

The Impact of the Application of International Financial Reporting Standards (IFRSs) on the Level of Accounting Conservatism and Its Implication on the Operational Performance Indicators of Iraqi Private Banks

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Abstract

The objective of the research in this study is to measure the impact of the application of International Financial Reporting Standards (IFRSs) on the level of accounting conservatism and its implication on the operational performance indicators of Iraqi private banks whose shares are traded in the Iraqi Stock Exchange. To achieve this objective, the researcher presented and analyzed the accounting heritage literature which is represented in the International Financial Reporting Standards (IFRSs) and the influence relationship between the application of International Financial Reporting Standards (IFRSs) and the level of accounting conservatism as well as the presentation of the accounting heritage literature related to accounting implications and the influence relationship between the application of International Financial Reporting Standards (IFRSs) and operational performance indicators. The researcher conducted an applied study and tested the research's hypotheses to determine the extent of accepting their validity or not through the use of the accounting conservatism measure (Ball, Shivakumar, 2005) while using operational performance indicators represented in (Tobin's Q value), where the measurement was made before and after the application of the International Financial Reporting Standards (IFRSs) for both the level of accounting conservatism and the operational performance indicator on a sample of Iraqi private banks consisting of (19) Bank three years prior to the implementation of the IFRSs from 2013- 2015 and three years after the application of IFRSs from 2016-2018, noting that the year of application of International Financial Reporting Standards (IFRSs) in 2016 and the research reached results, including a decrease in the level of accounting conservatism, i.e., there are statistically significant differences between the level of accounting conservatism before and after the application of IFRSs and it also found that there are significant between the level of accounting conservatism and the operational performance indicator (Tobin's Q value) before and after the application of IFRSs.

Keywords: international financial reporting standards, accounting conservatism, operational performance indicators

Introduction

In the wake of the rapid and successive developments witnessed by the business environment, which has become operating under the umbrella of a new global system whose features are represented in many dimensions, including the globalization of the economy, the

spread of multinational companies and the tremendous progress in the means of communication, computers and information technology, the International Accounting Standards Board (IASB) adopted the task of developing accounting standards International Financial Reporting Standards by issuing one set of high-quality accounting standards that are understandable and applicable around the world, known as International Financial Reporting Standards (IFRSs), which require the presence of information in financial reports of high quality, transparent and comparable, so that it helps participants in different financial markets and other users of that information in making their economic decisions. In the last decade of the twentieth century and the beginning of the twenty-first century, accounting conservatism received attention noted in the accounting literature, as companies adopted more stringent accounting policies, especially when recognizing revenues, so that financial reports have great conservatism to protect stakeholders, especially after what the business environment witnessed regarding the increase of cases of financial failures, collapses and financial crises that the largest shareholding companies in the global financial markets have been exposed to as a result of the negative practice of profit management by executive managers.

Research Problem

Many of the developing countries in the world, after the developed, have tended to apply the International Financial Reporting Standards (IFRS) because of their high-quality financial reports and contribute to providing adequate, transparent and comparable accounting information. The wide spread of applying the International Financial Reporting Standards (IFRS) led to a different orientation for the accounting conservatism policy in confronting the uncertainties that accompany the work of the accountant and the growing controversy over its inclusion in the International Accounting Standards (IAS) and then the International Financial Reporting Standards (IFRS) and based on the joint venture between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) for the year 2010. This joint venture led to a clear and explicit opposition to the accounting conservatism policy and worked to exclude it from the conceptual framework and the presentation of the financial statements. Hence, the following question arises:

(Does the impact of the level of accounting conservatism on operational performance indicators vary before and after the application of International Financial Reporting Standards for Iraqi private banks?)

- 1) The research problem is divided into the following questions:
- 2) Do International Financial Reporting Standards (IFRSs) include practices that call for the use of accounting conservatism?
- 3) Is there a discrepancy before and after the application of International Financial Reporting Standards (IFRSs) at the level of accounting conservatism for Iraqi private banks?
- 4) Does the application of International Financial Reporting Standards (IFRSs) affect the operational performance indicator (Tobin's Q value) in light of the variation or non-variation of the level of accounting conservatism for Iraqi private banks?

Research Importance

The importance of the research stems from several aspects that can be summarized as follows:

- 1) The first aspect is the importance of international financial reporting standards, especially their impact on the level of accounting conservatism and the extent of its

implication on the operational performance indicator, which in turn affects the usefulness of economic decisions.

- 2) The second aspect is the applied study of the research to test whether there is a variation in the level of accounting conservatism and its implication on operational performance indicators before and after the application of IFRSs and the important role played by accounting conservatism as one of the policies that contribute to limiting profit management practices in light of (IFRSs) in Iraqi private banks listed on the Iraq Stock Exchange.

Research Objective

- 1) The research aims to achieve the following:
- 2) Presenting and discussing the theoretical aspects of the International Financial Reporting Standards (IFRSs).
- 3) Stating the concept of accounting conservatism and the operational performance indicator and their relationship to International Financial Reporting Standards (IFRSs).
- 4) Measuring the impact of the application of International Financial Reporting Standards (IFRSs) on the level of accounting conservatism and its implication on operational performance indicators for a sample of Iraqi private banks listed in the Iraq Stock Exchange.

Research Hypothesis

The research is based on the following main hypothesis:

“The effect of the level of accounting conservatism on the operational performance indicators varies before and after the application of the International Financial Reporting Standards (IFRSs) for the Iraqi private banks listed on the Iraq Stock Exchange”.

This hypothesis is divided into the following hypotheses:

First sub-hypothesis: Measuring the impact of the application of International Financial Reporting Standards (IFRSs) on the level of accounting conservatism for Iraqi private banks listed on the Iraq Stock Exchange.

- 1) ***Null hypothesis:*** There are no statistically significant differences in the level of accounting conservatism before and after the application of the International Financial Reporting Standards (IFRSs) for the Iraqi private banks listed in the Iraq Stock Exchange.
- 2) ***Alternative hypothesis:*** There are statistically significant differences in the level of accounting conservatism before and after the application of the International Financial Reporting Standards (IFRSs) for the Iraqi private banks listed in the Iraq Stock Exchange.

Second sub-hypothesis: Measuring the impact of the application of International Financial Reporting Standards (IFRSs) on operational performance indicators in light of the variation or non-variation of the level of accounting conservatism for Iraqi private banks in the Iraq Stock Exchange

A- Measuring the impact of the application of International Financial Reporting Standards (IFRSs) on the operational performance indicator (Tobin's Q value) in light of the variation or non-variation of the level of accounting conservatism for Iraqi private banks in the Iraq Stock Exchange

- 1) Null hypothesis: There are no statistically significant differences in the operational performance indicator (Tobin's Q value) in light of the variation or non-variation of the level of accounting conservatism before and after the application of International Financial Reporting Standards for Iraqi private banks in the Iraqi Stock Exchange.
- 2) Alternative Hypothesis: There are statistically significant differences in the operational performance indicators (Tobin's Q value) in light of the discrepancy or non-variance of the level of accounting conservatism before and after the application of International Financial Reporting Standards for Iraqi private banks in the Iraqi Stock Exchange.

Means of Collecting Data and Information

B- ***Theoretical aspect:*** In this aspect, the researcher will rely on the accounting heritage of Arab and foreign literature and references from books, periodicals and published and unpublished research related to the subject of the research.

C- ***Practical aspect:*** The researcher will rely on several means to obtain the required data, the most important of which is the financial reports of a sample of private Iraqi banks for the Iraq Stock Exchange, in which the years of application in International Financial Reporting Standards vary within the test period from 2016 to 2019, i.e., for three years before and after the application IFRSs while adopting one of the accounting conservatism measurement models and the operational performance indicator measurement model before and after the application of International Financial Reporting Standards (IFRSs), namely:

Accounting Conservation Model (Ball Shiva Kumar 2005)

It is known as a measure of asymmetric accruals to operating cash flow, whose measurement of the level of accounting conservatism (profit conservatism) focuses on the assumption that there is an inverse relationship between accounting profits expressed in accruals from operating activities and net cash flows. The equation is:

$$(ACC_{i,t} / TAS_{i,t-1}) = \beta_0 + \beta_1 (DCFO_{i,t}) + \beta_2 (CFO_{i,t} / TAS_{i,t-1}) + \beta_3 (DCFO_{i,t} \times (CFO_{i,t} / TAS_{i,t-1})) + \sum_{i,t}$$

whereas:

ACC_{i,t}: Accruals from operations, which are measured by:

The operating income for year t minus the operating cash flows for year t divided by the total assets of the previous year.

TAS_{i,t-1}: It represents the book value of the total assets of company i at the end of the previous period t-1.

DCFO_{i,t}: It is a dummy variable that takes the value (1) if the net cash flow from operating activities (CFO) of company i at the end of the current period t is negative, or takes the value (0) if it is positive or equal to zero.

CFO_{i,t}: It represents the net cash flow from operating activities of company i at the end of the current period t/total assets for the previous year.

β₀: It represents the constant term in the regression model.

β₁- β₃: It represents the regression coefficients estimated in the regression model.

β₃ DCFO_{i,t} × CFO_{i,t}: It represents the accounting conservatism, and the positive parameter β₃ measures the accounting conservatism in the model (Ball, Shiva Kumar, 2005) and the larger β₃ indicates the practice of a high level of accounting conservatism.

∑_{i,t}: It represents the value of the residual (random error) in the regression model for company i at the end of the current period t.

Literature Review

Origination and development of IFRS

The IAS project can be traced back to the sixties of the last century, especially the initiative of Mr. Henry Benson, the accounting thinker and head of the Institute of Accountants and Chartered Auditors in England and Wales (ICAEW), to establish a group of preliminary studies from three countries: Canada, the United States of America, the United Kingdom, and the United Kingdom, with the participation of professional bodies in these countries such as the Institute of Accountants and Auditors in England and Wales (ICAEW), the American Institute of Certified Public Accountants (AICPA), the Institute of Chartered Accountants in Scotland (ICAS) in addition to the Institute of Chartered Accountants in Ireland (ICAI). This famous group (G4) issued a group of booklets which addresses all matters and cases related to the accounting aspect and a part of which focused on the audit aspect and its committees as this group had a great role in paying attention and focusing on the differences between these countries (Zeff, 2012; Moshood et al., 2020; Nuseeb et al., 2021).

Adhana indicated that the discussion on international Harmonization of accounting standards began in the sixties and was officially focused on in 1973 with the establishment of the International Accounting Standards Committee (IASC) by representatives of various accounting bodies from the Netherlands, Mexico, Canada, France, Germany, Japan, the United Kingdom and the United States. The International Accounting Standards Committee (IASC) was appointed with the task of formulating accounting standards to gain investors' confidence and provide an investment and an appropriate climate for their application. The private sector initiative was established, and it is financed according to the agreement between the accounting bodies which exceed 75 countries and the International Accounting Standards Committee (IASC) evolved between 1973 and 2002 as IASC developed a comprehensive list of accounting standards, their interpretations, conceptual framework and other guidelines for the purpose of standardizing accounting treatments at the international level. However, IASC, which culminated in the issuance of 41 international accounting standards, and IASC was formally restructured into the International Accounting Standards Board (IASB), which is an independent body in London and funded by the private sector to formulate and implement international accounting standards, all (41) international standards have been approved, amended and updated in accordance with the developments in the business environment and the diversity of the accounting side, as it was called the International Financial Reporting Standards (IFRS) (Adhana, 2020; Noor et al., 2020).

The need for IFRSs

Most researchers in the field of accounting see that the need to issue IFRSs is to improve financial reporting and to improve the comparison between financial statements across countries. As mentioned in the European parliament regulation, the application of IFRS by companies achieves a high degree of transparency and comparability between financial statements and it also achieves the efficiency of the capital market, and the European Union believes that the adoption of these standards helps to improve the performance more efficiently of the capital market and allow the greatest degree of freedom of movement of capital across countries and countries. Some people see that IFRS/IAS standards focus mainly on the applied aspect of their accounting treatments (Dechow, Schrand, 2010: 344).

Convergence, Harmonization and Adoption of International Financial Reporting Standards

Convergence

Convergence with IFRS means achieving Harmonization and harmony with IFRS. Convergence can be considered the design and maintenance of national accounting standards with full use of IFRS to the extent that national accounting standards comply with IFRS (Adhana, 2015:29).

Fajardo indicated that convergence aims to apply international accounting standards side by side with local accounting standards in order to reach one set of high-quality accounting standards and to achieve convergence, the International Accounting Standards Committee (IASC) issued 41 international accounting standards approved by the International Accounting Standards Board (IASB), and the Board issued 17 reporting standards which are today known as IFRS and IFRS Foundation does not have the authority to enforce these standards because compliance with them is voluntary and some countries rely on their national standards (Fajardo, 2016:150).

Harmonization

Harmonization is the process of increasing consistency with accounting practices by setting limits on the differences between them, and harmonized standards reduce logical differences and improve consistency in financial information between different countries. The harmonization attempts for accounting standards started before finding the International Accounting Standards Committee (IASC) in 1973 and the companies which search for capital outside its local markets as well as investors wishing to diversify their investments globally encounter many problems as a result of the national accounting differences in terms of accounting standards, disclosure and auditing. In response to that, the harmonization attempts increased during the nineties of the past century and now international accounting harmonization is considered one of the most important cases which encounter the securities and exchange commissions and those who prepare and use financial statements. Sometimes individuals use the terms harmonization and standardization as synonymous, but standardization, in contrast to harmonization, generally gives the impression that it is a set of rigid and narrow rules, and that it may require the application of one standard or one rule in all situations and modularity does not accept any differences at the national level and the international accounting harmonization has achieved a great deal of progress at the international level in recent years (Choi et al, 2012:349).

Adoption

The adoption and application of International Financial Reporting Standards (IFRS) means that local standards are set aside and replaced by International Financial Reporting Standards (IFRS), as the adoption of one set of IFRS standards is to achieve harmonization and consistency of financial accounting information internationally to meet the needs of users, investors and the global market system, whether by mandatory or voluntary adoption, and the two types of adoption are inevitably linked to increased integration in the global market and the costs are lower for information processing as the costs and benefits of adopting IFRS are the most emblematic issues for legitimizing quality in this sense (Duarte, et al, 2015:105).

Definition of Accounting Conservatism

Accounting conservatism is referred to as the tendency of accountants towards a higher degree of verification or identification of good news than bad news in the financial statements as the interpretation of accounting conservatism considers that profits reflect bad news more quickly than good news which is reflected on the financial statements (Basu, 1997:4).

Watt indicated that the accounting conservatism does not expect profits, but losses are expected and in the context of the asymmetry of treatment of profits and losses, he defined it as asymmetry of the requirements for verifying profits with the corresponding losses (Watt, 2002:1).

Beaver stated that accounting conservatism is the reduction of the book value of net assets compared to their market value and classified it into two types: conditional accounting conservatism and unconditional accounting conservatism (Beaver, 2005:269).

Types of Accounting Conservatism

There are many opinions and viewpoints for the accounting conservatism as “Basu” sees that the development of empirical concepts allowed researchers to conduct more studies and research. Therefore, conservatism was classified into two types: Conditional Accounting Conservatism and Unconditional Accounting Conservatism:

Conditional Accounting Conservatism

Conditional accounting conservatism is referred to as the decrease in the book value of net assets with the possibility of occurrence of an undesirable circumstance, i.e., the book values of net assets increase under a desirable circumstance such as: the cost base or the market, whichever is lower in accounting for inventory and accounting for the decline in the value of long-term tangible or intangible assets (Beaver, Ryan, 2005:269).

Unconditional Accounting Conservatism

Unconditional conservatism is defined as the tendency to reduce exaggerated assets or liabilities. Examples include Adopting the acceleration of depreciation methods or the LIFO stock valuation method in cases of high inflation and identifying the expenditures generated by assets internally (Rodriguez, 2010:133).

Definition of Operational Performance:

Operational performance is defined as a concept related to a phenomenon that is being studied within the economic unit to change the physical condition of the units or the financial results that result in decisions that support management, given that those results obtained by the economic unit through the use of indicators used to represent performance so that they are selected based on the conditions of the economic unit (Carton, 2004:2).

Andre et al. stated that operational performance is internal practices and factors that contribute to the development of efficiency and provide competitive advantages for economic units in achieving and maximizing the resources of business enterprises through many measures and indicators (Durate, et al, 2009:3).

Operational Performance Indicators:

In the era of globalization, the business world is still in constant development according to the requirements of change in the presence of competition in the market which will determine the performance and value of economic units through several indicators. In this part of the research, the researcher will focus on indicators that measure operational performance, one of which depends on market indicators according to the value of (Tobin's Q) and the other depends on the indicators of the financial statements such as (net cash flow from operating activities, share of operating cash flow, return on assets, return on equity) and below is a summary of the most important of these indicators.

Operational Performance Indicator of Market Value (Tobin's Q):

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The Tobin's Q ratio is a ratio widely used in the financial literature to express future investment. This ratio defines the market value of the economic unit divided by the replacement cost of the unit's assets to measure the performance of economic units. The market value of the economic unit depends on the expected future cash flows resulting from the economic unit's assets where there is a correlation between the cost of replacing assets and future cash flows and this expected correlation measures operational performance in the value of Tobin's Q because it reflects the various financial phenomena and decisions related to investment. This ratio also assumes that it represents opportunities of investment or growth in economic units as there is a positive relationship between Tobin's Q ratio and future operational performance (Liang Fu, et al, 2016:1-3).

International Financial Reporting Standards (IFRS) and its implications for accounting conservatism

International Financial Reporting Standard (IFRS) 4 "Insurance Contracts":

This standard was issued in March 2004 and began to be applied on 01/01/2005. It is also the first accounting standard that deals with insurance contracts in terms of accounting treatment for reporting insurance contracts and disclosures related to the interpretation and determination of amounts related to insurance contracts. This standard has been replaced by a new standard, IFRS 17 "Insurance contracts" as it is likely to be applied at the beginning of the year 01/01/2021 and it becomes clear here that the clear application of accounting conservatism when preparing financial reports. If there is an impairment in the principal value of reinsurance or the reinsurance policy holder, it is necessary to reduce the registered book value and the reduction loss is recognized in the income statement and the impairment occurs in the reinsurance account which represents an asset in the balance sheet when there is objective evidence that the reinsurance policyholder may not receive all the amounts due to him under the provisions of the contract, and the occurrence of an event that affects the amounts that will be received by the policyholder of the reinsurance contract from the insurance company and the insurance company may change its accounting policy for insurance contracts if this change will make the financial statements more convenient, but not less reliable, for the needs of decision-makers and financial statements' users (IFRS 4, 2019:558-561).

International Financial Reporting Standard (IFRS) 15 "Revenue from Contracts with Customers":

The objective of this standard is to set the principles that an economic unit must apply to provide useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. To achieve this objective, the basic principle of this standard is that the economic unit must recognize the revenue to describe the transfer of its goods and services to customers in an amount that reflects the consideration that the economic unit expects to have a right to in exchange for those goods and services. It began to be applied on 01/01/2017 where the clear application of accounting conservatism practices is clear when preparing the financial statements according to the requirements of this standard through the recognition of an impairment loss or impairment in profit and loss when the book amount of the recognized asset exceeds the remaining amount of consideration that the economic unit expects to receive in the process of exchanging goods and services related to the asset, less costs directly related to the provision of those goods or services that are not recognized as expenses (IFRS 15, 2018:560-578).

The Relationship between Accounting Conservatism and Operational Performance Indicators:

Moghadam, Rahimi (2016) indicated that the relationship of accounting conservatism

with operational performance indicators lies in competition between economic units in the light of the market, as the rate of return that includes information content for investors is used to evaluate performance and in the event of its decline is a warning to economic units, which means about weak performance as the rate of return is an indicator for evaluating performance based on the market value and thus reflects the information of investors in an active market. The Tobin's Q ratio is an indicator of accounting information and market information and is considered one of the best indicators for measuring performance and the value of the economic unit. The study also concluded a significant relationship between the accounting conservatism and the Tobin's Q ratio. Therefore, any increase in the accounting conservatism will lead to a decrease in the value of Tobin's Q. This indicates a significant relationship between the ratio of the market value to the book value and the accrual of the accounting conservatism (Moghdam, Rahimi, 2016:20-24).

The impact of the application of International Financial Reporting Standards (IFRSs) on operational performance indicators

Sampaio, et al.(2020) mentioned the relationship between the International Financial Reporting Standards (IFRS) and the value of Tobin's Q on a sample of companies listed in the Brazilian financial market, given that the value of Tobin's Q measures the performance of the economic unit, as this value was compared before and after the application of International Financial Reporting Standards (IFRS) where the study showed that the adoption of IFRS had a positive effect, as it increased by approximately 30% of the value of Tobin's Q under IFRS and this effect also reduces the evaluation gap between the economic units of the highest and lowest level, and this evaluation is interpreted after the adoption of IFRS through the relative increase in foreign ownership and stock liquidity of companies and units at the lowest level of companies (Sampaio, et al., 2020:84).

Applied Aspect of the Research

First: Accounting Conservatism Model

Analysis before applying IFRSs

The researcher has found results related to the model based on the accounting conservatism equation before and after the application of the International Financial Reporting Standards (IFRSs) to show the impact of the application on the level of accounting conservatism and its implication on the operational performance indicators of Iraqi private banks.

The table below shows the value of the coefficient of determination R^2 and the corrected coefficient of determination of the model used.

Table No. (1) Analyzing the effect of accounting conservatism before applying standards

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.989 ^a	0.979	0.978	0.0255269
a. Predictors: (Constant), DCFO x CFO/TAS0, DCFO0, CFO/TAS0				

It is clear that the coefficient of determination of the model before applying the criteria amounted to 0.98, and the value of the corrected coefficient of determination was also 0.98. These values indicate that the model used explained 98% of the total differences and the remainder of the total percentage was explained by other variables not included in this model.

As for the following table, it includes the analysis of variance table for the model used,

and it is clear from it that the value of the F-test was 816.981, which is a statistically significant value that indicates the high significance of the model used:

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F test	Sig.
1 Regression	1.597	3	0.532	816.981	0.000 ^b
Residual	0.035	53	0.001		
Total	1.632	56			

Dependent Variable: ACCTAS0
Predictors: (Constant): DCFO x CFO/TAS0, DCFO0, CFO/TAS0

The researcher also found the estimated values of the model parameters and they were placed in the following table, which shows that the value of the estimated standard parameter β_3 (accounting conservatism) was -0.1 and the value of its t-test was equal to -2.438, which is a statistically significant value below the 5% significance level because that the values of sig.= 0.018 are less than the significance level, and thus we conclude that the increase in the value of the variable (DCFO×CFO/TAS) accounting conservatism, by one unit, leads to a decrease in the value of the variable (ACC/TAS) accruals, by 0.1.

Table No. (3) *Parameter values of the accounting conservatism model estimated before applying the standards*

Coefficients ^a					
Model	Unstconsideringcoefficients		Standardized coefficients	T test	Sig.
	B	Std. Error	Beta		
(Constant)	0.031	0.008		4.086	0.000
1 DCFO0	- 0.006	0.010	- 0.017	- 0.572	0.570
CFOTAS0	-0.861	0.046	- 0.913	- 18.651	0.000
DCFOCFOTAS0	-0.140	0.057	- 1.00	- 2.438	0.018

a. Dependent Variable: ACC/TAS0

Analysis after applying the International Financial Reporting Standards (IFRSs):

The table below shows the value of the coefficient of determination R² and the corrected coefficient of determination of the model used.

Table No. (4) *Analysis of the effect of accounting conservatism after applying the standards*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.987 ^a	0.975	0.973	0.0161481

a. Predictors: (Constant), DCFO x CFO/TAS1, DCFO1, CFO/TAS1

Table No. (5) *Table of variance analysis of the accounting conservatism model after applying the standards*

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F test	Sig.
1 Regression	0.534	3	0.178	682.672	0.000 ^b
Residual	0.014	53	0.000		
Total	0.548	56			

a. Dependent Variable: ACCTAS0
b. Predictors: (Constant): DCFO x CFO/TAS1, DCFO0, CFO/TAS1

Table No. (6) *Parameter values of the accounting conservatism model estimated after applying the standards*

Model	Coefficients ^a			T test	Sig.
	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta		
(Constant)	0.014	0.005		2.968	0.004
1 DCFO0	- 0.003	0.007	- 0.014	- 0.389	0.699
CFOTAS0	-0.993	0.044	- 1.023	- 22.313	0.000
DCFOCFOTAS0	0.054	0.072	0.030	0.758	0.452

a. Dependent Variable: ACC/TAS1

Table No (7): *The estimated model parameter values after applying the criteria for (DCF×OCFO/TAS) variable - Accounting conservatism only*

Model	Coefficients ^a			T test	Sig.
	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta		
(Constant)	-0.053	0.009		- 5.723	0.000
1 DCFO x CFO/TAS1	- 1.474	0.146	- 0.806	- 10.109	0.000

a. Dependent Variable: ACC/TAS1

Measuring the impact of the application of International Financial Reporting Standards (IFRSs) on the level of accounting conservatism before and after the application of IFRSs

Table No. (8) *Table of descriptive information for accounting conservatism before and after the application of IFRSs*

Paired Samples Statistics					
		Mean	N	Std. Deviation	St. Error Mean
Pair 1	ECON0 Accounting conservatism before applying IFRSs	-0.005988	57	0.0170693	0.0022609
	ECON1 Accounting conservatism before applying IFRSs	-0.000107	57	0.0029696	0.0003933

Source: Prepared by the researcher based on SPSS software

It is clear from the above table that the mean of the accounting conservatism before applying the standards was -0.005988 with a standard deviation of 0.0170693 while the mean of the accounting conservatism after applying the standards was -0.000107 with a standard deviation of 0.0029696. These two values were relied upon in the difference test between the two groups before and after applying the standards, as shown in the following table:

Table No. (9) *T-test table to compare the accounting conservatism before applying IFRSs and after applying IFRSs*

Paired Samples Test									
		Mean	Std. Deviation	Std. error mean	95% Confidence Interval of the Difference		T test Df	Sig. (2-tailed)	
					Lower	Upper			
Pair 1	ECON0 before applying IFRSs	-0.0058808	0.0178567	0.0023652	-0.0106188	-0.0011428	- 2.486	56	0.016
	ECON1- after applying IFRSs								

Source: Prepared by the researcher based on SPSS software

The results of the above table show that the mean of the difference between the two groups' values was -0.0058808 and its standard deviation is 0.0178567, while the t-test value for these differences was -2.486 with a degree of freedom of 56 and a significance value of 0.016 and this last value is less than the significance level of 5%, which indicates that there is a fundamental difference between the values of the accounting conservatism before and after the application of the standards. By returning to the means' values of the two groups, it becomes clear that the absolute value of the mean of the accounting conservatism after applying the standards was higher than the absolute value of the mean of the accounting conservatism after applying the standards. It becomes also clear that the value of the standard deviation of the accounting conservatism before the application of the standards was higher than the value of the standard deviation of the accounting conservatism after applying the standards, which indicates that the accounting conservatism became more homogeneous after applying the standards, i.e., the level of the accounting conservatism before applying IFRSs is greater than the level of the accounting conservatism after applying IFRSs. This indicates that the application of IFRSs led to a lower level of accounting conservatism.

Based on the foregoing, we reject the null hypothesis and accept the alternative hypothesis on the grounds that there are statistically significant differences between the level of accounting conservatism before and after the application of IFRSs, with a level of significance less than 5%.

Second: The effect of accounting conservatism on the operational performance indicator:

The effect of the mediating variable accounting conservatism on operational performance indicators will be studied here, according to the following main hypothesis:

"The effect of the level of accounting conservatism on the operational performance indicators varies before and after the application of the International Financial Reporting Standards (IFRSs) for the Iraqi private banks listed on the Iraqi Stock Exchange"

First: The effect of accounting conservatism on operational performance indicator Tobin's Q

Watts,earcher found the results related to the model based on the equation $((TQ_{i,t} = \beta_0 + \beta_1 ECON_{i,t} + \sum_{i,t}$

Analysis before applying the International Financial Reporting Standards (IFRSs):

As the table below shows the value of the coefficient of determination R^2 and the corrected coefficient of determination of the model used

Table No. (10) Analysis of the effect of accounting conservatismdeterminants,ational performance indicator TQ before IFRSs

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.120 ^a	0.014	-0.004	0.3888689

a. Predictors: (Constant), ECON0

Source: Prepared by the researcher based on SPSS software

It is clear that the coefficient of determination of the model before applying the standards amounted to 0.014, and the value of the corrected coefficient of determination was also -0.004. These values indicate that the model used explained 1% of the total differences and the rest of the total percentage was explained by other variables not included in this model, which is a weak percentage. Very indicating insignificance of the model used.

As for the following table, it includes the analysis of variance table for the model used, and it is clear from it that the value of the F-test amounted to 0.804, which is a value that is not statistically significant, indicating the insignificance of the model used:

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F test	Sig.
1 Regression	0.122	1	0.122	0.804	0.374 ^b
Residual	8.317	55	0.151		
Total	8.439	56			

a. Dependent Variable: TQ0
b. Predictors: (Constant), ECON0

Source: Prepared by the researcher based on SPSS software

The researcher also found the estimated values of the model parameters and they were placed in the following table, which shows that the value of the estimated standard parameter β_1 amounted to 0.12 and its t-test value was 0.897, a value that is not statistically significant under a significance level of 5% because the value of sig.= 0.374 is higher than the significance level, and from it we conclude that there is no effect of accounting conservatism on the operational performance indicator TQ.

Table No. (12) *Estimated values of the accounting conservatism model parameters before applying the standards*

Coefficients ^a					
Model	Unstandardized coefficients		Standardized coefficients	T test	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.832	0.055		15.230	0.000
ECON0	2.731	3.044	0.120	0.897	0.374

a. Dependent Variable: TQ0

Source: Prepared by the researcher based on SPSS software

Analysis after applying the International Financial Reporting Standards (IFRSs):

The table below shows the value of the coefficient of determination R^2 and the corrected coefficient of determination of the model used.

Table No. (13) *Analysis of the effect of accounting conservatism on the operational performance indicator TQ after applying IFRSs*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.112 ^a	0.013	-0.005	0.2555144

a. Predictors: (Constant), ECON1

Source: Prepared by the researcher based on SPSS software

It is clear that the coefficient of determination of the model before applying the criteria was 0.013, and the value of the corrected coefficient of determination was also -0.005. These values indicate that the model used explained 1% of the total differences and the rest of the total percentage was explained by other variables not included in this model.

As for the following table, it includes the analysis of variance table for the model used, and it is clear from it that the value of the F-test was 0.696, which is a value that is not statistically significant, indicating the insignificance of the used model:

Table No. (14) Table of variance analysis of the accounting conservatism model with the operational performance indicator TQ after applying IFRSs

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F test	Sig.
1 Regression	0.045	1	0.045	0.696	0.408 ^b
Residual	3.591	55	0.065		
Total	3.636	56			

a. Dependent Variable: TQ1
b. Predictors: (Constant), ECON1

Source: Prepared by the researcher based on SPSS software

The researcher also found the estimated values of the model parameters and put them in the following table, which shows that the value of the estimated standard parameter β_1 was 0.112 and its t-test value was 0.834, a value that is not statistically significant under the significance level of 5% because the value of sig.= 0.408 is higher than the significance level, and from it we conclude that there is no effect relationship for the accounting conservatism on the operational performance indicator TQ.

Table No. (15) Estimated values of the accounting conservatism model parameters after applying IFRSs

Model	Unstandardized coefficients		Standardized coefficients	T test	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.354	0.034		10.459	0.000
ECON0	9.594	11.498	0.112	0.834	0.408

a. Dependent Variable: TQ1

Source: Prepared by the researcher based on SPSS software

Measuring the effect of accounting conservatism on the operational performance indicator (Tobin's Q value) before and after the application of the International Financial Reporting Standards (IFRSs)

Here, the impact of the application of IFRSs will be tested by calculating the predictive values resulting from the application of the previous model (accounting conservatism with the operational performance indicator TQ) and the researcher will rely on the t-test for this purpose.

The researcher first found the values of the arithmetic means and standard deviations (accounting conservatism with the operational performance indicator TQ) before and after applying the standards and the results were placed in the following table:

Table No. (16) Table of descriptive information for accounting conservatism with TQ indicator before and after the application of IFRSs

Paired Samples Statistics					
		Mean	N	Std. Deviation	St. Error Mean
Pair 1	ECONTQ0	0.097895	5	0.046582	0.0061700
	ECONTQ1	0.039558	57	0.0285399	0.0037802

Source: Prepared by the researcher based on SPSS software

It is clear from the above table that the arithmetic mean (accounting conservatism with TQ) before applying the standards was 0.097895 with a standard deviation of 0.0465827, while the mean (accounting conservatism with TQ) after applying the standards was 0.039558 with a standard deviation of 0.0285399 and these two values were relied upon in the difference test

between the two groups before and after applying the standards, as shown in the following table:

The table to compare the accounting conservatism with the TQ indicator before and after the application of IFRSs

		Paired Samples Test							
		Mean	Std. Deviation	Std. error mean	95% Confidence Interval of the Difference		T test	Df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	ECONTQ0- ECONTQ1	0.0583371	0.0323020	0.0042785	0.0497662	0.0669080	13.63556	0.000	

Source: Prepared by the researcher based on SPSS software

The results of the above table show that the mean of the difference between the two groups' values was 0.0583371 and its standard deviation is 0.0323020, while the t-test value for these differences was 13.635 with a degree of freedom of 56 and a significance value of 0.000, and this last value is less than the significance level of 5%, which indicates that there is a fundamental difference between the values of the accounting conservatism with the operational performance indicator TQ before and after the application of the standards. By returning to the means' values of the two groups, it became clear that the absolute value of the mean of the before applying the standards was higher than the value of the mean of the variable after applying the standards. Also, it becomes clear that the value of the standard deviation of the variable before the application of the standards was higher than the value of the standard deviation of the variable after the application of the standards, which indicates that the variable became more homogeneous after the application of the standards.

Based on the foregoing, we reject the null hypothesis and accept the alternative hypothesis on the grounds that there are statistically significant differences between the level of accounting conservatism and the operational performance indicator TQ before and after the application of IFRSs with a level of significance less than 5%.

Conclusions

- 1) The increase in the value of the accounting conservatism by one unit led to a decrease in the value of the receivables by 0.1 before the application of the International Financial Reporting Standards (IFRSs).
- 2) The increase in the value of the accounting conservatism by one unit led to an increase in the value of the receivables by 0.03 after applying the International Financial Reporting Standards (IFRSs).
- 3) The above result seems illogical because the relationship should be reverse and this result is due to the strong influence of the variable net operating cash flow CFO/TAS and because of the variables' participation in a multiple model, this effect prevailed and gave an unrealistic result.
- 4) The results showed the opposite effect when the accounting conservatism with the accruals variable is placed in a single model.
- 5) There is a significant difference between the values of the accounting conservatism before and after the application of the International Financial Reporting Standards (IFRSs). By returning to the means' values of the two groups, it becomes clear that the absolute value of mean of the accounting conservatism before the application of IFRSs

- was higher than the absolute mean value of the accounting conservatism after the application of IFRSs.
- 6) There is a significant difference between the values of the accounting conservatism and Tobin's Q value before and after the application of the International Financial Reporting Standards. By returning to the means' values of the two groups, it becomes clear that the absolute value of mean of the variable before the application of IFRSs was higher than the mean value of the accounting conservatism after the application of IFRSs.
 - 7) The value of the standard deviation of the accounting conservatism and the value of Tobin's Q before applying IFRSs were higher than the standard deviation value after applying IFRSs, which indicates that the variable became more homogeneous after applying IFRSs.

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