World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 30, January, 2024
ISSN: 2749-3628,

THE IMPACT OF IFRS ADOPTION ON EARNINGS QUALITY FOR A SAMPLE OF COMMERCIAL BANKS LISTED ON THE IRAQ STOCK EXCHANGE

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Article history:

Received: 11th November 2023
Accepted: 10th December 2023
Published: 20th January 2024

Abstract:

The study aimed to identify the impact of the International Financial Reporting Standards (IFRS) on the quality of profits in a sample of banks listed on the Iraq Stock Exchange. The study dealt with the method of analyzing the information content of the annual financial statements published on the Iraq Stock Exchange website, which number (46) banks. (15) banks were chosen as a sample for the study for the period (2012-2022). This sample was determined according to two basic conditions: the availability of financial statements for the year 2021 and the banks' continuation of disclosing their data for the specified years without interruption. The independent variable was measured by international financial reporting standards (IFRS) with a value of (1.0), and the second variable (quality of earnings) was measured with the model (Kothari et al., 2005), which is the quality of benefits. Data analysis was also conducted through the use of statistical methods and tools and the statistical program (stata), and the study concluded there is a positive moral relationship between the adoption of international financial reporting standards and the quality of profits. This means that the greater the trend towards adopting international financial reporting standards is accompanied by an increase in the levels of quality of profits. The study recommended obliging banks listed on the Iraqi Stock Exchange to implement international financial reporting standards. When preparing financial statements for the purpose of providing useful accounting information to the users of those lists, we also work to increase the awareness of investors and company managements about the importance of applying standards that will improve the quality of profits, through workshops, training courses, and scientific seminars

Keywords: IFRS, earnings quality

1. INTRODUCTION

The end of the past years has witnessed a significant increase in the volume of global trade. The business environment has become characterized by economic globalization, the expansion of global financial markets and the growth of multinational companies. The removal of barriers that hinder international travel has encouraged foreign direct investment. All of these factors have influenced accounting as a science and a profession. In many areas, especially the differences and differences in accounting practices around the world, which in turn generated enormous efforts by accounting standard-setting bodies around the world to develop the science of accounting, unify accounting treatments, and eliminate differences between countries so that there is a single set of global accounting standards.

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Vol. 30, January, 2024
ISSN: 2749-3628,

In light of the rapid developments in the field of global business and trade that the world is witnessing in the twenty-first century, accounting has become one of the basic sciences that has an important and prominent role due to the financial and non-financial information it provides that helps many relevant parties to make rational economic decisions and prepares reporting standards. International finance is one of the most widespread accounting fields in the world. Many accounting studies have confirmed that adopting international financial reporting standards will contribute to reducing differences between countries in preparing financial reports, strengthening the comparability of financial information, improving its interpretive ability as an indicator of the performance of economic units, reducing its cost, and reducing information asymmetry. Private Iraqi banks listed on the Iraq Stock Exchange have adopted the application of the standards.

Given the openness of the Iraqi economy to the international environment, as the banking sector is considered the main engine of national economic development, we find that the International Monetary Fund, within the financial and economic reform initiative signed with the Central Bank of Iraq, focused on improving financial reporting requirements in private banks by applying international financial reporting standards. (IFRS), which is a step towards keeping pace with developments in the field of accounting, and seeking to open Iraqi and financial markets to global financial markets, attracting foreign investments and capital, and economic development represents an indicator of the efforts of governments in their quest to achieve social welfare,

It is expected that the application of international financial reporting standards reduces opportunistic behavior to manipulate earnings and change accounting policies and thus increases the quality of earnings.

2. METHODOLOGY

This section explains the context of the research process and highlights understanding the scientific methodology on which the research will be based on it. So, this section reviews the problem of the research, its importance, its objectives, its limitations, data collection techniques, hypotheses, and the research model.

2.1 Research Problem

Users of financial statements, including stakeholders in economic units, realized the futility of relying on the quantity of profits without taking into account the quality of these profits. Given the differences in accounting policies and the presence of loopholes in many of them that enable management to use them in managing profits and thus reducing the quality of profits, the need has emerged to adopt international standards. A unified system for preparing financial reports that is characterized by transparency and quality of information, and thus the quality of profits that users of financial statements need. Hence the need to apply international financial reporting standards, which have developed significantly over the current decades.

Because published financial reports are among the most important sources that investors rely on to obtain information about the company's performance and financial position, they have a growing need to feel more confident in the information contained in these reports. However, it is noted that some companies, in order to achieve private gains, tend to To conduct earnings processing, which is called earnings management, so that earnings appear relatively good, and these practices may lead to a loss of the reliability and transparency of financial reports. Therefore, the research problem can be summarized in the following question:

Does the application of international financial reporting standards affect the reduction of earnings management practices of commercial banks in the Iraqi environment?

2.2 Research Importance:

The research derives its importance from the recent experience of adopting International Financial Reporting Standards (IFRS) for private banks listed on the Iraqi Stock Exchange, which may affect the quality of profits negatively, which may cause them problems that affect their continuity and expose them to several risks. Therefore, this study came to demonstrate the impact of applying these Standards in earnings quality.

2.3 Research Aim:

The research seeks to study the impact of applying the International Financial Reporting Standards (IFRS) on the earnings quality in the banking sector in the Iraqi environment.

2.4 Research limitations:

Spatial boundaries: The contact person listed on the Iraq Stock Exchange was selected on the ground and expects its own work and included according to internationally influential and influential standards and the presence of international insurance.

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Temporality: The temporal limits of the research are limited to the years (2012-2022) due to the availability of data consistent with the research.

2.5 Research variables

- Independent variable

The independent variable in this research is the International Financial Reporting Standards (IFRS), where the researcher relied on calculating IFRS through a dummy binary variable that takes (1) if the company applies IFRS, otherwise it takes (0).

- Dependent variable

The dependent variable in this study is the quality of profits, as the researcher relied on two variables to measure the quality of profits:

Quality of Earnings The researcher relied on the quality of receivables as a measure of the quality of earnings by taking advantage of the Jones model (1991) modified by Kotari et al. (2005), as shown in the model below:

$$\frac{\mathrm{TCC_{it}}}{\mathrm{Asset_{it-1}}} = \beta_0 + \beta_1.\frac{1}{\mathrm{Asset_{it-1}}} + \beta_2.\frac{\Delta\mathrm{Rev_{it}} - \Delta\mathrm{Rec_{it}}}{\mathrm{Asset_{it-1}}} + \beta_3.\frac{\mathrm{PPE_{it}}}{\mathrm{Asset_{it-1}}} + \beta_4.\mathrm{ROA_{it}} + \varepsilon_{\mathrm{it}}$$

$ACC_{i.t}$: Total accruals are the difference between operating profit and operating cash flow.
$Asset_{i.t-1}$: Total assets at the beginning of the year.
$\Delta Rev_{i.t}$: Change in revenues (current year's revenues – previous year's revenues).
$\Delta Rec_{i.t}$: Change in the receivables account (current year's debtors - previous year's debtors).
$PPE_{i.t}$: Assets at book value.
$ROA_{i.t}$: Return on assets.
$\varepsilon_{i.t}$: The estimation error (residuals).

The standard deviation of the residuals between the current year and the previous 4 years represents the quality of the receivables. The higher the standard deviation, the lower the quality of the receivables.

Earnings Quality The researcher relied on earnings fluctuations as a measure of earnings quality, which is a measure of the continuity and stability of earnings. Continuous and stable earnings are required from the investors' point of view because of their continuity (Francis et al., 2005; Dejev and Tank, 2009), and as shown in Model (2):

$$Vol(\Delta E)_{t.i} = \sigma\left(\frac{NIBE_{t.i} - \mathrm{NIBE}_{t.i-1}}{\mathrm{Asset}_{t.i-1}}\right)$$

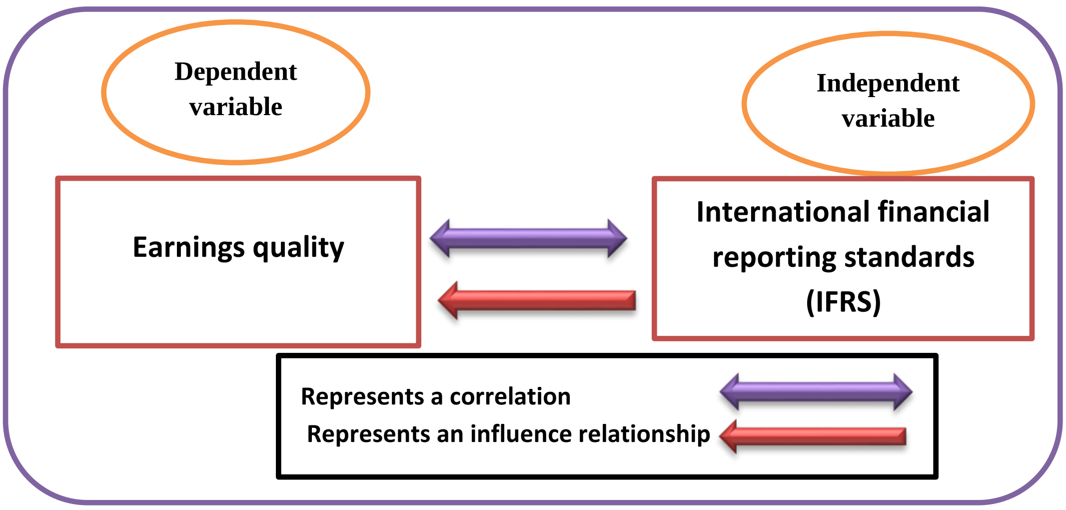
$Vol(\Delta E)_{t.i}$: Earnings volatility.
$NIBE_{t.i}$: Net profit before transfer and other income.
$\mathrm{Asset}_{t.i-1}$: Total assets.

Earnings fluctuations are considered an inverse measure of the quality of earnings, and therefore a decrease in them gives an indication of a high quality of earnings.

Regulatory variables: Regulatory variables can be explained as follows

1- The size of the bank.
2- Financial leverage.
3- Increase capital.
4- Return on assets.
5- The age of the bank.
6- Losses.
7- The ratio of market value to book value.

2.6 Research model



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Available Online at: https://www.scholarexpress.net
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Fig. 1. Research model

2.7 Research Hypotheses

In order for the research to achieve the objective that were set previously, the hypotheses shown in Table (1) were formulated.

NO.	Hypotheses
H1	There is a positive, statistically significant relationship between the application of International Financial Reporting Standards (IFRS) and the Earnings quality
H1a	There is a positive, statistically significant relationship between the application of International Financial Reporting Standards (IFRS) and the Earnings quality (quality of accruals).
H1b	There is a positive, statistically significant relationship between the application of International Financial Reporting Standards (IFRS) and the Earnings quality (profit fluctuations).

3. THEORETICAL FRAMEWORK:-

3.1 International Financial Reporting Standards (IFRS)

The global trend towards adopting the application of international financial reporting standards is one of the most important regulatory changes in the preparation of financial reports, as it aims to increase investors' confidence in these reports by improving the comparability of accounting information, increasing its transparency, and reducing information asymmetry, as it reduces the incentives to search for private information. It also reduces its quantity compared to publicly available information (Al-Otaibi et al., 2013)

The International Accounting Standards Board (IASB) has set forth standards (IFRS), which represent a unified set of high-quality, internationally accepted standards based on clear and specific principles and aim to increase the level of transparency and comparability between companies at the international level. The first international financial reporting standard was issued in 2003 under the title "International Financial Reporting Standards Adopted for the First Time (IFRS1)," which was then followed by the issuance of the rest of the standards, bringing their number to seventeen standards so far.

1- Objectives of the International Financial Reporting Standards (IFRS):-

There are two main goals for implementing International Financial Reporting Standards (IFRS) with regard to the financial aspect, which are improving transparency and increasing comparability, in a way that improves the efficiency of the financial market and contributes to economic development (Bruggemann et al., 2013).

The most important objectives of international financial reporting standards are (Almaaeni, 2020:12):

(1) Building trust and public confidence in the financial reporting process, through producing standards and ensuring their international adoption and implementation, along with applying those standards with a high level of professionalism.

(2) Unifying financial reporting standards around the world by creating a set of rules and principles that apply in all countries, and that support transparency for international investors.

(3) Help reduce differences in how companies and auditors in different countries integrate and apply IFRS, particularly to enhance consistency in the measurement of assets and liabilities for financial reporting purposes.

(4) Organizing the disclosure process in financial statements to its users, relying on specific and clear procedures.

(5) Providing international investors with a clear understanding of the financial reports and evaluation results contained in those statements.

(6) Enhancing the reliability and objectivity of information provided to financial markets.

2- The importance of applying international financial reporting standards (IFRS):-

(Shipper & Vincent, 2003) believe that the bankruptcy of Enron and other international companies led to an increase in the importance of accounting standards and financial reporting standards, as investors began to demand more transparent financial reports that would allow them to determine the economics of the operations occurring in the company, in a way that would not enable these investors to Determine the risks and rewards of their investments.

The importance of applying international financial reporting standards is as follows (Meligy, 2013):

(1) Making the local environment attractive for investment of all kinds, as the foreign investor relies and trusts the financial statements based on

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international accounting standards, which enable him, at the lowest cost, to compare them with their counterparts in other countries.

(2) Providing an appropriate investment climate in which there is security, democracy, and transparency in financial information, which helps in attracting foreign investments and the institution's ability to present an honest picture of its financial position, measure its efficiency, and know changes in its financial position in exchange for legal obligations.

(3) The financial statements that will be prepared based on international financial reporting standards will have a positive impact on decision makers and users.

(4) The increasing need for capital to implement various economic activities, and the need of investors for financial information about their investments in stock exchanges, so it is necessary to apply unified accounting standards so that they can understand the financial information.

(5) Applying international financial reporting standards contributes to the advancement of any country in general, and makes its institutions compete regionally, locally, and globally, as a result of its great positive impact on the globalization of companies, and controlling professional practice in it so that it is ethical in a way that helps in reducing financial corruption.

3.2 Earnings quality

The concept of earnings quality is one of the basic concepts in accounting thought, but so far there is no specific and precise definition of accounting earnings quality (Dichev et al., 2014; Perotti, Wagenhofer, 2014). It is a multifaceted concept (Eliwa et al., 2016). There are many definitions provided by researchers in accounting thought, and this difference came for several reasons, the most important of which is the difference in their point of view regarding the characteristics that profits contain, as some used the continuity of profits as a measure of their quality, and others believe that the quality of profits is achieved by the absence of profits from earnings management practices (Abdel Halim, 2021). .

The concept of earnings quality varies according to the point of view of users of financial reports, including current investors, lenders, and creditors, in addition to accounting standard setters. Accounting standard setters and auditors believe that the quality of profits is achieved if they are disclosed in accordance with generally accepted accounting principles and standards (GAAP), while creditors believe that the quality of profits is linked to generating sufficient cash flows to cover the entity's obligations towards them (Al-Gawhary, 2021). Although accounting research and studies agree on the importance of the quality of accounting profits, they differ in defining its nature, nature, and how to measure it. As it can be considered an unclear and non-specific concept, the Financial Accounting Standards Board (FASB) defined it as profits that are characterized by the following characteristics: (predictive value, appropriate timing, neutrality, feedback, and the ability to express economic events). The International Accounting Standards Board (IASB) also defined it as profits that help achieve the objectives of financial reporting in general and the objectives of financial reporting of accounting numbers in particular.

Previous studies have relied on presenting the concept of earnings quality according to their own perceptions regarding the nature of the goals to be achieved by the user of financial reports, such as the goals related to using financial reports to evaluate the current financial performance of the facility, as well as predicting its ability to continue and achieve future profits. Barth et al. (2008) pointed out that good profits are those profits that are free from earnings management practices and accounting bias, and that accounting profits are characterized by quality when they reflect an honest representation of the economic transactions and events that are appropriate for a particular decision of a particular decision maker.

(Dechow et al. 2010) defined earnings quality as the earnings number that provides us with more information about the features and image of the company's financial performance, which is linked to investment decision-making by managers and decision makers. Demerjan et al. 2012 also defined it as the ability of profits announced in Expressing the company's true performance, the extent of its continuity of profits, and the extent of the ability to predict profits in the future, is a good indicator of the company's performance and a good expression of its value.

Earnings quality can also be defined as the profits disclosed in the income statement that are a good indicator of future profits (Lymo, 2014), meaning that this definition considers that high-quality profits are profits that enable reasonable predictions of future profits. Mary (2017) believes that earnings quality is the ability of disclosed earnings to help predict the future performance of the facility. The quality of profits is also defined as the continuation of the

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current level of profits in subsequent cycles (Ramadan, 2015), meaning that the stability and continuity of profits from year to year is evidence of their quality and that they are not circumstantial or temporary profits. The study by Ohlson, Feltham (2016) dealt with the concept of earnings quality as the extent to which the profits announced by the company honestly and fairly reflect the company's real profits.

Carvalho et al (2017) defined earnings quality as a measure of how earnings are classified; High quality profits indicate high cash flows resulting from high sales volume and low operating or investment costs, while profits resulting from accounting practices or inflation are considered an artificial source of profits and such profits are classified as low quality profits. Revani (2018) believes that the quality of profits means the potential growth in profits, and the amount likely to be achieved from future profits. In other words, the value of shares does not depend only on the earnings per share in the same year, while it also depends on future expectations and profitability in future years. The quality of earnings is also defined in terms of their freedom from error. Earnings are of high quality if they accurately reflect the economic reality according to generally accepted accounting principles, include some long-term estimates, are subject to high-quality review, and have a strong governance structure. The credibility of management is the main determinant of the quality of earnings (Wells, 2020).

4. DATA ANALYSIS AND HYPOTHESIS TESTING

4.1 Descriptive Statistics:

The researcher conducted a descriptive analysis using a number of descriptive statistical measures, which are as follows:

1. Measures of central tendency: where the arithmetic mean was tested; because it is one of the most famous, common and widely used measures of central tendency.
2. Measures of dispersion: A distinct measure that is widely used and valid in many cases was used: the standard deviation.
3. Highest and lowest value.

Table (2) Descriptive statistics:

variable	Sample size	Mean	Std. dev	Min	Max
$EQ_{t.i}$	150	0.38	0.4870125	0	1
$DIFRS_{t.i}$	150	0.6	0.4915392	0	1
$ROA_{t.i}$	150	0.136165	0.0204255	0.0376064	0.0870264
$SIZE_{t.i}$	150	27.08563	0.4375693	26.31385	28.23397
$LEV_{t.i}$	150	0.5137316	0.1637649	0.1822163	0.840655
$SEO_{t.i}$	150	0.3266667	0.4705654	0	1
$LOSS_{t.i}$	150	0.16	0.3678342	0	1
$Age_{t.i}$	150	2.865636	0.3238286	1.94591	3.367296
$MTB_{t.i}$	150	0.5427531	0.400461	0	1.936994

4.2the correlation coefficients for the variables of the initial hypothesis testing model:

Correlation coefficients for the variables of the first sub-hypothesis model: Table (3)

variable	$EQ_{t.i}$	$DIFRS_{t.i}$	$ROA_{t.i}$	$SIZE_{t.i}$	$LEV_{t.i}$	$SEO_{t.i}$	$LOSS_{t.i}$	$Age_{t.i}$	$MTB_{t.i}$
$EQ_{t.i}$	1.000	-0.9588	0.5262	0.0219	0.2576	0.7433	-0.2667	-0.4439	0.6558
$DIFRS_{t.i}$	-0.9588	1.000	-0.5082	-0.0034	-0.2238	-0.7660	0.2450	0.4572	-0.6494
$ROA_{t.i}$	0.5262	-0.5082	1.000	0.0265	0.1792	0.4098	-0.5586	-0.2652	0.5192
$SIZE_{t.i}$	0.0219	-0.0034	0.0265	1.000	0.8624	-0.0120	-0.0957	0.0952	0.3523
$LEV_{t.i}$	0.2576	-0.2238	0.1792	0.8624	1.000	0.1245	-0.1657	0.0058	0.4603
$SEO_{t.i}$	0.7433	-0.7660	0.4098	-0.0120	0.1245	1.000	-0.2264	-0.4018	0.5280
$LOSS_{t.i}$	-0.2667	0.2450	-0.5586	-0.0957	-0.1657	-0.2264	1.000	0.0939	-0.3890
$Age_{t.i}$	-0.4439	0.4572	-0.2652	0.0952	0.0058	-0.4018	0.0939	1.000	-0.3563
$MTB_{t.i}$	0.6558	-0.6494	0.5192	0.3523	0.4603	0.5280	-0.3890	-0.3563	1.000

Correlation coefficients for the variables of the second sub-hypothesis model: Table (4)

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Variable	$EQ_{t.i}$	$DIFRS_{t.i}$	$ROA_{t.i}$	$SIZE_{t.i}$	$LEV_{t.i}$	$SEO_{t.i}$	$LOSS_{t.i}$	$Age_{t.i}$	$MTB_{t.i}$
$EQ_{t.i}$	1.000	-0.0436	0.3926	-0.0359	0.0964	0.0792	-0.0795	-0.0722	0.0868
$DIFRS_{t.i}$	-0.0436	1.000	-0.5082	-0.0034	-0.2238	-0.7660	0.2450	0.4572	-0.6494
$ROA_{t.i}$	0.3926	-0.5082	1.000	0.0265	0.1792	0.4098	-0.5586	-0.2652	0.5192
$SIZE_{t.i}$	-0.0359	-0.0034	0.0265	1.000	0.8624	-0.0120	-0.0957	0.0952	0.3523
$LEV_{t.i}$	0.0964	-0.2238	0.1792	0.8624	1.000	0.1245	-0.1657	0.0058	0.4603
$SEO_{t.i}$	0.0792	-0.7660	0.4098	-0.0120	0.1245	1.000	-0.2264	-0.4018	0.5280
$LOSS_{t.i}$	-0.0795	0.2450	-0.5586	-0.0957	-0.1657	-0.2264	1.000	0.0939	-0.3890
$Age_{t.i}$	-0.0722	0.4572	-0.2652	0.0952	0.0058	-0.4018	0.0939	1.000	-0.3563
$MTB_{t.i}$	0.0868	-0.6494	0.5192	0.3523	0.4603	0.5280	-0.3890	-0.3563	1.000

4.3 Testing Hypotheses:

Before conducting a regression model test, the appropriate method for testing this model must be determined, as the nature of the time-segment analysis of Panel Data requires choosing between one of the methods for running the study models, namely: the fixed effects model method (Random Effects method) and the restricted method.
To ensure that the correct test method was chosen, the Hausman Test was conducted to compare between the fixed effects model method, the random effects method, and the restricted method, as shown in Table (3).

Table. (5): Hausman Test:

Test type	Test value	Prob.
Hausman	**1.06**	**0.9938**

According to the table above for the results of the Hausman test, the Random Effects method is better and more suitable for testing the model, as the null hypothesis that the Random Effects model is more appropriate is not rejected. In general, as long as the number of time series data (10 years) is less than the number of deterministic units of 15 banks drawn as a random sample from a larger population, it is better to use the random effects method.

The first sub-hypothesis(H1a):

Through the above, the results of testing the first sub-hypothesis model are presented (there is a positive, statistically significant relationship between the application of International Financial Reporting Standards (IFRS) and earnings quality (earnings management).

Table (6): Results of the initial sub-hypothesis test:

Prob.	t-statistic	Coefficient	Variable	
0.007	2.72	.6514409	Fixed part	**C**
0.002	3.10	.0223709	International Financial Reporting Standards	$DIFRS_{t.i}$
0.000	5.98	.7480208	Rate of return on assets	$ROA_{t.i}$
0.006	-2.82	-.0262392	Bank size	$SIZE_{t.i}$
0.002	3.13	.0783094	Leverage	$LEV_{t.i}$
0.222	1.23	.0075661	Capital increase	$SEO_{t.i}$
0.016	2.43	.0150237	Losses	$LOSS_{t.i}$
0.608	-0.51	-.0033659	Age of the bank	$Age_{t.i}$
0.854	-0.18	-.0013577	The ratio of market value to book value	$MTB_{t.i}$
6.68			F-statistic	
0.0000			Prob (F-statistic)	
0.2336			Adjusted R-squared	
.02244			Durbin-Watson stat	

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The second sub-hypothesis(H1b) :

Through the above, the results of testing the second sub-hypothesis model are presented (there is a positive, statistically significant relationship between the application of international financial reporting standards (IFRS) and earnings quality (earnings management).

Table (7): Results of the second sub-hypothesis test:

Prob.	t-statistic	Coefficient	Variable	
0.10	**2.59**	**3.775065**	Fixed part	**C**
0.000	-19.57	-.8590864	International Financial Reporting Standards	$DIFRS_{t.i}$
0.324	0.99	.7539742	Rate of return on assets	$ROA_{t.i}$
0.046	-2.01	-.1140131	Bank size	$SIZE_{t.i}$
0.016	2.44	.3723765	Leverage	$LEV_{t.i}$
0.467	0.73	.0273328	Capital increase	$SEO_{t.i}$
0.864	-0.17	-.0064402	Losses	$LOSS_{t.i}$
0.825	-0.22	-.0088171	Age of the bank	$Age_{t.i}$
0.319	1.00	.0447796	The ratio of market value to book value	$MTB_{t.i}$
219.59			F-statistic	
0.0000			Prob (F-statistic)	
0.9215			Adjusted R-squared	
.13646			Durbin-Watson stat	

This result is also consistent with the results of studies (Murtini & Lusiana.2016; Baig & Khan.2016; Hasan & Rahman.2017; Wijayana&Gray.2019) who indicated that the relationship between the application of international financial reporting standards and the quality of profits is positively related, and that the reason is The existence of this positive relationship is that the International Financial Reporting Standards (IFRS) require some standards regarding accounting recognition and measurement that provide a faithful representation of the financial position of companies and reduce information asymmetry, which improves the quality of earnings.

The researcher believes that the application of international financial reporting standards (IFRS) can affect the level of discoverability of earnings management by improving the quality and comparability of financial reports, and therefore the application of international financial reporting standards works to increase the quality of earnings.

While this result differs from some previous studies that indicated that there is a negative (inverse) relationship between the application of international financial reporting standards and the quality of profits, and among these studies (Abbas, 2022; Hadi, 2022), these studies found an effect with significant statistical significance. Inversely, applying International Financial Reporting Standards (IFRS) to earnings management in Iraqi commercial banks listed on the Iraq Stock Exchange.

The results of these studies differ with the study (Krishnan & Zhang.2019), which found that earnings management was not affected in the countries that applied the IFRS standards, namely France, Britain, and Australia. The study (Bartov et al., 2005) agreed with them, which found that there was no significant difference in the quality of profits measured by the price-earnings relationship for a sample of (417) German companies during the period 1998-2000 that were selected between the international financial reporting standards (IFRS) and accounting standards. Generally accepted American GAAP.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

1- The application of international financial reporting standards is supported by the intellectual framework of financial accounting, which adds qualitative and enhancing characteristics to financial reports to achieve the accounting objectives of presentation and disclosure.

2- Despite the benefits of applying international financial reporting standards, it faces a number of challenges that stand in the way of its application, including the challenges faced by developing countries,

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Available Online at: https://www.scholarexpress.net
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laws and legislation, as well as the material costs resulting from their application, such as training and training.

3- The results showed that there is a positive (direct) correlation with a significant significance between international financial reporting standards and the earnings quality. This indicates that the greater the trend towards adopting IFRS standards in the banks in the study sample, the more this will be accompanied by an increase in the level of earnings quality..

4- The results showed that there is a significant relationship with the adoption of international financial reporting standards. This means that the greater the trend towards adopting international financial reporting standards, the more this is accompanied by an increase in the levels of earnings quality in banks.

5- The earnings quality helps predict the future performance of banks.

5.2 Recommendations

1- Obliging banks listed on the Iraqi Stock Exchange to apply International Financial Reporting Standards (IFRS) when preparing financial statements for the purpose of providing useful information to the users of those lists.

2- Work to train and qualify accountants and auditors for the requirements contained in international financial reporting standards.

3- The need for regulators of the Iraqi Stock Exchange to establish a set of determinants that limit profit management operations and enhance their quality.

4- Investors should take into consideration the importance of earnings quality measures because of their correlation with companies' future earnings, which affects investment decision-making.

5- Working to increase the awareness of investors and company managements about the importance of applying international financial reporting standards in improving the earnings quality, through workshops, training courses, and scientific seminars

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World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 30, January, 2024
ISSN: 2749-3628,

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