Financial Statements of the Economic Institution, Journal of Humanities, Mohamed Khidir University, Biskra, Issue 47, 2017.

4- Ali Jaber Hussein et al., The Extent of the Possibility of Measuring the Quality of Earnings in Evaluating the Financial Position of Banks: An Applied Study in a Sample of Commercial Banks Listed in the Iraqi Stock Exchange, Journal of the Faculty of Administration and Economics - University of Basra, Volume Fourteen, Issue Twenty-Nine, 2021.

5- Al-Najjar, Doaa Mohamed Hamed, and Al-Rifai Ali Mohamed El-Sayed, The Impact of Profit Quality on the Readability of Financial Reports, An Applied Study on Companies

Listed in the Egyptian Stock Market, Journal of Research for Commerce, Faculty of Commerce, Zakaqi University, Volume Forty-Six, Third Issue 2024.

6- Nouri, Noura Faleh and Jabr, Shatha Abdel Hussein, Earnings Quality Assessment Using the Cash Flow Statement to Improve Earnings Forecasting (An Empirical Study), Journal of the Faculty of Science City, Volume 13, Issue 1, 2021,

7-Mohi, Ahmed Hussein, Measuring the Level of Accounting Earnings Quality and its Impact on Investors' Economic Decisions, An Applied Study of a Sample of Iraqi Commercial Banks Listed on the Iraq Stock Exchange, Journal of the College of Education for Girls for Humanities, Issue 31, Sixteen, 2022.

8- Khanfar, Muayyad Radi Al-Mataria, Ghassan Falah (Financial Statements Analysis), Theoretical and Applied Approach, Dar Al-Masirah for Publishing, Distribution and Printing, 2011.

9-Annes, Maria Carlos, Susanne Lumpur, Ph. Pinheiro and Carlos Pinheiro. 2018. The relation between earnings quality and corporate performance for the firms listed in the Lisbon Stock Exchange.

10- Dechow, Patricia M. Dickey, Lia D. The quality of accruals and earnings. The role of accrual estimation errors. Accounting, Review, 2002. ABI/INFORM Global Pg: 35

11- Demerjian, Peter, Ler Baruch, and Sarah Mc Vay, 2007. Managerial ability and Earnings Quality

12-Francis, Jennifer, Lafond, Ryan, Olsson, Per M. and Schipper Katherine, 2004. Cost of Equity and Earnings Attributes, The Accounting Review, Vol 79, No.4.

13-Menicucci, Elisa, 2020. IAS/IFRS, Accounting Quality and Earnings Quality. "Earnings Quality." Palgrave Pivot, Cham, 83-105 .

13-Schipper K., And Vincent L., 2003. "Earnings Quality." Accounting Horizons Supplement 97-97-11...(1⁷)