

Analysis of the effect of adoption of International Accounting Standards (IFRS / IAS) on investor decisions in the local environment - applied study

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Abstract : *The importance of the study came from the importance of international accounting standards to be guide and guidance of the accountant in the performance of his work, and the adoption of international financial reporting standards (IFRS/IAS) gives the financial statements more confidence and relevance, and makes them reflect the high degree of economic events ,which helps them to make investment decisions at the local and international levels, especially with regard to banks and financial institutions as one of the important investment sectors in the economic development process.*

The need to shift to wards adoption of international financial reporting standards in the local environment be being to 2022.

The implementation of these standards is one of the main requirements for opening up the development of an accounting system that contributes to the development of the local economic environment. Iraqi banks.

This situation requires a transition to a new financial reporting method and the use of new tools to address the function of the accounting system in order to provide accounting information that meets the needs of investors, owners, financiers and others.

The objective of this study is to evaluate the use of the financial statements in accordance with international standards based on the fair value approach in improving the transparency of the financial statements in order to rationalize investors' decisions. In order to achieve this, the important and necessary data for the financial and statistical analyzes were compiled on the Iraqi Stock Exchange reports for 2010-2016 and published financial statements And the use of a number of appropriate statistical methods to measure the impact of the adoption of international accounting standards on investor decisions including the arithmetic mean, standard error, standard deviation and the Shapiro-Wilk test, The research reached a number of conclusions, including the accompanying application of international accounting standards (IFRS / IAS). However, despite these constraints, the adoption of these standards at the same time leads to improvement The quality of the information stated in the financial statements.

Keywords: *Adoption of International Accounting Standards (IFRS / IAS), Investor Decisions.*

Introduction

As a result of the economic and technological development of the last three decades, including the emergence of multinational companies and the increase in the international trade movement, that requires the adoption of international accounting practices to reach the interests of all those interested in the activities of economic units, where these groups need accurate financial information.

The importance of international accounting standards is the key role of guide and guidance for the accountant in the performance of his work.

The adoption of these standards gives the financial statements more confidence and relevance, and makes them reflect the economic events to a high degree, so that the users of these lists of different types of fundamental questions about their content, making investment decisions at the local and international levels, especially with regard to banks and financial institutions, as they are considered important investment sectors in the economic development process, as well as the adoption of other economic sectors on banks and financial institutions.

Part One : methodology of research and Previous Studies

1 - Research problem: Because the accounting information played the significant role of listed the proliferation of multinational companies and globalization, Financial statements prepared in accordance with international standards and the extraction of ratios and financial indicators according to those lists, in view of the importance of transition to international standards in view of the issuance of the Central Bank of Iraq instructions No. 12/9 on

2016/1/4 to all private banks to move to Implementation of international standards, which raises a number of questions, including:

A. What is the extent to which the values of the assets reflected in the financial statements are affected if they are assessed in accordance with international standards?

B. How is the impact of this change on the ratios of financial indicators extracted according to the values of these assets?

C. Do investors base their decision making on financial ratios and indicators such as IRR and risk ratios?

D. Is the accounting information provided by the financial statements prepared in accordance with the requirements of international financial disclosure to influence the decisions of investors in the Local environment?

2. Research Objective: The research aims to achieve the following objectives:

A. To know the steps taken by the Board of Accounting and Auditing Standards regarding the adoption of international standards, as well as are instructions issued by the Central Bank regarding the adoption of the application of international accounting standards in private banks optionally for the year 2015 and mandatory for 2016.

B. Evaluate the usage of the financial statements adjusted to international standards based on the fair value approach in improving the transparency of the financial statements in order to rationalize investors' decisions.

C. Show the changes in the values of certain assets that can be to valued accordance international accounting standards;

D. A statement of the reversal of changes in derivative financial ratios and indicators from the values attributed to those assets.

3 - Research Importance: The importance of research is to identify the ratios and financial indicators adjusted in accordance with international standards and how they affect the decisions of investors by linking these decisions and the transparency of accounting information and availability and easy understanding by investors, as well as study changes in the value of assets if Which have been modified and measured according to those standards and their reflection on the performance indicators adopted on them.

4- Research hypotheses: The research seeks to achieve the following hypotheses:

A. Valuation of the assets of economic units to accordance international accounting standards, leading to changes in financial ratios and indicators based on the values of those assets.

B. Adjusting to Financial statements for international standards contribute to enhancing investor decisions.

5 - Research Limits: A - Spatial boundaries: local banks listed in the Iraqi market for securities

B - Time Limits: Financial Reports of Gulf Commercial Bank for the years 2012-2016.

6 - Methods collection of data and information: The researcher relied on the theoretical side of the scientific references of books and research and Arabic and non - Arabic thesis, periodicals and journals that serve the research as well as the relevant international accounting standards and the Internet. On the practical side, Financial and statistical analyzes of the Iraqi market for securities from 2010-2016 and the published financial statements of Gulf Commercial Bank for the years 2012-2016, as well as interviews with the managers of the accounts and investment departments of the bank. The aspects related to the asset valuation process and the calculation of financial ratios and indicators.

7- Statistical Methods: The appropriate statistical methods were used to measure the effect of adoption international accounting standards on investors' decisions. This was based on the use of arithmetic mean, standard error, standard deviation, torsion and flattening test, Kolmofrov-Smirnov test, and Shapiro-Wilk test.

8 - Research Community and sample: The research community: Local banks listed in the Iraqi market for securities because the private banks have applied the international standards for the year 2016 because the application of standards was mandatory.

9- The research sample :The Gulf Bank Commercial Bank was chosen as a sample for research due to being a bank that complied with the Central Bank's instructions regarding the application of the standards for the year 2015, although the application was optional, as well as obtaining the necessary information regarding the impact of international standards in the financial statements and their reflection on Financial Ratios.

Second: Previous Studies:

1. Local Studies: (Al-Musawi, 2015) :Titled "Diagnosis of the determinants and advantages of the transition to IFRSs from the perspective of users of information: Analytical study of private banks operating in Najaf Governorate": The study aimed at diagnosing the adequacy of the International Financial Reporting Standards In the private banking sector by testing the level of awareness of beneficiaries and regulators of these reports as well as exploring the information necessary for beneficiaries and the factors that are obstacles or factors conducive to the transition to the era of international financial reports and the costs of that transformation and the benefits expected

from it, The study reached a number of conclusions from which the application of IFRSs is related to many obstacles and costs. However, the adoption of these standards at the same time To improve the quality of information disclosed in the financial statements.

2. Arab Studies: (Hawas, 2008): Titled (The new approach to international financial reporting standards): The study aims to provide an analytical approach to identify the dimensions of the problem of diversity in the accounting practices adopted at the international level and then analyze and assess their implications for the status of information The study was based on the analytical descriptive approach to obtaining secondary data and using the following method. The study concluded that a single universally accepted language, financial reporting standards, would encourage investment and expand economic realization and that the adoption of financial reporting standards would help to provide transparent and comparable information in reports Finance.

3. Foreign Studies: (Lantto & Sahlstrom, 2009) : Titled (Impact of International Financial Reporting Standards Adoption on Key Financial Ratios) The study aimed at reviewing the most important changes in the financial indicators and finding their reasons. The study relied on the preparation of lists and financial reports prepared according to the system And the preparation of other financial ratios and indicators prepared in accordance with the International Accounting System, as well as a review of the most significant changes in ratios by calculating them according to their fair market value (in accordance with internationally recognized standards), leading to access to lists and reports More credible financial Clarity of significant accounting responsive information required by various internal and external parties quality characteristics, and the study found a number of conclusions, including the adoption of the use of IFRS lead to bring about changes to financial indicators under the use of the traditional accounting system.

Third: the contribution made by the current research

The present study is a continuation of the efforts of previous researchers. The study focuses on accounting measurement in general and measuring assets in particular through the measurement of assets in accordance with historical cost and value adjusted by international standards. The above studies have a comprehensive view on the application of international standards, The current study aims to analyze the relationship between assets, ratios and financial indicators in the local environment. The ratios and financial indicators of Gulf Commercial Bank were calculated as percentages of (trading ratio, rate of return on investment, T) according to each of the traditional accounting system (according to the principle of historical cost) and under international accounting standards (according to the adjusted value).

Part two: The need for International Accounting Standards (IFRS/IAS)

The international accounting environment has witnessed a remarkable development through increasing calls for adoption of accounting practices at the international level through the application of international accounting standards, which is the outcome of the efforts of many international professional accounting bodies to enable the users of financial reports to make their investment decisions in a manner that achieves The greatest return is through good information.

But there are differences between them due to different social, economic and low conditions, which led to:

The use of different definitions and terms, the use of extinction, depreciation, and consumption to denote the same meaning. The use of different criteria in recognition, measurement and disclosure. IASB seeks to narrow these disparities and to further harmonize legislation and accounting standards internationally to meet the needs of users.

1-The importance of accounting standards

Accounting standards have received considerable attention from researchers and scholars in the field of accounting. There is almost agreement among them on the importance and necessity of their existence. The potential motivation for adopting IFRS is the need for a universal language of accounting because of the growing globalization of capital markets. International accounting standards facilitate comparisons House companies operating in different countries and that consistency of accounts in those companies will be easier in the presence of accounting standards

The adoption of international financial reporting standards will contribute to accelerating confidence-building as they enter the international capital markets (Whittington, 2005: 11). In this regard, the researchers presented many reasons for the importance of accounting standards, which can be summarized in the following points (Sayahi, 2011: 46):

A. Accounting standards contribute to the process of regulating and regulating accounting practice. Absence of accounting practice leads to personal judgment and the impossibility of choosing the accounting policies used.

B. The existence of an objective framework of accounting standards to control the measurement and delivery, ensuring the balance between the different interests of different categories of users on the one hand and the public interest on the other hand.

C. The adoption of accounting standards is of great importance and necessary in light of the lack of current theories of accounting on the treatment of multiple accounting alternatives at the level of the economic institution.

D. The existence of accounting standards assists professionals and determines their reactions under certain circumstances, and is also a defense when there are interventions from outside parties.

E. The decision-making process requires comparison between of range alternatives. This process requires statements prepared on a uniform basis. The objective of accounting is to provide useful information for decision-making. Therefore, accounting standards facilitate comparability by consolidating the basis for such statements (Salloum, 2008: 13).

F. Improve the quality of the accounting information system and its outputs, which improves the performance of the accounting system in the quality of financial reports and their ease of understanding and comparability in decision support (Al-Musawi, 2015: 402).

The adoption by developing countries of consistent international accounting standards by developing countries, issued by specialized international institutions, It has international acceptance, solve many of the problems of the profession and its shortcomings, as well as it achieves the objectives it seeks to achieve by virtue of credibility and reliability, in addition to achieving economic and developmental objectives, to provide fertile ground, attract foreign investment and cash flow desired and therefore the absence of accounting standards will lead Inevitably to:

- Use accounting methods that may be incorrect.
- Different rules that define and address accounting processes and events.
- Difficult to make decisions appropriate by the beneficiaries concerned.

2-Justifications for the call for adoption of international accounting standards

Behind these demands were a number of reasons, the most important are:

A. Multi-national companies: Increase their strength to include the rest of the global, either by establishing branches in the regions and countries or control of subsidiaries (Salamani, 2014: 395)

B. The development of the international financial markets: The spread of financial markets is one of the most prominent characteristics that has become characteristic of the global economy in recent times, especially in the developed countries which rely heavily and directly on the mobilization of savings and meet the funding needs expressed by each of the economic units, Contributed funds to enable it to raise its investments, and government bonds to cover its budget deficits (Bo Alam, 2010: 13).

C. Globalization and Trade Liberalization Globalization is a new, contemporary trend that represents a new phase of internationalization and leads to the emergence of a new world economic order that replaces the international economic order in which the borders between countries' economies disappear, or neutral forces. As a result, the importance of published accounting data has become increasingly important as a source of information. Hence, these financial statements need to be comparable and are prepared according to common concepts, principles and methods at the global level (Rev. 2003: 7).

D. The emergence of privatization: reducing the size of the public sector for the benefit of the private sector benefit and the urgent need for money markets to finance these policies at the international level, and thus the emergence of a new accounting thought contributed to help countries to complete the privatization process, as well as the broad base of users of financial data from the local level to the international level He has the ability to absorb this new policy, both physical and administrative (Hassani, 2010: 77).

E. Poor transparency: The weakness of transparency or loss, led to the fear of savers from entering the financial market operations, as well as the lack of institutions that collect information and dissemination, and the classification of companies and securities in terms of liquidity of paper and convenience and growth of benefits (Hudhod, 2008: 13).

F. Poor job Accounting: In many developing countries, the accounting profession has not been developed to the point where financial accounting and reporting can be effectively regulated. Similarly, the regulatory infrastructure of these countries does not provide a basis for financial reporting (Irvine & Lucas, 2006: 8) .

G. Trade alliances: international organizations seek to generate significant economic gains through increased trade and investment with the formation of such groupings as the EU. Membership in these groups creates incentives to reduce differences between members to facilitate cross-border contracting such as expanding cross-border credit,

Financial analysis, is made more easily whether the accounting rules are familiar, also enhances the membership of the regional trade organization compliance with international standards (Shima & Yang, 2012: 281).

H. Political, economic, social and cultural factors: Changes in factors for any country affecting accounting policies and regulations, for example, a country that tries to develop the stock market and attract foreign direct investment needs to improve accounting systems, which is a catalyst for the adoption of International Financial Reporting Standards, for example, a country that attempts to develop the stock market and attract foreign direct investment needs to improve its accounting systems, which is a catalyst for the adoption of international financial reporting standards (Alkhtani, 2010: 35).

Based on the foregoing, it is clear that the information revolution and the spread of computers, e-mail and the Internet have led to the promotion of globalization and the flow of information required to make political, economic and administrative decisions in a timely manner. This requires that the outputs of the accounting system at the level of the establishment (individual or moral) At the level of the sector or the State, the information should be useful unless it is comparable to the adoption of international accounting standards adopted for measurement, presentation and disclosure. Many organizations and countries have adopted this process and given the importance of accounting standards.

3- Problems to adoption the international accounting standards

A. Costs of transformation: The cost of educating and training staff on how to prepare financial statements using international standards. The small unit feels the impact of relying on standards not in the same way as a large unit because it does not have enough resources to implement changes and train Employees, therefore, are more likely to bear more financial burdens (Herbert & Tsegba, 2013: 86).

B. Financial markets: Financial markets are small and have little capital growth, particularly in developing countries, as well as limited international business participants (Ritsumeikan, 2012: 4).

C. Fair value measurement: In developing economies, fair value is difficult to obtain because of the absence of efficient markets for most assets, which represents the most serious negative approach to the fair value method (Kosonboov, 2004: 13).

D. Cultural and civilizational differences between nations: This obstacle is characterized by differences in terms of language, religion, legislation, laws, etc. These differences reflect many of the prevailing concepts among the peoples of the world on the one hand and the order of their political, economic and social priorities on the other (Frederick Choi, 2004: 351).

E. Translation problems of international standards: Standards are published in English and in conventional English accounting terms. The difficulty is that translations may be compared to the term in the local language but the local term may not reflect the same content as the international standards and thus the translation process loses its effectiveness (shelf, 2010: 10).

F. Language: The difference in language among the peoples of the world is the most important obstacle to the adoption of accounting standards at the international level. Language in the least developed countries often you can not provide the terms and synonyms that are sufficient to capture all the latest technological developments, (Hawass, 2008: 74).

Based on the foregoing, it is clear that there are many obstacles facing the adoption of international accounting standards. These obstacles vary from country to country. However, despite these obstacles, the adoption of international accounting standards has become an imperative necessity imposed by the nature of technological and economic progress and the globalization of financial markets. Of the international standards by the end of 2015 reached 83% of the world's total and are increasing continuously.

Part Three: The nature of investor decisions

Investment decisions are the most important, most difficult and the most serious decisions taken by the investor this decision depends on a set of principles and fundamentals and information play an important role in the decision-making process and the validity of the decision taken, and the information activates the capital market, many individuals and entities that need this information in the decision-making process The availability of reliable information of high quality, especially accounting, leads to decisions to distribute economic resources efficiently, increase the size of the market and increase the number of dealers in the stock market, which leads to increasing the sources of investment will and thus increase economic development for its information of interest to the process of investment decision.

1 - The concept of investment decisions: Investment decisions are defined as decisions that involve allocation of certain amount of money at the present time over a period of time, with the aim of making a profit in the

future, and are subject to varying degrees of risk and uncertainty (Taher, 2014: 75), illustrated The definition focuses on the allocation of funds for the purpose of obtaining a profit in the future against exposure to risk, while some one believe that the decisions taken by investors for the purpose of investing their money in a certain activity and over a period of time in order to obtain future financial returns (Araji, 2001: 13) .

Based on the above, investors' decisions are only the decisions they make to direct their investments according to the direction they want to achieve future returns taking into account the risks arising from the decisions.

2 - Types of investment decisions: decisions are to classified investors into three types:

A-The decision to buy: This decision is the investor's desire to acquire a financial asset and reach this decision when he believes that the present value of the expected cash flows taking into account the risks associated with these cash flows exceed the current market value of the financial asset traded This equation generates the desire and incentive of the investor For making the purchase decisions (Musabih, 2002: 42).

B- Non-trading decision: In this type of investment decisions, the investor is in front of a financial asset whose current market value is equal to the present value of the expected cash flows under the risk.

In this situation there are no returns expected by the investor, and therefore does not make any decision either purchase or Selling (Ahmad, 42: 2001).

C-Selling Decision: In this case, after the market passes in a state of equal value with value, the market dynamics will create additional desires in it to buy the instrument from a new investor, as some investor believes that it is still less than that which requires him to offer a new price for that tool. Value, which works at a high price for value, which works to pay the other is then the investor's decision is the decision to sell (Musabih, 2002: 42).

3 - Principles that are considered by investors: The most important principles on which the decisions of investors can be determined (Hafez et al., 2013: 232):

A. The principle of choice: It is assumed that the investor is always looking for multiple investment opportunities for the savings he has to make the right choice from the opportunities available instead of employing them at the first opportunity available to him.

B. The principle of comparison: If the investor in front of a variety of alternatives in terms of time range and returns and advantages, which are different in terms of returns and risk.

C. The principle of convenience: Every investor has self-characteristics of age, income, and desires. These elements are a pattern of preference for the investor.

D. Distribution Principle: Financial assets differ in terms of the degree of risk and returns they generate. Therefore, the sound investment decision should be based diversification of these assets in order to reduce risk and increase returns.

Based on the foregoing, it is clear that accounting information plays an important role in determining the expected returns and the risks arising from such returns.

Part Four: The impact of international accounting standards and their reflection on investor decisions

With the increasing volume of economic activity, the expansion of the size of the shareholding companies and their number, as well as the spread of multinational companies in various countries of the world, there is an urgent need to shift to international accounting standards, because of the benefits of investors, which is reflected on the growth of trade movement and maintain the efficiency of financial markets , Attracting local and foreign investments by encouraging local investors to invest in the country on the one hand and encouraging foreign investors to invest outside their own countries, and in the same context contributing to the preparation of financial reports of high quality and comparable, Investor confidence, the direct and indirect effects of accounting for the transition to international accounting standards on the decisions of investors through (Melegy, 2014 : 12-13):

1. Improves (IFRS) the quality of financial reporting to reflect the true economic realities of the company, provides shareholder information on losses, financial failures and inappropriate financial events with high accuracy and verifiability to allow investors to make smart decisions.

2. International accounting standards (IFRS/ IAS) contribute to reducing opportunistic or utilitarian management behavior by narrowing the areas of choice between accounting alternatives, which can be exploited by the administration to manipulate profits, providing financial reports that can rationalize investor decisions.

3. International accounting standards (IFRS / IAS), which are oriented towards the use of fair value, contribute significantly to the transparency high quality of the information contained in the financial reports, which is reflected in increased investor confidence and, if not applied, is reflected in the loss of investor confidence in the financial statements.

4. International Accounting Standards (IFRS) affect the expectations and perceptions of investors regarding their future vision for the Company's survival and sustainability through its role in improving disclosure transparency and reducing information asymmetries, making investors highly capable of truly seeing the company's future.
5. Compliance with international accounting standards, including disclosure of accounting policies, helps to achieve comparability, allowing investors to identify differences in accounting policies used by enterprises for similar financial transactions and other events from time to time.
6. International accounting standards (IFRS/IAS) enable the improvement of the quality of accounting performance by providing information with higher qualitative characteristics and high explanatory power that enables investors to make informed decisions and assess the performance of the company.
7. Provision of International Accounting Standards (IFRS/IAS) for investors A consolidated reading of financial reporting that helps to make accounting information reliable and reliable in decision-making.
8. International accounting standards affect the extent of an accounting reservation in the financial statements and increase the immediate recognition of losses.

Part Fifth: Adoption of international accounting standards in the local environment

In the context of globalization, economic openness and the information and communication revolution, the local environment witnessed steps to adopt international accounting standards in order to keep abreast of these developments on the one hand and attract domestic and foreign investments. Several steps have to be taken:

1. The Central Bank of Iraq issued instructions No. 12/9 dated 4/1/2016, which includes the application of international accounting standards in the banking sector, in particular the banks listed in the Iraqi market for securities for the year 2015 optionally 2016 mandatory, and thus shift from local accounting practices according to the system Consolidated Accounting Standard for the adoption of International Financial Reporting Standards in the near term.
2. The Board of Accounting and Control Standards in Iraq developed an action plan at the end of 2016 regarding the adoption of international accounting standards. This plan was based on key indicators, including the adoption of the standards needed by the institutions, departments and units to meet Iraq's international and professional obligations and the disclosure of the joint stock companies followed by work on the executive and guidance procedures The required training and then the official announcement and the date of implementation.

The difference of the local environment from the international environment to the application of international standards, which leads to many of the obstacles that affect this step, and are determined in:

- The local environment is not suitable for implementation due to weak enforcement of laws that support the application of standards, which requires reconsideration of a number of laws, including the Companies Act.
- Lack of experience for accountants due to the recent use of international standards in the local environment, which requires training to raise the level of efficiency.
- The main problem relates by fair value because the financial market is inactive and therefore cannot be relied on the price of the last trading session in the Iraqi market for securities, which requires finding alternative ways to calculate which helps to evaluate them in a more honest and fair.

But the researcher believes that the previous obstacles presented at the second meeting of the Board of accounting and control standards can be overcome and find appropriate solutions through the training of accountants and auditors and participation in courses inside and outside

Iraq and this is what has been done by the competent authorities, including the Central Bank of Iraq through the establishment of several courses (2) during the year 2015 and (4) courses during the year 2016 and (1) period until 1/6/2017, and there are projects to amend several laws in the near term, including the Companies Law , And evolve R. Iraq Stock Exchange to make it in the refineries markets in neighboring countries, including Saudi Arabia market, and by virtue of the first step is moving at an accelerated pace in order to catch up with the Arab countries, including Saudi Arabia and Algeria, which moved to the application of international standards.

Part Sixth: Field study

The adoption of international accounting standards contributes to reducing information asymmetries on the one hand, and enhancing the quality of financial reports and giving investors a positive indication of the financial performance of the company on other. The financial statements prepared according to these standards provide the sample information required for decision making by investors. Analyzing the financial reports of companies listed on the Iraq Stock Exchange, in order to prove or deny the research hypothesis that financial information under international accounting standards is more appropriate when used by investors to make an investment decision.

After the issuance of the Central Bank instructions on the adequacy of private banks to international standards, during the year 2015, the number of banks that applied those instructions and voluntarily (6) of the bank (17) banks and by

(20%) after the exclusion of Islamic banks and foreign banks because they are outside the research because the application process Was during the year above optional and not mandatory, but during the year 2016, the proportion of banks that complied with those instructions (100%).

1- Brief profile of sample research (Gulf Commercial Bank)

The Bank was established as a private joint stock company under the incorporation certificate No. (700) of 20/10/1999 issued by the Companies Registration Department in accordance with the Companies Law No. (21) of 1997 with a paid up capital of 600 million ID. The bank seeks to provide services to all segments of society, mobilize national funds and employ them in various investment fields, expand the cash market, achieve the highest profits for shareholders, and contribute to supporting the economic development process and supporting the national economy. Support policy purity The Central Bank of Iraq owns (24) branches operating within Iraq.

2. Application of international accounting standards by the research sample:

The bank is one of the first banks that have committed to implement the instructions of the Central Bank for the application of standards voluntarily for the year 2015, where prepared their financial statements in accordance with the consolidated accounting system and prepared according to international standards, the researcher to see the reports As well as interviews with the managers of the accounting and investment departments, as well as that some local banks calculate the fair market value of the fixed assets, through the use of real estate brokerage companies estimate the price of a meter in the area of land ownership (The number of meters x the fair market value per square meter). The fair value of each property is then determined to reach the total fair market value of its fixed assets.

As for the financial investments, the price of the last trading session in the Iraqi market for securities is adopted in order to obtain the market value through (the number of shares x share price). Since the Iraqi market is inefficient and therefore cannot rely on the price of the last session as a fair value, The researcher uses the Gordon model, which is supposed to measure fair value because it represents one of the best

measurement methods, as it focuses on measuring future economic events that do not have adequate market value. In order to calculate the fair value of the investment portfolio, Which imitates Cash flows to be distributed by the unit to ordinary shareholders depending on both profitability and liquidity, were determined divided by the expected earnings by using the following equation (Samuels et al, 1995: 610):

$$Dt = Do + (1 + g)$$

When: Dt: Dividends expected in period t.

Do: Dividends per share in the period n.

g: Growth rate. Growth Rate = (Dividend for the current year / profit for the previous year -1)

In the same context, the required rate of return (K) was calculated according to the capital asset pricing model (CAPM) and is calculated according to the following formula (Samuels et al, 1995: 610):

$$RRR (K) = Rf + Bi (Rm - Rf)$$

When : RRR: the rate of return required.

Rf : risk-free rate of return

Bi: Beta Factor (Standardized Stock Risk Scale).

Rm: The rate of return on the market portfolio.

In order to calculate the required rate of return, the systematic risk calculation for all listed companies in the Iraq Stock Exchange for the period 2012-2016 is required, as well as the calculation of the rate of return on the market portfolio for the years 2015 and 2016, Interest on deposits granted by the government, and in the local environment, the

rate of interest set by the Central Bank was (6%) for the year 2015 and reduced to (4%) during the year 2016.

On the other hand, the price or value of the current share (Pn) represents the value of the stock in the market in the stock market and affected by the factors of supply and demand for shares and obtained through the annual report on the movement of trading in the Iraqi market for securities for the above period, and then calculation of the fair value of the shares of the portfolio The results of the investment are based on the variables of the required rate of return, market value and the expected profit divided by all the shares of the companies listed in the investment portfolio owned by the bank. The sample is as follows: (Brigham & Ehrhardt, 2008 :295):

$$F.V = \sum_{t=1}^n \frac{D_t}{(1 + k_s)^t} + \frac{P_n}{(1 + k_s)^n}$$

When : F.v: Fair value per share

Dt: Dividend expected in the period t

Pn: common stock price in period n.

Ks: The rate of return required on ordinary shares by the investor.

As for the calculation of fair value, a number of variables have been adopted, namely: the expected profit rate, the required rate of return and the market value of the investment portfolio of the bank.

Table (1) Calculation of the fair value of the investment account of Gulf Commercial Bank for the year 2016

| The Company's name | Expected rate of return | Rate of return required | Market value | Fair value |
|-----------------------|-------------------------|-------------------------|--------------|------------|
| Baghdad soft drinks | 0.214 | 0.005 | 2.5 | 2.700 |
| Games of Karkh | 0 | 0.032 | 5.45 | 5.281 |
| Al Mamora Investments | 0.0102 | 0.053 | 2.32 | 2.213 |
| Bank of Mosul | 0 | 0.023 | 0.56 | 0.547 |
| Bank of Babylon | 0.033 | 0.065 | 0.33 | 0.341 |
| Elaf Islamic Bank | 0.009 | 0.074 | 0.28 | 0.269 |
| Dar AL-Salaam Bank | 0 | 0.117 | 0 | 0 |
| Bank of Baghdad | 0.091 | 0.061 | 0.9 | 0.934 |
| Al Ahli Bank | 0.126 | 0.061 | 0.41 | 0.505 |
| Commercial Bank | 0.026 | 0.069 | 0.48 | 0.473 |
| Al Mansour Hotel | 0 | 0.052 | 21 | 19.962 |
| Ishtar Hotel | 0.456 | 0.05 | 13.3 | 13.101 |
| Palestine Hotel | 0 | 0.034 | 15.75 | 15.232 |
| Local dates | 0 | 0.029 | 1.64 | 1.594 |

The investments (shares) are calculated according to international standards by multiplying the number of shares by the fair value of the shares. Table (2) shows that:

Table (2): The fair value of the financial investments in accordance with the international standards of Gulf Commercial Bank for the year 2016 (amounts in millions of iraqi dinars):

| The Company's name | Number of Shares | Fair value per share | Total fair value |
|-----------------------------|------------------|----------------------|------------------|
| Baghdad Al Salam Industries | 587,890 | 0 | 0 |
| North for soft drinks | 150,000,000 | 0 | 0 |
| Nineveh Food Industries | 2,127,905 | 0 | 0 |
| Agricultural crops | 7,000,000 | 0 | 0 |
| Baghdad for soft drinks | 45,000,000 | 2.700 | 121 |
| Games of Karkh | 1,000,000 | 5.281 | 5 |
| The globe | 2,037,786 | 2.213 | 4 |
| Warka Bank | 49,019,607 | 0 | 0 |
| Bank of Mosul | 14,637,500 | 0.547 | 8 |
| Bank of Babylon | 662,328,199 | 0.341 | 225 |
| Alalaf Bank | 925,628,011 | 0.269 | 249 |
| Dar AL- Salaam Bank | 14,203,205 | 0 | 0 |
| Bank of Baghdad | 27,000,000 | 0.934 | 25 |

| | | | |
|-------------------------|---------------|--------|--------|
| National Bank of Iraq | 5,000,000,000 | 0.505 | 2,525 |
| Commercial Bank of Iraq | 98,714,286 | 0.473 | 47 |
| Al Mansour Hotel | 95,096,000 | 19.962 | 1,8986 |
| Ishtar Hotel | 366,948,968 | 13.101 | 4,807 |
| Palestine Hotel | 258,435,887 | 15.232 | 3,936 |
| Local Dates Company | 8,142,737 | 1.594 | 13 |
| Total | | | 13,866 |

The same method is used to calculate investments for the years 2013, 2014 and 2015, and table (3) reviews the values of Gulf Bank's assets according to the value of international standards and historical cost:

Table (3): Value of Gulf Commercial Bank's assets at adjusted value and historical cost (amounts in millions of dinars)

| details | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|----------------------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | Historic al cost | Modifie d value |
| Equity invest ments | 24,760 | 22,531 | 14,074 | 14,497 | 6,554 | 6,235 | 13,274 | 12,743 | 7,280 | 6,487 | 13,671 | 13,866 |
| Total invest ments | 129,605 | 149,660 | 17,945 | 18,567 | 64,784 | 64,765 | 77,925 | 77,745 | 173,450 | 166,203 | 140,195 | 141,230 |
| Current assets | 329,299 | 349,354 | 397,730 | 398,153 | 726,463 | 726,144 | 749,487 | 748,957 | 488,273 | 480,233 | 728,647 | 729,877 |
| Workin g capital | 94,637 | 114,692 | 123,219 | 122,642 | 250,296 | 249,977 | 280,310 | 279,780 | 16,786 | 8,746 | 330,168 | 331,398 |
| Fixed Assets (Real Estate) | 12,544 | 31,869 | 12,549 | 37,913 | 14,363 | 39,248 | 34,925 | 65,236 | 28,012 | 30,703 | 28,012 | 31,631 |
| Total fixed assets | 20,118 | 56,307 | 23,165 | 42,136 | 41,786 | 43,360 | 52,338 | 69,401 | 35,438 | 38,643 | 41,914 | 43,390 |
| Total assets | 354,046 | 410,290 | 424,766 | 444,642 | 781,479 | 783,034 | 816,479 | 833,360 | 523,711 | 518,876 | 770,561 | 773,267 |
| Capital investe d | 119,384 | 175,628 | 150,255 | 169,848 | 305,312 | 306,867 | 347,302 | 364,183 | 78,763 | 73,928 | 404,996 | 407,702 |

From the analysis of Table (3), the change in the value of assets is determined according to both the historical cost and the adjusted value in accordance with international accounting standards. In the same context, the value of the shares owned by the bank varied between the rise or fall of the years 2013-2016 which represents the real value of these investments, The total financial investments of the Bank as a result of the change in the value of those shares.

As for the buildings, the adjusted value of the properties owned by the bank was increased year after year over the period of time and therefore reflected on the total fixed assets. This leads us to change both the total current and fixed assets.

3. Financial ratios in accordance with historical cost and adjusted cost in accordance with International Accounting Standards:

A. Liquidity ratios: Trading Ratio 2016 = Current Assets / Current Liabilities = 728647 / 471,487 = 1.545 and so on for the rest of the years in accordance with both historical cost and adjusted value prepared in accordance with international standards.

The rate of trading ranged from (1.20 ± 1.55) for the period from 2012 to 2016, reaching the lowest ratio in 2013 (1.17) according to historical cost, and the highest rise was in 2016 (1.55) according to the adjusted value, and stabilized (1.17) during 2012 and 2013, except for a rise in the historical cost ratio to (1.18) in 2012 and increased during the year 2014 to reach (1.5) for both values and the lowest in 2015 to (1.2) and rose again in 2016 to reach (1.55) adjusted value and (1.54) according to historical cost.

B. Profitability ratios:

• Calculate the rate of return on investment 2016 = Net income / invested capital = 10,057 / 84,096 = 0.12 and so on for the rest of the years.

Ratio of return on investment: The rate of return on investment in the Middle East Investment Bank was between 0.01 and 0.18 according to historical cost and value adjusted according to international standards. The highest rate of return on investment during 2015 (0.18), while in 2013 it stabilized at (0.12) according to the two

Ratio of return on investment: The rate of return on investment in the Middle East Investment Bank was between 0.01 and 0.18 according to historical cost and value adjusted according to international standards. The highest rate of return on investment during 2015 (0.18), while in 2013 it stabilized at (0.12) according to the two values. The lowest percentage during 2014 was (0.01) due to the decrease in net income before interest and taxes.

• Return on Assets (ROA) = Net Profit / Total Assets for 2016 = 19,127 / 770,561 = 0.02

This percentage ranged between 0.47 and 1.12. The highest increase was the ratio of (1.12) in 2014 according to the historical cost and the lowest percentage in 2015. It reached 0.47 according to the adjusted value. In 2012, 2013 and 2016, (0.85 to 0.87), (0.83 to 0.86) and (0.70 to 0.71) respectively, while the year 2014 ratio decreased from (1.12 to 1.08) in 2014 and (0.58) for 2016, As well as the rise in the ratio (from 0.61 to 0.62) in 2012 and (from 0.79 to 0.80) for the year 2016 and decrease (from 0.57 to 0.56) in 2012.

C. Risk ratios:

- Liquidity risk, including both:

• Cash / investment ratio / total assets 2016 = 307543 + 140,195 / 770,561 = 0.58 and so on for the rest of the years.

This percentage ranged between 0.55 and 0.80, with the highest rise of 0.80 in 2015 according to the adjusted value and the lowest percentage in 2014 at (0.55) according to the two values. In 2012, 2013 and 2016, (0.55 to 0.62) in 2012 and (from 0.79 to 0.80) for the year 2016 and decrease (from 0.57 to 0.56) for the year 2012.

• Ratio of total cash / total assets 2016 = 307543 / 770,561 = 0.40 and so on for the rest of the years.

(0.40 ± 0.57). The highest increase in 2012 was 0.57 according to the historical cost and the lowest percentage in 2016. The ratio stabilized at (0.40) according to the two values. In 2013, the stability of the ratio is (0.54) (0.57 to 0.56) and a slight increase in the value of total assets according to the revised historical cost values during the year 2015 (from 0.46 to 0.47) and the remaining fixed rate of 2014 at (0.51).

- Capital risk: Year 2016 = Capital invested (Investor) / Total assets = 66,000 / 580,125 = 0.11 and so on for the rest of the years.

This percentage ranged from (0.18 ± 0.53), with the highest increase in 2016 (0.53) according to the adjusted value and the lowest percentage in 2012 as it settled at (0.18) according to historical cost and (0.19) at the adjusted value, The ratio was increased year after year in general due to the increase in the nominal and paid up capital and the increase in the total assets according to the two values. The percentage was revised according to the historical cost ratio (from 0.15) To 0.14 in 2015 and its rise significantly in 2016 to reach (0.52) according to historical cost and (0.53)) At fair value.

- Fair market value risk: 2016 = Fair value of investment portfolio / historical cost of investment portfolio 13,867 / 19,491 = 0.71

Market value of investment portfolio / historical cost of investment portfolio = 13,691 / 19,491 = 0.70 and so on for the rest of the years.

This ratio ranged between 0.47 and 1.08. The highest increase during 2014 was (1.08) according to the adjusted value and the lowest ratio in 2015 (0.47) according to the adjusted value. (From 0.15 to 0.87) and 2013 (from 0.83 to 0.86) and 2016 (from 0.70 to 0.71), and to 2016 (from 1.12 to 1.08) and 2015 (from 0.54 to 0.47) Table (4) shows financial ratios based on historical cost and adjusted value:

Table (4) / Financial ratios of Gulf Commercial Bank on the basis of historical cost and adjusted value

| | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| Trading rate (once) | Historical cost | Modified value |
| Return on investment | 1.40 | 1.48 | 1.18 | 1.17 | 1.17 | 1.17 | 1.50 | 1.50 | 1.22 | 1.20 | 1.54 | 1.55 |
| Return on Assets | 0.10 | 0.07 | 0.15 | 0.16 | 0.12 | 0.12 | 0.01 | 0.01 | 0.17 | 0.18 | 0.02 | 0.02 |
| Liquidity Risk = Cash + Investments / Total Assets | 0.03 | 0.04 | 0.09 | 0.08 | 0.07 | 0.07 | 0.05 | 0.05 | 0.05 | 0.05 | 0.02 | 0.02 |
| Cash / Total Assets | 0.52 | 0.60 | 0.61 | 0.62 | 0.57 | 0.56 | 0.55 | 0.55 | 0.80 | 0.79 | 0.58 | 0.58 |
| Capital risk | 0.27 | 0.23 | 0.57 | 0.56 | 0.54 | 0.54 | 0.51 | 0.51 | 0.46 | 0.47 | 0.40 | 0.40 |
| Fair market value risk | 0.29 | 0.25 | 0.18 | 0.29 | 0.19 | 0.19 | 0.37 | 0.36 | 0.15 | 0.14 | 0.52 | 0.53 |
| Trading rate (once) | 1.25 | 1.09 | 0.85 | 0.87 | 0.83 | 0.86 | 1.12 | 1.08 | 0.54 | 0.47 | 0.70 | 0.71 |

4. Statistical analysis of the data:

4. Statistical analysis of the data: After the calculation of the financial ratios of the research sample, a series of statistical analyzes will be used on the financial ratios obtained using a set of statistical measures and indicators:

- A. arithmetic Mean
- B. Standard error
- C. Standard Deviation
- D. Skewedness scale
- E. flattening Kurtosis.
- F. Kolmogorov.
- g. Smirnov One Simple / Test. J-Shapiro-Walk test

The statistical tables (5,6) illustrate the statistical analysis of the financial ratios obtained from the data of the Bank of the Middle East as follows by adopting Spss, 2007: 75):

Table (5) / Statistical analysis of the financial ratios of Gulf Commercial Bank according to historical cost

| Variables | Descriptive Statistics | | | | | | | | | | | | | | |
|----------------------|------------------------|-----------|-----------|------|------|----------------|----------|----------------------------|-----------|-------------------------------------|---------------------------------|-----------|--------------|-----------|------------------------------------|
| | N | Mean | | Min | Max | Std. Deviation | Skewness | Result of the parity scale | Kurtosis | Result of scale distribution format | Kolmogorov-Smirnov ^a | | Shapiro-Wilk | | Result of normal distribution test |
| | | Statistic | Statistic | | | Std. Error | | | Statistic | | Statistic | Statistic | Sig. | Statistic | |
| trade rate | 6 | 1.335 | 0.0619 | 1.17 | 1.59 | 0.1516 | 0.2386 | Angled to the right | -2.554 | More flat than normal | .223 | .200* | .938 | .651 | Distributed natural |
| Return on investment | 6 | 0.095 | 0.0248 | 0.01 | .24 | 0.0607 | -0.4395 | Angled to the left | -1.790 | More flat than normal | .260 | .200* | .890 | .355 | Distributed natural |

| | | | | | | | | | | | | | | | |
|-----------------------------------|---|--------|-------|-------|-------|--------|---------|---------------------|--------|-----------------------|------|-------|------|------|---------------------|
| Return on Assets | 6 | 0.0517 | 0.095 | 0.002 | 0.09 | 0.0234 | 0.3664 | Angled to the right | -0.571 | More flat than normal | 179. | .200* | .962 | .823 | Distributed natural |
| Cash + Investments / Total Assets | 6 | 0.605 | 0.373 | 0.052 | 0.068 | 0.0914 | 1.9639 | Angled to the right | 4.251 | Tapered than normal | .226 | .200* | .959 | .803 | Distributed natural |
| Total money / total assets | 6 | 0.4583 | 0.410 | 0.027 | 0.047 | 0.1005 | -1.0778 | Angled to the left | 0.768 | Tapered than normal | .228 | .200* | .894 | .377 | Distributed natural |
| Capital risk | 6 | 0.2833 | 0.529 | 0.015 | 0.036 | 0.1296 | 1.0093 | Angled to the right | 0.130 | Tapered than normal | .164 | .200* | .986 | .965 | Distributed natural |
| Fair market value risk | 6 | 0.8816 | 0.980 | 0.054 | 1.25 | 0.2401 | 0.2879 | Angled to the right | -0.932 | More flat than normal | .267 | .200* | .888 | .348 | Distributed natural |

Table (6) / Statistical analysis of the financial ratios of Gulf Commercial Bank according to the adjusted value

| Variables | N | Descriptive Statistics | | | | | | | | | | | | | | |
|-----------------------------------|---|------------------------|-----------|------------|------|--------|----------------|---------------------|----------------------------|-----------------------|-------------------------------------|---------------------------------|-------|--------------|---------------------|------------------------------------|
| | | Mean | | | Min | Max | Std. Deviation | Skewness | Result of the parity scale | Kurtosis | Result of scale distribution format | Kolmogorov-Smirnov ^a | | Shapiro-Wilk | | Result of normal distribution test |
| | | Statistic | Statistic | Std. Error | | | | | | | | Statistic | Sign. | Statistic | Sign. | |
| trade rate | 6 | 1.345 | 0.0680 | 1.17 | 1.55 | 0.1666 | 0.0509 | Angled to the right | -3.010 | More flat than normal | .223 | .200* | .938 | .651 | Distributed natural | |
| Return on investment | 6 | 0.0933 | 0.0266 | 0.01 | 0.18 | 0.0652 | 0.0161 | Angled to the left | -2.113 | More flat than normal | .260 | .200* | .890 | .355 | Distributed natural | |
| Return on Assets | 6 | 0.0516 | 0.0079 | 0.02 | 0.08 | 0.0195 | 0.1366 | Angled to the left | -0.270 | More flat than normal | 179. | .200* | .962 | .823 | Distributed natural | |
| Cash + Investments / Total Assets | 6 | 0.6166 | 0.0330 | 0.55 | 0.79 | 0.0809 | 2.0103 | Angled to the right | 4.322 | Tapered than normal | .226 | .200* | .959 | .803 | Distributed natural | |
| Total money / total assets | 6 | 0.4516 | 0.0456 | 0.23 | 0.56 | 0.1118 | 1.4451 | Angled to the left | 1.9196 | Tapered than normal | .228 | .200* | .894 | .377 | Distributed natural | |
| Capital risk | 6 | 0.2933 | 0.0518 | 0.14 | 0.53 | 0.1268 | 0.9799 | Angled to the right | 0.937 | Tapered than normal | .164 | .200* | .986 | .965 | Distributed natural | |
| Fair market value risk | 6 | 0.8466 | 0.0874 | 0.47 | 1.09 | 0.2140 | 0.6716 | Angled to the left | -0.011 | More flat than normal | .267 | .200* | .888 | .348 | Distributed natural | |

From the analysis of the previous two tables (5,6) , it is clear that for each of the trading ratio, the ratio of investments / total deposits, the ratio of investments + cash / total deposits, ratio of capital risk, The risk of fair market value was rightward, while the ratios of return on investment and total money / total assets were leftward deviations. As for the result of the distribution scale format, it was more than normal for the ratios of

(cash / investments / total assets, capital risk) The rest of the other ratios were more flat than normal. As for the results of the natural distribution test, the statistical analysis showed that all financial ratios are distributed naturally.

Under the adjusted value according to international standards, the result of the scale showed that it is devoid of Yemen For the ratios of (trading, cash, investments / total assets, capital risk). As for the other financial ratios, the distribution scale was shown to be left-wing. In the same context, the result of the distribution scale was more than normal for cash (Total assets, total money / total assets, capital risk), and the other ratios were more flat than normal.

According to the data that came to the result of the normal distribution test according to the modified value, the analysis showed

All financial ratios are distributed naturally.

Part Seven: Conclusions and Recommendations

First: Conclusions: By analyzing and discussing the theoretical and practical aspects of the study, the researcher reached the following conclusions:

1. The process of applying international accounting standards (IFRS / IAS) is accompanied by many constraints. However, despite these constraints, adoption of these standards at the same time improves the quality of the information stated in the financial statements.
2. International accounting standards (IFRS / IAS) assist investors in making their investment decisions by providing transparent, reliable and comparable financial information.
3. The analysis of the performance indicators of the bank showed that the sample of the research and after adjusting the values of the investments

Financial assets and fixed assets are measured at fair value in the light of international standards. Generally, the adjustment has a relatively small effect. This is due to the impaired efficiency of the asset as measured by its fair value. The amendment is limited to the values of financial investments and fixed assets when comparing their values to total values The assets show a low percentage of total assets and thus reduce the impact of changes.

4. Calculation of the fair value of the financial investments account After the adoption of IFRS, a difference in value (historical cost of fair value less fair market value) occurred when calculating the financial ratios that are affected by the total financial investments and after calculating their fair value and in accordance with international standards, Calculated according to historical cost, which explains the lack of correct rates according to market indices.
5. Despite the changes in values after adjustment of both financial investments and real estate at fair value in accordance with international standards, the statistical test showed that these changes were few, due to the fact that the local market is inefficient resulting in arbitrary price fluctuations affected by non-information Such as rumors for speculative purposes, as well as economic instability in the local environment, which is reflected in the economic variables and shortcomings in the laws in force.
6. Financial performance indicators attached to the bank's financial statements The sample does not provide the required and sufficient information that users benefit from and help them make their decisions. The sample banks do not give financial performance indicators to due attention, despite their role in evaluating the efficiency of management periodically and its importance when making rational investment decisions.

Second: Recommendations

1. The necessity of the Association of Accountants to activate the skills and experience of accountants through the organization of meetings and workshops and training courses for employees of financial departments of companies to help them in the application of international accounting standards.
- 2 . Interest in the analysis of financial statements and the calculation of ratios and indicators financial and non - financial in order to help investors who lack accounting experience in the Iraqi market for securities to advise them because of their financial investments, through the establishment of specialized financial institutions to undertake this task.
- 3 . the need to prepare accounting and supervisory staff capable of dealing with international accounting standards, and here highlights the role of accounting departments in universities as well as courses and workshops that can be carried out by professional organizations
4. Professional, financial and banking organizations shall develop educational programs that include seminars, conferences, workshops and forums for different categories in order to introduce international accounting and its importance, and how to adopt international accounting standards and what are the requirements for that process.
5. The measurement in accordance with International Financial Reporting Standards (IFRS) is not limited to fair value relating to the paragraphs of financial investments and fixed assets, but extends to include several paragraphs including the account of goodwill and impairment tests.
- 6 . Establishment of a comprehensive database of companies listed in the Iraqi market for securities, which helps Analysts, researchers, investors and other parties involved in the activities from accessing the data transparently.

Taking into account that the database for contains all necessary information that will provide an integrated picture of financial and non-financial performance.

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