



EVALUATING THE MERGER PROCESS OF PUBLIC COMPANIES IN IRAQ ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS-AN APPLIED STUDY OF THE GENERAL COMPANY FOR TEXTILE AND LEATHER INDUSTRIES

Hazem Ali Muttair,

Email: hazem.ali@uos.edu.iq

College of Administration and Economics, University of Sumer, Iraq

Suhair Kadhim Fadil

Email: suhair128sr@gmail.com

Iraq Ministry of Higher Education and Scientific Research

Ahmed Mohammed Hamzah

Email: ahmedaljporj1977@gmail.com

College of Administration and Economics, University of Sumer, Iraq

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Abstract:

As a result of the continuous development of economic life and the emergence of diverse commercial companies, economic concentration has become a contemporary feature. Mergers have become one of the most important means of achieving this concentration, with the goal of achieving greater profits and broader competition.

The study aimed, through studying the reality of evaluating the process of merging public companies in Iraq in the Iraqi environment, to identify the most important difficulties that accompanied the process of merging public companies, and to clarify the principles that must be followed when merging, which are consistent with the legal legislation of the local environment, with a statement of the impact of the merger when preparing financial statements in accordance with international accounting standards.

The study was conducted on a sample of public companies that have a significant impact on the Iraqi economy and apply the unified accounting system. These companies exist in an economic environment characterized by constant dynamics and fluctuations, and purchasing power therefore changes with these conditions. The study concluded that adapting the International Financial Reporting Standard (IFRS 3) to assess the merger process of public companies in Iraq helps provide results closer to accuracy and reality when preparing financial statements. Mergers of companies are considered one of the main financial solutions for struggling companies.

Keywords: Merger, acquisition, IFRS3, public companies, unified accounting system, fair value, revaluation.

1- INTRODUCTION:

The phenomenon of corporate mergers is one of the most prominent manifestations of preparation for a post-globalization world, characterized by competition and control over the mechanisms of the global economy. The launch of the movement to fully open markets to competition and the acceleration of global trade growth at rates twice the global production growth rate has led to the spread of "merger fever" globally, with more companies and financial institutions engaging in unprecedented merger deals. Thus, the tendency of companies to merge with each other and acquire other companies has become a common phenomenon in developed countries that are keeping pace with the continuous development in the expansion of markets and their freedom from restrictions. The motives for corporate mergers are many and varied. The traditional motive for mergers was the desire to monopolize the market, but this motive has become legally rejected in most legislations to protect consumers and prevent the control of capital. However, now, instead of the desire for monopoly, other positive motives for mergers have emerged. The merger of companies with each other, or the control of other companies over others, has become a familiar phenomenon in order to ensure the ability to continue.

One of the most prominent motives is merger for the purpose of expansion or rapid growth through horizontal mergers, or expansion for the purpose of integration through Vertical mergers, expansion for the purpose of risk distribution



through mixed mergers, and the rescue of financially distressed companies, as well as the tax considerations that may arise from the merger process, may be among its motivations. The research idea aims to shed light on the accounting reality of mergers among public companies in Iraq and address shortcomings in the procedures followed by adapting the International Financial Reporting Standard (IFRS3) to suit the Iraqi environment.

2- STUDY METHODOLOGY:

2-1 Research Problem:

The lack of clarity in the accounting procedures followed in Iraq for handling mergers of public companies is due to the local environment's lack of rules or standards that define and guide these procedures. This difficulty also results in determining the fair market value of the assets and liabilities of the two companies involved in the merger. This has resulted in the failure to implement the accounting procedures specific to the merger process, which are governed by international accounting principles and standards.

2-2 Research Significance:

The importance of the research lies in addressing the evaluation of the merger of public companies in Iraq by adapting the requirements of the International Financial Reporting Standard (IFRS3) to suit the Iraqi environment. This cannot be achieved unless the merger process is accompanied by clear accounting procedures based on rules and standards that lead to the presentation of financial statements that clarify the results of the merger. Therefore, adapting international accounting and financial reporting standards will lead to the existence of clear procedures that guide accounting practices in a direction that achieves the objectives of financial reporting and financial reporting in accordance with international accounting standards. Research Objectives

The true objective of the research emerges through the study of an important and contemporary issue, namely, demonstrating the role of international accounting standards for business combinations in facilitating the merger process and its impact on the merging companies. From this, the following **2-3-2-3 Objectives are derived:**

1. Identify the most important obstacles that accompany the merger process.
2. Demonstrate the principles that must be followed for mergers, which are consistent with the Companies Law.
3. Demonstrate the impact of mergers on preparing financial statements in accordance with international accounting standards.

2-4 Research Hypotheses:

Adopting the International Financial Reporting Standard (IFRS 3) when evaluating the merger process of public companies in Iraq helps provide accurate representation when preparing financial statements.

2-5 Research Society & Sample:

The research community is represented by public companies affiliated with the Ministry of Industry and Minerals, while the research sample is represented by the General Company for Textile Industries and the General Company for Leather Industries before the merger and the General Company for Textile and Leather Industries after the merger.

3 PREVIOUS STUDIES:

- 1- Kumar & Bansal (2008) The impact of merger & acquisitions on corporate performance in India.

The study focused on reviewing the performance of mergers and acquisitions and auditing the financial and operational data of more than (200) Indian companies over a period of (6) years on how mergers and acquisitions achieve financial and/or operational synergy. The study concluded that companies entering into mergers in the long term have large cash flow, wide business diversity and cost reduction through actual comparison of the reality of the companies entering into the merger before and after the merger. And achieving improvement in the financial performance of the companies resulting from the merger

- 2- Ravichandran & Alkathlan :(2010) Market Based Mergers-study on Indian & Saudi Arabian Banks

The study aimed to analyze the efficiency and performance of mergers for selected banks (research sample) in the Kingdom of Saudi Arabia and India using the CRAMEL variable. The study concluded that the profitability of the merged banks increased after the merger, and the merger achieved an improvement in their operational efficiency, despite the fact that one of the most important goals of the merger is the primary focus on profitability for the banks entering into the merger.

4- THE CONCEPTUAL FRAMEWORK FOR BUSINESS MERGERS:

4-1 Definition of Merger:

A legal process by which two or more companies combine to form a single company. This process occurs through amalgamation, which results in the legal personality of the merging company or companies being lost, and all of their assets and liabilities being transferred to the merging company. Or through amalgamation, whereby two or more companies are dissolved, losing their legal personality and forming a new company with an independent legal personality. All assets and liabilities are transferred to the new company. (Ross: 2007: 817)

4-2 The Difference Between Mergers, Acquisitions, and Takeovers:



- **Merger:** The merger of one or more companies (merging companies) into another existing company (the merging company). In this case, the legal status of the merging companies is lost, and these merged companies become divisions of the merging company.
- **Union (Acquisition):** The merger of one company with another company or companies. In this case, the legal status of the companies that merged with each other is also lost, and the net assets of these merged companies are transferred to the new company.
- **Control:** This type of merger occurs when one of the main companies, called the holding company or parent company, purchases all or part of the assets of another company or companies, called subsidiaries. (Kompongichayanond, 2009: 379)

4-3 Importance of Merger:

Mergers achieve a number of benefits, including the following: (Hoyle et al., 2009: 39)

- Achieving economic efficiency in manufacturing, purchasing, selling, and other operations.
 - Rapid entry of new and existing products into local and foreign markets.
 - Optimizing the administrative and production efficiency of the companies involved in the merger.
 - Increasing the stability of the company's profits and obtaining an additional resource.
 - Increasing the company's stock price in the market and moving towards new investments.
- 6) Increasing the value of the merged companies after the merger, which benefits the shareholders of the merged companies, with a growth rate that exceeds that achieved by internal diversification.
- Reducing competition, diversifying business risks, and benefiting from the reduction of administrative expenses.

4-4 Reasons and Justifications for Mergers:

- A means of benefiting from economies of scale by achieving horizontal integration through the merger of two or more companies that carry out the same activity or production, while vertical integration is through the merger of two companies that carry out complementary purposes. (Geppert & Kamerschen, 2008: 33)
- Companies can benefit from the tax exemption benefits provided by some tax laws in force in some countries to encourage companies to merge.
- Companies resort to mergers for the purpose of competition, survival, and the ability to stand up to dominant or larger companies. (Brigham, 2005: 869)
- Financial crises for struggling companies are addressed by merging with other companies with better economic and administrative capabilities to overcome the difficult circumstances they are experiencing.
- Confronting economic changes in light of globalization, pushing companies to establish conglomerates among themselves to confront any development or change witnessed in the economic arena in light of globalization. (Jensen, 2006: 50)

4-5 Merger Theories:

First: The abundance/symmetry theory: This theory is achieved when the value of the new company resulting from the merger is greater than the sum of the values of the companies before the merger. Van Horne, (2004: 95)

Second: The theory of differential efficiency assumes administrative cooperation and achieves three types of synergies: operational, which can result from a business merger, reducing the cost of production units and enabling the company to offer higher-quality products; administrative, which involves utilizing excess administrative resources; and financial, which leads to a lower cost of capital (Montgomery et al., 2001: 182).

Third: The theory of financial effects, which focuses on unutilized borrowing capacity, as the merging company can leverage the unutilized borrowing capacity of the merged company to obtain lower-cost loans to finance its capital investments (Carpenter et al., 2009: 472). Fourth: The theory of market share and market power: It leads to an increase in market power and an increase in the monopoly power of the merging companies through increased sales, which enables them to increase the price of their product and increase profits. When the merging companies do not control the entire market, they can agree with other companies to raise prices, while some companies specialize in specific products with high-quality specifications, where the merger enables them to obtain expertise and technology and increase their share of selling their products and services and create a monopoly power in the market. (Rene 2012:14).

4-6 The Reality of Mergers in Iraq

By studying some companies involved in mergers, we find that companies merge to form a single company. In other words, the merger process involves the dissolution of two or more companies to form a single company, either by one of the companies involved in the merger remaining, which is called a "legal merger," or by the formation of a new company after the dissolution of all the companies involved in the merger, which is called a "legal union." Companies involved in mergers are reluctant to form the third form of merger, legally speaking, "merger by control," due to its difficulty in implementation. Mergers in Iraq tend toward the latter theory, by increasing the sales of the merged company, strengthening its market share, competing with other companies, and achieving profit growth.



5- INTERNATIONAL ACCOUNTING AND FINANCIAL REPORTING STANDARD NO. 3 ON BUSINESS COMBINATIONS:

5-1 Definition of the Standard:

The standard defines a business combination as "a transaction or other event in which the acquirer acquires control of one or more businesses. Transactions sometimes called true mergers or mergers of equivalents are also considered business combinations" (IFRS 3, 2016).

The standard aims to enhance the reliability, relevance, and comparability of information provided by an entity about a merger and its effects on financial statements. It also clarifies and describes how to report business combinations, how to recognize and measure the identifiable assets acquired and the liabilities assumed, how to determine the value of the non-controlling interest and goodwill, and the disclosures required when a business combination occurs.

Its scope applies to any transaction or other event that meets the definition of a business combination, except for the merger of companies under common control, the accounting for the establishment of a new enterprise, or the acquisition of an asset or group of assets that does not constitute a business.

International Financial Reporting Standard No. 3 specifies the steps for applying acquisition accounting in business combinations as follows:

First: Identify and specify the acquirer.

Second: Determine the acquisition date.

Third: Recognize the acquired tangible and intangible assets and the liabilities assumed.

Fourth: Identify the assets and liabilities that require separate accounting treatment.

Fifth: Classify or reclassify the acquired identifiable assets and the liabilities assumed.

Sixth: Recognize and measure the non-controlling interest in the acquiree or acquired entity.

Seventh: Measure the consideration transferred.

Eighth: Recognize and measure goodwill, or gains from a bargain purchase.

5-2 Exceptions to the recognition and measurement principle:

- The acquirer must recognize a contingent liability in a business combination at the acquisition date if it is a present obligation arising from past events and its fair value can be reliably determined (LAS 37, 2016), even if it is not expected that an outflow of resources embodying economic benefits will be required to settle the obligation (IFRS 3, 2016).
- The acquirer must recognize and measure the deferred tax asset or liability arising from the acquired assets or liabilities assumed in a business combination in accordance with International Standard No. (12) "Income Taxes" (LAS 12, 2016).
- The acquirer shall recognize and measure the liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with International Financial Reporting Standard No. (19) "Employee Benefits."
- The acquiree may contractually indemnify the acquirer for the consequences of uncertain and potential conditions related to a specific asset or liability, or part thereof. For example, the indemnity may relate to a liability not recognized at the acquisition date because its fair value cannot be reliably measured (IFRS3, 2016).
- The acquirer shall measure non-current assets classified as held for sale at the acquisition date in accordance with International Financial Reporting Standard No. (5) "Non-current Assets Held for Sale and Discontinued Operations" at fair value less costs to sell (IAS12, 2016).
- The cash consideration in a business combination shall be measured at fair value, arriving at the sum of the fair values of the assets transferred by the acquirer at the acquisition date, the liabilities assumed by the acquiree to the previous owners of the acquiree, and the fair value of the assets transferred at the acquisition date. Equity shares issued by the acquirer.

5-3 Measurement Period:

The measurement period is the period after the acquisition date during which the acquirer adjusts the transitional amounts recognized for the business combination. The measurement period ends when the acquirer obtains information regarding facts and circumstances that have occurred since the acquisition date or learns that other information cannot be obtained. However, the measurement period should not exceed one year from the acquisition date.

5-4 Disclosure:

Providing information that enables users of the company's financial statements to evaluate the nature of the transactions and financial effects of the business combination, as follows:

- Those that occurred during the current period.
- Those that occurred after the end of the reporting period, but before the financial statements were approved for issue.
- Some business combinations that occurred in prior periods.

5-5 Merger Accounting Methods According to Financial Reporting Standard No. (3)



Financial Reporting Standard No. (3) has identified a single method for dealing with mergers: the purchase method. The justification for this is that a merger is, in essence, a purchase. Therefore, the viewpoint of the acquiring company regarding the merger was adopted, whereby assets and liabilities are valued at fair market value, resulting in (positive or negative merger goodwill), whether the acquiring company recognizes it or not during the valuation. The purchase method was also adopted to eliminate the previous practice of discounting fixed and intangible assets to a value less than fair value. There are four steps in the purchase method, as follows: (Kirk, 2011: 8-9).

- Identifying the merging company: It is clear that a company that pays cash, provides any other assets, or incurs obligations to acquire the assets or shares of another company is considered the merging company. (Larsen and Motion, 2009: 280).
- Determining the merger date: This is the date on which the merging company makes a cash payment or issues securities. The merger date is extremely important because it is the date used to determine the fair value of the acquired company's assets and liabilities.
- Measuring the fair value of the acquired company: Unless there is evidence to the contrary, the fair value of the acquired company is assumed to be the price paid by the acquirer, which is the sum of the fair values of the assets transferred and the securities issued by the acquirer. If information for determining fair value is not available at the acquisition date,
- Recording the assets and liabilities of the acquired company at fair value: The fair value of all acquired assets and liabilities is determined and recorded. Fair value is the amount for which the assets and liabilities can be purchased or sold. There are some exceptions to the fair value rule, as the goodwill in the records of the merged company cannot be valued at fair value. Rather, it is the difference between the price paid by the merging company and the fair value of the net assets.

5-6 Accounting practices under the purchase method: (294 Larsen, 2006):

- Calculating the cost of acquisition: This includes the total cash paid by the merging company and the fair value of the assets used by the merging company to acquire the merged company. It is used to calculate the investment cost, including shares issued at market value to partially or fully finance the merger.
- Direct Merger Expenses: These include all expenses incurred by the merging company that are necessary to implement the merger. The most important of these are the costs of registering the acquisition, attorneys' fees for legal consultations, and auditors' fees. In addition, the merger requires an assessment of the assets and liabilities of the merging companies. These direct expenses include appraiser fees, which include the fees of professionals who provide professional services related to the merger, including defining the merger objective, financing, tax planning, and due diligence to complete the merger (Dober, 2013: 16).
- Other indirect expenses: These are treated as expenses for the accounting period in which the merger was completed. Examples include the salaries of managers and employees of the acquiring company who contributed to the study and completion of the merger, in addition to the depreciation of the assets of the merged company.
- Evaluating the assets and liabilities of the acquired company based on fair value: The net fair value of the assets is determined using the following equation:
- Net assets at fair value = The total value of the combined company's assets, evaluated at their fair value - The total value of its liabilities, evaluated at their fair value.

6- FIELD STUDY:

6-1 The State Company for Textile and Leather Industries

The State Company for Textile and Leather Industries is a self-financed, fully state-owned economic production unit affiliated with the Ministry of Industry and Minerals. It enjoys legal personality and financial and administrative independence. It operates according to economic principles and its headquarters are in Baghdad.

Based on Cabinet Resolution No. (360) of 2015, adopted during the thirty-eighth regular session held on October 6, 2015, and communicated in letter to the General Secretariat of the Council of Ministers No. (/Sh.Z/10/1/14/31722) dated October 8, 2015, and based on the provisions of Article (31) of the Public Companies Law No. (22) of 1997, as amended. Ministerial Order No. 411/24/53462 was issued on December 17, 2015, merging the following related industrial and mineral companies:

- Textile companies in Baghdad, Wasit, Babil, Diwaniyah, and Mosul (merged).
- The State Company for Leather Industries (merged).
- The State Company for Textile and Leather Industries (the new company resulting from the merger).

6-2 Objectives of the State Company for Textile and Leather Industries (new):

The company aims to contribute to supporting the national economy and developing industrial production through:

- Developing the company's products according to needs and modern designs, bringing them to the highest required specifications, and modernizing and developing production lines, with an emphasis on reducing costs.
- Expanding the industrial base to meet the needs of the country and various sectors.



- Covering the Iraqi market with the company's products and reducing reliance on similar imported products.

6-3 Evaluating the Merger from an Accounting Perspective

1. The Method Followed: The General Company for Textile and Leather Industries did not follow the purchase method in handling the merger, nor any other reliable method through a study of the financial statements. The company only recorded the assets and liabilities of Al-Nasr Mechanical Industries Company and Al-Samoud Steel Industries Company from January 1, 2015, to December 31, 2015, and adopted this when preparing the final accounts on December 31, 2016, which were approved by the Federal Board of Supreme Audit No. B/11/43/25030 on November 12, 2017. It should be noted that the General Company for Steel Industries is obligated to apply International Accounting Standard No. (22), which is consistent with the provisions of Financial Reporting Standard No. (3) Business Combinations, with regard to adopting the purchase method in accounting for the merger of the two research sample companies.
2. Closing Records: No closing records were entered for the two merging companies after the merger decision due to the automated system in each company. Instead, the new system was simply coded to unify the financial transactions and events between the two companies.
3. Business Combination Standard: Financial Reporting Standard No. (3) was violated by recording the land, buildings, machinery, equipment, tools, molds, furniture, and office equipment owned by the two companies in different locations. These were recorded in the records at cost. As the records show, their cost up to the date of the merger on December 31, 2015, was (18,386,448) thousand dinars, which were transferred pursuant to the merger to the Steel Company. It should be noted that the Steel Company did not evaluate them at fair market value to determine whether there was positive or negative goodwill, and they were entered into the balance sheet at book value.
4. Purchase Costs: The merging companies were unable to determine the purchase costs due to their failure to specify a purchase price, in addition to their failure to specify any identifiable expenses or contingencies from the date of the purchase.
5. Purchase Expenses: The company failed to identify direct and indirect expenses due to its failure to extract the cost of the merger. This was due to the lack of any reference in the unified accounting system, including the index number and 2133, to its accounting procedures. Instead, all expenses were charged to the income statement.
6. Fair Value: The merging company failed to pay any consideration for the merger to the merging companies. It also failed to determine the fair value of the assets received from the merging companies due to the merging company's failure to evaluate the assets and liabilities at fair market value, as the merging company has one owner: the state.
7. Form of Merger: The legal merger between Al Nasr Mechanical Industries Company and Al Sumoud Steel Industries Company is a major merger that emerged suddenly and as a result of unnatural circumstances. This led to weak oversight of the merger by the Ministry of Industry and Minerals' internal oversight body.
8. Merger Goodwill: The failure to recognize the goodwill generated by the merger in public companies.

6-4 Accounting treatment according to the purchase method (fair value) for the new company.

The table below shows the revaluation of fixed assets (at fair value) obtained from the tables sent to the Ministry of Finance by the company pursuant to letter No. (256) dated 12/21/2017, which included sending all statements as an attachment (CD). This valuation was employed in accordance with Financial Reporting Standard No. (3) for Al-Sumoud General Company for Steel Industries, on the date of the merger. The reflection of the use of fair value on the statement of financial position is shown in Table No. (2).

Table No. (1) Valuation of assets based on fair value

Name of the existing	Accounting guide number	Historical book value (million dinars)	Fair Market Value Million Dinars	Difference in millions
Land	111	28	110,525,	110,497,
Buildings	112	966	158,304,	157,338,
Machinery and Equipment	113	14,592	203,042	188,450
Transportation Equipment	114	2,008	2,886	878



Tools and Molds	115	501	501	0
Office Furniture and Equipment	116	293	293	0
Total		18,388	475,551	

Table No. (2)
 Ministry of Industry and Minerals
 General Company for Textile and Leather Industries
 General Budget as of January 1, 2017

Guide	account name	Company Data/Dinars In Millions (Before the Standard)	Company Data/Dinars In Millions (After the Standard)
1	Assets		
	Fixed Assets		
11	Fixed Assets (at Book Value)	18,387	475,549
151	Long-Term Financial Investments	97,	97
	Total Fixed Assets	18,483	475,646
	Current Assets		
13	Inventory (at Cost)	73,384	73,384
138	Letter of Credit for Purchase of Materials	305	305
16	Receivables	236,265	236,265
18	Cash	9,746	9,746
	Total Current Assets	319,699	319,699
	Total Assets	338,182	795,345
2	Financing Sources		
	Long-Term Financing Sources		
21	Capital	1,717,	1,717
22	Reserves	73,039,	263,066
225	Accumulated Deficit	(249,367)	0
23	Appropriations	0	17,770
241	Long-Term Loans Received	165,841	165,841
	Total Long-Term Financing Sources	(8,770)	448,191
	Short-Term Financing Sources		
2414	Loans Received (Short-Term)	3,900	3,900
25	Creditor Banks	2,491	2,491
26	Creditors	340,561	340,561
	Total Short-Term Financing Sources	346,952	346,952
	Total Financing Sources	338,182	795,345

From the above, the following changes can be observed for the General Company for Textile and Leather Industries at the date of the merger:

1. The fixed assets balance increased by 25.8% after adopting the fair value measurement standard, which is a requirement of the IFRS 3 Business Combinations Standard, which emphasizes that when companies merge, assets and liabilities must be revalued at fair value. The balance, based on book value, amounted to 18,386,448,682 dinars, while their fair value amounted to 475,548,885,189 dinars, according to the evaluation of all the company's assets by a committee of experts (factory managers, engineers, and technicians with at least thirty years of experience working in all the company's factories). The difference between the fair value and book value amounted to 457,162,436,507 dinars.



2. The reserve balance increased by (2.60%), reaching (263,065,511,532) dinars, based on the fair value valuation standard, while its book value in the company's records on the merger date amounted to (73,038,685,808) dinars, an increase of (190,026,825,724) dinars.
3. The accumulated deficit balance decreased to (zero), while the balance based on the book value on the merger date amounted to (249,365,758,270) dinars. The accumulated deficit was completely reduced by closing it in the revaluation surplus account balance, amounting to (457,162,436,507) dinars.
4. The balance of the (Allocations) account/23 increased by (7,602,643,083) dinars, which represents the following:
 - a. The balance of the provision for impairment of financial investments increased by (48,250,000) dinars, which was created as a precaution. This is due to the presence of a committee within the Ministry of Industry to liquidate the balance of the financial investments account, which amounted to (96,500,000) dinars, due to the incomplete establishment procedures for these investments, which have been suspended since 2002, as explained in the company's management report for 2015.
 - b. The balance of the provision for doubtful debts increased by (7,554,393,083) dinars, as a result of adopting the purchase method in the business combination, and the researcher creating a provision for doubtful debts based on information obtained from the financial manager to estimate the net transferable value of this account. This represents a hedge against concerns about non-collection of the company's debts, which are mostly Before 2003.
5. The opening entry for the assets and liabilities of the General Company for Textile and Leather Industries on the date of merger, as of December 31, 2015, was recorded at fair value in accordance with the requirements of the International Accounting Standards for Business Combinations. The new asset balances of the two merged companies were debited and the financial statements were credited. The difference between them was recorded by crediting the revaluation surplus account, amounting to (190,026,825,724) dinars.
6. The new financial statements and analytical statements were prepared by reflecting the above-mentioned variables and presenting them with a statement of their impact in accordance with the International Merger Standards on the date of merger, December 31, 2015, and in implementation of Cabinet Resolution No. 360 of 2015 dated October 6, 2015.
7. The above leads to adapting the International Accounting and Financial Reporting Standard No. (3) by reversing the accounting procedures required by the standard to suit the local environment, to reach closer results.

7- CONCLUSIONS AND RECOMMENDATIONS:

7-1 Conclusions:

1. The pooling of interests method may be consistent with the logical and acceptable accounting treatment from an economic and legal perspective in the Iraqi context when the companies involved in the merger are owned by the state (public sector companies). This method is based on the continued ownership of interests and mutual exchange between the entities involved in the merger, and does not provide a reliable basis for accounting. This results in the company's net assets, including retained earnings, being consolidated, carried over, and remaining unchanged unless legal requirements arise.
2. The lack of an Iraqi accounting basis specific to mergers in the local context has led companies involved in the merger not to adopt international accounting standards for mergers (IFRS 3).
3. Public companies fail to insure their assets against theft, looting, and other damages, especially given the country's unstable circumstances. Insurance experts, in conjunction with asset valuation experts at public companies, help measure and evaluate the company's assets and implement the requirements of the business combination standard.
4. The results of the merger showed an increase in the company's value, represented by the revaluation of its assets and liabilities at fair value, exceeding the sum of their historical cost values of the merging companies prior to the merger.
5. The differential efficiency theory is more acceptable and widely used than merger theories, as merging companies seek to eliminate the problems faced by the merging companies. When the management of the merging companies is more effective and efficient than that of the merging companies, the result of the merger of the two companies helps the new management of the merging company raise the efficiency level of the merged company to the level of efficiency of the management of the merging company.

7-2 Recommendations:

1. The necessity of insuring the assets of public companies with accredited national insurance companies, which would assist them in revaluation, given its importance at the industrial and business levels.
2. It is preferable for companies wishing to merge in a merger process to adopt the differential efficiency theory, due to the advantages it provides in terms of administrative, financial, and operational synergies between the companies involved in the merger.



3. The necessity of instilling the concept of fair value accounting, its characteristics, and methods of measurement among those working in the field of accounting, and evaluating the assets and liabilities of the companies involved in the merger at fair value.
4. The method or approach to accounting for the merger must be disclosed, along with a statement of the reasons that led to its adoption for the companies involved in the merger.
5. Adopting and adapting the accounting treatments contained in the International Standard on Business Combinations No. (3) to suit the local environment.

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