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# THE IMPACT OF COMPANY LIFECYCLE ON ACCOUNTING EARNINGS MANAGEMENT: AN APPLIED STUDY ON A SAMPLE OF IRAQI BANKS

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**Abstract:**

The current study aimed to determine the impact of a company's lifecycle and the phases it goes through on the management of accounting profits in the Iraqi environment. This research relied on cash flows to measure the company's lifecycle using age-based indicators, defined as follows: a company is in the introduction phase if it is less than 10 years old; if sales growth exceeds 15%, the company is in the growth phase; and if growth is negative, the company is in the decline phase. To measure the management of accounting profits, the study used a non-discretionary accruals model, specifically the modified Jones model. Additionally, content analysis was adopted to gather data from a sample of 10 banks listed on the Iraq Stock Exchange over 10 years, from 2013 to 2022, resulting in 100 observations (bank/year). Moreover, the research adopted a descriptive-analytical approach to prepare and test its hypothesis. The research concluded that there is a significant positive impact of the company's lifecycle on the management of accounting profits among the banks in the sample. This implies that as banks progress through their lifecycle phases from introduction to growth, then maturity, and finally decline, they tend to increasingly adopt accounting profit management practices.

**Keywords:** Company Lifecycle, Accounting Profit Management, Banking Sector.

## 1. INTRODUCTION

The lifecycle of a company has become an important and well-known concept in accounting literature, where a company is viewed similarly to any living organism, whether plants, animals, or humans. These organisms are born, grow, age, and eventually end, and similarly, a company goes through a series of phases in its lifecycle that affect accounting practices in general and earnings management in particular. Previous studies have indicated that in the early stages, a company often experiences low profits or even losses because it is in the process of establishment, lacking experienced management and liquidity. Consequently, it is more risky, and it tries to attract new investments as quickly as possible. In contrast, companies in the maturity phase achieve higher levels of profit (Hussain et al., 2020). Businesses, regardless of their activities, strive for growth to maintain their existence and permanence in the market. They strive hard to improve their ability to finance their financial needs and create a financial surplus known as value creation, which is the primary goal for companies as they aim to generate wealth and create value for their capital owners after rewarding them.

As a result of the emergence of new concepts related to financial reporting, an increased interest in accounting information, whether financial or non-financial, and the complexity of company management and the risks it faces, as well as the need to activate the role of financial markets as the primary source for trading company securities. This has led to an expansion in the information required to assess the performance of companies from all angles to improve the quality of investment decisions made by investors and stakeholders. The importance of analyzing the phases of a company's lifecycle about its decision-making power and its impact on company profit distribution decisions to preserve cash and net investment in property, plant, and tools, debt, equity, acquisitions, diversification, tax avoidance decisions, and maintaining the interests of investors and stakeholders has become evident (Al-Jou'ani, 2023)."

The company lifecycle consists of a series of distinct and identifiable phases that a company goes through from its inception to its end. This progression is driven by fluctuations in interior factors like strategy selection, financial resources, and managerial capacity, as well as exterior factors like competitive environment and macroeconomic conditions, many of which arise

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from the strategic decisions made by the company (Al-Sayed, 2021). The importance of analyzing the company lifecycle is evident in its impact on various company decisions, including cash retention levels, spending and investment, financing decisions related to debt or equity, acquisition processes, investment portfolio diversification, dividend policies, tax avoidance practices, and earnings quality (Habib & Hasan, 2019).

## LITERATURE REVIEW AND FORMULATING HYPOTHESES

### 2.1 Concept of the Company Lifecycle

The business environment in which companies operate has become increasingly complex due to events and changes in factors affecting their performance, whether these factors are internal or external. Company managers face challenges that require them to employ management styles that enhance their companies' performance. Companies go through various phases of development until they eventually cease to exist. The company lifecycle is a continuous sequence of stages marked by irreversible progress, dependent on a broad range of activities and organizational structures (Mohamed & Naimah, 2023).

According to Hussein's study (2017), the company lifecycle extends the concept of the product lifecycle, which was developed by marketing and economics thinkers. It can be said that a company focused on a single product, whether manufacturing it or trading it, experiences a company lifecycle that aligns with the product life cycle. The company lifecycle is considered the most important element for demonstrating the development of a company from all perspectives (Ashfaq et al., 2014).

Hamers (2017) defined the company lifecycle as a set of distinct and identifiable phases whereby a company progresses from its start-up to its end. These phases result from shifts in internal factors such as strategy selection, financial resources, and managerial capacity, and external factors like the competitive environment and macroeconomic conditions that arise from numerous strategic decisions made by the company. Meanwhile, Al-Jawani (2023) emphasized that the company lifecycle consists of the phases a company undergoes during its growth period. During this time, the company needs to increase the number and size of its employees, leading to an expansion in its organizational structure. Any increase in the number and size of departments requires the company to enhance its financial and material capabilities.

### 2.2 Phases of the Company Lifecycle

The stages of the company lifecycle are considered a set of changes related to organizational context, administrative structure, and the strategies employed. There is variation among researchers regarding the number of phases in the company lifecycle. Nagar & Radhakrishnan (2016), Ibrahim (2019), Bala (2020), Miliqi (2020), and Abdo (2018) have categorized the lifecycle into five phases, each with unique challenges. These phases are as follows:

**Phase 1: Introduction / Launch**: This stage begins with the establishment of the company and extends through its initial presence in the business environment as it prepares for further development. The focus during this phase is on product creation and market survival. The company does not aim to achieve profits as much as it aims to survive and secure the financial resources necessary to exploit available growth opportunities. During this phase, demand for the company's products is typically weak, and the profit margins on most products are low, leading to negative cash flows from operating activities (Hussein, 2017).

Hansen et al. (2018) and Habib & Hasan (2019) also indicated that the company lifecycle progresses through several phases, each characterized by different financial attributes during its lifecycle. This progression requires different managerial skills, priorities, and strategies. Its importance is highlighted by its connection to the company's decision-making power and the attention of investors and stakeholders in the market when evaluating and pricing assets centered on the lifecycle of the company and the stages it has gone through.

**Phase 2: Growth**: This stage is characterized by the company making significant investments due to optimistic forecasts regarding its cost structure and competitive advantage. These investments are unrestricted to tangible or financial assets but also extend to organizational capital, such as investments in systems and production and technological infrastructure. This leads the company to gain temporary exclusive advantages, leading to positive cash flows from both operating and financing activities due to the company achieving higher profit margins (Hamers, 2017).

**Phase 3: Maturity**: This stage is marked by increased competition and represents a relatively stable period following rapid growth. During this phase, the company experiences slow but more consistent growth in the market despite a decline in the growth rate. It is also characterized by overconfidence in success with a lack of exploration for new directions that could enable the company to return to rapid growth. The company enjoys substantial cash flows but has limited

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exceptional investment opportunities, which helps maintain current profit levels (Dickinson et al., 2018).

**Phase 4: Shake-out**: This stage is defined by the company's inability to grow and a decrease in demand for its products. This results in fluctuating market share, declining revenues, and a reduction in overall cash flow growth rates (Ibrahim, 2019).

**Phase 5: Decline**: This phase is renowned by a decrease in sales growth and demand for the company's products, leading to fluctuations in positive cash flows from operating activities. Additionally, the company may dispose of some of its capital assets to meet current financial obligations and support its activities, resulting in unclear cash flow directions from investment activities (Abdul Rahman, 2021). Furthermore, the company may distribute dividends and rely on external financing sources to cover any resource shortfalls, which leads to unclear cash flow patterns from financing activities (Hussein, 2020).

### 2.3 Determinants of the Company Lifecycle

Several determinants can significantly affect the company lifecycle. Many studies (Hasan & Cheung, 2018; Ibrahim, 2019; Hussein, 2020; Miliqi, 2020; Amin, 2022) have identified these determinants as follows:

**Company Size**: Larger companies generally have better access to financial markets and can more effectively employ and retain experienced workers. This advantage contributes to improved company growth and sustainability, in contrast to smaller companies.

**Organizational Capital**: Organizational capital includes the company's structure, culture, and administrative practices, which, combined with human skills and physical capital, enhance the efficiency of production activities and generate a high level of consistent and effective returns given the available resources. This directly impacts the progression of the company through the phases of the lifecycle.

**Profitability**: A company's profitability tends to increase with age, remaining high for several years before gradually declining as the company reaches maturity. The decline rate typically accelerates as the company enters the decline phase.

**Financial Leverage**: Firms in the growth and expansion phases often undergo a significant increase in financial leverage. During the early phases of growth, companies have substantial growth opportunities accompanied by high expenses, leading many to seek external financing. Conversely, during the maturity stage, companies tend to rely less on external financing.

**Revenue Growth**: In the primary phases of a company's lifecycle, specifically during the launch and growth phases, companies aim to maximize revenue growth to create a lasting cost advantage or demand advantage over competitors. In the maturity phase, market and investment growth becomes slower and less viable, leading to further declines in revenue growth as companies move into the decline and instability stages.

**Growth Opportunities**: Initial phases of the company lifecycle are marked by abundant and anticipated growth opportunities. In contrast, growth opportunities become limited during the maturity and decline phases, leading companies to highlight on servicing debt and distributing excess funds among shareholders.

**Cash Dividend Policy and Retained Earnings**: The impact of this policy varies depending on the stage of the business lifecycle. In the early stages, companies often face severe financial resource shortages, reduced operational efficiency, lower profitability, and a need for more investments to enter the market. As a result, there is a greater tendency to retain earnings and reduce cash dividend distributions. In the maturity phase, as profit levels increase, companies are more capable of generating additional financial resources to meet their investment needs.

## 4. The Concept of Earnings Management

The concept of earnings management has undergone noteworthy attention in accounting theory, particularly over the past three decades, which have witnessed numerous financial crises and collapses affecting companies worldwide. Earnings management is referred to by various terms: in Europe, it is known as creative accounting; in the United States, it is called revenue management; whereas in Iraq and the Arab countries, it is referred to as revenue management or profit management. Despite this interest, there is no comprehensive and unified definition of earnings management due to the diverse practices aimed at misleading the true performance of a company (Harhouche & Hussein, 2023).

Several definitions of earnings management have emerged. According to Obaidat (2017), earnings management is defined as the manipulation of profits toward a predetermined goal set by the company's management or required by a specific group of stakeholders, or as a deliberate act by company managers using accounting tools to reduce profit volatility.

On the other hand, Healy & Wahlen (1999) defined earnings management as the process of managing earnings through the use of managerial estimates within the framework of applicable accounting standards and commonly accepted principles when preparing financial information disclosed in published reports. This practice aims to

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mislead investors and stakeholders about the performance of companies managed by them, serving the contractual relationship between managers and owners within the scope of agency theory.

Kimouche (2021) defined earnings management as an accounting practice employed by company managers, either intentionally or unintentionally, to influence the form and content of the financial information reported in their statements. This can impact the quality of data and alter the opinions of investors and users regarding the company. The U.S. Securities and Exchange Commission (SEC) defined earnings management as the distortion of the application of commonly accredited accounting principles. Mandour et al. (2018) described earnings management as a deliberate form of profit manipulation by company management, utilizing the options provided by accounting standards. Additionally, Kieso defined earnings management as the planned timing of revenues, expenses, gains, and losses to mitigate fluctuations in profits (Khanjar & Wajir, 2022).

## 5. Earnings Management Strategies

Companies employ various strategies to achieve their objectives and motivations. These strategies can be divided into three main types (Mansouri & Yasser, 2022; Harhouche & Hussein, 2023):

**Profit Increasing Strategy**: Some companies use this strategy to achieve the desired profit level and avoid reporting losses in their financial statements. This is done by accelerating the acknowledgment of revenues and recording them before earned. The aim is to meet the expectations of financial analysts, increase the market value of the company, and achieve its own benefits.

**Profit Decreasing Strategy**: This strategy is used when a company anticipates significant expenses due to structural changes, which may persist for several years. This implies that such expenses will be recognized as revenues in future years when they appear, meaning the company deliberately reduces current income to maximize it in the future.

**Income Smoothing Strategy**: Income volatility is a major focus in earnings management. Companies that believe income fluctuations increase risk may seek to reduce these fluctuations to avoid risk. They do so by using acceptable accounting methods known as income smoothing, which allows companies to select accounting policies and procedures to minimize income volatility over the coming years, aiming to present income in a more stable manner.

## 2.6. Risks of Earnings Management

Earnings management practices carry various risks that can impact a company, including:

**Environmental Risks:** These include economic and social risks that impact the business environment. An increase in profits through unrealistic or unfair means can lead to higher tax rates and increased fundamental costs, which directly affect cash flows and dividend distributions. Consequently, this may result in a loss of trust in companies that engage in accounting profit management practices.

**Internal Company Risks**: These are risks affecting the company and its management. An increase in company performance risks due to a decline in market share directly impacts the company's revenues, whether investment or financing. Additionally, heightened risks associated with management practices in accounting profit management can create a perception among shareholders and stakeholders that there is individual control over their funds and interests by the management.

## 2.7. Relationship Between the Company Lifecycle and Earnings Management

The theory of the company lifecycle suggests that companies need to invest significantly in the early stages of their lifecycle compared to later stages. This is because the profit margin or market return on investment decreases as the company progresses through its life cycle. To achieve sustained demand and cost advantages, companies must invest heavily during the introduction phase, particularly in research and development, human capital, and capital expenditures. This contrasts with companies in the maturity or decline phases, which leads to a significant reduction in the book value of equity in the introduction phase compared to the maturity and decline phases (Amin, 2022).

According to Abdou (2018), in the growth phase, companies engage in earnings management to a lesser extent than in the maturity and decline phases. This means there is an opposite association among the growth phase and earnings management. During the growth phase, developing products and markets is crucial for increasing market share. Expenditures on research, development, promotion, and advertising are higher, allowing companies to practice less earnings management. In contrast, in the maturity phase, cost reduction through increased production units, improved efficiency, and maintaining sales volume is more effective. Thus, companies can use earnings management more extensively in the maturity phase. Nagar & Radhakrishnan (2016) also found an converse association between the growth phase and earnings management, meaning that companies can use

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earnings management less during growth and more during maturity. They measured the company lifecycle employing cash flow metrics for operating, investing, and financing activities, and earnings management was measured through abnormal levels of discretionary expenses like research and development, advertising, and administrative expenses.

Additionally, Jouani's study (2023) showed that there is a correlation among real earnings management and the company lifecycle. The relationship was positive between the introduction phase and earnings management, negative and positive between the growth phase, and positive with earnings management in the maturity and decline phases.

Abu Elneel's study (2023) highlighted that one of the key objectives for companies is to disclose information about accounting profits. Financial markets positively react to tiding news about profits, as these profits are a key indicator of a company's success. Consequently, company managers are highly sensitive to the informed profits that might meet market expectations. The company lifecycle impacts the extent of profit manipulation, as it is a significant determinant of practices related to the reclassification of expense and revenue items (Demerjian & Owens, 2016). Therefore, auditors should consider their clients' life cycle phases when analyzing companies, as lenders base their loan decisions on the operating profits reported by the company.

A study by Nagar & Radhakrishnan (2016) also confirmed that managers of high-growth companies probably use classification change compared to other companies. This is done to meet the needs and expectations of financial analysts and all stakeholders.

A study by Ezat (2021) found that most companies in the decline phase use various tools for earnings management techniques to meet their profit standards throughout their lifecycle. This indicates that the phases of the company lifecycle significantly impact the tools used for earnings management, including accrual-based earnings management and real earnings management. Michalkova's study (2021) highlighted that companies experience substantial changes in their financial and operational performance throughout their lifecycle, necessitating varied approaches to generating profits. Notably, companies in their introductory and declining phases tend to employ earnings management techniques more extensively compared to mature and advanced companies, which utilize such practices to a much lesser extent. The extensive use of earnings management, whether through accruals or real activities, aims to secure financing, attract investors, and garner the favor of all stakeholders. Consequently, mature companies are more likely to employ accrual-based earnings management, whereas declining companies resort to real earnings management. This emphasizes the need for high-quality and accurate accounting information, particularly during the introduction and decline phases, when the level of accounting manipulation in company profits is very high.

Based on the above, the researcher believes that companies engage in earnings manipulation throughout their life cycle, with the intensity of this manipulation varying depending on the phase the company is in. In other words, companies in introduction phase and those in the decline phase tend to resort more to accounting profit management practices in order to influence investors' and stakeholders' decisions and encourage them to view the company positively. Conversely, mature companies and those in the growth phase tend to practice these methods less frequently. Based on this observation, the research is as follows:

(H1). There is a significant impact of the company's lifecycle on earnings management in the sample banks.

## The Research Methodology and Model

### 3.1 Data Collection

The banking sector was chosen by the researcher as the field of study owing to its vital role in driving local economic development and linking it with international transactions. The research community comprises all banks on the Iraq Stock Exchange, which are 46 banks at the end of 2022. The research sample consists of 10 banks, as detailed in Table 1. These banks were selected based on the availability of the required data to measure the research variables and their continuous disclosure of financial reports over the research period of 10 years, from 2013 to 2022. This resulted in 100 observations (bank/year), which formed the basis of the data for the empirical analysis of the research. Data were collected from the published financial reports of the sample banks during the specified period.

Table 1: Sample Banks

| No | Bank | No | Bank |
|---|---|---|---|
| 1 | Ashur International Bank | 6 | International Development Bank |
| 2 | Iraqi Investment Bank | 7 | Commercial Gulf Bank |

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| | | | |
|---|---|---|---|
| 3 | Iraqi Credit Bank | 8 | Babylon Bank |
| 4 | Iraqi Commercial Bank | 9 | Baghdad Bank |
| 5 | Erbil Investment Bank | 10 | Sumer Commercial Bank |

Source: The table was prepared by the researcher using SPSS.

### 3.2 Research Approach

The researcher employed a content analysis method of financial reports from the sample banks to gather the required data for determining the levels of the research variables. Additionally, a descriptive-analytical approach was basically dopted for the practical aspect of the research. This involved entering the data into an Excel system as an initial step, which was then transferred to the statistical software (SPSS Ver.22) for data analysis, result extraction, and hypothesis testing.

### 3.3 Measurement of Variables

The research includes two basic types of variables. First: the independent variable, which is the company's lifecycle, denoted as (OLC). The researcher uses cash flows to measure the company's life cycle, in accordance with studies by Habib & Hasan (2015), Hussein (2017), Abdul Rahman (2021), and Mohamed & Nima (2023). The companies in the study sample are divided into four phases: introduction, growth, maturity, and decline, as follows:

- Introduction: (Net Operating Cash Flow -), (Investing Cash Flow -), (Financing Cash Flow +).
- Growth: (Net Operating Cash Flow +), (Investing Cash Flow -), (Financing Cash Flow +).
- Maturity: (Net Operating Cash Flow +), (Investing Cash Flow -), (Financing Cash Flow -).
- Decline: (Net Operating Cash Flow -), (Investing Cash Flow +), (Financing Cash Flow +/-).

The cash flow measure was supplemented by relying on additional indicators to serve as supportive tools in cases where cash flow information is unclear or incomplete. These supplementary indicators include age-based metrics: a company is considered to be in the introduction phase if it is less than 10 years old; if sales growth exceeds 15%, the company is classified as being in the growth phase. The maturity is identified if the company is over 10 years old and sales growth is less than 15%. If sales growth is negative, the company is in the decline phase. Additionally, other variables such as costs and revenues can be used to determine the company's stage. For instance, in the early phases of a company's establishment, costs are typically high compared to revenues due to the extensive expenses required for formation. Conversely, during the growth phase, revenues increase whereas costs decrease.

The second variable represents the dependent variable, which is Earnings Management, denoted as (EM). It is measured based on normal (non-discretionary) accruals using the modified Jones model, in accordance with the studies by Heelan (2019), Rashid (2020), Khenjer & Wager (2022), Al-Mansouri & Yasser (2022), Al-Hindawi & Al-Baghdadi (2023), and Harhoush & Hussein (2023). Earnings management is measured through the following steps:

1. **Estimating Total Accruals**: Total Accruals = (Net Operating Income - Cash Flows)

$$\mathbf{TACC\ i,t = NI\ i,t - CFO\ i,t}$$

where:

- TACCi,t: Total accruals for the company (i) in the year (t).
- NIi,t: Net income for the company (i) in the year (t).
- CFOi,t: Cash flow from operating activities for the company (i) in the year (t).

2. **Estimating the regression coefficients (β1,β2,β3) for the total accruals estimation equation**:

$$TACC\ i,t = \beta1\ (1/At\text{-}1) + \beta2\ (\Delta REV - \Delta REC)/\ At\text{-}1 + \beta3\ (PPEt)/\ At\text{-}1 + e\ it.$$

where:

- TACCi,t: Total accruals for the company (i) in the year (t).
- Ai,t−1: Total assets for the company (i) in the year t−1.
- ΔREVi,t: Change in revenue for the company (i) between the years (t) and t−1.
- ΔRECi,t: Change in accounts receivable for the company (i) between the years (t) and t−1.
- PPEi,t: Property, plant, and equipment for the company (i) in the year (t).
- eit: Random Error.

3. **Estimating non-discretionary accruals** using the regression coefficients $NACC\ I,t = \beta1\ (1/At\text{-}1) + \beta2\ (\Delta REV - \Delta REC)/\ At\text{-}1 + \beta3\ (PPEt)/\ At\text{-}1$

where:

NACCi,t: Non-discretionary accruals for the company (i) in the year (t).

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4. **Calculating discretionary accruals**:

$$DACCi,t = |TACCi,t| - |NACCi,t|$$

where:

- DACCi,t: Discretionary accruals for the company (i) in the year (t).
- Discretionary Accruals = Total Accruals - Non-Discretionary Accruals

5. **Dividing discretionary accruals by total assets for the previous year, then taking the absolute value**:

$$EM = [\ DACC\ i,t\ /\ A\ i,t-1\ ]$$

where:

- EM: Earnings Management.
- Ai,t−1: Total assets for the company (i) in the year (t).

The greater the discretionary accruals, the higher the level of earnings management. Conversely, a decrease in discretionary accruals indicates a lower level of earnings management. A company is deemed to be engaging in earnings management if the absolute value of discretionary accruals in a given year is equal to or greater than the absolute value of the average discretionary accruals. Conversely, a company is considered not to be engaging in earnings management if the absolute value of discretionary accruals in a given year is less than the absolute value of the average discretionary accruals.

### 3.4 Research Model

The research includes a series of statistical tests on the data through measures like the arithmetic mean, standard deviation, and Pearson correlation coefficient. The research hypotheses were tested using regression analysis centered on the Ordinary Least Squares (OLS) method. Therefore, according to the main hypothesis of the research, the following equation was prepared for testing:

$$EM = \beta 0 + \beta 1\ OLC + \varepsilon$$

where (OLC) represents the company's lifecycle, which is the independent variable, and (EM) denotes earnings management, which is the dependent variable. (**β0**) is the constant coefficient, (**β1**) is the regression coefficient, and (**ε**) represents the standard error in the regression equation.

## 4. DISCUSSION OF RESULTS

### 4.1 Description of Variables

Table (2) illustrates the values of the arithmetic mean for the period regarding the levels of company lifecycle and earnings management, as well as the sales growth rate and the age of each bank within the sample of banks under study.

Table (2): Levels of Research Variables by Bank

| No | Bank | Company lifecycle | Earnings management | Age | Sales growth |
|---|---|---|---|---|---|
| | | OLC | EM | A | **D** |
| 1 | Ashur International | 2.900 | 0.807 | 12.50 | **-0.139** |
| 2 | Iraqi Investment | 3.400 | 0.604 | 24.50 | **-0.100** |
| 3 | Iraqi Credit | 2.100 | 0.568 | 19.50 | **-0.219** |
| 4 | Iraqi Commercial | 1.900 | 0.345 | 25.50 | **-0.032** |
| 5 | Erbil Investment | 3.000 | 0.716 | 8.50 | **-0.066** |
| 6 | International Development | 3.400 | 0.608 | 6.50 | **0.049** |
| 7 | Gulf Commercial | 2.800 | 0.529 | 18.50 | **-0.253** |
| 8 | Babylon | 3.100 | 0.400 | 18.50 | **-0.497** |
| 9 | Baghdad | 3.200 | 0.553 | 25.50 | **0.023** |
| 10 | Sumer Commercial | 3.300 | 0.772 | 18.50 | **-0.249** |

Source: The table was organized by the researcher using SPSS.

Table 2 shows that both the Iraqi Investment Bank and the International Development Bank recorded a stage between maturity and decline in their lifecycle, as indicated by the arithmetic mean of 3.400. Meanwhile, the Iraqi Commercial Bank recorded a stage very close to the growth phase, as indicated by the arithmetic mean of 1.900. It is also observed that the Ashur International Bank had the highest level of earnings

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management, with an arithmetic mean of 0.807. On the other hand, the Iraqi Commercial Bank had the lowest level, with a mean of 0.345. Regarding the auxiliary measures for determining a company's lifecycle, it is noted that the Iraqi Commercial Bank and Baghdad Bank were among the oldest banks, with a mean age of 25.50. However, the International Development Bank was the freshest, with a mean age of 6.50. It is also observed that the International Development Bank had the greatest level of sales growth, with an arithmetic mean of 0.049, whereas the Babel Bank had the lowest level, with an arithmetic mean of -0.497."

Table (3) illustrates the descriptive analysis of the company life cycle and earnings management variables for the entire sample.

| **Variables** | Symbol | Arithmetic mean | Standard deviation | Least value | Highest value | **coefficient of variation** | **Skewness** | **Kurtosis** |
|---|---|---|---|---|---|---|---|---|
| Company Life Cycle | **OLC** | 2.910 | 1.093 | 1 | 4 | 37.55% | -0.530 | **-1.067** |
| Accounting Earnings Management | **EM** | 0.590 | 0.196 | 0.201 | 0.972 | 33.22% | 0.049 | **-0.745** |

Source: The table was organized by the researcher using SPSS.

Table (3) demonstrates that the banks in the study sample are closer to being in the maturity phase, with an arithmetic mean value of 2.910 for the total observations in the sample. Notably, the observations vary between those recorded in the introduction phase for some banks and those in the decline phase, indicating that all four phases of the company lifecycle (introduction, growth, maturity, and decline) are expressed. This is further maintained by the constancy and lack of dispersion among the observations, as evidenced by the low standard deviation and the low coefficient of variation compared to the hypothetical value of 50%, which enhances the reliability of the arithmetic mean result and the inferences drawn from it for representing the entire sample. Additionally, the level of earnings management in the entire sample is notably high, with an arithmetic mean value of 0.590, significantly distant from zero, which would indicate minimal earnings management. This result reflects the acknowledged levels of earnings management for the entire sample, as evidenced by the low standard deviation and the low coefficient of variation compared to the hypothetical value of 50%, indicating minimal dispersion among the observations and enhancing the reliability of the mean result for representing the entire sample.

Table (3) shows the values for both the Skewness and Kurtosis coefficients, which were calculated by the researcher to examine the levels of normal distribution of the data. Data are normally distributed when the Skewness value is within the range of (+1 to -1) and the Kurtosis value falls within the range of (+3 to -3). Referring to Table (3), it is noted that the values for both coefficients fall within these ranges, confirming that the data are routinely given. Therefore, parametric statistical methods could be employed to test the research hypotheses.

### 4.2. Hypothesis Testing

Table (4) shows the Pearson correlation coefficient calculated to determine the significance, strength, and direction of the relationship among the company life cycle and earnings management in the banks of the study sample.

Table (4): The Relationship Between Company Lifecycle and Earnings Management

| **Variables** | | **Accounting earnings management** |
|---|---|---|
| Company life cycle | Pearson's coefficient | **0.400**** |
| | Probability (Sig.) | **0.000** |

Source: The table was organized by the author using SPSS.

Table (4) reveals a significant positive (direct) correlation among the company life cycle and earnings management. This indicates that as a bank progresses through its life cycle phases, there is an increasing tendency for banks to adopt earnings management practices. Based on the significance of the relationship among the research variables, the research hypothesis was tested as follows:

(H1). There is a significant impact of the company life cycle on earnings management in the banks of the study sample.

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This was tested using the regression equation model designed to estimate earnings management based on the company life cycle, to determine the significance of the latter's effect on earnings management in the sample banks. Table (5) presents the results of this effect.

Table (5): Results of the Effect of the Company Life Cycle on Earnings Management

| Variables | ($R^2$) | (Adjusted $R^2$) | (F) | (Sig.) |
|---|---|---|---|---|
| The Company Lifecycle | 0.160 | 0.151 | 18.661 | **0.000** |
| | Constant coefficient (β0) | (β)Coefficient of regression | (T) | **(Sig.)** |
| | 0.381 | 0.072 | 4.320 | **0.000** |

Source: The table was organized by the researcher by SPSS.

Table (5) shows that the validity of the regression model is confirmed by an F-value of 18.661, which is significant at a level below 5%. This indicates that earnings management can be estimated based on the company life cycle. The T-value of 4.320, with a significance level below 5%, reveals that the effect is significant. The positive regression coefficient (β) of 0.072 indicates a positive effect, indicating that as a bank progresses through its life cycle phases, from introduction to growth, then maturity, and finally decline, there is a positive impact on the adoption of earnings management practices by the banks in the study sample. The $R^2$ value of 0.160 shows that the company life cycle explains 16% of the variations in earnings management. According to these results, the main research hypothesis is supported. The regression equation used in the test is as follows:

**EM=0.381 + 0.072 * OLC**

These results align with the findings of studies by Michalkova (2021), Ezat (2021), Abu Nile (2023), and Mohamed & Ni'ma (2023), which found an impact of the company life cycle phases on earnings management.

## CONCLUSIONS

The objective of this study is to discuss the significance of the company life cycle within the context of Iraqi banks, encompassing all four phases of the company lifecycle (introduction, growth, maturity, and decline). This is achieved by identifying the indicators of the company's lifecycle phases and determining their relationship and impact on the tendencies of those banks to adopt accounting profit management practices. This is measured using non-discretionary accruals, based on the modified Jones model. Through the analysis of the empirical evidence obtained from the discussion of results, the researcher found that most banks in the sample had experienced some in the introduction phase while others were in the decline phase. This indicates that all four phases of the company's lifecycle are well-represented in the Iraq Stock Exchange. This provides an important indication of the banks' substantial attention to these phases. The focus of banks on each phase of their life cycle positively impacts their current and future reputation and value, thereby assisting investors and stakeholders in making informed decisions.

Additionally, it was found that most of the banks in the study sample apply earnings management practices in their annual reports, with significant information presented prominently, though the extent of disclosure varies. Nonetheless, the statistical analysis revealed a statistically significant correlation mong the company life cycle and earnings management. This means that as a bank progresses through its life phases, it tends to adopt more earnings management practices. Furthermore, there is a statistically significant impact of the four phases of the company life cycle on earnings management, as measured by non-discretionary accruals, in the banks of the study sample.

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