



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND THEIR ROLE IN IMPROVING THE QUALITY OF THE CONTENT OF FINANCIAL REPORTS COMPARATIVE ANALYTICAL RESEARCH OF A SAMPLE OF IRAQI AND ARAB COMPANIES LISTED IN THE FINANCIAL MARKET

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Article history:	Abstract:
Received: 26 th August 2024 Accepted: 20 th September 2024	The current research aims to show the importance of (IFRS) and its impact on the informational content of financial reports and contribute to decision-making, and in order for these decisions to be characterized by economic rationality, this information must be characterized by high quality, as decision support has become the main goal of financial accounting reporting information, and to achieve the goal of the study, five Iraqi industrial companies listed on the Iraq Stock Exchange were selected, which prepare their financial reports according to the unified accounting system, Compared with five Jordanian industrial companies listed on the Amman International Market, their financial reports are prepared according to (IFRS) and for the period from (2015-2019), and the data was analyzed according to liquidity indicators represented by (trading ratio), and profitability indicators, which were represented by (net profit margin ratio), and the study resulted in several conclusions, the most important of which was that the application of (IFRS) affects the improvement of the quality of the informational content of financial reports by adding qualitative characteristics (appropriate and honest representation) to the elements of the financial statements, which reflect In light of the conclusions, a set of recommendations were reached, the most important of which was for Iraqi companies to pay more attention to disclosure, presentation and preparation of financial reports, especially in light of the ambiguity that mars some amounts by creating the appropriate conditions and the ideal real environment for the transition to adoption (IFRS) in the near future.

Keywords: IFRS, Information content of financial reports

INTRODUCTION

The accounting information contained in the financial reports is the final product of the accounting work and is called (the informational content of financial reports), as it is considered the leading industry of the era and its distinguished wealth that companies seek to keep pace with the development in accounting work, and it is also considered the driving tool for any economic project, which has an impact on the management and activity of companies, and is the best means of communication between what is going on from Economic events in the company and among users of financial information to help the decision-making process, and the quality of this information is an important basis for measuring the financial elements that contributed to a fundamental change in the accounting work, and in order for companies to

ensure the preparation of this information with high quality seeks to prepare it in accordance with the conceptual framework and international standards for the preparation of financial reporting (IFRS)) which focused on the need for accounting information to be characterized by the basic and reinforcing characteristics of accounting information that achieve the objectives of accounting in presentation and disclosure, and thus provide a reliable picture of the financial reality of companies in an appropriate, transparent, comparable and interpretable and error-free manner, and thus the company will achieve a kind of transparent and reliable disclosure that enables users of this information to analyze, interpret and make economic decisions about it..



THE FIRST TOPIC / RESEARCH METHODOLOGY

1- Search problem:

The intellectual problem of research is embodied in the weak interest in the rules and foundations of the International Financial Reporting Standards (IFRS) and their applicability, as one of the most important reasons for the occurrence of global and local economic crises and economic collapses that major international companies are exposed to in their current systems is their disclosure of data in the informational content of financial reports that do not have (appropriateness, honest representation, understandability, interpretation and verification), which leads to a low level of public financial reporting for these companies. The research problem can be formulated in the following question:

Does the application of International Financial Reporting Standards (IFRS) affect the improvement of the informational content of financial reports?

2- Importance of research

The importance of research is embodied through the importance of the following:

- 1- Companies' commitment to the application of International Financial Reporting Standards (IFRS), because of the benefits and advantages that accrue to companies through the presentation and disclosure of information content in consolidated financial reports
- 2- Financial reports are easy to understand, read and approve to make appropriate decisions by all relevant parties, as it has become difficult for institutions to attract investors and foreign capital without applying financial reporting standards (IFRS).
- 3- Enhances confidence in financial statements by improving the performance of companies and increasing users' confidence in financial information.

3- Research Objective:

Demonstrate the ability of companies to enhance user confidence by increasing confidence in the informational content of financial reports when applying and employing International Financial Reporting Standards (IFRS), which in turn leads to improving the financial reporting process.

4- Research hypothesis:

The hypothesis of the research in theory is divided into two hypotheses as follows:

- A. The application of International Financial Reporting Standards (IFRS) affects the improvement of the informational content of financial reporting.
- B. The application of International Financial Reporting Standards (IFRS) influences user decisions and company value.

5- Search limits

A- Spatial boundaries: A group of Iraqi companies and companies of the Kingdom of Jordan, and the sample was represented in the selection of five industrial companies listed on the Iraq Stock Exchange and five companies from the Kingdom of Jordan listed on the Amman Stock Exchange.

B- Time limits: Annual financial reports of companies for the period (2015-2019).

6- Data collection methods

The sources of data collection are represented by what has been adopted by the researcher for the most important literature of accounting thought related to the current research topic, as well as the applied and practical aspects, and the inductive approach represented by books, letters, theses, research and periodicals was relied upon, in addition to official reports and documents issued by accredited accounting organizations, and the deductive approach was relied on by analyzing the annual reports of Iraqi and Jordanian companies Research sample using indicators (Liquidity and profitability) And by using the program (Excel).

The second topic

International Financial Reporting Standards (IFRS)

1- The concept of International Financial Reporting Standards (IFRS):

International Financial Reporting Standards (IFRS) are high-quality, understandable, implementable and globally accepted accounting standards issued by the International Accounting Standards Board (IASB) (<https://www.ifrs.org/>). So it is a set of accounting standards that stipulate how to report a certain type of transaction and other events in financial statements. The ultimate goal of issuing these standards is to achieve a single set of high-quality common accounting standards that are practiced worldwide. This is to facilitate the transparency of financial information. It serves as the framework that establishes the recognition, measurement, presentation and disclosure of requirements related to transactions and events that are reflected in the financial statements developed in 2001 by the International Accounting Standards Board (Al-Jajawi, Al-Khafaji: 2017).

Referring to the accounting literature, a set of definitions can be formulated that clarify the exact meaning of IFRS as follows:

- A set of interpretive guidelines issued by the International Reliable Accounting Standards Board that covers updated financial reporting issues and is considered a principle-based approach in



providing these interpretive guidance. (Kieso & et.al, 2014:12).

- A set of rules guided by professionals in order to reduce cases of diligence through the flexibility of standards in accounting practices without canceling that judgment or diligence. (Doupnik & Perera, 2012:124)
- A set of standardized measurement tools used to fairly describe financial reports produced by a designated entity trusted by all users (Skinner & etc, 2003: 798).
- IFRS is defined as a set of important guidelines whose conceptual framework provides the possibility of choosing the optimal measurement basis (cash, accrual) as required by the company's circumstances, and in turn provides the most useful and most realistic information. (Kieso & etc, 2020:205)

2. The importance of International Financial Reporting Standards (IFRS)

- Improving the quality of financial reports, by providing financial market dealers with clear and reliable financial information and giving them the opportunity to compare these reports with other companies. (Ames, 2013: 154-165)
- IFRS is compatible with economic openness policies and this compatibility is important for the transition from a planned central economy to a free economy, which contributes to the preparation of financial statements according to internationally accepted accounting procedures, and in turn puts reforms in accounting practices, in addition to reducing the risks of foreign investment. (Qu et al, 2012: 192)
- IFRS requires financial reports to be prepared with information that is understandable and interpretable, and as trade grows internationally, this attracts foreign investment. (Baig & Khan, 2016:343-350)
- The application of IFRS and keeping abreast of developments in standards and adjustments obtained as a result of continuous changes leads to an increase in the disclosure of the level of liquidity of the financial markets, which gives the opportunity to invest at the international level by reducing the cost of capital for foreign investors. (Qu, et. al, 2012: 196)

The third topic

Information content of financial reports

1- The concept of financial reporting

- Financial reports are the culmination of financial accounting work through which accountants measure financial performance accurately and fairly and provide them in a timely manner to their beneficiaries such as investors, creditors, managers, unions, government agencies.....Companies communicate accounting information to these parties through financial reports, where relevant and reliable financial information allows investors and creditors to compare the income and assets used by companies, since these users rely on assessing the relative return and risks associated with the investment purpose by reviewing the information contained in the financial reports, they direct resources more effectively. (Keiso & et.al, 2020:31)
- Financial reports are the main pillar of financial accounting through which they target external parties such as investors, banks, suppliers, by measuring and recording commercial transactions, and it is one of the most important methods of presentation and disclosure that affect the decisions of external parties that always obscure the information contained in these reports, and financial reports are prepared in accordance with the generally accepted accounting principles (GAAP). Which in turn is in line with the International Financial Reporting Standards (IFRS). (Horngren, et.al., 2015: 2)
- It is the pivotal part of financial accounting as the primary means of communicating financial information to its users and its objective has been defined by the International Accounting Standards Board (IASB), through the role it plays in providing financial information to the institution and changes in financial events that are useful for a wide range of segments for the purpose of decision-making. (Ducasse, et.al, 2005: 12)

2- Objectives of Financial Reporting

The most important objectives of the financial statements can be determined as follows : (Gordon, et.al, 2019:27)

- Providing useful and necessary information for decision-making, as the decisions taken based on financial reporting information are related to the purchase, sale and acquisition of investments in equity, and thus the dividend, earnings per share and the degree of safety in the borrowing process are determined.
- Disclosure of necessary and useful information related to the company's financial events that help different categories of users in making decisions in line with their goals.



- Financial reporting aims to provide information to indirect users who do not have the authority to obtain financial statement information.
- Financial reports target users and not insiders by providing information that is not simple and clear so that everyone understands, and here it turns out the real user who has sufficient ability to read and analyze the informational content of financial reports.
- Financial reports aim to show the size and ability of companies to own and generate cash flows, which is of interest to investors and creditors mainly, as creditors expect cash payment for interest and loans, while investors want to distribute cash to increase their wealth.
- Providing useful and necessary information for decision-making, as decisions made based on financial reporting information are related to the

purchase, sale and acquisition of investments in equity, and thus the dividend, earnings per share and the degree of safety in the borrowing process are determined.

3- Types of financial statements

First: Income Statement

The income statement consists of figures obtained during a certain trading period, and this period may be one month, several months or a year, most companies prepare their income statement for quarterly, semi-annual or annual periods, while small companies prepare the income statement for these periods respectively to avoid errors and problems during work, to track financial performance, evaluate management performance, and predict future performance well and according to the following equation: Nikolai, et. al., 2010: 184-185)

$$\text{Net Income} = \text{Revenues} - \text{Expenses}$$

Second: Budget List

The balance sheet is defined as the comprehensive disclosure of assets and liabilities, including a quantity of real information and values to express the financial position of the economic unit during a certain financial period and on a specific date, and the financial position is presented through the balance sheet of a specific entity at a certain point in time (Shnouf, 2008: 126), in addition to that it displays and classifies assets and liabilities in both fixed and current parts, as well as providing detailed information on cash and liquidity available and the way to manage them (Robinson, et. al, 2015: 25).

Third: List of changes in equity

Property rights are defined as the obligations owed by the establishment towards the owner of the facility or partners (owners), and this list is prepared to know the changes that have occurred in the rights of the owners of the facility during the period or fiscal year, where property rights increase with capital increase

and profits and property rights decrease with capital reductions, personal withdrawals and losses, and the items of the list vary according to the legal form of the facility if It was a sole proprietorship, a company of persons, or a company of funds (shares), and this list is prepared for a certain period and does not include its items on comprehensive income. (Bacovia& et. al, 2010: 334)

Fourth: Cash Flow Statement

The cash flow statement is concerned with displaying the cash flows of activities (financing, operational and investment) during a certain financial period in the company, and investors and creditors can through the information of this list know the financial cash position of companies and the extent to which companies are able to increase their profits and pay their debts in cash, and the importance of the list comes from the way it is prepared, as it is prepared on a cash basis. (Gibson, 2013: 393-394)

The fourth topic / the applied aspect of the research

Analysis of liquidity and profitability indicators

First: Analysis of liquidity indicators / trading ratio

Table 1

Analysis of the trading ratio of Iraqi and Jordanian industrial companies Research sample

$$\text{Turnover} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$



Amman Stock Exchange Companies					
2019	2018	2017	2016	2015	company
6.88	4.77	0.54	0.57	0.88	National Chlorine Industry
0.60	7.79	8.71	8.54	8.99	Modern International Vegetable Oil Industry
8.12	8.20	8.36	12.83	10.26	Jordanian whives factories
4.86	3.33	4.19	5.51	4.90	Al Hayat Pharmaceutical Industries
2.88	3.62	4.33	4.28	3.74	Arab For Metal Pipes Industry
Iraq Stock Exchange Companies					
4.84	3.35	4.70	2.84	0.40	Modern sewing
4.40	6.93	0.61	3.06	11.53	Baghdad Soft Drinks
3.08	3.09	2.94	3.07	3.38	Iraqi Carpets & Furnishings
1.57	2.52	11.88	10.93	14.85	Al Mansour Pharmaceutical Industries
14.77	21.73	5.90	7.53	67.48	Baghdad Packaging Materials Industry

Source: Prepared by the researcher based on the annual financial reports of Iraqi and Jordanian industrial companies
 Research sample from (2015-2016)

The above table reviews the financial statements of the industrial companies of the research sample separately, the rise and decrease in the percentage of trading during the years of study, with regard to the companies of the Jordanian industrial sector, it is noted that the percentage of trading in the companies was at a good level in all years and despite its fluctuation in some of them, as we find that the Jordanian Wolves Factories Company has achieved the highest results compared to other companies, especially in 2016 by (12.83) As a result of the increase in total current assets to the highest levels by (17.2) million, offset by a decrease in current liabilities by (1.3) million, which is a good indicator that confirms that the company enjoys a good level of liquidity and has the ability to pay its obligations, while the lowest results were recorded in 2019 by (8.12) as a result of the decrease in total current assets by (14.6) million Despite the low ratio, it remains an

acceptable indicator of the company's liquidity, followed by the Modern International Company for the Manufacture of Vegetable Oils, which achieved a decline in the trading ratio for the year (2019), in which the company recorded its lowest levels by (6.03) as a result of the increase in the amount of current liabilities by (1.7), and despite that, its results exceeded the results of the other company that follows as it achieved the year 2015)) The highest results by (8.99) as a result of the decrease in the amount of current liabilities to its lowest levels by (1.1) million in light of the stability of the amount of current assets throughout the years of the study, which ranged between (10.1-10.9), and then comes Al-Hayat Company for Pharmaceutical Industries, as the year 2016 achieved the highest results on about (5.51), while the year 2018 showed a low result by (3.33) and then the Arab Company for the manufacture of metal pipes, as it achieved the highest trading rate in



2017 and about (4.33), while the trading ratio decreased to reach (2.88) in 2019, and finally the National Company for Chlorine Industry, which achieved the lowest results compared to the companies of the Jordanian industrial sector in 2017 by (0.54) as a result of the increase in the amount of current liabilities to (8.3), while the highest results in 2019 were achieved at about (6.88), as a result of the decrease in current liabilities to (1.2) million, offset by the increase in the amount of current assets to the highest level by (8.5).

At the level of the Iraqi industrial sector, it is noted that the Baghdad Company for the manufacture of packaging materials has achieved the highest results compared to other companies, as it recorded the highest increase in the trading ratio during 2015 by (67.48), which is a good indicator for the company that confirms the high liquidity it enjoys to pay its short-term obligations, which is a very high percentage that the research sample company did not reach in various years, due to the increase in current assets to (358) Million as a result of keeping inventory for periods of more than a year, offset by a decrease in current liabilities, which consist only of the amount of creditors as short-term financing sources by (5.3) million, while the lowest results in 2017 showed about (5.90) as a result of the decrease in the amount of current assets to (274) million, offset by an increase in current liabilities to (46.5) million, followed by Al-Mansour Pharmaceutical IndustriesThe year 2015 recorded the highest results by (14.85) as a result of the increase in the amount of current assets to (6.7) billion, offset by the decrease in current liabilities to (457) million as the lowest level in the study years,

while the lowest results were achieved in 2019 by (1.57) as a result of the increase in the amount of current liabilities to (1.4) billion due to the loan amount in the same year of (1.5) billion, offset by the decrease in current assets to (2.2) billion, followed by Baghdad Soft Drinks Company, as the year 2015 showed the highest results by about (11.53) as a result of the decrease in the amount of current liabilities to the lowest level by (10.2) Although the current assets did not record their highest level, which is a good indicator for the company that confirms its enjoyment of the level of liquidity to pay its short-term obligations, while the year 2016 recorded the lowest results by (3.06) as a result of the increase in current liabilities to (26.1) billion, offset by the decrease in current assets to the lowest level by (80) billion, which is not a good indicator for a company that enjoys the excellence of its products in the Iraqi market. Followed by the Modern Tailoring Company, which the results showed that it suffers from fluctuations in achieving the trading ratio of highs and lows The year 2019 achieved the highest results by about (4.84) and a large difference from the lowest results in 2015, but the company is witnessing a gradual growth in the trading ratio despite some fluctuations taking place, and finally the Iraqi Company for Carpets and Furnishings, which showed the lowest results at the level of the Iraqi industrial sector, especially in 2017 by (2.94) as a result of the increase in current liabilities to (3) billion, and the highest results in 2015 by (3.38) as a result of the decrease in current assets to (2.6) billion, offset by relative stability in current liabilities throughout the study years.

Second: Analysis of profitability indicators / net profit margin ratio

Table 2

Analysis of the net profit margin ratio of Iraqi and Jordanian industrial companies Research sample

Net profit margin ratio (Net Income / Total Sales)						
Amman Stock Exchange Companies						
2019	2018	2017	2016	2015	company	
0.16	0.06	-0.22	-0.18	0.07	National Chlorine Production	1
0.05	0.05	0.08	0.08	0.07	Modern International Vegetable Oil	2



0.51	0.65	0.48	0.61	0.65	Jordanian whives factories	3
0.21	0.22	0.19	0.22	0.22	Al Hayat Pharmaceutical Industries	4
0.02	0.06	0.10	0.06	-0.07	Arab Pipes Industry	5
Iraq Stock Exchange Companies						
0.48	0.56	0.36	0.21	0.39	Modern sewing	1
0.14	0.13	0.13	0.13	0.11	Baghdad Soft Drinks	2
0.69	0.63	4.55	0.21	0.28	Iraqi Carpets & Furnishings	3
-4.29	0.03	0.05	-0.01	0.18	Al Mansour Pharmaceutical Industries	4
0.15	0.20	0.02	0.05	1.80	Baghdad Packaging Materials Industry	5

Source: Prepared by the researcher based on the annual financial reports of Iraqi and Jordanian industrial companies Research sample from (2015-2016)

It is clear from Table (2) the changes in the net profit margin ratio as one of the most important profitability indicators for the companies in the research sample, it is noted that the Jordanian industrial sector achieved varying results from one company to another and for the same company in different years of study, as the Jordanian Wedge Factories Company achieved the highest results at the sector level in the years 2015 and 2018 and by the same percentage by (0.65) as a result of the profits achieved for the company relative to the total sales, which is a positive indicator that confirms the continuity of the company in achieving profits. While the lowest results were recorded in 2017 by (0.48) as a result of the decrease in net income against the increase in total sales, although it is an acceptable result for the company compared to other companies, followed by **Al-Hayat Pharmaceutical Industries**, which achieves very close results throughout the years of study, as it achieved the highest results in the years 2015, 2016 and 2018 and an equal percentage of (0.22), which is a good ratio for the company that shows stability in the net profit achieved from total sales and a slight difference from the lowest percentage achieved by the company in The year 2017 by (0.19) as a result of the decrease in net income, followed by **the International Company for the manufacture of vegetable oils**, which achieved the highest results in the years 2016 and 2017 by (0.08), while it achieved the lowest results in the years 2018

and 2019 by (0.05), then followed by the Arab Company for the manufacture of metal pipes, which achieved the highest results in 2017 by (0.10), while it achieved a negative result in 2015 by (-0.07) as a result of the loss suffered by the company, which exceeded (630) thousand, While the National Company for the Production of Chlorine achieved the lowest results at the sector level in 2017 by (-0.22) as a result of the loss incurred by the company, which exceeded the amount of (950) thousand due to the decrease in the amount of total sales offset by the increase in production costs, but in subsequent years it witnessed a noticeable improvement in the results and recorded the highest percentage in 2019 by (0.16) as a result of the increase in total sales to the highest level, which led to an increase in net profit. The figure below shows the developments of the net profit margin in Jordanian industrial companies.

As for the Iraqi industrial sector, it is noted that the highest results were achieved for the Iraqi Company for Carpets and Furnishings in 2019 by (0.69) as a result of the increase in net profit to the highest level by (748) million relative to the increase in total sales to (1.07) billion, which is a positive indicator for the company in achieving profits by a large percentage of sales, while it achieved the lowest results in 2016 by (0.21) as a result of the decrease in net income to the lowest level by (184) million as a result of the decrease in total sales to (889) million, and despite that, the company achieved the highest results from



other companies that follow, as for the Baghdad Packaging Materials Manufacturing Company, which achieved the highest results in 2015 by (1.80) as a result of the increase in net income to (84) as its highest level relative to total sales, while the company achieved low results in subsequent years, especially in 2017 by (0.02), which is a negative indicator for the company resulting from the decline in total sales to the lowest level by (2.6) million due to Intense competition between companies and consumer preference for the imported product, followed by the Modern Tailoring Company, which achieved the highest results in 2018 by (0.56) as a result of achieving the highest net profit by (563) million, while it achieved the lowest results in 2016 by (0.21) as a result of the decrease in net income to (148) million, then followed by Baghdad

Soft Drinks Company, which witnessed stability in sales and gradually increased slightly, As it achieved the highest results in the year (2019) by (0.14) and a small difference from the lowest results in the year (0.11) in 2015, then finally comes Al-Mansour Pharmaceutical Industries Company, which achieved the highest results at the sector level in 2015 by (0.18), while the negative results rolled in subsequent years to achieve the lowest results in the year 2019 by (-4.29), which is a negative indicator for the company in achieving profits from total sales that carries the company future financial burdens, Especially in light of the loss that exceeded (1.9) billion in the same year, and the figure below shows the developments of the net profit margin ratio for Iraqi industrial companies.

**The fifth topic / the impact of IFRS on financial performance indicators:
 First: Comparison using the trading ratio**

Table 3
 Comparison using ratio trading by arithmetic means and standard deviations

Amman Stock Exchange Companies					
General standard deviation	Overall average	Standard deviation	Arithmetic mean	company	
		2.62	2.73	National Chlorine Industry	1
		3.19	6.93	Modern International Vegetable Oil Industry	2
		1.82	9.55	Jordanian whives factories	3
		0.74	4.56	Al Hayat Pharmaceutical Industries	4
		0.53	3.77	Arab For Metal Pipes Industry	5
1.78	5.51				
Iraq Stock Exchange Companies					
		1.61	3.23	Modern sewing	1
		3.72	5.31	Baghdad Soft Drinks	2
		0.14	3.11	Iraqi Carpets & Furnishings	3
		5.32	8.35	Al Mansour Pharmaceutical Industries	4



		22.71	23.48	Baghdad Packaging Materials Industry	5
6.70	8.69				

Source: Prepared by the researcher based on the annual financial reports of Iraqi and Jordanian industrial companies Research sample from (2015-2016)

The above table reviews the arithmetic averages and standard deviations of the trading ratio, with regard to the Jordanian industrial sector, we find that the Jordanian Wat Factories Company achieved the highest arithmetic average by (9.55), which reflects the value of its trading at the market level throughout the years of study and with a standard deviation of (1.82), while the National Company for Chlorine Industry achieved the lowest arithmetic mean by (2.73) and a standard deviation of (2.62). It is an indicator that indicates the fluctuation of the results in the company's trading ratio from year to year, and the general arithmetic mean of the sector reached (5.51) and a standard deviation (1.78), as for the Iraqi industrial sector, we find that the Baghdad Company for the manufacture of packaging materials achieved the highest arithmetic average by (23.48) reflecting the good trading volume of the company in the market and a standard deviation of 22.71), while the Iraqi Company for Carpets and Furnishings achieved the lowest arithmetic average by 3.11 and a standard deviation, and although the Iraqi industrial sector achieved the highest arithmetic average by (8.69), but it suffers from a large dispersion in the percentage of trading with a standard deviation of (6.70), which is a large percentage showing the fluctuation of trading in the size of the sector from one company to another throughout the years of study, and the reason for this is due to the application of (IFRS) that obliges Jordanian companies to high-quality information, As (IFRS1) aims to make the information clear and comparable across all the periods presented, and this

Second: Comparison using the net profit margin ratio

standard also obliges Jordanian companies to prove items as assets or liabilities if (IFRS) does not allow this type of proof in the case of reporting for the first financial period according to (IFRS), while it does not appear This type of proof in Iraqi companies that have not yet applied (IFRS), and since the trading ratio is the ratio of the trader of assets to the trader of liabilities, which is affected by (IFRS2), which obliges companies in the elements of disclosure to recognize in their lists any transaction paid on the basis of shares must be settled in cash, which affects the most current assets (cash) or through the issuance of equity instruments, which affects Trading ratios for companies, while this type of transaction is not proven in the lists of Iraqi industrial companies, in addition to the assets disclosed by companies held for the purpose of sale and proof of this in their financial statements, as it is noted that the companies of the Jordanian industrial sector recognize the assets they hold for the purpose of sale or repurchase in accordance with the requirements of the standard (IFRS5), which obliges to stop Depreciation of these assets and not considering them as current assets, which are measured at fair value minus selling costs and therefore affect the calculation of the trading ratio because it reduces the amount of current assets, which has not been disclosed and proven in the companies of the Iraqi industrial sector in the financial statements, which are all assets held for the purpose of sale are current assets subject to buying and selling operations.

Table (4)
 Comparison using net profit margin by arithmetic means and standard deviations

Amman Stock Exchange Companies					
General standard deviation	Overall average	Standard deviation	Arithmetic mean	company	
		0.15	-0.02	National Chlorine Industry	1



		0.01	0.07	Modern International Vegetable Oil Industry	2
		0.07	0.58	Jordanian whives factories	3
		0.01	0.21	Al Hayat Pharmaceutical Industries	4
		0.06	0.03	Arab For Metal Pipes Industry	5
0.03	0.17				
Iraq Stock Exchange Companies					
		0.12	0.40	Modern sewing	1
		0.01	0.13	Baghdad Soft Drinks	2
		1.65	0.45	Iraqi Carpets & Furnishings	3
		1.74	-0.81	Al Mansour Pharmaceutical Industries	4
		0.68	0.44	Baghdad Packaging Materials Industry	5
0.37	0.12				

Source: Prepared by the researcher based on the annual financial reports of Iraqi and Jordanian industrial companies Research sample from (2015-2016)

Table (4) reviews the changes in the arithmetic means and standard deviations by the net profit margin ratio as one of the most important indicators of profitability for the companies of the research sample, with regard to the Jordanian industrial sector, it is noted that the Jordanian Tea Factories Company achieved the highest arithmetic average by (0.58) It is a good percentage that is considered the highest in the companies of the Jordanian industrial sector, and a good indicator indicates the profit margin achieved by the company relative to its sales and a standard deviation of (0.07), while the National Company for the Production of Chlorine achieved the lowest arithmetic average by (-0.02), which is a negative indicator of the company's ability to achieve profits, while the general arithmetic mean of the sector was (0.17) and a good general standard deviation of (0.03).As for the Iraqi industrial sector, which witnessed significant rises offset by significant declines in achieving the net profit margin ratio, as the Iraqi Company for Carpets and Furnishings achieved the highest arithmetic average by (0.45), which is a good

indicator for the company that gives a real picture of the profits achieved by the company resulting from the sale and marketing of its main products, and with a standard deviation of (0.19), which confirms the disparity in achieving profits from year to year, While Al-Mansour Pharmaceutical Industries Company achieved the lowest arithmetic average by (-0.81), which is a negative indicator, especially in light of the losses suffered by the company in the study years, which can expose the company to future losses and a high standard deviation of (1.74), while the general arithmetic mean of the sector was (0.12) and a standard deviation of (0.37).), When comparing between the two sectors, we find that Jordanian companies achieved a higher arithmetic average than Iraqi companies in achieving a net profit margin, and the results showed a lower standard deviation for the Jordanian sector compared to the Iraqi sector as a result of the stability of Jordanian industrial sector companies in achieving profits relative to total sales, while we find a disparity in achieving profits for Iraqi companies, but on the other hand, companies pay



great attention to disclosing the amount of net profit, It is known that the net profit is achieved by a large percentage of sales revenue after deducting all expenses incurred to achieve this amount, in other words it is the remaining amount of revenue after deducting all expenses, including the cost of goods sold, which is the product that companies seek in the income statement statement to determine the result of the activity of profit or loss, as it is noted that Jordanian companies display net profit or loss through the income statement list prepared in accordance with the standards (IFRS.), which pays increasing attention to the income statement statement and constantly seeks to improve the informational content of this list because of the interest it enjoys among users of financial reports, especially creditor investors, as (IFRS1) is among the elements of this list of revenues and expenses to achieve net profit and the statement of the financial performance of the company, as the standard explained that the first financial statements prepared for the company according to (IFRS) must contain a list showing profit and loss, which is the statement of income and comprehensive income, IFRS5 aims to display assets that meet the controls of classification as held for sale separately in the statement of financial position and to display the results of continuing operations related to them in the statement of comprehensive income, and oblige companies to disclose one amount in the income statement that includes the sum of profit and loss after tax for non-continuing operations, in addition to the presentation and disclosure of the total amount of gain or loss after tax fixed when measured at fair value in accordance with the requirements of (IFRS15).) minus the costs of selling when excluding assets that constitute non-continuous operations, which is observed in the companies of the Jordanian industrial sector, either (IFRS10) has considered that the income statement is one of the consolidated financial statements of the parent company containing the amounts of income and expenses in a consolidated manner for its subsidiaries, the increasing interest by (IFRS)) in the income statement is to improve the content of this statement and to make it more understandable, interpretable and comparable and according to the conceptual framework of financial accounting, while we find that Iraqi companies do not pay this type of lists increased attention, as the result of the activity of profit or loss is presented in the list of profits and losses or (production and trading account) including a preliminary presentation of the elements of the income statement from the income of the current activity minus the cost of that activity in the absence of the gross profit margin and the operating profit

margin and that the accumulated surplus is considered as Net profit, but at the same time is subject to the distributions of owners, although some Iraqi companies achieve profits at a high level, all these differences in presentation and disclosure affect the tracking of the financial performance of companies and the analysis of net profit and loss for the financial period and thus affect the ratio of net profit margin formed by companies relative to their net sales.

FIFTH TOPIC / CONCLUSIONS AND RECOMMENDATIONS

First: Conclusions

1. The application of (IFRS) in companies has witnessed great interest in recent times as a result of the weak disclosure and reporting of the informational content of financial reports in a transparent and fair manner that reflects the reality of that content.
2. The process of adopting (IFRS) and the extent to which it negatively or positively affects the disclosure and financial reporting processes depends heavily on the environment affecting the adoption of standards.
3. Financial reports are the essence of the accounting process and its actual product that is prepared and disclosed to achieve the objectives of accounting for the financial position, the result of the activity and cash flow information, in addition to a detailed presentation of property rights to reduce the gap between shareholders and management, as the financial reports contain content that reflects the real reality of the financial operations that took place during the financial reporting period.
4. The results of the analysis of liquidity indicators showed the superiority of the companies of the Iraqi industrial sector, but with high standard deviations as a result of the instability of financial performance, while despite the low results of the companies of the Jordanian industrial sector, they achieved a very small percentage deviations, which confirms the low rates of dispersion and enjoying financial stability throughout the years of study.
5. The results of the analysis of profitability indicators showed that Iraqi companies outperformed (gross profit margin and return on assets) by a small percentage than Jordanian companies, but with a high standard deviation rate, while Jordanian companies excelled in (operating profit margin and net profit margin) with a lower deviation rate compared to Iraqi companies.

Second: Recommendations



1. It has become necessary to identify the concept of (IFRS) and its importance in preparing financial reports to overcome the weakness of disclosure and financial reporting on the informational content of financial reports in a transparent and fair manner that reflects the reality of that content.
2. Companies must overcome the obstacles and difficulties facing the implementation of IFRS and create an ideal environment for its implementation.
3. Jordanian companies should pay attention to liquidity indicators, which have witnessed a significant decrease compared to companies in the same sector in different years or compared to Iraqi companies.
4. Iraqi companies should reduce the dispersion rates in liquidity indicators by balancing supply and demand according to market requirements and not accumulating inventory in large quantities, which is difficult to convert into cash as soon as possible, and disclose this in a transparent and fair manner in financial reports.
5. Iraqi companies should pay attention to profitability indicators, especially (operating profit margin), which is one of the most important indicators of profitability by paying attention to financial disclosure and reporting of the amount of (EBIT), which constitutes income from continuous operations, and the most important addition to the company resulting from the activity of the operational sectors

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