



ACCOUNTING MEASUREMENT AND DISCLOSURE OF DEFERRED INCOME TAXES AND ITS ROLE IN IMPROVING THE QUALITY OF FINANCIAL REPORTING: AN APPLIED STUDY AT CIHAN BANK FOR INVESTMENT AND FINANCE

Hayder Oudah Kadhim

Department of Accounting College of Administration and Economics, University of Al-Qadisiyah, Iraq,
hadier.saidy@qu.edq.iq.

Zainab Hadi Mahdi

Department of Accounting College of Administration and Economics, University of Al-Qadisiyah, Iraq,
zanib.almusawy@qu.edu.iq

Hayder Kareem Salim

Department of Accounting College of Administration and Economics, University of Al-Qadisiyah, Iraq,
Hayder.k.salim@qu.edu.iq

Article history:	Abstract:
Received: 10 th December 2022 Accepted: 8 th January 2023 Published: 14 th February 2023	The research aims to address an important issue of financial accounting, which is the measurement and accounting disclosure of deferred income taxes, and to demonstrate its role in improving the quality of financial reporting in a manner that is consistent with the changes accompanying the contemporary business environment, as well as positively affecting the decisions of internal and external users of accounting information. The research was applied in Cihan Bank for Investment and Finance for the period (2017-2020). The research reached a set of conclusions, the most important of which was that the accounting measurement and disclosure of deferred income taxes can help improve the quality of the information contained in the financial statements in a way that serves all users of this information. Reliance on it, and the management of the research sample banks understands the results that are reached as a result of measuring the quality of financial reporting, as well as the availability of sufficient time in these banks to measure the quality of financial reporting and provide appropriate information at the right time, in order to assist in making decisions at the appropriate times.

Keywords: Accounting measurement ,disclosure of deferred income taxes, quality of financial reporting.

1. INTRODUCTION

The deferred tax is paid as a liability in the coming financial periods, as is the case in the depreciation of fixed assets due to the difference in accounting depreciation rates from the tax, or it is recovered as an asset if you paid amounts in excess, and the aim of the accounting measurement and disclosure of the deferred tax is to determine the accounting treatment for income taxes and how to account for the effects The consequences of current taxes and future taxes related to the same period, as the difference between tax laws and legislation, accounting laws and systems resulted in the problem of asymmetry between each of the net accounting profit and tax profit, note that this difference varies from one country to another, as this results in temporary differences that may be tax assets or liabilities, which in turn can affect the net profit by increase or decrease. Therefore, it was necessary to disclose these differences in the lists and financial

statements prepared by the economic unit. Because these differences are considered assets of the person charged with paying the tax or the obligations arising from it, the current research came to address the issue of measurement and accounting disclosure of deferred income taxes in order to demonstrate the role of these taxes in improving the quality of financial reporting for companies.

The first topic: research methodology

1-1Research problem:

The research problem is represented by the lack of interest of Iraqi companies in general and Iraqi banks in particular in measurement and accounting disclosure of deferred income taxes, which can negatively affect the quality of financial reporting and thus the negative impact on investors' decisions, and we can express this problem through the following question: Is the measurement Does the accounting disclosure of deferred income taxes help



improve the quality of financial reporting?

2-1Research importance:

The importance of the research came from the importance of accounting measurement and disclosure of deferred income taxes and its effective role in improving the quality of financial reporting, as accounting measurement and disclosure of deferred tax is to determine the accounting treatment of income taxes and how to account for the effects of current taxes and future taxes related to the same period And thus help provide information that can help users in the decision-making process.

3-1Research objectives:

The research aims to address an important issue of financial accounting, which is the measurement and accounting disclosure of deferred income taxes, and to demonstrate its role in improving the quality of financial reporting in a manner that is consistent with the changes accompanying the contemporary business environment, as well as positively affecting the decisions of internal and external users of accounting information.

4-1Research hypothesis:

The research is based on the following hypothesis: (The accounting measurement and disclosure of deferred income taxes helps in improving the quality of financial reporting).

5-1Research sample:

The research sample is Cihan Bank for Investment and Finance for the period (2017-2020) in order to measure and disclose the accounting deferred income taxes in this bank and to indicate the role of that in improving the quality of financial reporting.

The second topic: the theoretical side of the research

2-1The concept and importance of deferred income taxes:

Deferred tax is viewed as a notional asset or liability that reflects the income tax of the company on the basis that it is the same or similar to the recognition of profits from the tax treatment. Deferred tax liabilities can arise as a result of a company's tax treatment of capital expenditure being faster than its handling of accounting decline (Beisland, et.al., 2015:42).

Deferred tax assets can arise as a result of net loss charges, which are recorded as an asset to be used in future financial periods. Some countries may allow discounts on specific assets or liabilities, and there are disclosure requirements for potential assets and liabilities that are not really considered assets or liabilities (Al-Ajili, 2013: 10).

And the income tax that is due to be paid or recovered in future periods according to the tax law, and this tax

is not considered one of the costs that must be deducted from the revenues that the company achieves during the accounting period (Kim & Shi, 2007:152).

This means that the deferred tax is paid as a liability in the coming financial periods, as is the case in the depreciation of fixed assets due to the difference in accounting depreciation rates from the tax, or it is recovered as an asset if you paid extra amounts (Hanlon, 2003: 833).

The aim of the deferred tax is to determine the accounting treatment for income taxes and how to account for the effects of current taxes and future taxes related to the same period for the economic unit (Al-Bilawi, 2019: 34).

It is known that the accounting profit is the net profit related to a specific financial period and extracted from the income statement prepared in accordance with accounting standards, before deducting income taxes, which is also known as profit before income tax or book profit (Hussein et al., 2020: 529).

As for the taxable profit, it is the net accounting profit related to a specific financial period after applying the provisions of the tax law to it from adding non-deductible costs from a tax point of view or deducting non-taxable revenues from it. In the light of this profit, the value of payable income taxes or refundable taxes is determined (Salman and Ali, 2014: 12).

The differences between the accounting profit and the taxable profit can be divided into two main parts, namely the temporary differences and the permanent differences, and these differences can be explained briefly and as illustrated by the following points:

1. Permanent differences: They are differences that arise as a result of treating some operations for tax purposes in a different way than their treatment for accounting purposes. Permanent differences are characterized by the fact that their effect is limited only to the financial period in which they occur.

2. Temporary differences: They are differences between the values of assets or liabilities included in the budget and their value for future tax purposes. These differences are characterized by the fact that their effect is not limited to the financial period in which they occur, but rather their impact is reflected in the following periods.

2-2Accounting measurement and disclosure of deferred income taxes:

Many researchers indicated that there are two ways to measure and treat deferred taxes, and these two methods can be clarified through the following: (Kabaliski, 2009:26)

1. The balance sheet method (tax liability): This method relies on calculating the temporary differences, as these differences, which arise in the current period and are reflected in the coming periods, reflect tax effects that are recognized by this method and are accounted for by finding the temporary differences between the value of The book asset and the tax basis for that is an asset, provided that



the value of this is estimated with high accuracy and objectivity (Abu Nassar & Humaidat, 2013: 209).

2. The income statement method (deferred taxes): This method is based on calculating the amount of deferred income tax on the applicable tax rates when the temporary differences arise, so that the deferred tax balance is not adjusted to reflect subsequent changes in tax rates, and this means that this method takes care of the effects The tax that can arise from temporary differences in the current year only (Salman and Ali, 2014: 7).

It should be noted that International Accounting Standard No. (12) prohibits the use of the deferral method in accounting for time differences between accounting requirements and requirements or tax bases for revenues and expenses in an economic unit, i.e. prohibits the adoption of the income statement method (deferred taxes) (Marcela, 2010:12) .

Therefore, the standard adopted the use of the balance sheet method (tax liability) in accounting for the temporary tax differences between the accounting requirements and the net tax bases through assets and liabilities, as the temporary differences that arise in the current period and are reflected during the coming periods reflect tax effects that are recognized by this method and are accounted for. By finding temporary differences between the recorded book value of the asset and the tax basis of the asset, provided that the value of this asset is estimated with appropriate reliability.

2-3The importance of accounting measurement and disclosure of deferred income taxes in improving the quality of financial reporting:

The accounting measurement and disclosure of deferred income taxes helps improve the quality of financial reporting, and this role can be clarified through the following: (IAS-12, 2012:19).

1. Explaining the relationship between tax expense or income and accounting profit through a numerical matching between tax expense or income and the result of multiplying the accounting profit by the applicable tax rate or rates and disclosing it separately.

2. With regard to each difference and each type of unused tax losses and unused tax deductions, the standard requires disclosure of the amount of deferred tax assets or liabilities recognized in the statement of financial position for each period presented.

3. With regard to deferred taxes recognized either in the statement of other comprehensive income or directly in equity, the standard requires disclosure separately of the total current or deferred tax that relates to items credited to the owners' equity account.

4. Disclosure separately of the components of tax expense or income that may include a group of things, namely current tax expense or income, any recognized

adjustments in the period for income tax from previous periods, and the amount of deferred tax expense or income that is due to the emergence and reflection of Temporary differences over the period.

When accounting disclosure, the distinctive nature of income taxes is taken into account, and accounting disclosure in the field of tax accounting indicates that the company should clearly disclose in its tax return submitted to the tax authority (Purina, 2016:386).

The researchers (Dechow & Dichev) presented in 2002 the accruals quality model for measuring the quality of financial reporting, which is based on the assumption that accruals are defined by operating cash flows, and this model can be explained as follows: (McNichols, 2002:63)

$$\text{Accruals}_{it} = \alpha + \beta_1 \text{CFO}_{it-1}/\text{TA}_{it-1} + \beta_2 \text{CFO}_{it}/\text{TA}_{it} + \beta_3 \text{CFO}_{it+1}/\text{TA}_{it+1} + \beta_4 \Delta \text{Revenue}_{it}/\text{TA}_{it} + \beta_5 \text{PPE}_{it}/\text{TA}_{it}$$

Where:

Accruals_{it}: the quality of accruals to bank i in year t.

CFO_{it-1}/TA_{it-1}: The ratio of operating cash flow for the previous year to total assets.

CFO_{it}/TA_{it}: The ratio of operating cash flow for the current year to total assets.

CFO_{it+1}/TA_{it+1}: The ratio of future operating cash flow to total assets.

ΔRevenue_{it}/TA_{it}: The percentage change in revenues to total assets.

PPE_{it}/TA_{it}: Percentage of fixed assets to total assets.

The estimated model was built in the above equation through the quality of accruals and profits, after adding the change in sales revenue and total fixed assets to the model, which significantly increases the explanatory power of the model, and reduces the measurement error and a better defined model through the results that will be reached (Han, 2008: 13).

Financial reporting is a process through which it is possible to provide appropriate and accurate information to its users, especially external ones, and to make decisions related to the policy adopted by the economic unit known and known by delivering this information to users in a timely manner in a manner that helps rationalize administrative decisions (Cheung, et.al., 2010:148).

The third topic: the applied side of the research 3-1An introductory profile of Cihan Bank for Investment and Finance:

Cihan Investment Bank was established in 2008 in accordance with the Iraqi Companies Law No. (21) of 1997 and its amendments, and the bank was opened in 2009, and Cihan Bank is a complete Islamic bank listed on the regular market of the Iraq Stock Exchange (ISX) since 2017 under the abbreviated name (BCIH) and symbol The company is in the international agency (ISIN-IQ000A2DN949)) and is subject to the disclosure standards of the Iraqi Securities Commission (ISC) and the Iraq Stock



Exchange, offering a wide range of Islamic banking products and services the bank sought to provide the best and unique banking services and develop them in accordance with the principles of Islamic law to customers from government institutions, companies and individuals in the new Iraq, including the governorates in the Kurdistan Region, and one of the strategic goals of the bank is to provide innovative financial solutions that are compatible with the provisions of Islamic law, and to prepare leaders and specialized cadres In the Islamic banking industry, investing in technology that reduces operational risks and working to implement the best international rules

and practices in banking, in addition to achieving strategic goals and developing the national economy in general.

3-2Accounting measurement and disclosure of deferred income taxes at Cihan Bank for Investment and Finance for the period (2017-2020):

In order to measure deferred income taxes and disclose them in Cihan Bank for Investment and Finance, it is necessary to determine the expenses paid in advance, the expenses due, the revenues received in advance, and the revenues due to this bank for the period (2017-2020), and this can be clarified through the following table:

Schedule (1): Expenses paid in advance and accrued and revenue received in advance and accrued to Cihan Bank for Investment and Finance for the period (2017-2020)

Details	2017	2018	2019	2020
Prepaid rent	1131466000	589759000	-	-
Other expenses paid in advance	147389000	152803000	653249000	598445000
Total expenses paid in advance	1278855000	742562000	653249000	598445000
Accrued expenses and salaries	334539000	169249000	-	11904000
Total expenses due	334539000	169249000	-	11904000

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

It is clear from the above table that the expenses paid in advance to Cihan Bank for Investment and Finance for the years 2017, 2018, 2019, 2020 were (1278855000), (742562000), (653249000), (598445000) dinars, respectively, while the expenses due for these years were (334539000), (169,249,000), (0), (11,904,000) dinars, respectively, and it should be noted that there are no due revenues and revenues received in advance during the research years.

In order to calculate the temporary deferred tax assets and liabilities of Cihan Bank for Investment and Finance for the period from 2017 to 2020, a set-off must be made between the accrued revenues and expenses, a set-off between the revenues received in advance and the expenses paid in advance, and the identification of the deferred temporary tax assets and liabilities in accordance with International Accounting Standard No. (12), and then make a clearing between the assets and the temporary deferred tax liabilities of the research sample bank, as shown in the following steps:

1. A set-off between the accrued revenues and the accrued expenses of the bank, the research sample: In order to calculate the net revenues (expenses) due to Cihan Bank for Investment and Finance for the period

(2017-2020), a set-off must be made between the accrued revenues and expenses by subtracting the accrued banks from the accrued revenues.

2. A set-off between the revenues received in advance and the expenses paid in advance to the research sample bank: In order to calculate the net revenues (expenses) received in advance (paid in advance) for the research sample bank, a set-off must be made between the revenues received in advance and the expenses paid in advance by subtracting the expenses from the revenues.

3. Determining the bank's temporary deferred tax assets and liabilities, the research sample: Here, the tax liabilities (assets) are determined from the accrued net revenues (expenses), and then the tax assets (liabilities) will be determined from the net revenues (expenses) received in advance (paid in advance) for the bank The research sample.

4. A set-off between the deferred tax assets and liabilities of the bank, the research sample: Here, the temporary deferred tax assets (liabilities) of Cihan Bank for Investment and Finance are calculated for the period (2017-2020). The deferred temporary tax assets (liabilities) can be clarified through the following table:

Schedule (2): The temporary deferred tax assets (liabilities) of Cihan Bank for Investment and Finance

Details	2017	2018	2019	2020
Net revenue (expenses) accrued ¹	-334539000	-169249000	0	-11904000
Net revenue (expenses) received in advance (paid in advance) ²	-1278855000	-742562000	653249000	-598445000
Tax liabilities (assets) from net accrued	50181000-	25387000-	0	1786000-



revenues (expenses) ³				
Tax assets (liabilities) from net revenue (expenses) received in advance (paid in advance) ⁴	191828000-	111384000-	97987000-	89767000-
Deferred temporary tax assets (liabilities) ⁵	141647000-	85997000-	97987000-	87981000-

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

1. Accrued revenue - accrued expenses = net accrued revenue (expenses).
2. Revenue received in advance - Expenses paid in advance = Net revenue (expenses) received in advance (paid in advance).
3. The amounts whose sign is positive are tax liabilities, while the amounts whose sign is negative are tax assets.
4. The amounts whose sign is positive are tax assets, while the amounts whose sign is negative are tax liabilities.
5. The amounts with a positive sign are deferred tax assets, while the amounts with a negative sign are deferred tax liabilities.

It is clear from the above table that Cihan Bank for Investment and Finance does not own any temporary deferred tax assets, but rather the presence of deferred tax liabilities for the years 2017, 2018, 2019, 2020 amounting to (141,647,000), (85,997,000), (97,987,000), (87,981,000) dinars. respectively.

In order to record the accounting entries for the assets and temporary deferred tax liabilities of the bank, the research sample, the matter requires identifying each of the assets and liabilities of the temporary deferred tax, income tax, and income tax payable, so with regard to the assets and liabilities of the temporary deferred tax, and the income tax of the bank in the research sample during the year 2020 was in the amount of (590,994,000) dinars, as for the income tax due to the bank, it was during the year 2020 an amount of (503,013,000) dinars, and accordingly.

3-3The impact of accounting measurement and disclosure of deferred income taxes on the financial statements of Cihan Bank for Investment and Finance:

During this paragraph, the impact of accounting measurement and disclosure of deferred income taxes on both the income statement and the financial position statement of Cihan Bank for Investment and Finance for the years 2019 and 2020 will be stated, as shown in the following paragraphs:

First: The impact of accounting measurement and disclosure of deferred income taxes on the income statement in Cihan Bank for Investment and Finance:

The income statement of the research sample bank can be prepared before and after measurement and accounting disclosure of deferred income taxes for the years 2019

Schedule (3): Income statement of Cihan Bank for Investment and Finance before and after applying the international standard (12) for the years 2019 and 2020

Details	2019		2020	
	Before measurement and accounting disclosure of deferred income taxes	After measurement and accounting disclosure of deferred income taxes	Before measurement and accounting disclosure of deferred income taxes	After measurement and accounting disclosure of deferred income taxes
Revenues:				
Income from Islamic finance	5079581000	5079581000	3112508000	3112508000
Commission	6239349000	6239349000	10290426000	10290426000
income and banking fees	616498000	616498000	-	-
investment	4577030000	4577030000	7684030000	7684030000
income	1819728000	1819728000	4095324000	4095324000



Revenue from foreign currencies				
Other income				
Total revenues	18332186000	18332186000	25182288000	25182288000
Expenses:				
personnel	4863064000	4863064000	4341940000	4341940000
expenses	3941980000	3941980000	4974437000	4974437000
General and administrative expenses	857875000	857875000	2028735000	2028735000
extinguishing taxes and fees	4630000	4630000	2560000	2560000
provision for credit risk	5825288000	5825288000	5000000000	5000000000
Allowance for impairment of investments	-	-	2500000000	2500000000
Other expenses	1896545000	1896545000	2659654000	2659654000
Distributions to depositors	2500000000	2500000000	2000000000	2000000000
total expenses	(17639382000)	(17639382000)	(21257326000)	(21257326000)
Current operations surplus (distributable)	692804000	692804000	3924962000	3924962000
It is distributed as follows:				
Income tax expense	189014000	189014000	590994000	590994000
capital reserve	29635000	29635000	166698000	166698000
Legal reserve	29635000	29635000	166698000	166698000
Expansions reserve	59270000	59270000	-	-
Retained earnings	385250000	196236000	3000572000	1818584000
Income tax due	-	91027000	-	503013000
Deferred tax liabilities	-	97987000	-	87981000
distributable surplus	692804000	692804000	3333968000	3333968000

Source: Prepared by the researcher based on the published financial statements of Cihan Bank for Investment and



Finance, the research sample for the years 2019 and 2020.

It is noted from the above table that the income tax due and tax assets and liabilities have affected the process of distributing the surplus of current operations after the application of the international standard, which gave more disclosure of the financial statements contained in the income statement of the research sample bank.

Schedule (4): A list of the financial position of Cihan Bank for Investment and Finance before and after applying the international standard (12) for the years 2019 and 2020

Second: The impact of accounting measurement and disclosure of deferred income taxes on the statement of financial position in Cihan Bank for Investment and Finance:

A list of the financial position of the research sample bank can be prepared before and after measurement and accounting disclosure of deferred income taxes for the years 2019 and 2020, as shown in the following table:

Details	2019		2020	
	Before measurement and accounting disclosure of deferred income taxes	After measurement and accounting disclosure of deferred income taxes	Before measurement and accounting disclosure of deferred income taxes	After measurement and accounting disclosure of deferred income taxes
Assets:				
Cash at the Central Bank of Iraq	237151329000	237151329000	393095489000	393095489000
Balances with banks	68831444000	68831444000	70945464000	70945464000
Islamic financing (net(	58872795000	58872795000	55926471000	55926471000
Good loans	53285000	53285000	14800000	14800000
investments (net(	36700000000	36700000000	37615131000	37615131000
Other assets	212953162000	212953162000	130661985000	130661985000
Intangible assets (net(	7227242000	7227242000	810332000	810332000
tangible fixed assets (net(	2882367000	2882367000	8094125000	8094125000
Debt settlement assets	272711000	272711000	969633000	969633000
Projects under implementation	7537004000	7537004000	11487154000	11487154000
Total assets	632481339000	632481339000	709629584000	709629584000
Liabilities and Equity:				
Liabilities:				
customer deposits	303328593000	303328593000	380603829000	380603829000
Banking insurances	32503924000	32503924000	42378775000	42378775000
Income tax due	-	91027000	-	503013000
Deferred tax liabilities	-	97987000	-	87981000
Other liabilities	1640781000	1640781000	1833902000	1833902000
Funding from the Central Bank allowances	700000000	700000000	500000000	500000000
Bank	2805745000	2805745000	6326910000	6326910000
total liabilities	340979043000	341168057000	431643416000	432234410000
Owners' equity:				
paid Capital	255000000000	255000000000	255000000000	255000000000
reserves	32041548000	32852534000	19524848000	18933854000
Retained earnings	3460748000	3460748000	3461320000	3461320000
Total equity	291502296000	291313282000	277986168000	277395174000
The sum of liabilities and equity	632481339000	632481339000	709629584000	709629584000



Source: Prepared by the researcher based on the published financial statements of Cihan Bank for Investment and Finance, the research sample for the years 2019 and 2020.

It is noted from the above table that the accounting measurement and disclosure of deferred income taxes affected the method of disclosure in the statement of financial position, where deferred tax assets were included in the assets section, while deferred tax liabilities and income tax due were included in the liabilities section, and therefore the application This standard has given more disclosure of the financial statements included in the statement of financial position of the bank, the research sample.

4-3 Measuring the quality of financial reporting in Cihan Bank for Investment and Finance after measurement and accounting disclosure of deferred income taxes:

The quality of financial reporting will be measured using the model (Dechow & Dichev, 2002) and according to the following model:

$$Accrualsit = a + \beta_1 CFOit-1/TAit-1 + \beta_2 CFOit/TAit + \beta_3$$

Schedule (5): Accrualsit to Cihan Bank for Investment and Finance for the period (2017-2020)

Details	2017	2018	2019	2020
The ratio of the previous year's operating cash flow to total assets	0.3396400	-0.073510	0.2014900	-0.075380
The ratio of operating cash flow for the current year to total assets	-0.079510	0.1931600	-0.084580	0.254940
The ratio of future operating cash flow to total assets	0.0066100	0.2286500	-0.076920	0.2282200
Percentage change in revenues to total assets	-0.011930	-0.017860	-0.009970	0.0096500
Percentage of fixed assets to total assets	0.0027700	0.0019300	0.0045600	0.0114100
Accrualsit	0.2575800	0.3323700	0.0345800	0.4288400

Source: prepared by the researcher.

It is clear from the above table that the quality of the accruals expressing the quality of the financial reporting of Cihan Bank for Investment and Finance for the years 2017, 2018, 2019, 2020 were (2575800), (0.3323700), (0.0345800), (0.4288400) respectively, and this indicates the quality of the express accruals On the quality of the financial reporting of banks, the research sample during the research period extending from 2017 to 2020, through which the beneficiaries of the financial statements can know the accuracy of the bank's disclosure of its dues. It is noted from the foregoing that all the financial data required to measure the quality of financial reporting are available in the research sample

$$CFOit+1/TAit+1 + \beta_4 \Delta Revenueit/TAit + \beta_5 PPEit/TAit$$

Where:

Accrualsit: the quality of accruals to bank i in year t.

CFOit-1/TAit-1: The ratio of the previous year's operating cash flow to the total assets of bank i in year t-1.

CFOit/TAit: The ratio of current year's operating cash flow to total assets of bank i in year t.

CFOit+1/TAit+1: The ratio of future operating cash flow to total assets of bank i in year t+1.

$\Delta Revenueit/TAit$: the percentage change in revenues to total assets of bank i in year t.

PPEit/TAit: the ratio of fixed assets to total assets of bank i in year t.

The matter requires calculating each variable of the model, and the values of these variables can be clarified for the research sample bank for the period (2017-2020) through the following table:



The fourth topic: conclusions and recommendations

4-1 Conclusions:

1. Deferred tax is a notional asset or liability that reflects the company's income tax on the basis that it is similar to the recognition of profits from the tax treatment, and deferred tax liabilities arise as a result of the company's tax treatment of capital spending that is faster than dealing with accounting decline.
2. Deferred tax assets arise as a result of net loss charges, which are recorded as an asset to be used in future financial periods. Therefore, potential assets and liabilities that are not actually assets or liabilities must be disclosed.
3. The temporary differences that arise in the current period and are reflected in the coming periods reflect tax effects that are recognized by this method and are accounted for by finding the temporary differences between the recorded book value of the asset and the tax basis of the asset, provided that the value of this asset is estimated with appropriate reliability.
4. The balance sheet method, or the so-called tax liability method, is the best because this method relies on calculating the temporary differences that arise in the current period and are reflected in the coming periods, which reflect recognized tax effects.
5. The accounting measurement and disclosure of deferred income taxes helps in improving the quality of financial reporting in a manner that is in line effectively and efficiently with the developments and changes that accompanied the contemporary business environment.

4-2 Recommendations:

1. The need for measurement and accounting disclosure of deferred income taxes, as well as the distinction between accounting and taxable profit, in addition to addressing the differences that arise as a result of the difference between local tax laws and their counterparts in accordance with international standards.
2. Reforming the unified accounting system in a manner that is compatible with the emerging conditions in the country's economy to be able to introduce and apply international accounting standards in a manner that enables accounting measurement and disclosure of deferred income taxes.
3. The need to establish a supervisory body that works to monitor the quality of financial reporting in the banking sector, provided that the information disclosed is of the required quality from the point of view of the bank's management and other users.

4. Provide scientifically and practically qualified human cadres to enhance the quality of financial reporting and seek to provide information to users with the highest possible quality in order to enable them to make rational administrative decisions.

5. The interest of Cihan Bank for Investment and Finance in the quality of financial reporting in a way that helps make accounting information more appropriate to the needs of all users without distinguishing between internal and external users.

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