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The Impact of IFRS Changes on the Iraqi Environment: Case Study

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Abstract: The International Accounting Standards Board (IASB) has prioritized the evaluation of standards and the issuance of amendments and clarifications to eliminate any ambiguity present in certain paragraphs of the International Financial Reporting Standards (IFRS) it has issued. Therefore, the objective of this study was to provide insight into the most recent advancements in accounting literature. The International Financial Reporting Standards (IFRS) have had a significant impact on the Iraqi business environment. These standards have influenced the quality of accounting information provided by companies that adhere to them. This, in turn, affects the efficiency of investment decisions made in the local market and helps attract both domestic and foreign capital. The statistical research revealed a notable impact of IFRS revisions on the Iraqi environment, namely on the quality of accounting information and the effectiveness of decision-making. Companies in Iraq are required by the Accounting and Regulatory Standards Board and the Central Bank of Iraq to adhere to International Financial Reporting Standards (IFRS) and stay updated on any modifications to these standards.

Keywords: International Financial Reporting Standards (IFRS), Iraqi Business Climate, Updates to IFRS

Introduction

The accounting profession is currently experiencing an unparalleled surge of progress and transformation in information technology, privatization, global commerce, scarcity of economic resources, and trade liberalization. Expanding their expertise in computer science and the internet; Adjusting to the dynamic business landscape and considering the influence of the information technology environment on the accounting industry.

The Iraqi economic policy today is heading towards liberalism and openness to foreign markets and the transition to administrative decentralization in the management of the economy. The implementation of this economic policy requires the presence of effective governmental administrative and financial control so as not to deviate and turn into the phenomenon of financial and administrative corruption, and here came the need to think about making the necessary reforms in the accounting system Through convergence and reducing the differences between it and the international accounting standards, which leads to reducing corruption and serving the largest possible number of users of the outputs of the accounting system, as well as contributing to the unification of the multiple accounting systems in force in the public and private sectors and the development of control methods and their effectiveness.

The Central Bank of Iraq's mandate for banks to adopt International Financial Reporting Standards (IFRS) is a strategic move to align with advancements in accounting practices. This initiative aims to integrate the Iraqi financial market with global counterparts, fostering investment and foreign capital inflows, ultimately driving the desired economic growth.

Research problem: The research problem is basically represented by a set of challenges facing accounting represented by the rapid and intertwined environmental changes, which requires him to find a mechanism that enables him to work at all levels and with high efficiency and in line with international standards. Therefore, there is a large gap in the reality of the applied accounting system and what it requires. The international and local market is one of the accounting standards, so there is a shortcoming that the accounting work suffers from. Therefore, the research problem can be formulated with the following question: Is there a relationship between the changes of the International Financial Reporting Standards (IFRS) with the Iraqi accounting environment.

Objective of the study

The study aims to:

1. Changes in International Financial Reporting Standards (IFRS).
2. Variables in the environment affecting the accounting systems applied in Iraq.
3. The impact of those changes on the Iraqi environment as an implementer of the standards.

Research hypotheses

The study is grounded on the notion that alterations in the International Financial Reporting Standards (IFRS) have an impact on the Iraqi environment.

The evolution of global accounting standards

The variation in accounting practices across different nations is a consequence of economic and social advancements, the rise in international commercial activities, the establishment of multinational corporations, and the expansion of the global economy and financial markets. The need for unified accounting standards at the international level has arisen in order to enhance investor confidence in the credibility of financial reports. The Financial Accounting Standards Committee is the most important and active organization in this matter. It is responsible for publishing international accounting standards and aims to establish standards that can be applied in all business environments, regardless of company size or activity. In addition to overseeing the creation and organization of accounting systems, standards, and processes for the preparation of financial statements, these activities also pertain to enterprises operating in the global financial markets [1].

Multinational corporations transcend geographical boundaries and seek a standardized set of financial statements and a common language for the creation of international financial reports. This desire led to the collaboration between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) in order to establish high-quality and efficient standards. This collaboration marked the inception of the international accounting standards industry. The International Accounting Standards Committee (IASC) was created in 1973. The transition from generally accepted accounting principles to International Financial

Reporting Standards occurred in 2002 and was completed in 2007. These standards have been adopted by companies in about 100 countries, including Australia, New Zealand, Canada, the European Union nations, and subsequently the Arab countries. The use of these standards enhances the capacity to make meaningful comparisons and increases the clarity of financial reporting. Additionally, it reduces the expenses associated with financial reporting and ensures that investors and other users receive the necessary and obligatory information [2].

The history of setting IFRS standards goes back to the establishment of the International Accounting Standards Committee IASC, which was established in 1973 to develop and formulate international accounting standards IAS, with the aim of unifying accounting standards that apply to companies and business organizations, and then changed that committee in 2001 to become the Accounting Standards Board IASB, which took upon itself the task of issuing international accounting standards called IFRS Standards. The International Accounting Standards Board actually began its work on May 8, 2001, as it formed some advisory boards and committees, and basic changes were made to improve the quality of the accounting standards issued by it, as it worked to develop the previously issued standards and complete the infrastructure of reporting standards Finance, and to achieve general acceptance of these standards and consistency in accounting practices [3].

As for the accounting aspect, accounting standards are defined as “the basic guide for measuring events, conditions and processes that affect the financial position of the economic unit and the results of its work and the communication of information to the users of the financial statements as well as the rationalization and guidance of practical practices in accounting and auditing. It is also known as a written administrative statement issued by the International Accounting Standards Committee (Accounting body), which is related to a specific element in the financial statements of the economic unit and the results of its work, according to which the appropriate method of measurement, presentation and disclosure is determined and is generally accepted at the local or international level [4].

An accounting standard is a commonly accepted framework used to ensure proper application of accounting principles. It serves as a tool for comparison, as accounting relies on the preparation of general-purpose financial statements to meet the various needs of users and fulfill management's responsibility for reporting on entrusted assets. The administration is the responsible party in this context. The entity responsible for preparing financial statements may manipulate these statements by using improper accounting standards or failing to adhere to accepted standards. In order to mitigate these risks, the accounting profession has endeavored to establish a set of standards that serve as models or general guidelines to guide and rationalize accounting practices. The accounting and auditing process is the basis for the development of accounting standards. These standards govern the form, measurement, presentation, and processing of accounting and financial information [5].

As to the International Accounting Standards Committee, accounting standards are authoritative principles that professionals use to inform and enhance their professional judgment, without overriding it. It is widely accepted as a comprehensive framework for improving the quality and efficiency of technical work and for defining the scope and level of professional accountability. Accounting standards are practical instructions that dictate how to measure, disclose, and report financial information in financial statements. These standards are founded on accounting principles, which are a fundamental part of the theoretical foundation of financial accounting. Standards have three components [6].

- Describe the problem to be addressed.
- Methods for solving a problem or a logically thought-out decision.
- By conforming to the decision or theory, the standards impose certain solutions.

We note from the above that the accounting standard is a set of controls, foundations, directives or instructions for dealing with an accounting issue in accordance with the agreed accounting principles and customs, which should be taken into consideration when preparing and presenting accounting data, and in a manner that ensures access to results that lead to a kind of homogeneity in the method of preparing and presenting these The data, and it facilitates the comparison between the data issued by the units in a particular economic activity. Therefore, accounting standards do not represent an integrated accounting system, but adherence to them helps in preparing accounting data under any accounting system in a way that helps to give these data a true and fair picture [7].

Accounting standards establish a set of regulations that preparers of financial statements must follow when preparing the accounts of a business entity. These standards ensure consistency in the market, and as a result, companies listed on public stock exchanges are legally required to publish financial statements that comply with the applicable accounting standards. As economic entities engage in the worldwide expansion of commerce and we commonly describe the globe as a global village, it becomes crucial to discuss business using a universal language that can be comprehended and compared by all stakeholders [8].

According to the International Accounting Standards Committee (IASC), accounting standards are recommendations that professionals use to inform their judgment and stimulate their intelligence, without negating the need for insight or diligence. These similar situations serve as a universal structure to enhance the quality and effectiveness of technical work and to establish the specific type and extent of professional accountability. This definition explains the philosophy of international accounting standards, which are general principles and not detailed rules for that, as they "do not nullify wisdom or diligence" but rather "support this diligence" only. The IASC adopts this approach to differences between countries' accounting practices and environments that do not allow for the adoption of detailed rules that apply worldwide [9].

The IFRS is a set of general rules issued by a committee and a specialized body IASB, and defines the accounting policies and treatments for various financial transactions and events of the economic unit in order to provide information that is reliable, objective and comparable. About the International Accounting Standards Board (IASB) [10].

The primary goal of IFRS is to provide an international framework that governs the preparation and presentation of financial statements by public enterprises. IFRS offers broad instructions for the preparation of financial statements, as opposed to establishing regulations for reporting particular to industries. An worldwide standard is particularly crucial for multinational corporations with subsidiaries in many nations. Implementing a uniform set of international standards would streamline accounting operations by enabling the organization to consistently utilize a single reporting language. Having a unified standard would further offer investors and auditors a consistent perspective of funds. Advocates of IFRS as a global standard argue that the expenses associated with adopting IFRS might be balanced out by the possibility of enhanced credit ratings resulting from compliance [11].

The significance of International Financial Reporting Standards:
The significant advancements in financial markets over the past two decades have been a key factor driving most nations to adopt international norms. Each of the investment corporations has expanded beyond the confines of their respective regions. The enterprises seeking money sought to register in international capital markets. The intensity of savings and investments, as well as the interest of both individual and institutional investors, led them to seek better investment opportunities beyond their national borders. As a result, the need for international accounting standards emerged, aiming to facilitate this global expansion of investments [12].

- Ensuring the safeguarding of the domestic investor against inappropriate accounting practices by foreign firms entering the country.
- Ensuring the safeguarding of the foreign investor against inappropriate accounting practices by domestic enterprises.

The International Financial Reporting Standards (IFRS) is an evolution and expansion of the accounting standards and their interpretations issued and endorsed by the International Accounting Standards Board (IASB) and the Standards Interpretation Committee (SIC), later renamed as the International Financial Reporting Standards Interpretation Committee (IFRIC). This is regarded as a progression of enhancing and updating accounting practices to align with and adapt to technological, economic, and informational advancements in order to fulfill the objectives of financial reporting users. It is widely recognized that one of the aims of accounting is to provide essential and valuable information to users of financial reports, enabling them to make informed decisions regarding the allocation of economic resources, which is of utmost importance. The main goals of the International Accounting Standards Board (IASB) are to increase transparency in financial reporting by ensuring that it accurately reflects the economic facts and values of an entity. The adoption of international financial reporting standards is crucial as it provides a global framework for companies, institutions, and establishments of all types and activities. This enables them to better understand and engage with the global market, facilitating their entry into it and reducing the costs associated with cross-border capital movement. [13] The user's text is incomplete and does not provide any information.
Historically, those who create and use financial statements have determined that cost is the most practical foundation for measurement and reporting. Consequently, generally accepted accounting principles mandate that most assets and liabilities be accounted for and reported based on their acquisition price, commonly known as the historical cost principle. Cost evaluation approach has a significant advantage over other methods in terms of its reliability [14].

Since the 1990s, accounting standard-setting institutions and associations have been seeking an alternative to address the limitations of historical cost accounting. This is particularly important in the treatment of financial instruments and derivatives. The concept of fair value has emerged as a significant basis and measure for recognizing, measuring, and disclosing these instruments in accounting. The shift in financial operations occurred with the issuance of International Accounting Standard (32) regarding the presentation and disclosure of financial instruments, as well as Standard (39) concerning the measurement and recognition of financial instruments. Additionally, International Standard (36) addresses the impairment of assets, while International Standard (40) pertains to investment properties. [15] states on page 17The user's text is incomplete and does not contain any information.

While the international accounting standards set by the International Accounting Standards Board are not legally mandatory, certain governing bodies, such as the Iraqi Securities Authority, have a tendency to require the implementation of these standards. In fact, the Iraqi Securities Authority has made it compulsory for all companies listed on the Iraqi Stock Exchange to adhere to international standards. Law No. 74 of 2004 was enacted to require Iraqi banks to adhere to international accounting standards. The Central Bank's Board of Directors further mandated that all local banks must transition their accounting records and systems to comply with these standards by 2009 [16]. Examining the findings of the research and doing experiments to verify hypotheses:

The study population comprises companies that adhere to the standards. A total of 100 items were distributed, with 33 items given to investors, 33 to the public, and 34 to management workers. A stratified random sample was used for this study. The researchers relied on a questionnaire as a crucial source for collecting the required data. The study was conducted with the specific objectives and hypotheses of the research in mind. The scale used to collect data was assessed for its consistency and stability using the Gronbach-Alpha statistical method. This method measures the extent of consistency, stability, and interdependence between the variables of the study as a whole or for individual variables represented by each hypothesis or goal. The Gronbach-Alpha value obtained was 0.86. The number represents the degree of confidence in the reliability of the sample members' responses and the statistical analysis results. Subsequently, the responses of the research sample were analyzed using SPSS, taking into account the characteristics of the study variables and measurement techniques. The analysis employed the following statistical methods:

- The arithmetic mean is connected to the highest value on the Likert scale. A research is considered acceptable if it achieves a percentage more than 60%. This means that the arithmetic mean must surpass 3 degrees on the scale, together with the standard deviation.
- Conducting a T-test (One Sample Test) to evaluate the study hypothesis.

Table No. (1) shows that the majority of the study sample members of auditors, financial managers and investors hold a bachelor's degree, as 87% of the sample of auditors hold a university degree, while that percentage of financial managers and investors was 68% and 60%,

These results indicate that the vast majority of the study sample have an appropriate level of scientific qualification to answer the questions of the variables of the study.

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Table 1. Qualification

Qualification	Investors%	Management%	Audience %
Diploma	23	24	0
BA	60	68	87
Master's	14	8	13
Ph.D	3	0	0
Total	%100	%100	%100

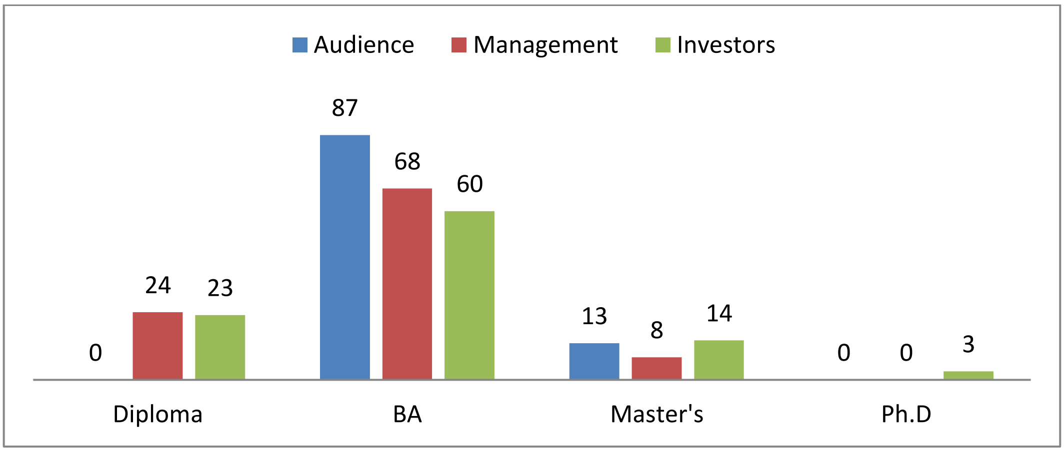

Figure 1. Qualification

Discussing Results and Testing Hypotheses

Table (2) shows an analysis of the views of the study sample, and the answers to questions (1,2,4,6,7,10) obtained the largest acceptance rate about the ability of international accounting standards to affect the Iraqi environment, whether they are management, investors, or the public, and to a degree A very strong acceptance, which is greater than (4) from Likert scale, and question (5) has taken place, which is related to the fact that the adoption of the concepts of international standards will lead to a fair presentation of the data and events that took place during the session, whose presentation may lead to a direct impact on the decisions of users The lowest arithmetic mean is 3.64, and we note that the standard deviation of the answers is acceptable and was for all questions combined (0.098), while the coefficient of difference ranged between one question and another and it was for all study variables combined (24.56%), which is a low percentage indicating a clear consistency between the answers of the study sample.

Table 2. Shows The Study Variables

Items	Mean	Stand. dev.	c.v.
The application of international standards for the presentation of financial statements leads to ensuring that the company's data for the financial period and previous periods can be compared with the financial statements of other companies.	4.11	0.999	%24.30
The components of international standards lead to the clarification and statement of the main features of the financial performance and financial position of companies and affect the sectoral environment	4.27	1.998	%22.42
Adoption of the instructions received in international standards encourages management to provide additional data that it believes will assist users in making economic decisions.	3.77	1.121	%23.21
The application of the concepts of international standards leads to the selection and application of accounting policies that result in appropriate, reliable and understandable information.	4.21	1.996	%23.66
The adoption of the concepts of international standards will lead to a fair presentation of the data and events that took place during the session, and that their presentation may lead to a direct impact on the decisions of users	3.64	1.31	%35.99
The application of international standards led to the accurate identification, measurement and verification of assets, and to the determination of what will be recognized later as an expense resulting from them.	4.17	1.02	%24.46
The application of international standards will lead to the selection of a method of recognition and measurement that is compatible with the nature and activities of the unit, and in a way that will lead to the proper identification of its evaluation.	4.56	1.09	%23.90
The application of international standards has affected Iraqi companies through a fair presentation of their assets and liabilities and the disclosure of the accounting policies used in their measurement.	3.79	1.15	%30.34
International standards properly clarify, assets that are subject to depreciation and assets that are not subject to depreciation	3.74	1.21	%12.1
The international standards have accurately clarified the factors affecting the calculation of the depreciation premium, in addition to the factors that must be taken into account when calculating the useful life of the asset.	4.17	1.51	%10.1
Total	3.99	0.098	%24.56

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When taking the arithmetic mean of all the basic variables in the environment, we note:

Table 3. Shows the Study Variables

	Management	Investors	Audience
Mean	3.9818	3.8905	4.947

We note from the mentioned table that the public was more optimistic than the rest of the groups about the ability of international accounting standards to affect the Iraqi environment with an arithmetic mean of 4.947, and the hypothesis was tested and the following became clear:

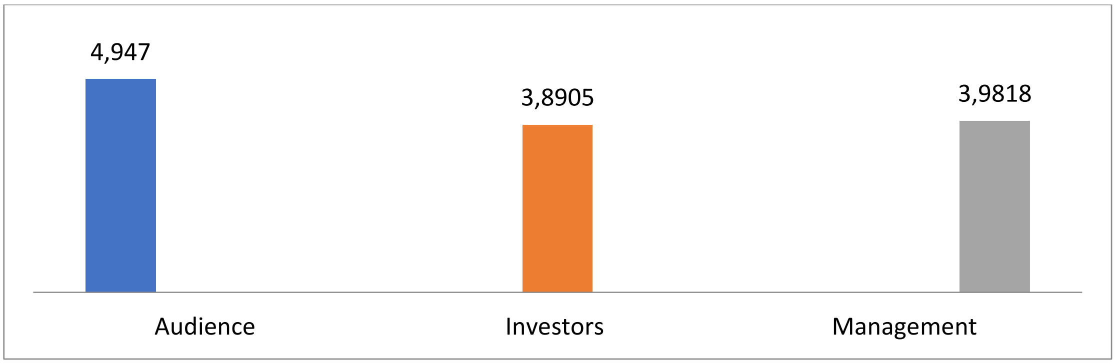

Figure 2. The Study Variables

Table 4. Hypothesis Test

	T-test	T- table	SIG.
Hypothesis	1.27	1.984	0.000

The (T-Test) test has been used and we find through the results in the above table that the value of (T) = 1.27, which is less than its tabular value, and therefore the hypothesis is accepted.

Conclusion

The use of IFRS in the Iraqi context has been widely accepted, particularly following the issuance of instructions by the Central Bank of Iraq, which mandated institutions to adopt them from 2015 forward, formally commencing in 2016. The beneficial moral impact of the evolution of International Financial Reporting Standards (IFRS) has been evident. The statistical analysis revealed that the changes in the International Financial Reporting Standards (IFRS) have a significant impact on the Iraqi environment, as indicated by the financial reports' quality. The results in the table above show that the calculated value (T) is 1.27, which is lower than the tabular value of 1.984. Consequently, the hypothesis is accepted.

The study suggests that the Accounting and Regulatory Standards Board in Iraq and the Central Bank of Iraq should require companies to adopt the International Financial Reporting Standards (IFRS) and closely monitor any updates or modifications to these standards. This is particularly important after demonstrating the reliability and accuracy of financial reports prepared in accordance with these standards. Providing education and guidance to the accounting professionals in Iraq on the implementation of the International Financial Reporting Standards (IFRS), and ensuring they stay updated with any modifications.

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