



IMPACT OF IFRS ADOPTION IN IRAQ (ADVANTAGES AND OBSTACLES)

LITERATURE REVIEW

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Received: 11th October 2024	As an inevitable and fundamental result of the globalization of capital markets, developments in the business environment and technological developments that have increased the need for harmonized accounting standards at the global level, many studies, research and professional institutions concerned with the accounting and auditing profession at the global level have confirmed that the international financial reporting standards set by the International Accounting and Financial Reporting Standards Board (IASB) are actually providing financial data that are consistent at the global level. In this article, the researcher seeks to review some of the literature and previous studies that dealt with the adoption of international financial reporting standards at the level of Iraq, taking into account that not all studies in this field can be reviewed, but the article will be limited to some relatively recent studies.
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INTRODUCTION

International Financial Reporting Standards (IFRS) is one of the most important tools aimed at achieving transparency and credibility in financial reporting. Iraq, like other developing countries, seeks to improve the business environment and increase attractiveness of investment through the adoption of international financial reporting standards. This article aims to highlight some of the studies that dealt with the adoption of IFRS in Iraq in terms of the importance, advantages, determinants and obstacles that accompany the adoption of standards and some of the strategies and frameworks provided by these studies to overcome those obstacles that prevent the application of standards, while analyzing the various aspects that these studies focused on.

1. Concept of International Financial Reporting Standards (IFRS)

The term International Financial Reporting Standards (IFRS) takes two perspectives. The first perspective is understood as the rescheduling and numbering of previous International Accounting Standards (IAS), while it is seen from the broader perspective of the concept of IFRS as representing the natural and necessary development and extension of all accounting standards and interpretations related to them issued by the International Accounting Standards Board (IASB) according to its new structure, and from a more accurate perspective of the quality of accounting information in order to develop treatments and keep pace with developments in the profession, in order to achieve the objectives of users of accounting information .

The International Financial Reporting Standards (IFRS) have been defined as the standards and interpretations issued by the International Accounting Standards Board (IASB). They include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and the interpretations of the IFRIC. IFRS, 2017:38)

The most important thing that prompted the Council with the International Accounting Standards (IAS) to move from the International Accounting Standards (IAS) to the International Financial Reporting Standards (IFRS) is the expansion of the objectives of these standards, as the reference and the idea of the International Financial Reporting Standards are based on the fact that accounting is not limited to being a system for collecting information, storing and processing data, but rather it is a financial reporting system for the professional investor, through which the management produces information and analysts interpret it and then investors receive it to benefit from it.

2. Importance of adopting International Financial Reporting Standards (IFRS) in Iraq

Many studies have dealt with the importance of adopting IFRS in enhancing transparency and the quality of accounting information and reducing the information gap between users of financial statements. The study (Al-Saffar: 2022) pointed to the importance of applying IFRS and the impact of its application on the outputs of the unified accounting system, as it dealt in the theoretical aspect with the call to amend the unified accounting system in order to comply with IFRS. In addition, the study dealt with the practical aspect, which is represented by the numbers of



financial statements that are not prepared according to the unified accounting system in Iraq, especially the comprehensive income statement, which is one of the requirements of the international financial reporting standards and the list of changes in equity, by applying some selected and selected standards to the outputs of the unified accounting system. The study concluded that the unified accounting system in Iraq suffers from the lack of substantial modernization for more than 30 years, which led to the system's lack of response to developments and modernity in accounting treatments, as well as that the application of international financial reporting standards to the outputs of the unified accounting system of the facility selected for the subject of the practical study led to the development of lists A new financial statement is not prepared according to the unified accounting system, which is represented by the statement of other comprehensive income and the list of changes in equity. Therefore, unrealized profits and losses will be treated in a more accurate manner after they were treated according to the accounting system of the company in question as unreal profits.

The study of (Al-Muaini , Taleb : 2024) confirmed that Iraq faces great challenges in the accounting and control environment, which makes the application of IFRS a necessary step to promote openness to global markets, as one of the most prominent objectives of the study was to assess the impact of the transition from local accounting standards to international financial reporting standards and its impact on financial statements, by measuring the change in the appropriateness of the value of financial accounting information before and after the application of international financial reporting standards, specifically IFRS 1) , The study concluded with a set of conclusions, the most important of which was that the adoption of international financial reporting standards affects the appropriateness of the value of the research banks and confirms the hypotheses of the study that the financial statement figures prepared based on international financial reporting standards are more appropriately reflected than traditional statements. The study recommended adherence to all the requirements of international financial reporting standards in order to enhance the characteristics of accounting information that serve the users of financial statements, as adherence to those requirements leads to making the financial statements an honest and real expression of the contents of the figures and events .

3.Challenges to IFRS Adoption in Iraq

Some studies focused on the challenges facing Iraq in adopting international financial reporting standards, as the study (Al-Naghi, Asghar :2022) pointed to some of the determinants and obstacles facing the application of international financial reporting standards in Iraq , as the most prominent of these obstacles and determinants was the problem of financing the application of international financial reporting standards, as well as the problem of human resources and the lack of human capacity adequately prepared and trained to apply these standards, as well as the accounting culture in the unified accounting system applied in Iraq, and the lack of The application of legislation and laws that oblige Pogo to apply international accounting standards , as well as the complex nature of some international financial reporting standards, even if they are accompanied by interpretations, but will remain of a complex nature when applied. The study pointed to some of the determinants that hinder the application of international financial reporting in the Iraqi environment, including the existence of regulatory bodies such as the official securities market authority, whose decisions are binding, as well as the existence of the Accounting and Auditing Standards Board, which is keen to issue local standards that lead to transparency and increase the quality of information Traded accountants with the aim of helping investors to make their economic decisions. In addition to the legal and legislative determinants, as the accounting system in the Republic of Iraq is subject to laws and instructions, and these laws may not be compatible with international accounting and financial reporting standards, as well as the determinants of human capacity that have been referred to, which are the provision of cadres that are at the level of a world of training, as well as the existence of regulatory systems to oblige institutions to apply international standards.

Al-Moussawi's 2015 study tried to diagnose the appropriateness of the international financial reporting standards for the accounting environment in the Iraqi private banks sector by testing the level of awareness of the beneficiaries of financial reports by conducting a survey through the questionnaire and interviews of the research sample, which included a number of accountants and auditors in Iraqi private banks to answer the questions raised by the study , which included the extent of benefiting from the application of standards in improving the outputs of accounting information and the extent to which they support transparency and disclosure indicators. The study recommends that environmental, cultural and knowledge factors are an important determinant of the adoption of international financial reporting standards, especially in the banking sector. The study recommended a set of recommendations, the most important of which was the rehabilitation of the accounting system in Iraq, especially in the banking sector, to cope with the nature of the standards of the international financial communication and its rapid developments .



4 Expected Benefits of IFRS Adoption in Iraq

Al-Khafaji's study (2016) sought to determine the impact of relying on international financial reporting standards in SMEs on achieving the quality of financial reports and their impact on the investment decisions taken, through conducting a field study (field survey) for a sample of investment banks listed in the Iraqi Stock Exchange through a questionnaire prepared to verify the validity of the hypothesis. The study concluded that adopting international financial reporting standards leads to achieving the quality of financial reports by reducing profit management practices, increasing market liquidity and reducing the cost of transactions for investors.

The study of Hussein, Mahmoud, 2024, dealt with the impact of adopting the international financial reporting standards in the direction of disclosing information on integrated business reports and its reflection in the levels of unconditional accounting reservation in the environment of Iraqi banks, through the researchers' reliance on the method of analyzing information content in order to measure research variables and capture the information of integrated reports in a sample of Iraqi banks listed on the Iraq Stock Exchange . The study focused on devising the resulting relationships between the global trend of adopting international financial reporting standards and the expansion of the disclosure of integrated information on sustainability and governance and the extent to which the Iraqi environment responds to these trends and this is reflected in the level of unconditional accounting reservation. The study pointed to the reality of international financial reporting in the Iraqi environment and then some concepts related to integrated reports and their determinants. The study reached a key point that the adoption of international financial reporting standards increased the levels of disclosure of integrated information, which in turn led to enhancing the levels of accounting reservation in Iraqi banks.

The study of Al-Dawri, Jawad, 2023, also focused on the impact of compliance with the application of international financial reporting standards on improving the results of banking performance evaluation. The study started from a basic premise represented in the commitment of Iraqi commercial banks to apply international financial reporting standards that positively affects the results of banking performance evaluation through the preparation of financial statements that are transparent, appropriate and comparable with other banks worldwide. The researchers used comparison For some financial ratios, before and after the application of the international financial reporting standard to measure the level of change of these financial ratios for a group of banks listed on the Iraqi Stock Exchange, one of the most important of these ratios was the rate of return on deposits, the rate of turnover of equity, indicators of financial investments, and safety margin ratios. The study reached a set of results, the most important of which was that the commitment of Iraqi banks to apply international financial reporting standards led to improving the results of evaluating the performance of banks through the results of ratios and financial indicators extracted from the financial statements prepared in accordance with the international financial reporting standards , which reflect Positively on evaluating the performance of banks, which led to improving the comparison process with the ratios of other banks in other countries.

Al-Ma 'mouri study 2023, dealt with the impact test associated with the application of international financial reporting standards in investors' decisions in the Iraqi environment , by applying to 110 scenes in Iraqi banks listed in the Iraqi Stock Exchange for the period between 2011 to 2020, as the application was measured with the International Financial Reporting Authority using a fictitious variable given number (1) for the years after application and number (0) for the years before application. Investors' decisions were also measured using the natural logarithm of the circulating values of the shares of the same banks, as well as using a set of statistical methods to test hypotheses and know the size of the correlation, effects and level of significance between the research variables. The results of the research showed that there is an inverse statistical significance relationship between the application of the international financial reporting standards and the decisions of investors. The study also found that investors obtain many benefits through the application of international financial reporting standards , such benefits include enhancing their economic decisions, reducing investment risks and reducing all capital invested by reducing the costs of adjusting financial data that have comparative potential.

Other studies dealt with the issue of applying IFRS in the Iraqi accounting environment:

From these studies, Al-Azzawi 2023 study, where the researchers presented and analyzed some previous studies that dealt with the subject of international financial reporting standards and the impact relationship between their application and the level of accounting reservation. The study measured the impact relationship between the application of international financial reporting standards and the level of reservation by measuring this relationship before and after the application of international financial reporting standards for the level of accounting reservation and the operational performance indicator, for a sample of (19) banks of Iraqi private banks and at the level of three years before and after the application of international financial reporting standards. The study found a low level of accounting reservation in these banks, that is, the presence of moral differences of the level of accounting



reservation before and after the application with the International Financial Reporting Institute. The study cited some international financial reporting standards, the most important of which are the International Financial Reporting Standard (IFRS1), the International Financial Reporting Standard (IFRS 5), and the International Financial Reporting Standard (IFRS 6), in order to help measure the level of accounting discretion before and after the application of the standards.

The study of Al-Ani, Taher: 2022, dealt with the impact of the levels of adoption of international financial reporting standards on the quality of financial reporting for some Iraqi banks, as the study examined the impact of the levels of adoption of international financial reporting standards on the quality of financial reporting in Iraqi banks, by determining the real levels of adoption and verifying the impact of these levels on the quality of financial reporting for these banks, as after Iraq's adoption of international financial reporting standards in (2016), especially in the banking sector, There was an urgent need to apply these standards to meet the internationally recognized financial disclosure and reporting requirements, because Iraq has become the focus of foreign international investments. The study used a set of equations related to measuring the quality of profits, which are important in determining the quality of financial reports and comparing them to the levels of adoption of international financial reporting standards, for a sample of four banks. One of the most important findings of the study was that the impact of the levels of adoption of international financial reporting standards is reflected and affects the quality of financial reports through the existence of a direct relationship Among the high levels of adoption of the standard of the existence of financial reports in the same research banks, as the compliance rates in the research banks were not at the real level required for the standards, which ensures the achievement of high levels of quality of financial reports, as well as recommended that the Iraqi local accounting rules should be amended and regulated in accordance with the requirements of the application of international financial reporting standards, as well as benefiting from the experiences of some other countries that have applied the standards.

CONCLUSION

Previous studies indicate that the adoption of IFRS in Iraq represents a crucial step to improve the financial and economic environment. However, the multiple challenges require the development of comprehensive strategies to ensure the success of this transformation. Cooperation between government, professional and academic entities remains essential to achieve the required progress in the field of full implementation of the standards.

By analyzing the results of the studies dealt with in this paper, it is noted that the experience of applying international financial reporting standards in Iraq was limited to the banking sector and with clear efforts by the Central Bank of Iraq. However, this experience was a positive factor in order to increase the studies that examined the subject of application of standards and to identify the advantages, benefits and obstacles that accompanied the application of standards in the banking sector and their reflection in improving the levels of disclosure, transparency and quality of accounting information and the positive impact achieved by the application of standards in improving the levels of investment that achieves the economic recovery of the country , and to develop recommendations and strategies that overcome all obstacles and benefit from this experience. These efforts culminated in the Federal Financial Supervisory Bureau issuing a modified version of the unified accounting system in accordance with the requirements of international financial reporting standards. This is a major achievement in order to achieve keeping pace with all the rapid developments in the application of international financial reporting standards and their issuances, which is reflected in improving and strengthening the business environment, which is greatly reflected in the development of Iraq's economic reality.

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