



## IRAQI NATIONAL STANDARDS BETWEEN IFRS AND US GAAP

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<p><b>Received:</b> 18<sup>th</sup> October 2022 <b>Accepted:</b> 18<sup>th</sup> November 2022 <b>Published:</b> 28<sup>th</sup> December 2022</p>	<p>For a long time under British influence, then under American influence, Iraq has an accounting system inspired by the Anglo-Saxon model, but the peculiarities imposed by the organization of the economy that come from history, make their mark on it. Analyzing the post-2003 period, we find that in terms of accounting policy innovation, the CPA and the Governing Council of Iraq have worked together to develop new accounting legislation, and the BSA and IBAAS have regulated the application of accounting standards in both the private and government sectors. that moment. Many writings in the literature state that the standards developed by IBAAS, also known as national standards (INAS), are convergent IFRS. Without rejecting this idea, given the historical context, as well as the divergent aspects between IFRS and US GAAP, we question the compatibility of the Iraqi accounting environment with IFRS and / or US GAAP and how strong is the link with each of these references, with all the more so as IUAS is based more on rules than principles.</p>

**Keywords:** standards, convergences, divergences, rules, principles

**Jel Classification:** M16, M41, C5, P51

### 1. INTRODUCTION

In accordance with the increasing economic developments and in the environmental, political and health conditions, accounting provides support to the capital markets when confidence in the financial statements declines. The standards for preparing financial reports have come to meet the requirements of those accelerating variables after the increasing doubt in the generally accepted accounting principles in keeping pace with economic developments and the increasing variables, and most of the Companies listed in the European Union publish their financial statements using international financial reporting standards. The application of these standards has also become mandatory in some countries, while other countries have adapted their national standards to fit those international standards. Until now, from a periodic review of the applied accounting systems, the majority of countries implement international standards. To prepare financial reports

### 2. SPECIALTY LITERATURE

The application of standards was not binding in the countries of the world until the year 2000, when some countries applied international standards for the preparation of financial reports as a substitute for their national standards to keep pace with economic changes

(N. Veron) 2007 indicated that the application of financial reporting standards in most companies of the European Union countries and that there are many companies in the world that apply these standards even if they are not bound by them.

Ernest and Young (2021) showed that there are no wide differences between generally accepted accounting principles and international financial reporting standards as they are based on the same accounting principles. The differences between (IFRS) and (GAAP) can be summarized in the following directions:

1. Valuation of inventories at the date of discharge: US GAAP recommends the use of the FIFO or LIFO method, allowing companies to choose the most practical method of valuing inventories, whereas IFRS does not allow the use of the LIFO method because it does not show an accurate inventory flow. may represent lower than actual income levels (US Securities and Exchange Commission, A Comparison of US GAAP and IFRS);
2. Intangible assets: US GAAP recognizes intangible assets at their current market value, whereas IFRS recognizes intangible assets only if they have a future economic benefit (L.Dalloz, 2022);



3. Rules versus principles: According to US GAAP, the accounting process is prescribed by very specific and strict rules and procedures, while IFRS has established principles that companies must follow and use at will (Escafer, L. and Sefsas, R., 2008);
4. Revenue recognition: According to US GAAP, revenue recognition is based on specific rules established at the level of economic structures and involves the full exchange of a good or service, while IFRS is based on the principle that revenue is recognized when goods or services are delivered ( US Securities and Exchange Commission, "A Comparison of US GAAP and IFRS");
5. Classification of liabilities: according to US GAAP, debt is classified as current (repayable under one year) and non-current (repayable over one year), and in the IFRS view there is no clear distinction between debt, which is why short-term liabilities are grouped together with long-term debt (US Securities and Exchange Commission, A Comparison of US GAAP and IFRS);

J. Vial (2004) stated that "for decades, US GAAP has been considered the most developed body of accounting standards in the major capital market in the United States". Known financial scandals have led some members of the US accounting institution to question the systematic superiority of US GAAP (of which the Financial Accounting Standard Board or FASB is the author) over IFRS. All this clearly shows the converging interests of the American standards instituters and the IASB.

Although the convergence process has begun, it is far from complete and the question is: *What will happen? Will IFRSs evolve into US GAAP, or vice versa?* In practice, both movements are observed. In many respects, significant progress has been made; however, significant differences remain.

Studying the literature we find that the Arab world is still engaged in a process of adoption and adaptation of International Accounting Standards, D. Al-Qashi and H. Al-Abadi (2009) concluding that, following the application of IAS in Jordan has benefited from attracting foreign direct investment by the fact that, once international standards have been implemented, companies have gained international status.

Noticing that the published financial statements for companies listed on the Khartoum Stock Exchange do not meet the requirements of foreign investors due to the lack of transparency on profits and risk assessment of equity investments, M.S. Mamoun (2004) argued for the need to implement International Accounting Standards in Sudan.

E.O. Kenneth (2012), in turn, like D. Al-Qashi and H. Al-Abadi, states that the adoption of International Financial Reporting Standards (IFRS) by Nigerian companies has contributed to increased foreign direct investment flows.

In the process of adopting International Accounting Standards, in the absence of local organizations, Iraq joins international bodies (IASB, IFAC, IOSCO). However, there are signs that in Iraq, the Audit and Accounting Standards Board has developed local accounting standards as well as Local Audit Guidelines (Feeda Abd Almajid Sabbar, 2017).

S.A.Kadir and A.B.Jaworska (2020) emphasize the idea that "IUAS is parallel to US GAAP in that it is a rules-based system rather than an IFRS-based system. This system has led to active government control over the structure of the country's accounting system". In addition, "the main role of the unified accounting system is to serve the economy of the state or the central market" and all national companies are required to prepare their declaration according to UAS (Ibrahim and Rodrigs, 2014).

Authors such as Sabbar Alaraji and others (2017), Al-Nasrawi and Thabit (2020), Kadir and Jaworska (2020), Majaski (2021), IFRS Foundation Iraq (2020) emphasized the role of environmental factors in adopting International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the need to adopt these standards for the economy of Ireland, but also their impact on the economy.

Although there are many arguments in favor of the application of IAS / IFRS, despite their many characteristics and the urgency of their application in Iraq, there are a number of difficulties and obstacles to the compatibility of the current accounting environment with these standards.

### **3. RESEARCH METHODOLOGY**

#### **3.1. Research objectives**

The research aims to achieve the following objectives:

- explaining the differences between the two major accounting frameworks: IFRS and US GAAP and their approximation trends;
- explaining trends in the adoption and adaptation of international standards in Arab countries and Iraq's concerns about implementing IFRS;
- Study the Iraqi accounting environment and the most appropriate option for it.

#### **3.2. Research hypotheses**

- H1: There is a statistically significant difference or similarity between the international standards (IFRS) and (GAAP) ;
- H2: There is no similarity or statistically significant difference between (IFRS) and (us GAAP) ;



- H3: There are statistically significant similarities or differences between US GAAP and INAS

### 3.3. Research method used

An analysis of the literature focused on the existing trend towards the adoption of IFRS worldwide and the results obtained so far, as well as on the content of the three conceptual frameworks IASC, FASB and IBAAS to respond to the hypotheses formulated taking into account the research. the current state of affairs.

### 3.4. The importance of research

The research is a study to assess the degree of elimination of the gap between US GAAP and IFRS and the status of Iraq in choosing the best method of adopting IFRS to stimulate the attraction of foreign direct investment and economic recovery.

## 4. VERIFICATION OF HYPOTHESES

Professional accounting organizations and unions in Iraq are working to provide the appropriate environment for the application of international standards for the preparation of financial reports.

What we can do is balance the two major general accounting frameworks (IFRS and US GAAP) taking into account the current state of the general accounting framework developed by IBAAS.

What we notice is that there is both an approximation of accounting theory and practice between the three general frameworks, but the approaches of the normalizers in the three standardization institutions are still in their infancy, the comparative picture of the conceptual framework being presented in table no.4.1

**Table no.1.1. Comparative table of the conceptual framework of accounting standardization IASC, FASB, IBAAS**

IFRS (A)	US GAAP (B)	IRAQ – INAS 6 (C)
<ul style="list-style-type: none"> <li>practicing accrual accounting (reflecting transactions at the time of their occurrence and not at the time of cash flow)</li> </ul>	<ul style="list-style-type: none"> <li>the practice of accrual accounting is aligned with the general IFRS framework</li> </ul>	<ul style="list-style-type: none"> <li>accrual accounting and modified accrual basis</li> </ul>
<b>1. There is a conformity between the three references</b>		
<ul style="list-style-type: none"> <li>the prevalence of the economic over the legal</li> </ul>	<ul style="list-style-type: none"> <li>the principle of significance prevails that elements are considered significant if they affect decisions</li> </ul>	<ul style="list-style-type: none"> <li>the legal formula takes precedence over the economic one</li> </ul>
<b>2. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>presumption of the continuity of the activity that implies the registration of goods, obligations and transactions continuously</li> </ul>	<ul style="list-style-type: none"> <li>called continuity in operation, the principle considers that the business will operate permanently</li> </ul>	<ul style="list-style-type: none"> <li>business is expected to continue, high quality, transparent and comparable information in financial statements</li> </ul>
<b>3. There is compliance between the three standards</b>		
<ul style="list-style-type: none"> <li>comparability of indicators in time and space</li> </ul>	<ul style="list-style-type: none"> <li>there is no direct specification regarding the comparability of the information, this results indirectly from the context of US GAAP</li> </ul>	<ul style="list-style-type: none"> <li>there are no explicit specifications, due to the lack of stability of the economic situation in terms of comparability resulting from the statement of the characteristics of the information</li> </ul>
<b>4. There is a lack of compliance between the IFRS framework and the other two standards</b>		
<ul style="list-style-type: none"> <li>predictability of cash flow generation capacity and</li> </ul>	<ul style="list-style-type: none"> <li>there are many differences between IFRS and US GAAP</li> </ul>	<ul style="list-style-type: none"> <li>cash flows attributed to certain items in the</li> </ul>

3. There is compliance between the three standards



IFRS (A)	US GAAP (B)	IRAQ – INAS 6 (C)
enterprise financing	cash flow statement requirements	financial statements and a statement of the impact of those flows as independent variables on the value of the company
<b>5. Partial compliance between the three references</b>		
<ul style="list-style-type: none"> <li>capital market tool</li> </ul>	<ul style="list-style-type: none"> <li>there is no explicit statement, the context shows that it is a means of helping to maintain confidence in financial markets</li> </ul>	<ul style="list-style-type: none"> <li>there is no explicit specification</li> </ul>
<b>6. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>represents a set of principles regarding the approach to accounting in order to provide a true and fair view of the financial position and performance of the enterprise</li> </ul>	<ul style="list-style-type: none"> <li>there is no explicit specification about the objective of the financial statements being listed only the 4 components of them, but they respond to the principle of the true image of the financial position and financial performance</li> </ul>	<ul style="list-style-type: none"> <li>a set of instructions and accounting principles to provide a true and fair view of the financial position and financial performance of the unit</li> </ul>
<b>7. Partial compliance is found between the three benchmarks</b>		
<ul style="list-style-type: none"> <li>significant structural components:               <ul style="list-style-type: none"> <li>- the objective of the financial statements;</li> <li>- the qualitative characteristics of the accounting information;</li> <li>- defining, recognizing and evaluating the elements of the financial statements;</li> <li>- the concept of capital and its maintenance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>significant structural components:               <ul style="list-style-type: none"> <li>- accounting principles, assumptions and concepts;</li> <li>- the way in which transactions are reflected in the accounting;</li> <li>- revenue recognition rules;</li> <li>- accounting for leasing, debt, expenses, investments, consolidation and notes to the financial statements;</li> <li>- components of financial statements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>significant structural components:               <ul style="list-style-type: none"> <li>• Accounting policies;</li> <li>• Field of application;</li> <li>- the form and content of the annual financial statements;</li> <li>• The objective of the financial statements;</li> <li>- the qualitative characteristics of the accounting information;</li> <li>- identification, recognition and evaluation of the elements of the financial statements;</li> <li>• The concept of capital and its maintenance</li> </ul> </li> </ul>
<b>8. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>retains as qualities of information:               <ul style="list-style-type: none"> <li>- intelligibility;</li> <li>- relevance;</li> <li>- credibility;</li> <li>- comparability</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>the qualities of the accounting information take into account:               <ul style="list-style-type: none"> <li>- objectivity;</li> <li>- consistency of recording and presentation;</li> <li>- to support decisions;</li> <li>- intelligibility;</li> <li>- reliability;</li> <li>- complete character</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>qualitative characteristics of information               <ul style="list-style-type: none"> <li>- relevance</li> <li>- comparability</li> <li>- intelligibility</li> <li>- credibility</li> </ul> </li> </ul>
<b>9. Partial compliance between the three references</b>		
<b>Lack of compliance between:</b>		
<b>- US GAAP and other references</b>		
<ul style="list-style-type: none"> <li>reported items:</li> </ul>	<ul style="list-style-type: none"> <li>the reporting elements refer</li> </ul>	<ul style="list-style-type: none"> <li>reported items:</li> </ul>



IFRS (A)	US GAAP (B)	IRAQ – INAS 6 (C)
<ul style="list-style-type: none"> <li>- assets;</li> <li>- debts;</li> <li>- capitals;</li> <li>- income;</li> <li>- costs</li> </ul>	to: <ul style="list-style-type: none"> <li>- assets;</li> <li>- debts;</li> <li>- capitals;</li> <li>- income;</li> <li>- costs</li> </ul>	<ul style="list-style-type: none"> <li>- assets;</li> <li>- debts;</li> <li>- capitals;</li> <li>- income;</li> <li>- costs</li> </ul>
<b>10. There is a conformity between the three references</b>		
<ul style="list-style-type: none"> <li>▪ historical cost is the basic principle of evaluation</li> </ul>	<ul style="list-style-type: none"> <li>▪ the basic principle of recognizing items owned or controlled by the company is the historical cost principle</li> </ul>	<ul style="list-style-type: none"> <li>▪ historical cost is the basic principle of evaluation</li> </ul>
<b>11. Compliance between the three standards</b>		
<ul style="list-style-type: none"> <li>▪ aplicability:               <ul style="list-style-type: none"> <li>- small businesses;</li> <li>- medium-sized enterprises;</li> <li>- large enterprises</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ aplicability:               <ul style="list-style-type: none"> <li>- publicly traded companies, including private ones</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ application in profit-oriented activity units</li> </ul>
<b>12. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>▪ mandatory components of the financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet;</li> <li>- profit and loss account;</li> <li>- the situation of the modification of the own capitals;</li> <li>- cash flow statement;</li> <li>- notes containing significant accounting policies and other explanatory information</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ mandatory components of the financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet;</li> <li>- profit and loss account;</li> <li>- cash flow statement;</li> <li>- the statement of changes in equity is presented in the notes to the financial statements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ mandatory components of the financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet;</li> <li>- profit and loss account;</li> <li>- the situation of the modification of the own capitals;</li> <li>- cash flow statement;</li> <li>- notes containing significant accounting policies and other explanatory information</li> </ul> </li> </ul>
<b>13. Partial compliance:</b> <ul style="list-style-type: none"> <li>- the IFRS framework presents a general, synthetic framework;</li> <li>- in the case of the US GAAP reference, the statement of changes in equity is presented in the notes to the financial statements;</li> <li>- compliance between IFRS and the Iraqi benchmark</li> </ul>		
<ul style="list-style-type: none"> <li>▪ criteria for the preparation of financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet and the profit and loss account may take the form of a list or an account;</li> <li>- the assets are presented according to the increasing liquidity and the liabilities according to the decreasing liquidity;</li> <li>- the expenses are presented by nature and function</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ criteria for preparing financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet is presented in horizontal format (statement) or in vertical format (list);</li> <li>- the profit and loss account is presented in the form of a list and there is no express indication as to the classification of expenditure by nature or function. However, the profit and loss account, according to the SEC's recommendations, shows expenses by line based on functions;</li> <li>- the assets are presented</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ criteria for the preparation of financial statements:               <ul style="list-style-type: none"> <li>- the balance sheet and the profit and loss account may take the form of a list or an account;</li> <li>- the assets are displayed according to the commercial, industrial or service activity of the company</li> <li>- expenses are presented according to their nature</li> </ul> </li> </ul>

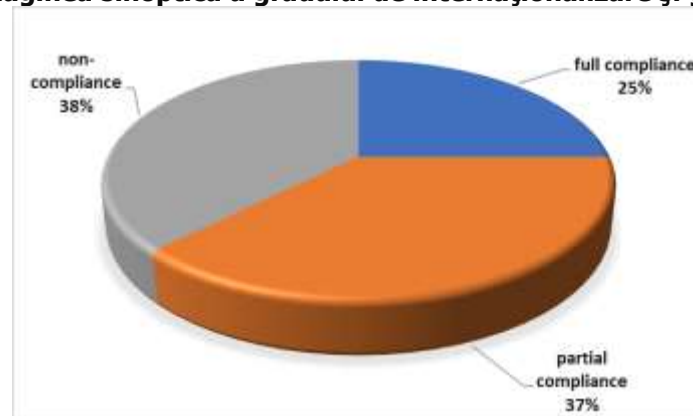


IFRS (A)	US GAAP (B)	IRAQ – INAS 6 (C)
	according to the decreasing liquidity and the liabilities according to the increasing liquidity	
<b>14. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>the information in the financial statements is published for the current period compared to the previous period for all reported items</li> </ul>	<ul style="list-style-type: none"> <li>according to SEC rules, balance sheets are required for the most recent two years and the remaining components of the financial statements must relate to a period of three years</li> </ul>	<ul style="list-style-type: none"> <li>the information in the published financial statements covers the last five years (including the current period)</li> </ul>
<b>15. Lack of compliance between the three frameworks</b>		
<ul style="list-style-type: none"> <li>recognition of fixed assets requires that costs be included in the cost of the asset if future economic benefits are probable and can be measured reliably</li> </ul>	<ul style="list-style-type: none"> <li>recognition of fixed assets is based on the same criteria as IFRS, but their revaluation is not permitted</li> </ul>	<ul style="list-style-type: none"> <li>recognition of fixed assets aligns with US GAAP</li> </ul>
<b>16. Partial compliance between the three standards</b>		

Source: author's research

In Figure (1-4), we see that the distance between accounting theory and practice is not far.

**Figura nr.4.1. Imaginea sinoptică a gradului de internaționalizare și globalizare a contabilității**



Source: Belongs to the author

We have deepened the analysis by relying on the variable that is evident in three references we have already mentioned.

**Table no. 4.2. The table of scores that can be awarded depending on the hypotheses that can be formulated**

Hypothesis	Score	Hypothesis	Score
If $A=B=C$	10	If $A \neq B \neq C$	0
If $A=B$	9	If $A \neq B$	1
If $A=C$	8	If $A \neq C$	2
If $B=C$	7	If $B \neq C$	3

Source: Belongs to the author

Considering the items specified in table no.4.1. the values from table no.4.3 have been assigned.

**Table no.4.3. The table of scores awarded according to the comparative table**

Item	Comparative situation	A	B	C
1	$A=B=C$	10	10	10



Item	Comparative situation	A	B	C
2	A≠B≠C	0	0	0
3	A=B=C	10	10	10
4	A≠B A≠C B=C	1 2 -	1 - 7	- 2 7
5	A=C A≠B B≠C	8 1 -	- 1 3	8 - 3
6	A≠B≠C	0	0	0
7	A=C A≠B B≠C	8 1 -	8 1 3	- - 3
8	A≠B≠C	0	0	0
9	A≠B B≠C A=C	1 8	1 3 -	- 3 8
10	A=B=C	10	10	10
11	A=B=C	10	10	10
12	A≠B≠C	0	0	0
13	A≠B A=C B≠C	1 8 -	1 - 3	- 8 3
14	A≠B≠C	0	0	0
15	A≠B≠C	0	0	0
16	A≠B A≠C B=C	1 2 -	1 - 7	- 2 7

Source: author's research

For the verification of the stated hypotheses, the data entered in table no.4.3. were statistically processed using the SPSS program using the Pearson coefficient.

**H1: There are statistically significant similarities or differences between IFRS and US GAAP**

The correlation between IFRS and US GAAP highlights a direct and medium intensity link (table no.4.4.)



**Table no. 4.4. IFRS - US GAAP correlation table**  
**Correlations**

		IFRS	USGAAP
IFRS	Pearson Correlation	1	.587**
	Sig. (2-tailed)		.001
	N	28	28
USGAAP	Pearson Correlation	.587**	1
	Sig. (2-tailed)	.001	
	N	28	28

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: author processing using SPSS

Through the table (4.5) and the figure (4.2), we will reach the same results, although it shows a pro-cyclical move and a lead / lag other than zero, but slightly closer to zero and **suggests a delay in US GAAP's approach to IFRS and confirms hypothesis no.1.**

**Table no.4.5. Cross correlation IFRS cu US GAAP**  
**Cross Correlations**

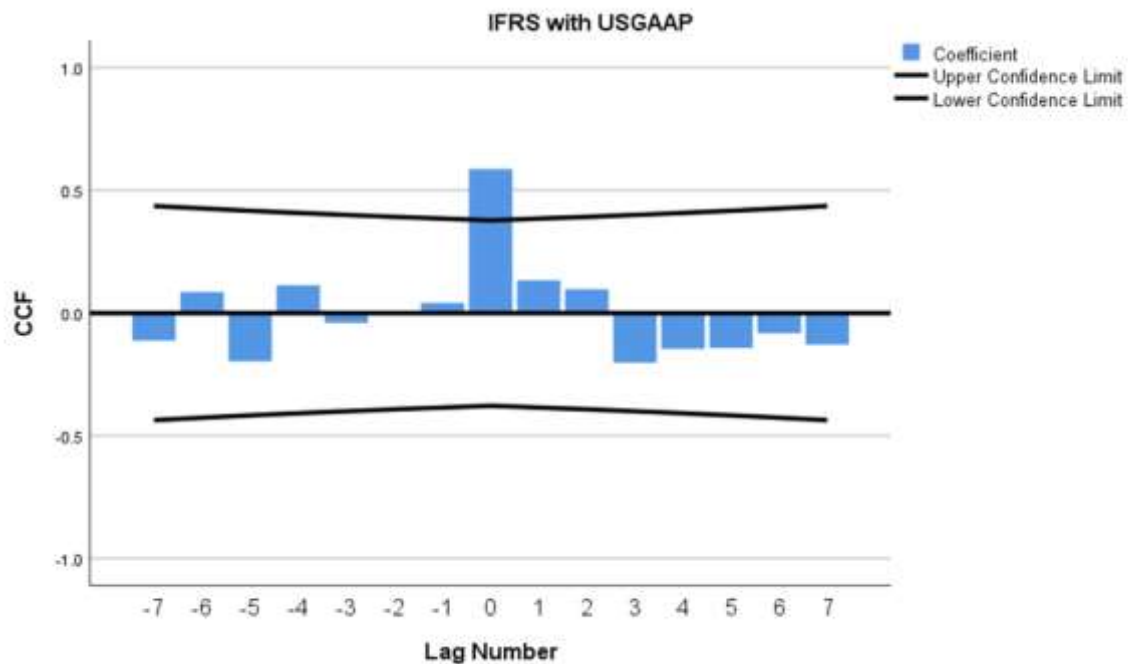
Series Pair: IFRS with USGAAP

Lag	Cross Correlation	Std. Error <sup>a</sup>
-7	-.112	.218
-6	.086	.213
-5	-.197	.209
-4	.114	.204
-3	-.039	.200
-2	.000	.196
-1	.041	.192
0	.587	.189
1	.134	.192
2	.097	.196
3	-.202	.200
4	-.146	.204
5	-.142	.209
6	-.082	.213
7	-.128	.218

a. Based on the assumption that the series are not cross correlated and that one of the series is white noise.

Source: author processing using SPSS





**Figure no.4.2. IFRS - US GAAP cross-correlation**

Source: author processing using SPSS

**H2: There are statistically significant similarities or differences between IFRS and INAS 6**

The correlation between IFRS and the Iraqi national benchmark (INAS 6) highlights a direct and high-intensity link, a consequence of the adaptation of the national benchmark to a greater extent to international financial reporting standards (Table no. 4.6.).

**Table no. 4.6. IFRS – INAS 6 correlation table**  
**Correlations**

		IFRS	INAS6
IFRS	Pearson Correlation	1	.766**
	Sig. (2-tailed)		.000
	N	28	28
INAS6	Pearson Correlation	.766**	1
	Sig. (2-tailed)	.000	
	N	28	28

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: author processing using SPSS

As in the previous correlation, the cross-correlation (table no.4.7. And figure no.4.3.) Reveals a pro-cyclical movement and a non-zero lead / lag, but beyond zero, **which suggests that INAS 6 is advanced in taking over the provisions of IFRS but is far from registering a full compliance and confirms hypothesis no.2.**

**Table no.4.7. Cross correlation IFRS with INAS 6**  
**Cross Correlations**

Series Pair: IFRS with INAS6

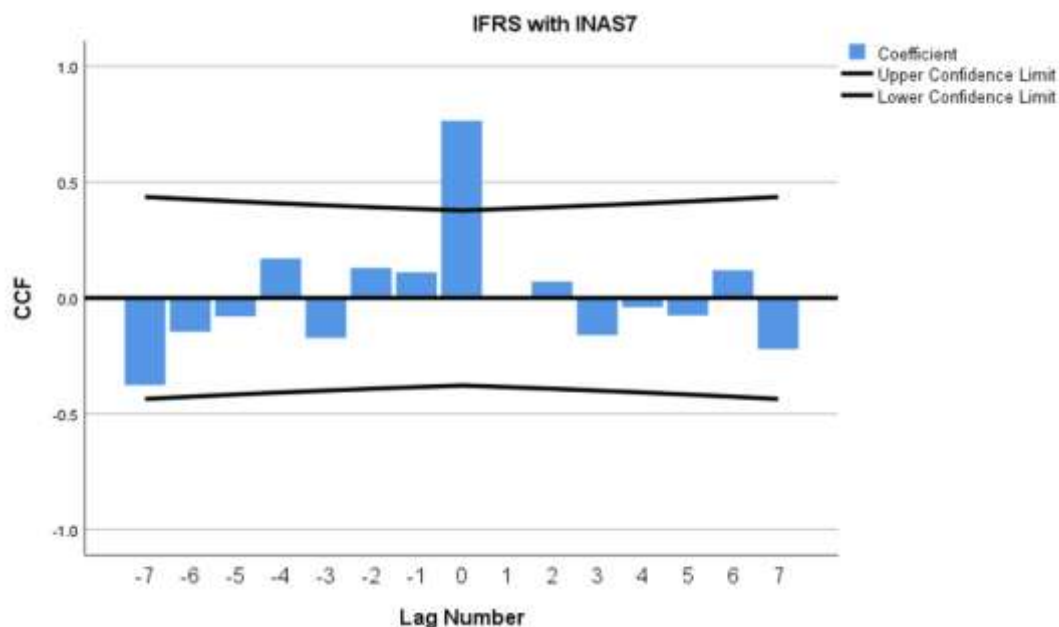
Lag	Cross Correlation	Std. Error <sup>a</sup>
-7	-.376	.218
-6	-.146	.213
-5	-.080	.209
-4	.170	.204
-3	-.173	.200
-2	.130	.196
-1	.111	.192



0	.766	.189
1	-.007	.192
2	.071	.196
3	-.161	.200
4	-.040	.204
5	-.075	.209
6	.120	.213
7	-.221	.218

a. Based on the assumption that the series are not cross correlated and that one of the series is white noise.

Source: author processing using SPSS



**Figure no.4.3. IFRS – INAS 6 cross-correlation**

Source: author processing using SPSS

**H3: There are statistically significant similarities or differences between US GAAP and INAS 6**

If INAS 6 is not in line with IFRS, is it in line with US GAAP given the Anglo-Saxon influence that comes from the historical peculiarities of Iraq?

The research shows that there is a direct but insignificant relationship between US GAAP and INAS 6, as can be seen from the correlation table (table no. 4.8.)

**Table no. 4.8. US GAAP – INAS 6 correlation table**  
**Correlations**

		USGAAP	INAS6
USGAAP	Pearson Correlation	1	.670**
	Sig. (2-tailed)		.000
	N	28	28
INAS7	Pearson Correlation	.670**	1
	Sig. (2-tailed)	.000	
	N	28	28

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: author processing using SPSS



The analysis of cross-correlation (table no.4.9. and figure no.4.4.) Shows us a direct link with relatively significant intensity, all the more so it does not show us a conformity, a word that can be replaced with identity, but we can speak of convergence because both rules are aimed at the same goal.

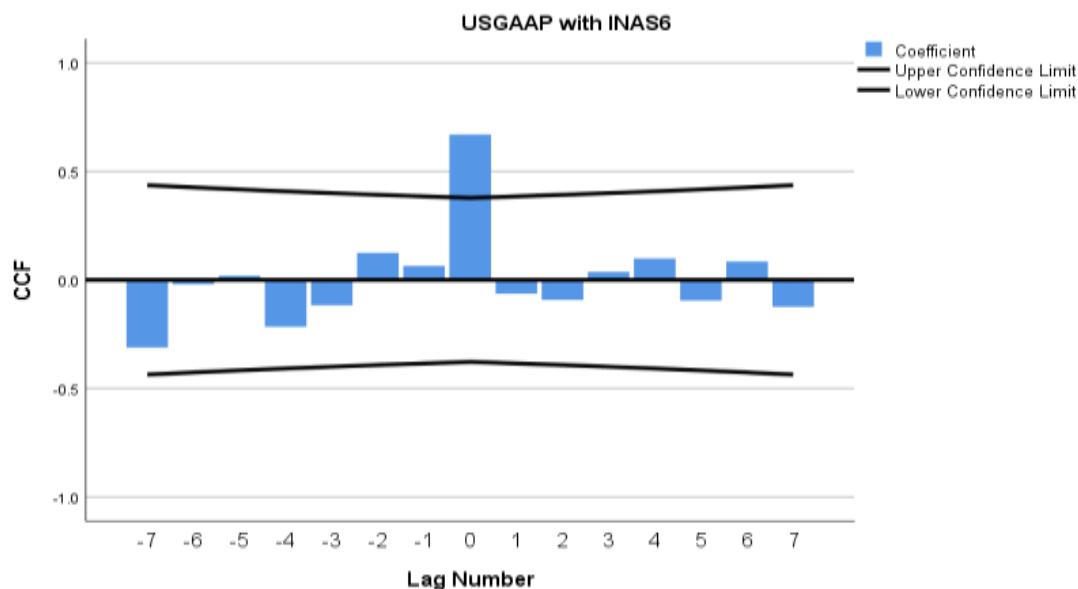
**Table no.4.9. Cross correlation US GAAP with INAS 6**  
**Cross Correlations**

Series Pair: USGAAP with INAS6

Lag	Cross Correlation	Std. Error <sup>a</sup>
-7	-.312	.218
-6	-.020	.213
-5	.019	.209
-4	-.216	.204
-3	-.117	.200
-2	.125	.196
-1	.064	.192
0	.670	.189
1	-.063	.192
2	-.093	.196
3	.037	.200
4	.099	.204
5	-.095	.209
6	.085	.213
7	-.124	.218

a. Based on the assumption that the series are not cross correlated and that one of the series is white noise.

Source: author processing using SPSS



**Figure no.4.4. US GAAP – INAS 6 cross correlation**

Source: author processing using SPSS

In Bayesian statistics (Al Shuybawee et al., 2017), the correlation coefficient is a standard measure of the association between two random variables. The Bayesian approach is an alternative for estimating correlation coefficients in which knowledge from

previous studies is incorporated to improve estimation (Bååth, R., 2013).

Bayesian inference is therefore the process of deducing properties about a population or probability distribution from data using Bayes' theorem.



Bayesian inference begins with a previous distribution for the parameter of interest. The previous distribution quantifies our belief about the possible values of the parameter before the observed data. The previous distribution is then updated with the received data to obtain the later distribution. The posterior distribution reflects everything we know about the possible values of the parameter after the data have been observed. Posterior distribution is a way of summarizing what we know about uncertain quantities in Bayesian analysis. It is a combination of the previous distribution and the probability function, which says what information is contained in the observed data.

The central backward trend, such as the mean, is often used as a point estimate for the parameter. The

posterior dispersion, such as variance, quantifies the estimation uncertainty: the larger the dispersion, the greater the parameter estimation uncertainty. A later probability, in Bayesian statistics, is the revised or updated probability that an event will occur after new information has been considered. The posterior probability is calculated by updating the previous probability using Bayes' theorem.

Using one of the features of SPSS 26, including the new Bayesian diagrams and statistics generation capabilities, we proceeded to determine the posterior distribution of the three analyzed variables (table no.4.10.)

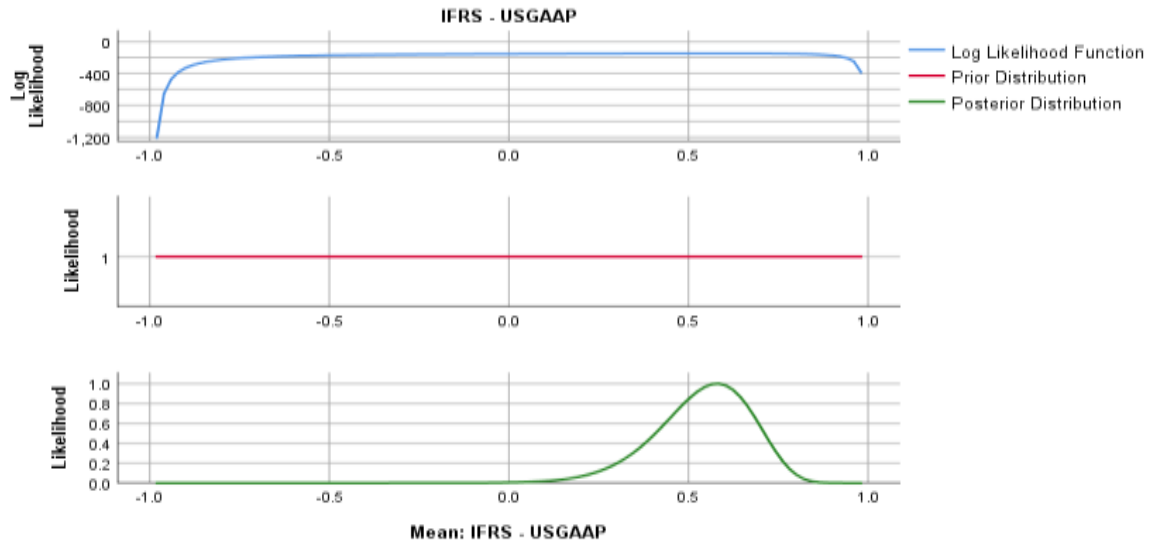
**Table no.4.10. Bayesian correlation table**  
**Posterior Distribution Characterization for Pairwise Correlations<sup>a</sup>**

			IFRS	USGAAP	INAS6
IFRS	Posterior	Mode		.580	.760
		Mean		.538	.724
		Variance		.017	.008
	95% Credible Interval	Lower Bound		.274	.542
		Upper Bound		.776	.881
	N			28	28
USGAAP	Posterior	Mode	.580		.663
		Mean	.538		.622
		Variance	.017		.013
	95% Credible Interval	Lower Bound	.274		.392
		Upper Bound	.776		.827
	N			28	28
INAS6	Posterior	Mode	.760	.663	
		Mean	.724	.622	
		Variance	.008	.013	
	95% Credible Interval	Lower Bound	.542	.392	
		Upper Bound	.881	.827	
	N			28	28

a. The analyses assume reference priors ( $c = 0$ ).

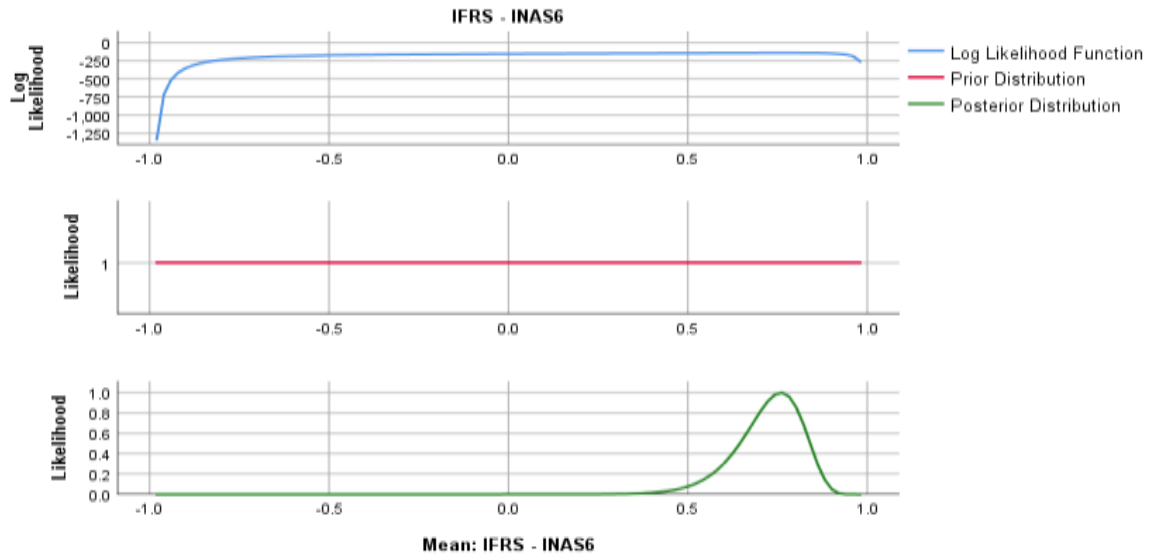
Source: author processing using SPSS

The three figures generated (figure no.5.5, 4.6 and 4.7) based on the above data, show that the dispersion on pairs of variables are correlated differently. To make these charts, we kept all the options as default, including a uniform precedent indicated by the flat red lines in the diagrams.



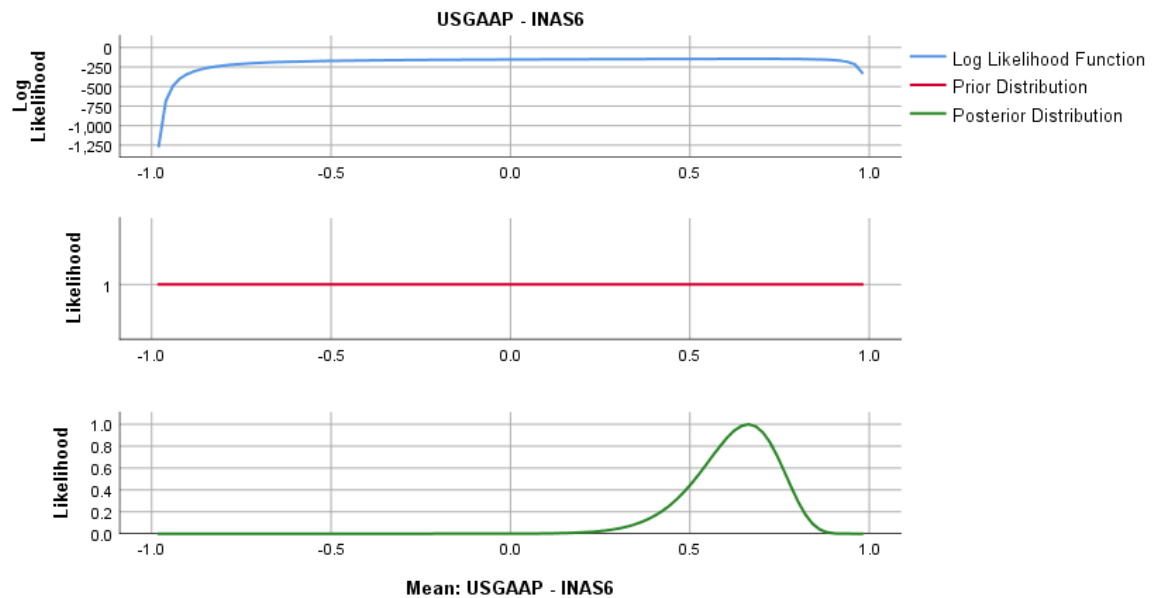
**Figure no.4.5. Bayesian correlation between IFRS and US GAAP**

Source: author processing using SPSS



**Figure no.4.6. Bayesian correlation between IFRS and INAS 6**

Source: author processing using SPSS



**Figure no.4.7. Bayesian correlation between US GAAP and INAS 6**

Source: author processing using SPSS

The credible 95% range of the Pearson correlation coefficient is between:

- 0.274 and 0.766 for the correlation between IFRS and US GAAP;
- 0.542 and 0.881 for the correlation between IFRS and INAS 7;
- 0.392 and 0.827 for the correlation of US GAAP and INAS 7

The generated distributions confirm the simple and cross-correlations presented above and confirm the central idea of the research that there are still steps to be taken until we can talk about the application of the same accounting rules by any entity, from any other corner of the world, especially by Iraq

## 5. CONCLUSIONS

The results of the statistical processing regarding the similarities and differences between the three IFRS references, US GAAP and INAS 6, show that at present we cannot speak of a conformity between them:

- although there have been important steps towards IFRS compliance with US GAAP, the Pearson coefficient (0.587) is significant at a level of 0.01 but the direct link that exists is less statistically significant (0.587);
- concerns over the adoption of IFRS by the Iraqi government have taken important steps, but this process is far from over, as evidenced by the Pearson ratio (0.760);

- the political and economic influences of Anglo-Saxon culture, as a result of the domination of Great Britain and later the United States over Iraq, have left their mark on the general accounting framework, which is largely present and is still present today. This explains why the Pearson coefficient of 0.663 on the link between US GAAP and INAS 6 reinforces the assertion that Iraqi accounting practice still retains a number of rules and procedures developed and imposed by UAS;

The results obtained from the statistical data processing lead us to believe that the economic and political upheavals that occur at the level of Iraq, as well as the involvement of the state through its standardization institutions in developing national standards other than the content of IFRS, will keep slowing down the financial implementation process and IFRS.

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