

The Effect Of Accounting Conservatism On Financial Performance An applied study of a sample of banks listed in the Iraq Stock Exchange

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ABSTRACT: The study dealt with the impact of accounting conservatism on financial performance, using accounting standards associated with determining the impact of accounting conservatism on the fairness and credibility of financial statements, determining the positive and negative dimensions of accounting conservatism on financial performance, and trying to show the negative aspects of applying accounting conservatism to financial performance. The importance of research for accounting conservatism (positive) (negative) in the light of performance, which prompted the researcher to try to measure the impact of accounting conservatism on the quality of the financial and accounting performance of the financial statements, as well as the trend towards expanding, applying or maintaining the application of accounting conservatism policies when measuring and accounting disclosure in the financial statements. Accounting conservatism on the quality characteristics of accounting information, and the researcher recommends conducting more studies to test the feasibility of canceling accounting conservatism and its impact on financial performance. And to be professional and professional organizations This supervisory authority is responsible for following up on these practices to ensure their safety and to be within the acceptable level

Key words:- Accounting Conservatism, Financial performance

المستخلص

تناولت الدراسة أثر التحفظ المحاسبي على الاداء المالي مستخدما المعايير المحاسبية المرتبطة بتحديد تأثير تطبيق التحفظ المحاسبي على عدالة ومصداقية القوائم المالية وتحديد الأبعاد الإيجابية والسلبية للتحفظ المحاسبي على الاداء المالي ، ومحاولة إظهار الجوانب السلبية لتطبيق التحفظ المحاسبي على الاداء المالي ، وتكمن أهمية البحث للتحفظ المحاسبي (إيجابي- سلبي) في ضوء الاداء ، وهو الأمر الذي دفع الباحث لمحاولة قياس أثر التحفظ المحاسبي على جودة الاداء المالي والمحاسبي الخاص بالقوائم المالية، وكذلك التوجه نحو التوسع أو التطبيق أو الإبقاء لتطبيق سياسات التحفظ المحاسبي عند القياس والإفصاح المحاسبي بالقوائم المالية وهناك جدلا في الفكر المحاسبي بتأثير التحفظ المحاسبي على خصائص جودة المعلومات المحاسبية، ويوصي الباحث بإجراء المزيد من الدراسات لاختبار جدوى إلغاء التحفظ المحاسبي وتأثيره على الاداء المالي ، ويوصي الباحث بتشجيع المصارف بالاستمرار والتوسع في ممارسة التحفظ المحاسبي في قائمة المركز المالي وكشف الدخل وبما لا يؤدي ذلك بالمغالاة أو التضليل لمستخدمي التقارير المالية وعلى ان تكون المنظمات المهنية والجهات الرقابية هي مسؤولة عن المتابعة لتلك الممارسات للتأكد من سلامتها وان تكون ضمن المستوى المقبول

الكلمات المفتاحية :- التحفظ المحاسبي، الاداء المالي

Introduction

Accounting conservatism occupies a large part of the researchers' attention, as it is one of the important practices. It has sparked a lot of controversy among researchers. Some of them support these practices because of their multiple advantages in reducing the cost of financing and supporting the company's stock prices in the financial markets, while others object to it as it contradicts the truth of representation. Its practice is shrouded in bias, and despite criticism of the accounting conservatism, it still plays an important role in raising the transparency of financial reports, which is essential in times of crises such as Corona, and this will reflect positively on investor and market confidence, which in turn helps the economic unit in its dealings in the market and positively affects its performance It also helps in improving the quality of information resulting from the accounting system by adopting conservative policies that reduce opportunistic behaviors that are sometimes issued by management and thus lead to an increase in confidence in accounting information. Accordingly, this research will deal with the conceptual framework of accounting conservatism and its impact on financial performance.

The first topic: research methodology

First: The problem of the search

There is an impact of the accounting conservatism followed by the bank's management in the process of preparing the financial statements, as the accounting conservatism is followed, which

forces the administration to choose accounting policies and standards that require recording the lowest values of assets and revenues and the highest values of liabilities. Hence, the research problem can be formulated by asking the following questions:

- 1-What is the level of accounting conservatism in the financial reports issued by a sample of banks listed in the Iraq Stock Exchange?
- 2-Is it possible to evaluate the financial performance of a sample of banks listed in the Iraqi Stock Exchange, according to scientific methods acceptable to accounting?
- 3-Does following the accounting conservatism affect the improvement of the financial performance of a sample of banks listed in the Iraq Stock Exchange?

Second: The importance of the search

The importance of this research stems from the importance of the topic it deals with, which is as follows:-

- 1-The ability to provide appropriate and accurate information to assess the financial position of banks and their ability to predict their future.
- 2-The role played by accounting conservatism policies in maintaining appropriate levels of accounting information.
- 3-Ensure the provision of impartial financial reports by avoiding the overestimation of accounting measurements for allocations, expenses, deductions, and others.

Third:- The objectives of the search

This research aims to clarify the impact of the level of accounting conservatism on the financial performance of a sample of banks listed in the Iraq Stock Exchange, through the following:

- 1-Statement of the concept of accounting conservatism and the role of conservatism policies.
A statement of the concept of financial performance.
- 2-A statement of the level of impact of accounting conservatism on the financial performance of a sample of banks listed in the Iraq Stock Exchange.
- 3- Coming up with some recommendations that can benefit the management of banks listed in the Iraq Stock Exchange.

Fourth: Research hypotheses:

This research is based on the following hypotheses:

- Banks of the research sample listed in the Iraqi Stock Exchange exercise accounting conservatism.
- There is an impact of the level of accounting conservatism used in the financial reports on the financial performance of the banks listed in the Iraq Stock Exchange, and the following sub-hypotheses emerge from it:
 - There is an impact of the level of accounting conservatism used in the financial reports on the profitability index of the banks listed in the Iraq Stock Exchange.
 - There is an impact of the level of accounting conservatism used in the financial reports on the liquidity index of the banks listed in the Iraq Stock Exchange.
 - There is an effect of the level of accounting conservatism used in the financial reports on the indebtedness index of the banks listed in the Iraq Stock Exchange.

Fifth:-search population and sample

The research community is represented by the Iraqi banks listed in the Iraq Stock Exchange. As for the research sample, (4) banks were selected during a time series extending (2016- 2021) and published on the Securities Market Authority website during the research period and below is table (1) which shows sample banks search:.

Table (1) Research Sample

Iraqi Commercial Bank
International Islamic Bank
Sumer Commercial Bank
Cihan Bank for Islamic Investment and Finance
Iraqi Commercial Bank

Sixthly :-Research limits

-Spatial boundaries: The spatial boundaries of the search are determined by a group of Iraqi banks listed in the Iraq Stock Exchange.

Time limits: the financial reports of the banks include the research sample over a time series extending from the year (2016 - 2020).

The second topic: the theoretical framework for research

First- Accounting Conservatism

The controversy still exists about defining the concept of the term accounting conservatism, as there is still no agreement on a single concept for this term, and researchers have begun to provide different definitions, each of which deals with one of the aspects of accounting conservatism. (Hansen et al,2018:14)

He defined it (Rebecca, et al, 2015: 24) as choosing the method or method to show assets at a lower cost than usual under conditions of inflation. The LIFO method is chosen instead of the FiFO method in determining inventory, i.e., the application of cost or market, whichever is lower, when evaluating another stock. duration. It was also defined as the degree of prudence and caution when making the estimates that the organization needs in preparing the required estimate in cases of uncertainty that require an estimate of assets as low as possible and an estimate of liabilities and obligations as much as possible. (Kim & Zhang, 2016:21)Whereas (Lobo et al. 2020:23) defined it as an early recognition of bad news compared to recognition of good news and considers accounting conservatism as one of the corporate governance mechanisms included in the accounting policy aimed at reducing agency problems.

Second: The importance of Accounting Conservatism

Many authors mentioned the importance of accounting conservatism, and the most important points achieved from the application of accounting conservatism can be summarized as follows:

1-The ability of accounting conservatism to increase the quality of accounting information, especially accounting profits, to increase and value the reflection of good news on profits, which has an impact on reducing the cost of money, in addition to the reflection of the effects on increasing the possibility and ability of financial analysts to predict accounting profits. (Ayman and Ihsan, 2016: 369).

2-Accounting conservatism improves the performance of the facility compared to other related concepts such as the concept of information asymmetry and the concept of agency (Abu Hudaib, 2018: 11).

3-Accounting reservation achieves tax benefits because it is based on delaying the recognition of revenues until they are realized and early recognition of losses, and this leads to a reduction in the taxable income for the current period and its postponement for later periods. (Alsakini & Alwawdeh, 2015: 232). Accounting conservatism encourages preventive savings by recognizing bad news, which in turn leads to the retention of funds and thus avoiding their distribution, and this will provide

high liquidity in the facility, enhance its value and enhance its financial position. (Biddle etc,2016: 8).

4- The principle of accounting conservatism gives users of financial statements a margin of safety to preserve their interests through undesirable results. Therefore, they find conservative financial statements that may give satisfactory results in the long run (Auja, 2016: 18).

Third: Types of Accounting Reservation

1-Conditional reservation: It is also called post reservation, and it depends on the occurrence or non-occurrence of events in the future. Therefore, the conservative measure is used when there is an expectation of bad news in the future and with a reasonable degree of certainty that would lead to an increase in the carrying amount of obligations or a decrease in The carrying values of the assets and the consequent losses. (Cummins et al., 2019:4).

2- Unconditional reservation: It is called the previous reservation, which pays companies accounting for assets and liabilities, on the basis of forecasting future cash flows in light of high levels of uncertainty, such as recognizing investment expenditures as expenses related to the period instead of capitalizing them. (Alfian et al, 2020: 49).

Fourth: Pros and cons of accounting conservatism

First: the advantages of accounting conservatism

By using accounting conservatism, a set of positives can be achieved when preparing the financial statements, the most important of which are: (Al Taweel, 2021: 120) (49 Guo, J., et al. 2020:) (2019: 756 Almutairi, & Quttainah)

1-Facilitates external financing operations and reduces the cost of capital, which reduces capital investments.

2-Provides contractual terms that are lenient with suppliers, and this will lead to an increase in operating cash flows.

3-Reduces cash outflows by easing cash payments, reducing cash wastage, and reducing agency costs associated with cash assets.

4-Reducing administrative incentives, avoiding sub-optimal investments, and abandoning losing projects more quickly, based on actual results rather than expectations.

5-Accounting conservatism reduces the discrepancy in information between investors and companies related to asset values.

6-By completing its role in enhancing cash, it will indirectly reduce the risk of bankruptcy.

7-Accounting conservatism helps to enhance the cash that is used to mitigate the risks of bankruptcy, because bankruptcy is essentially a condition of insufficient cash as suggested in the evidence and theories in finance.

A-In addition, (Alsakini and Alwawdeh, 2015:233) presented some of the advantages of accounting conservatism, which he summarizes as follows:

1-Accounting conservatism is the appropriate tool that confronts cases of uncertainty among accountants. It is also a good tool to counteract the excessive optimism of accountants and managers in evaluating the assets of the economic unit. The use of accounting conservatism in the field of accounting will lead to objective accounting data. Meaning that the accounting system will produce accounting information prepared in accordance with accounting standards that are generally accepted.

2-The use of accounting conservatism leads to enabling accountants to get rid of the risks of not publishing accounting information, and it may then prove to be correct information, as well as the risks of publishing accounting information, which may then prove incorrect.

3-Accounting conservatism provides a margin of safety to protect the users of the financial statements from negative results. For this reason, they prefer conservative numbers, believing that conservative numbers will lead to undesirable results.

B-Disadvantages of accounting conservatism:

The most important negatives resulting from the use of accounting conservatism can be summarized as follows: (Abu Jarad, 2015: 47, 49) (Laux, 2020:36).

1-The use of accounting conservatism in preparing the financial statements is in conflict with some of the principles and characteristics of secondary quality in accounting information such as neutrality, stability, honest representation and comparability, as well as the clear contradiction between accounting conservatism and the characteristic of consistency and stability, as it leads to the adoption of accounting conservatism in the field of evaluating the goods for the last period when evaluating them and based on the market rule Or the cost, whichever is lower, to the valuation on the basis of cost in one year and the basis of market value in another year.

2-The use of accounting conservatism will lead to distortion of the revenues and expenses of the economic units, because the accounting information is not shown in its true value and is shown at a value different from its real value.

3-By using accounting conservatism, the increase in the value of expenses and obligations and the decrease in the value of assets and revenues are overstated, and therefore this will lead to results no less dangerous than the overstatement of the decrease in the value of expenses and obligations, and that the increase in the value of revenues and assets will result in harm to some of the parties using this information from the shareholders. Investors, creditors and others.

4-Accountants usually use accounting conservatism to protect themselves from the accountability they are exposed to without considering if this procedure will achieve the interests of other parties or may harm them.

Fifth: Motives (justifications) for the accounting reservation

Accounting conservatism is one of the good accounting practices when preparing the financial statements, as it will increase the suitability of those statements. Previous studies confirmed that accounting conservatism had existed for a long time and interest in it increased with the passage of time and increasingly to this day because of its impact on the value of the economic unit (Crawford et al, 2011:1). And because the accounting reservation has an impact on the accounting numbers, there are justifications (motives) for adopting the reservation and they are consistent with the views of users of accounting information (Alkurdi,2017:610).

And the urgent need for the relevant parties to demand reservation came due to the conflict of interests between shareholders, creditors and others and the management of the economic unit, as each of them wants to achieve its own interests. This is why we find shareholders prefer an increase in assets and profits to obtain distributions, while managers tend to exaggerate indicators in their financial performance to increase this Of their rewards and they do not wish to exercise accounting conservatism because it does not encourage engaging in this opportunistic behavior because of the delay in recognizing profits for the time they are realized and recognizing losses in a timely manner. (Mosavi, 2016:34).

David O. & Boniface, 2019 identified the presence of four main motives and determinants for the adoption of accounting conservatism by economic units, which are:-

1-The Contractual Motive For The Accounting Reservation

The most important interpretations of conservatism, which mean the separation between ownership and management, which each seeks to achieve its own benefits at the expense of other parties, and the contractual relationship between creditors and owners, which contains a set of restrictions that prevent management from practicing opportunistic behaviors in the interest of owners at the expense of shareholders and creditors (Al-Amouri, 2021 : 141).

And (Watts) stated that the benefit of this interpretation is due to external contracting parties, which is the basis of accounting conservatism and is a tool for addressing the asymmetry in information resulting from the management's bias towards its personal interests, so by adopting accounting conservatism in preparing the financial statements will help reduce this The disparity by placing more restrictions when recognizing profits and thus will be reflected on the behavior of creditors and investors, as the accounting reservation leads to early warning of financial failures that threaten to breach the contract. Non-Payment Notice (D'Augusta, 87, 2022)

2-The legal motive for the accounting reservation

This interpretation is another source to push the administration to practice accounting conservatism, as the risk of litigation, which the administration is likely to be exposed to, given that it has room to estimate the extent of the possibility of providing less or more conservative financial reports, as its exaggeration in evaluating profits and assets will lead to serious exposure to this risk from Before the creditors, shareholders and others, and because of this, it will be in the interests of the management and the company as a whole to adopt the practice of accounting conservatism when preparing the financial statements, because it is an effective tool that can reduce the management's ability to manipulate the accounting numbers, and the management will also get rid of the accusations resulting from the exaggeration in the use of accounting measures to achieve personal benefits to her. (Akbar & Taqwa, 2019: 309)

And the percentage of exposure to litigation costs is reduced by exercising conservatism, by reducing the net assets of the company, because litigation costs result from overestimation and not because of the reduction in net profits or assets. (Wang & Liu, 2019: 124)

3-the tax motive for the accounting reservation

When countries impose taxes on profits in companies, this led companies to use conservative accounting practices in a way that enables them to reduce or postpone taxes, and since taxes are based on profits, this justifies companies' use of accounting conservatism because of its role in reducing net assets and profits to reduce the income tax that imposed on corporations (Tayle & Ruch, 2015, 734)

Some tax laws have a major role in reducing or increasing accounting conservatism, and this leads to taking one of the accounting methods that have an impact on the amount of declared income that affects the value of the tax. Adoption of it in tax laws (2021: 16: Mushtaq and others)

The failure of companies to use accounting conservatism from some countries may lead to tax consequences that have ominous consequences, as accounting conservatism has a significant impact on countries' revenues through measurement and revenue recognition. (Sugiarto & Fachrurrozie, 2018:7) With regard to the effects of taxes on the accounting reservation of its two types (conditional or unconditional), we find that the tax factor has an impact on the unconditional reservation and does not affect the conditional reservation, because companies apply strict accounting policies and standards in advance to reduce profits. (393: Ma et al 2020).

4-The regulatory motive for accounting conservatism

There are motives for those in charge of regulating accounting standards and accounting policies to prefer accounting conservatism, as they face great criticism in the event that accounting policies lead to an overestimation of profits and assets. (Arabiat & Khamees, 2016: 281).

Regulation provides justification for the financial statements submitted by conservative companies and for losses resulting from overestimation of income and assets, which have a negative impact on society, and this justifies regulators and standard-setters to be more conservative. (Bangmek, et al 2016:89).

Regulators can justify the reservation by accounting methods, as the exaggeration in the net assets leads to greater problems than the undervalued net assets. An example of this exaggeration in the stock market is what can happen in the event that accounting methods are not conservative, and this will prompt standard-setters to take into account the practice of accounting conservatism. (Fouad, 2016: 244) Also, losses resulting from exaggeration of income and exaggeration of net assets are usable in political areas and are more evident than the lost gains that result from undervalued assets and understated income. 1530).

Sixth :- Financial performance

The financial performance is one of the indicators used, which shows the extent of the continuity of the economic unit in achieving its objectives. The financial performance is characterized as the measure that reveals the position of the economic unit and helps in knowing the extent to which the economic unit has improved in terms of its profitability as a result of providing its services (Nneka, et al).

(Al-Mousawi and others, 2016: 208) defined financial performance as nothing but the organization's ability to achieve financial goals using financial means represented in the profitability rate, liquidity ratio and debt ratio efficiently and effectively. It is also defined as the organization's ability to manage and control private resources for a certain period through which it can collect, cover and allocate financing that is measured by capital adequacy, solvency, efficiency, profitability, liquidity and leverage. (Fatihudin et al., 2018: 553). And he (Ichsan et al., 2021: 301) defined it as a measurement tool to know the process of implementing the company's financial resources. It sees the success of the company's management.

Seventh: The importance of financial performance:

Financial performance occupies an important place in most economies, as it is the main supporter of the various business practiced by economic units in providing financial resources and providing the unit with investment opportunities in all areas of performance that help it meet the needs and achieve the objectives of stakeholders, as many research and studies in financial sciences have focused economic and administrative because of the relative scarcity of financial resources on which economic units depend for their size. In other words, financial performance is considered as a financial procedure used to achieve the highest sales and achieve profitability and value for economic units through the efficient and effective management of current and non-current assets, property rights, financing, expenses and revenues. (Naz et al., 2016:82).

The importance of financial performance is highlighted by the following points: - (Mwangi, M., 2018: 376).

1-The financial performance process helps clarify the strategic position of the economic unit within the environmental framework in which it operates and also helps in strengthening the center through development and making changes.

2-It is an important measure of the success of economic units through their quest to continue their activities in order to achieve the goals.

3-Coordination between all activities of economic units, as well as coordination between all departments and administrative levels.

4-Exposing the disadvantages of the extravagant use of money in addition to the formalities of work that are inconsistent with the sound foundations and rules of performance.

It is the measure of the success of the economic unit in achieving its objectives.

4-Works to identify, diagnose and treat weaknesses in the economic unit, and to identify and strengthen strengths.

5-Preparing the appropriate ground that helps in the process of making appropriate decisions.

6-It is considered a means not to persuade creditors to provide the appropriate means of financing and on appropriate terms.

6-Financial performance is one of the most widely used fields of financial performance measures in economic units, due to its stability and development, and directing economic units towards measuring financial performance, in order to achieve good financial performance. It is considered one of the most important indicators of the success of economic units. Its work is considered the main objective of the economic units, through which it will be possible to achieve the other objectives. (Matar & Eneizan, 2018:7)

Eighth: Financial performance objectives:

1-There are many goals that make companies interested in financial performance indicators, they provide a reliable process for determining whether the company's current system is performing well or not. In today's economy there is a growing demand for transparency and scrutiny of business practices, and these goals promote a company's use of data and operating results as a means of demonstrating its performance. The following are some points that clarify the most important objectives of these indicators: (Felizardo et al., 2017: 4-5).

2-Provide feedback on the quality and efficiency of work.

3-Supporting the decision-making process and increasing the management's ability to focus on the most important matters. Help increase managers' ability to understand and measure performance.

4-Supporting and defining responsibility and encouraging accountability and attribution.

5-Creating effective communication between employees and managers by providing a common language between them. Provide a way to see if the strategic plan is working well or not.

6-Provides a basis for companies to assess the progress of their results towards pre-determined goals, and to measure their effectiveness and efficiency on an ongoing basis, in accordance with operational strategy, human resources, information, marketing and financial systems.

7-Provide support and promotion to companies in order to allocate their resources in improved and attractive activities.

8-Attention is focused on the company's ability to provide liquidity, profitability and borrowing, taking into account investment decisions and the risks associated with them.

Ninth: - Indicators for measuring financial performance

Financial analysis is one of the important techniques that the economic unit adopts in evaluating its financial performance, as it determines the strengths and weaknesses in the financial position through analysis of various financial data and information and interpretation of the results, which allows it to know the financial position of the economic unit and its current ability to achieve profits, growth and continuity in the future. There are many indicators and financial ratios that are used in evaluating the financial performance of economic units. The most important and most common of these indicators are:-

1-Profitability Index:

This set of ratios reflects the results of the effectiveness and efficiency of the performance of the economic unit by generating profits and maximizing the profitability resulting from the operational activity of the economic unit during a period of time. (Desta: 13, 2016).

2-Liquidity indicators:

A set of financial ratios is used to measure the liquidity index to determine the extent to which the economic unit is able to meet its short-term obligations. (Nicolae & Maria. , 2014: 207).

3-Activity ratios:

This set of indicators aims to clarify the extent of efficiency in investing assets, for this reason it is also called turnover ratios ((Al-Baldawi & Al-Qaisi, 2018: 213).

As these ratios are used in evaluating the extent of the success of the economic unit in managing its assets to measure the extent of its efficiency in investing its available resources in acquiring assets and its ability to achieve the best use of these assets and its ability to achieve the largest amount of sales and the most profit possible (Firnanti & Karmudiandri, 2020: 19).

4-Debt Ratios:

It is a set of ratios that measure the degree of indebtedness of the economic unit, through which the beneficiaries (owners and lenders) can know the current reality of the indebtedness of the economic unit and its ability to pay its financial obligations that it bears towards others. And the obligations arising from it to the unit, and in the end, it displays the degree of financial risk. Thus, the set of financial analysis ratios for measuring indebtedness shows creditors the degree of safety of their indebtedness and measures the ability of the economic unit to meet these debts (Ross, et al., 2008: 530).

The third topic: the practical aspect of research

Or not:- Analysis of research variables

The research community was determined by the banks listed in the Iraq Stock Exchange, while the criterion for selecting the sample was based on banks that have financial reports for the period from (2016) to (2021) and accordingly a bank was selected (Commercial Bank of Iraq, International Islamic Bank, Sumer Commercial Bank, Cihan Bank for Islamic Investment and Finance) as a sample for research.

The researchers relied on the (Beaver & Ryan) model to measure the level of accounting conservatism, because the data required in this model can be obtained through published financial reports. In addition, it is an ideal model for accounting conservatism by studying the relationship between the book value and the market value of net assets, as follows: -

$$BTM = \frac{BVE_{it}}{MVE_{it}}$$

whereas:

BVE_{it} = book value of the bank's equity in year t

MVE_{it} = Market value of the bank's equity for the year

The measurement of the financial performance of the research sample will be based on the following indicators:-

1-Profitability: It represents the results of a large number of decisions and policies and measures the effectiveness of management and its efficiency in generating profits. Profitability ratios were used in the study by means of return on equity (net profits divided by equity).

2-Liquidity: Liquidity represents the ability of companies to meet their short-term obligations at the time of their maturity, that is, the efficiency of the company in using its assets. Liquidity ratios were used in the study through the ratio of current assets to current liabilities.

3-Indebtedness: Indebtedness represents the extent to which companies depend on external sources for financing, and represents the ratio of total liabilities to total assets and reflects the extent to which companies use debt to finance their investments. The debt ratio should be low in order to provide them with protection.

These financial ratios were chosen for the following reasons:

1-These measures are common to measure performance, and their data can be obtained from the financial reports published on the websites of the study sample companies.

2-Being one of the most appropriate ratios for the published data for companies listed in the Iraq Stock Exchange.

Measuring the level of reservation:

Table (2) shows the results of measuring the practice of accounting conservatism for the banks of the research sample during the years of research, as shown below- :

Table (2) Levels of accounting conservatism for the banks surveyed for the period from (2016-2021)

standard deviation	Arithmetic average	2021	2020	2019	2018	2017	2016	year / bank
0.24450	2.390	2.029	2.797	2.367	2.417	2.381	2.35	Iraqi Commercial Bank
0.36660	0.940	1.531	0.591	0.506	1.007	1.004	1.003	International Islamic Bank
0.75412	1.847	2.778	2.627	2.113	1.193	1.188	1.187	Sumer Commercial Bank
0.2985	0.573	0.488	0.475	0.453	0.430	0.414	1.18	Cihan Bank for Islamic Investment and Finance

The results of Table (2) indicate that there is a discrepancy in the levels of accounting conservatism during the period between banks, as the Cihan Bank for Islamic Investment and Finance ranked first with an accounting conservatism level of (0.573), followed by the International Islamic Bank with an accounting conservatism level (0.940), and the Commercial Bank Al-Iraqi and Sumer Commercial Bank were not conservative, and Figure (1) illustrates this.

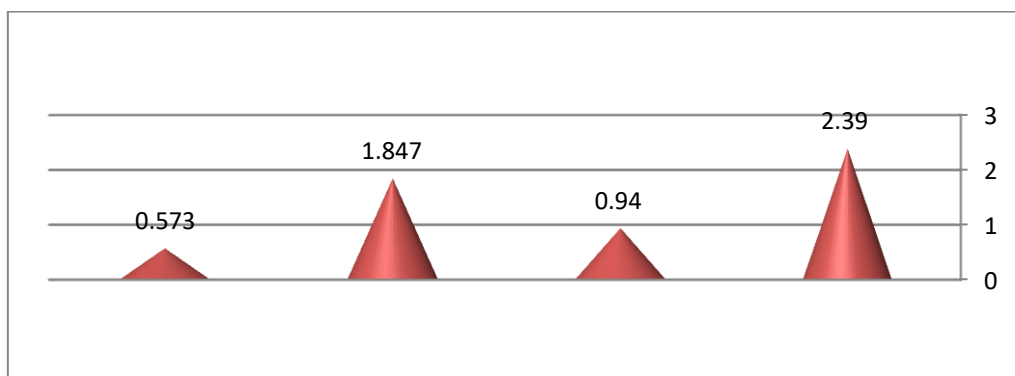


Figure (1) Levels of accounting conservatism for the banks surveyed

Measuring and analyzing the results of financial performance indicators

First: Measuring and analyzing the results of the profitability index for banks, the research sample:

Table (3) shows the results of measuring the profitability index of the research sample banks during the years of research, as shown below:

standard deviation	Arithmetic average	2021	2020	2019	2018	2017	2016	year / bank
0.03428	0.046	0.041	0.115	0.024	0.038	0.034	0.026	Iraqi Commercial Bank
0.01108	0.002	0.007	0.013	-0.019	0.003	0.001	0.007	International Islamic Bank
0.00456	0.005	0.004	0.004	0.004	0.003	0.001	0.014	Sumer Commercial Bank
0.02480	0.028	0.029	0.012	0.001	0.014	0.051	0.065	Cihan Bank for Islamic Investment and Finance

The results of Table (3) indicate a discrepancy in the profitability index among banks, as the Commercial Bank of Iraq ranked first with an average profitability index of (0.046), followed by Cihan Bank for Islamic Investment and Finance with an average profitability index of (0.028), and Sumer Commercial Bank in third place with a profitability index (0.005), and the International Islamic Bank came in last place with a profitability index (0.002). Figure 2 illustrates this.

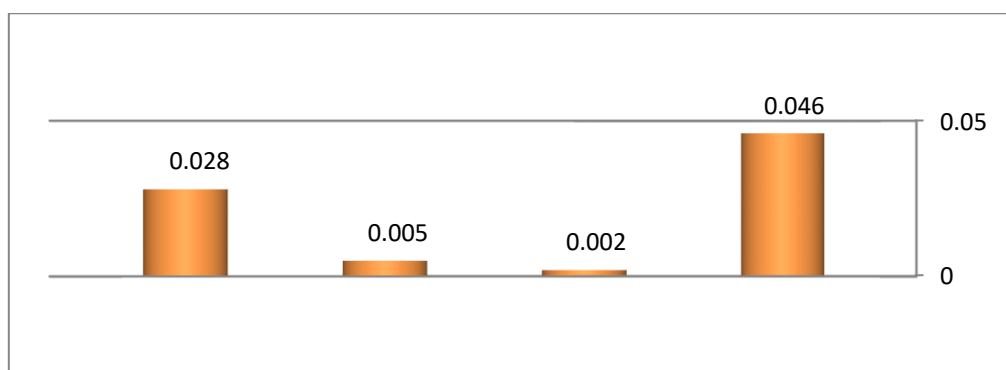


Figure (2) The profitability index of the surveyed banks

Measuring the liquidity index of the banks research sample:

Table (4) shows the results of measuring the liquidity index of the research sample banks during the years of research, as shown below: -

Table (4) analysis of the liquidity index of the banks, the research sample

standard deviation	Arithmetic average	2021	2020	2019	2018	2017	2016	year / bank
0.33666	2.5858	2.570	1.984	2.511	2.756	2.718	2.976	Iraqi Commercial Bank
2.20334	3.4876	6.241	1.531	1.672	1.937	3.383	6.162	International Islamic Bank
0.86815	3.1036	3.116	4.275	2.093	2.256	2.978	3.904	Sumer Commercial Bank
0.28016	1.6493	1.263	1.596	1.426	1.745	2.034	1.832	Cihan Bank for Islamic Investment and Finance

The results of Table (4) indicate that there is a discrepancy in the liquidity index among the surveyed banks, as the International Islamic Bank ranked first with an average liquidity index of (3.4876), followed by Sumer Commercial Bank with an average liquidity index of (3.1036), and the Commercial Bank of Iraq ranked third with an average liquidity index (2.5858) Cihan Bank for

Islamic Investment and Finance came in the last rank with an average liquidity index of 1.6493, and Figure (3) illustrates this.

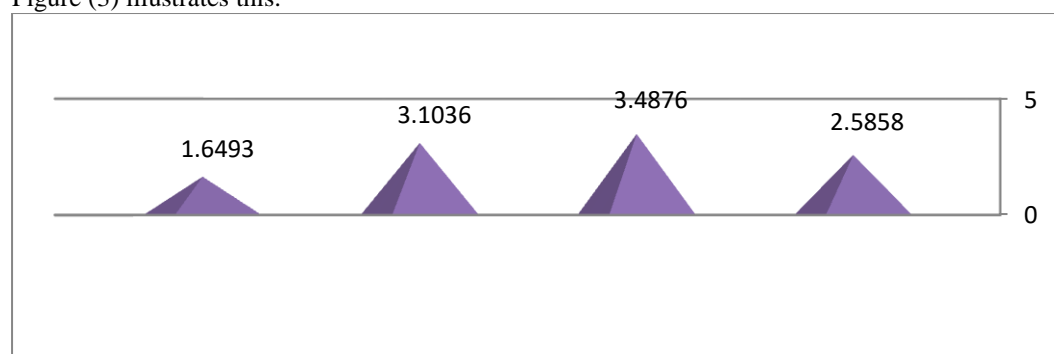


Figure (3) Liquidity index of the banks surveyed

Measuring the indebtedness indicator for banks, the research sample:

Table (5) shows the results of measuring the indebtedness index of the research sample banks during the years of research, as shown below:

standard deviation	Arithmetic average	2021	2020	2019	2018	2017	2016	year	bank
0.05816	0.3905	0.386	0.501	0.395	0.361	0.366	0.334		Iraqi Commercial Bank
0.16817	0.3773	0.512	0.541	0.471	0.396	0.211	0.133		International Islamic Bank
0.07402	0.2891	0.397	0.211	0.229	0.344	0.314	0.240		Sumer Commercial Bank
0.10270	0.5815	0.773	0.608	0.539	0.559	0.479	0.531		Cihan Bank for Islamic Investment and Finance

The results of Table (5) indicate that there is a discrepancy in the indebtedness index among the banks surveyed, as Cihan Bank for Islamic Investment and Finance ranked first with an average debt index of (0.5815), followed by the Commercial Bank of Iraq with an average indebtedness index of (0.3905), and in the third place the International Islamic Bank with an average index Indebtedness (0.3773), and Sumer Commercial Bank came in the last rank with an average debt index of (0.2891), and Figure (4) illustrates this.

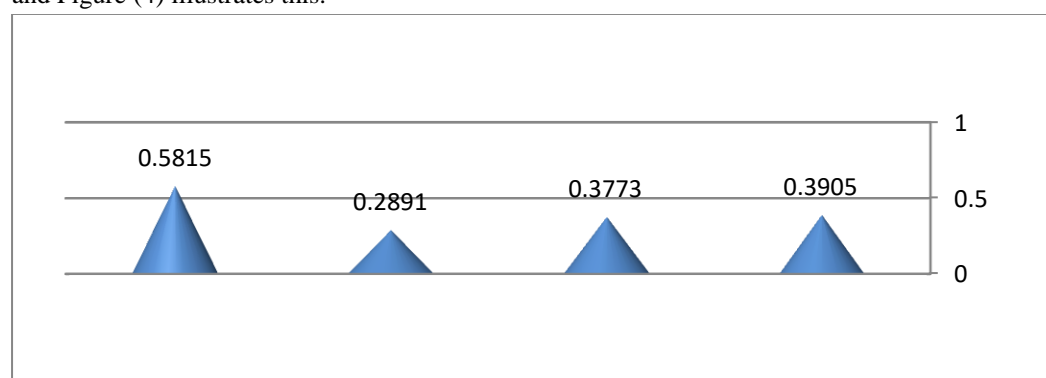


Figure (4) Indicator of the indebtedness of the banks surveyed

Fourth topic: conclusions and recommendations

First: the conclusions

- 1- The results of the statistical analysis revealed the strong interconnected relationship between the use of accounting conservatism and the quality of accounting information..
- 2- The results of the statistical analysis indicated that there is a significant and strong effect of the dimension of the use of accounting conservatism in the assessment of assets and liabilities in the

quality of accounting information, which indicates the high adoption of accounting conservatism policies in the assessment of assets and liabilities within the institution.

3- The accountant tends to expedite the recognition of expenses and delays the recognition of unearned revenues to later cycles in order to reduce the degree of risk.

4- The results of the statistical analysis showed that there was no significant effect of the use of accounting conservatism in terms of evaluating revenues and expenditures and the quality of accounting information, and the reason for this was due to the lack of mandatory application of this policy on the one hand, and on the other hand, the lack of an accurate explanation of the content of this concept in the conceptual framework of the accounting system.

5- The majority of the study sample agreed on the ability of accounting information to enhance and correct previous expectations regarding the values of assets, liabilities, expenses and revenues.

Second: Recommendations

1-Awareness of the compilers of the financial statements in general and their users in particular of the effects of the sound practice of accounting conservatism and its repercussions on the quality of the financial statements

2- It is important that the regulatory and supervisory authorities in Algeria seek to impose legislation aimed at enhancing the application of accounting conservatism policies, given the overwhelming impact on the quality of accounting information and its ability to keep the relevance and reliability of accounting information at a reasonable level.

3- It is necessary for the public economic institutions in Skika to improve their levels of accounting conservatism in the course of evaluating revenues and expenditures, if this has the effect of reducing the degree of risk and increasing the quality of profits.

4- It is necessary to carry out more research that tests the relationship between accounting conservatism and the quality of accounting information in the Algerian business environment, so that these studies target other sectors and use other measures to measure these trends.

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