

The effect of applying the International Accounting Standard (IAS37) on presentation and disclosure in the financial statements of Iraqi economic units: An Empirical Study

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Abstract: - *This research aims to show the concept of provisions - contingent assets and liabilities and disclose them in financial reports in accordance with the International Accounting Standard (IAS37), and to show the extent of their impact on the financial statements to disclose the contingent elements in the local environment represented by the economic units listed on the Iraq Stock Exchange, and to indicate the extent of According to the viewpoint of users of financial reports, the need for accounting information that includes information on provisions –contingent assets and liabilities.*

The main research problem was the extent to which the application of the International Accounting Standard (IAS 37) affected the disclosure of contingent elements in the financial statements of Iraqi economic units.

In order to achieve the objectives of the research and test its hypotheses, (Middle East Investment Bank, Iraqi Credit Bank, Al Mansour Investment Bank, Asia Cell Communications Company) were selected from among the economic units listed on the Iraq Stock Exchange, where the extent of these units 'commitment to the application of disclosure requirements was investigated. About provisions - contingent assets and liabilities in accordance with the International Accounting Standard (IAS37) according to the elements checklist prepared for this, as well as the application of those requirements in the Middle East Bank and the reflection of their application on the accounting information provided through the financial statements was discussed.

The study concluded that the economic units in question did not prepare their financial statements in a scientific manner and did not apply the requirements for disclosure of provisions - contingent assets and liabilities despite their importance and fundamental impact on the financial position and therefore the accounting information presented in the financial statements is misleading for users and non-Useful for the purposes of making an investment decision.

Introduction

The accounting policies associated with the openness in the financial markets and their trend towards globalization at the present time have resulted in an increase in the interest of users of accounting information from shareholders and stakeholders in economic units with the information that these units must disclose in the financial reports and statements, especially those accounting information that may affect Directly on the important decision-making process.

Therefore, the International Accounting Standard (IAS37) came to clarify the process of disclosure of provisions, contingent assets and liabilities, and to

limit profit management on the one hand and so that there would be no negative impact on the business results of economic units and their financial position when dealing with contingent assets and liabilities on the other hand, and for there to be useful and reliable information. By it, considering that the current era is the age of information, especially accounting.

Research Methodology

First / Research methodology

1 - The research problem

The economic unit may incur losses or expenses that will be paid in the future, but these amounts are related to the current financial period, which

necessitates the existence of an allowance for them from the profits of the current period, with the economic units not being aware of the effects of the non-disclosure of provisions-contingent assets and liabilities, in the presentation and disclosure in the financial statements and so on. The trust is reflected in these lists.

According to the above, the main problem can be raised in the question about the extent to which the application of the International Accounting Standard (37) affects the presentation of financial statements and the disclosure of Iraqi economic units, which in turn branches into the following questions:

1. Is there a presentation and disclosure of the financial statements about the provisions - contingent assets and liabilities of the economic units listed on the Iraq Stock Exchange in question through the application of the disclosure requirements mentioned in the International Accounting Standard (IAS 37)?
2. How are the provisions disclosed - contingent assets and liabilities in accordance with the International Accounting Standard (IAS 37)

2 - Research objectives

In light of the research problem and the questions raised, the research aims to achieve a set of objectives, which are as follows:

1. Presenting and discussing the requirements contained in the International Accounting Standard (IAS 37) for the disclosure of provisions - contingent assets and liabilities.
2. Analyzing the reality of disclosure of provisions - contingent assets and liabilities in the economic units listed on the Iraq Stock Exchange that were chosen as the subject of research, and applying the requirements for disclosure thereof in accordance with the International Accounting Standard (IAS 37).

3 - Research hypotheses

The research is based on the following main assumptions:

1. The first main hypothesis: that the economic units listed in the Iraq Stock Exchange in question are not obligated to present and disclose financial statements in accordance with the requirements of the International Accounting Standard (IAS 37) for disclosure of provisions - contingent assets and liabilities.
2. The second main hypothesis: that the presentation and disclosure of provisions – contingent assets and liabilities in accordance with the International Accounting Standard (IAS 37) has positive repercussions in obtaining reliable and credible financial statements, with the accounting information they contain that is characterized by honest representation.

4 -The importance of research

The importance of research is characterized by the role that private information on provisions – contingent assets and liabilities acquired in enhancing the quality of information and disclosure, which is one of the basic principles in accounting, which increased the need to adopt International Accounting Standard (37) for disclosure and presentation in financial statements, as well as trying to design presentation and disclosure of statements. Finance according to Standard (37).

Second / previous studies

A-A study (Cohen & others, 2010)

It is a study entitled "Collateral Reserve: Potential Liability, a Sign or a Tool for Profits Management"

The study aimed to demonstrate the informational role of disclosure of guarantees, by using a database that is available for this purpose.

The most important conclusions reached by the study are:

The guarantee policy strategy is used by economic units to promote their products.

The role of the guarantee reserve or as information indicating the quality of the product or as a tool for profit management because the guarantee receivables require an assessment of future

liabilities, as they are used by managers opportunistically to achieve their desired goals.

B-A study (AL- Hajoj, 2011)

It is a master's thesis entitled "The extent of the commitment of the Jordanian public shareholding companies to disclose the provisions, assets and potential liabilities stipulated in the International Accounting Standard (37) and its impact on the reliability of their financial statements."

The study aimed at the following:

1. Knowing the extent to which the economic units that submit offers to purchase their products and post-sale guarantees comply with the international accounting standard (37).
2. Knowing the role of compliance with the application of the provisions of the International Accounting Standard (37) by the Jordanian contributing economic units on the reliability of their financial statements.

The study concluded that (75%) of those units did not comply with the provisions of the International Accounting Standard (37) despite their granting of offers to buy their products and post-sale guarantees.

There is consensus that the commitment of Jordanian joint stock companies to apply the International Accounting Standard (37) affects the reliability of their financial statements.

C - A Study (Kister, 2012)

It is an exploratory study entitled "Provisions and Due Liabilities in Light of the Polish Balance Law and International Accounting Standards"

The study aimed to present the allocations in accordance with the provisions of the Polish Equilibrium Law and the requirements of the International Accounting Standard (37).

The most important conclusions reached by the study are:-

1. 1-Provisions are one of the basic classifications for measuring financial position and profitability in accounting.

2-Provisions and liabilities are clearly classified according to the International Accounting Standard (37), in contrast to the Polish Equilibrium Law case relating to the creation of provisions.

D- Study (Iren & violeta, 2013)

It is an exploratory study entitled "Effects of disclosure of potential liabilities and ambiguities in decision-making by users of financial statements".

The study aimed to demonstrate the importance of disclosure of potential liabilities and its effect on decisions taken by users of financial statements.

The most important conclusions reached by the study are:-

1. Potential liabilities are the information required by investment decision-makers, as it influences their decisions.
2. There is variation in the impact of different potential liabilities on investment decision-makers.

E- The study, (liwai, 2016)

It is a doctoral thesis entitled "Accounting Measurement and Disclosure of Contingent Assets, Liabilities and Provisions and Their Implications for the Characteristic of True Representation"

The study aimed at the following:

1. Explain the importance of measurement and accounting disclosure of potential assets, liabilities and provisions in financial reports and their impact on the two characteristics of honest representation.
2. Clarify and analyze the requirements of accounting standards related to potential assets, liabilities and provisions.

The most important conclusions reached by the study are:-

The weak commitment of economic units to the requirements of measurement and accounting disclosure of probabilities.

2-The reports of the majority of auditors responsible for auditing the accounts of economic units in the

research sample are free of the existence of assets, potential liabilities and provisions.

3-It is established that there is a relationship between the measurement and accounting disclosure of potential assets, liabilities and provisions, and between the honest representation features.

Provisions - Contingent Assets and Liabilities in Light of International Accounting Standard (37)

Introduction to the International Accounting Standard (IAS 37)

The International Accounting Standard (IAS37) "Provisions - Contingent Liabilities and Contingent Assets" aims in general to ensure that appropriate recognition measures and criteria are applied to "provisions, contingent liabilities and contingent assets," as it requires disclosure in financial reports of sufficient information to help users of these reports understand their nature and timing. And its amount, and that this standard was approved by the International Accounting Standards Board (IASB) (•) in July (1998), and became effective as of July (1999) for the financial statements or after this date, (www.IASPLUS.com).

1-provisions

The International Accounting Standards Committee defined provisions in the framework of the International Accounting Standard (IAS37), "Provisions - Contingent Liabilities and Contingent Assets" for the year (1998) as "liabilities with uncertain timing or amount", (IASC, IAS NO.37,1998: 3).

International Accounting Standard No. (IAS37) has set certain conditions for the recognition of provisions, which are: (aljiearat, 2015: 101).

* That the economic unit has a present obligation (legal or constructive) resulting from a previous event. *It is possible that the payment of the contractual obligation will require an outflow of resources that represent economic benefits, meaning that the outgoing cash flow is likely to occur, ie, exceeding the rate of (50%).

*That it is possible to make a reliable estimate of the amount of the commitment.

And that the current obligation results from a previous event resulting from a commitment (legal or deductive), and usually the legal obligation results from the existence of a contract, legislation or application of the provisions of the law, for example a post-sales guarantee contract,

As for the deductive commitment that results from the previous practices of the economic unit, which symbolizes the commitment of the economic unit to its declared pledges to clients or to others (without the existence of a contract), for example, an oil company undertakes to perform the cleaning of the area surrounding the company through declarations in the following year without there being anything that compels it to do so as an obligation. Legal or statutory. (Mirza& Holt, 2011: 383).

Among the most common examples of allocations are: (Schiff, 2012: 3)

Provision for guaranteeing a guarantee of the product or service provided:

Usually the type of allocations is formed to meet the possibility of recovering a certain product due to defects in manufacture, the obsolescence of its quality or its expiration date, and it is calculated with an estimate by the management of the economic unit based on previous experience, that is, there will be a possibility (most likely) for the existence of claims under the guarantees The economic units grant guarantees on their products according to which they undertake to maintain and repair the sold products during a specific period known as (the guarantee period). This pledge represents a legal requirement that bears the economic unit burdens in the next fiscal year, and it is difficult to determine the exact date of these burdens or the beneficiaries of them, (sang & others, 2006: 2).

Custom offers and promotional gifts:-

Some economic units sometimes resort to activating their sales by offering promotional offers to their customers, such as having cash or in-kind prize

coupons inside the commodity or scrape and win coupons or drawing up by some shopping centers on ticket numbers to customers, or providing free tickets by airlines when The traveler collects a certain number of tickets,

We often find that sales take place in the current financial year while the distribution of prizes and raffles is in subsequent periods, which calls for the formation of a provision to meet these potential liabilities after the end of the financial period (Kieso & others, 2013: 721).

Provision for burdened contracts:

This provision is formed for burdened contracts, and it is an executive contract in which the unavoidable costs exceed the expected benefits and the economic unit cannot escape from its legal responsibilities, and the International Accounting Standard (IAS37) requires the recognition of a specific provision for burdened contracts, (Mirza & Holt, 2011: 383).

Provision for restructuring:-

After the economic units were previously accustomed to restricting entitlement to allocations with lump sum amounts for restructuring due to the absence of standards regulating this field, which led to corrupt practices of manipulation and fraudulent accounting through exaggerated provisions, so the restructuring provision is considered the first regulatory action undertaken by the International Accounting Standard (IAS37) To adjust these practices, by providing a definition of the term restructuring and explaining examples of the restructuring process,

The term “Restructuring” is defined according to the International Accounting Standard (IAS37) as “a structured and specifically planned program and the management has complete control over the restructuring scheme, and the restructuring leads to a change in the scope of the business of the economic unit or the way in which those works are carried out.” (aljiyarat, 2015: 102).

2-Contingent liabilities

Liabilities were defined by the International Accounting Standards Committee (IASC) under the International Accounting Standard (IAS37) “Provisions - Contingent Liabilities and Contingent Assets” for the year (1998) as:

"A current commitment to the economic unit arising from previous events, and its settlement is expected to result in an outflow from the economic unit of resources that include economic benefits"

As for potential liabilities, they are defined as:

* "A potential liability arising from past events, which will only be confirmed with the occurrence or non-occurrence of one or more uncertain future events, which are not wholly within the control of the economic unit".

Or "a current wanted arising from past events but not recognized due to":-*

A - “Either because it is unlikely that an outflow of resources representing the economic benefits or potential service required to settle the liability will occur”

B - “Or the amount of the liability cannot be measured with sufficient reliability”

Moreover, “potential liabilities may arise from a rare event and thus there is a liability that cannot be recognized because it cannot be properly assessed” (IASC, IAS NO.37, 1998: 10)

As for the conditions for recognizing potential liabilities according to the International Accounting Standard (IAS37), they are: (Elliott & Elliott, 2010: 297).

*Contingent liabilities should not be recognized, but rather disclosed, if the probability of an outflow of economic resources upon settlement of the obligation is minimal, i.e. less than (50%), or its amount cannot be estimated reliably, or it may be related to future events outside the control of the economic unit (uncertain).

*In the event that the contingent liabilities developed and came to meet the conditions for recognizing the

provision, then they should be recognized as a provision.

3-Contingent assets

The International Accounting Standard (IAS37) defined "Provisions - Contingent Liabilities and Contingent Assets" issued by the International Accounting Standards Committee (IASC) in the year (1998) defined potential assets as "potential assets that arise from past events, and their existence will be confirmed only by the occurrence or non-occurrence of one event. Or more in the future is uncertain, and not within the full control of the economic unit," (IASC, IAS NO.37, 1998: 10).

The International Accounting Standard (IAS37) has defined conditions for the recognition of potential assets, which are: (Hamidat and Khaddash, 2017: 403).

*Contingent assets should not be recognized.

*If there is a possibility of an inflow of economic benefits, then the potential assets are disclosed.

Disclosure of provisions - assets and contingent liabilities in accordance with the International Accounting Standard (IAS 37) in the financial reports

The concept of disclosure

Accounting disclosure is one of the important accounting principles and concepts that play an important role in enriching the value and utility of accounting information that appears in financial reports, and which is used for various purposes, including: making investment and credit decisions in economic units, also contributing to achieving effective and efficient exploitation of available economic resources on The level of economic unity, and at the level of the national economy, (Abu Hammam, 2009: 47). "It means informing the users of financial reports with everything that helps them in making their rational economic decisions, whether they are investment decisions, granting loans, or relating to determining the tax burden for each of the contributing economic units" (Frederick, 2002: 160).

"Showing financial information, whether quantitative or qualitative, in the financial statements or in the margins, notes and supplementary tables, which makes the financial statements not misleading and appropriate for users of financial statements from external parties from the economic unit or granting credit to it or any other decisions related to the economic unit, provided that Disclosure is made in a timely manner so that the information does not become worthless" (Choi & Others., 2004: 209).

"It is the delivery of accounting measurement information to its internal and external users" (Choi & Meek, 2011: 1).

The use of disclosure has increased in recent times and in the money market in particular, due to the role of financial information in decisive influence on the decisions of various users. These lists, which can be used by users later as a basis on which they can make decisions. Therefore, one of the main objectives of financial statements is to provide appropriate information, (Omeneya & Pauline, 2007: 75).

Accounting Disclosure of Provisions-Contingent Liabilities and Assets

1- Provisions

The potential economic unit commitment means the obligation resulting from a previous event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not within the full control of the economic unit. Reliably, that is, the highest degree of probability so that the probability of the event occurring is large in the future (the probability of 50% or more), and it requires the economic unit to recognize the amount of the loss as a provision in the unit lists, (Hennes, 2008: 4).

Table (1) shows what is required from the economic unit for disclosure when preparing the financial statements for each category of provisions in the explanatory notes.

Table (1) Provisions disclosure requirements

	Information related to provisions, which requires the economic unit to disclose
1	Book value at the beginning and end of the accounting period
2	Additional provisions during the accounting period, in addition to the existing provisions
3	The values that were used during the accounting period
4	Unused values and their reversal during the accounting period
5	The increase in the discounted amounts to the present value during the accounting period as a result of the passage of time and the effects resulting from any change in inflation rates
6	A brief description of the nature of liabilities and a statement of the expected schedule of outflows of economic benefits
7	Referring to the uncertainties related to the amount or timing of any cash outflows
8	Amount for any expected repayments

Source: Prepared by researchers in light of the International Accounting Standard (IAS37).

2-Contingent liabilities

Usually a provision is not recorded in the event that the amount of the loss or the liability cannot be estimated in a way possible, but its nature and the description of the reasons for the inability to estimate the amount of the loss is disclosed. The potential liability arises when it is unlikely that an outflow of benefits to the economic unit will occur or not. The amount of the (required) loss can be measured reliably, that is, the probability of the event occurring in the future, not more than a distant one, but less than the probability (the probability is less than 50%). What is meant here is the middle between the

possibilities, and the economic unit is required to disclose the potential requirement in the explanatory notes attached to the financial statements Without accounting registration, but if the probability of an inflow of resources that includes economic benefits or potential service is very small, i.e. remote and it is not possible to measure the required, then in this case this type of liability is completely ignored and is not proven and disclosed (Cebotari, 2008: 51-52).

It is clarified in Table (2) what is required for the economic unit to disclose when preparing financial statements about each class of potential liabilities in the explanatory notes.

Table (2) Disclosure requirements of potential liabilities

	Information related to potential liabilities, which requires the economic unit to disclose:
1	Provide a brief description of the nature of potential liabilities
2	Make an estimate of its financial impact (where applicable)
3	A statement of the uncertainties related to the amount or timing of any cash outflows.
4	The possibility of any repayment
5	And the fact that it is impossible to disclose any information that cannot be disclosed (if it occurs).

Source: prepared by researchers in light of the International Accounting Standard (IAS37).

3-Contingent assets

What is meant by the potential economic unit's assets is the result of a previous event that is confirmed by the occurrence or non-occurrence of one or more future events that are uncertain and not subject to the unit's control. The future is likely (the probability is 50% or more) and that the inflow of benefits is

possible for the economic unit then must be disclosed. Therefore, the economic unit must disclose the potential assets in the explanatory notes attached to the financial statements, which help its users in evaluating the economic unit's resources that may be available, (Christopher, 2010: 10).

It is clarified in Table (3) what is required of the economic unit to disclose when preparing financial statements about each class of potential assets in the explanatory notes.

Table (3) Disclosure requirements of potential assets

	Information related to potential assets, which requires the economic unit to disclose:
1	Provide a brief description of the nature of the potential assets
2	Make an estimate of its financial impact (if practical).
3	An indication of the existence of uncertainties related to the amount or timing of any cash inflows.
4	The possibility of any repayment.
5	And the fact that it is not possible to disclose any information that cannot be disclosed (if it occurs).

Source: prepared by researchers in light of the International Accounting Standard (IAS37).

Assets must be evaluated on an ongoing basis to verify that if future events confirm the existence of assets, then the potential assets must be recognized provided that they can be measured reliably, but when the probability of the event occurring in the future is weak (the probability is less than 50%) or remote, in this case the recognition is not made. It is not disclosed by the explanatory notes attached to the financial statements (Albuquerque &Faria, 2009: 3).

The concept and definition of financial statements-

The financial statements are considered as the window from which others view the activity of the economic unit from its various aspects, so they know its financial position and the results of its business.

It was defined as “a set of financial statements pertaining to the unit, arranged in tables prepared according to specific specifications, according to a set of accounting concepts and principles on a logical basis and in a coordinated manner” (Matar, 2000: 309).

It is an important means of communicating information to its users inside and outside the unit, and it is the final product

For accounting, and the information it contains is specific and proven in accordance with the accounting principles, customs and rules, and it is certified by an independent body. This method shows the business of the economic unit in the form of an official document within a period of time, (Abdul Wahid, 2003: 33).

As for the types of financial statements:

1-List of financial position (Balance Sheet).

That the list of financial position is one of the main lists prepared by each economic unit at the end of the particular accounting period, and it is considered one of the lists that “take priority in preparing them and contains a statement of the wealth owned by the unit during a certain period of time (Abdul Wahid, 2003: 34).

2-Income statement

The income statement is one of the main lists that are very important in terms of the information they contain

It is a report that shows the earning capacity of the economic unit during a specific fiscal period

The main objective of preparing this list is to provide financial statement users with information about profits

Achieved, as well as its ability to achieve those accounting profits, whether those profits arise from current operations or profits arising from the total operations occurring in the economic unit, (Al-Shirazi, 1990: 211).

3-Cash flow list

The statement of cash flows or the cash flow statement has become one of the main lists that everyone should have

The FASB states that the economic units prepared by the American Accounting Standards Board must prepare a statement of cash flows instead of a list of

change in financial position, and the goal of the list, cash flow is to help investors, lenders, and others in the following areas:-

1. Forecasting future cash flows
2. Evaluating the facility's ability to make dividends and meeting investment and expansion requirements.
3. Backward evaluation of current (historical) cash flows.
4. Determine the sources of the difference between net income and net cash flows

The main purpose of the statement of cash flows is to provide appropriate information about the proceeds

And cash payments to the economic unit during the period, (Kisso& Others, 2016: 247).

Analyzing the reality of disclosure of provisions - potential assets and liabilities in the economic units under investigation

This axis aims to present and analyze the financial reports of the economic unit in question to examine its data, as the necessary data were obtained through field visits and to review the reports available in the Public Relations Department of the Iraq Stock Exchange that pertain to the accounts of the economic units included in it, as well as through interviews Personnel with account officials and managers in those units, where percentage tables were prepared showing the extent to which these units apply the requirements for disclosure of information related to provisions, assets and potential liabilities in accordance with the International Accounting Standard (IAS37), and the ratios were calculated by dividing the set of questions related to each axis on (100) in order to arrive at the percentage of each question from the axes.

And after reviewing these reports, a brief description of the economic units in question will be presented,

as a survey of a number of units listed in the Iraq Stock Exchange was conducted based on the published statistical indicators issued by the market for the period from (2015-2018). Three banks, as the initial reading indicated that there is a great similarity in the way of numbers of accounts and their components and methods of disclosure on the one hand and because they are supposed to prepare their financial statements in accordance with international accounting standards in accordance with the instructions of the Central Bank of Iraq to move from local standards to international standards

The Middle East Bank was selected from the companies in which it found cases that include provisions - assets and potential liabilities, which relied on international accounting standards when preparing its financial statements, while researchers did not find any indication of the existence of cases that include potential elements in the rest of the other units, in order to reach the quality of the information.To perform the analysis of the answer data for the paragraphs of the questionnaire in order to test the three main hypothesis and its branches by denying or proving it Accounting that is offered to users and investors in particular.

Questions related to the axes of the survey

This aspect of the research includes the presentation and analysis of the survey results by designing an examination form in order to enhance the validity of the hypotheses and according to the following main axes that it contains, which are represented by the first axis (disclosure of information related to provisions), the second axis (disclosure of information related to potential liabilities), and finally

The third axis (disclosure of information related to potential assets). The results of the analysis will be reviewed for the main axes as follows:

1	Recognition of the provisions in the balance sheet without selecting the interest of a specific category when preparing the accounting information contained in the financial reports.
2	The company reserves potential liabilities to limit profit manipulation
3	The importance of recognizing provisions in anticipation of implicit liabilities that may arise at a later date.

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4	The auditor's report includes the information related to the provisions, while avoiding the measurement methods and procedures that lead to reaching specific conclusions in advance.
5	Provisions are considered as a necessary item in the management report to show the net income realized without inflation.

Source: (prepared by researchers)

1	The company provides adequate disclosure of potential liabilities in its financial reports.
2	The company discloses past events that will confirm the occurrence of future events that are outside the company's control and cannot be measured reliably.
3	The presence of potential liabilities in the auditor's report helps users of accounting information to understand the amounts, timing and uncertainty of future cash flows.
4	The company is committed to applying the requirements of disclosure of potential liabilities when preparing financial reports
5	Disclosure of events that indicate the existence of potential gains in the management and auditor's report
6	The importance of assessing assets on an ongoing basis to verify potential future benefits and disclose them in the explanatory notes and notes in a way that helps their users evaluate the economic unit resources that may be available.

Source: (prepared by researchers)

1	Disclosure of potential assets usefully results in a material gain
2	Following conservatism when estimating potential earnings means avoiding overestimating net profits
3	The company is committed to applying the disclosure requirements of potential assets when preparing financial reports
4	The importance of moving away from recognizing and disclosing potential assets when there is a possibility of an outflow of economic resources
5	Disclosure of events that indicate the existence of potential gains in the management and auditor's report
6	The importance of assessing assets on an ongoing basis to verify potential future benefits and disclose them in the explanatory notes and notes in a way that helps their users evaluate the economic unit resources that may be available.

Source: (prepared by researchers).

Presentation and analysis of the survey results in the annual financial reports of the economic units in question

This framework includes analyzing the final results of the examination points for the annual financial reports of the economic units in question and for the

Table (4) the final ratios of the examination points for the economic units in question

years (2015-2018), to determine the extent to which the requirements for disclosure of information related to the provisions - assets and potential liabilities contained in the International Accounting Standard (IAS37) are applied, as shown in the table (4) Below:

The axes	Check points and proportions	Middle east	Credit	Mansour	Asia cell Communications
The first axis	(5) point	1	3	2	2
	percentage	%5.5	%16.5	11%	11%
The second axis	(7) point	1	3	2	4
		%16.5	%11	%11	%22
The third axis	(6) point	1	2	2	3

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		%5.5	%11	%11	%16.5
Collect the points	(18)	3	8	6	9
Genealogy Mug	%100	%16.5	%44.5	%33	%49.5

Source: (prepared by researchers).

The results contained in Table (4) show us that there is a discrepancy in the ratios and the number of checkpoints for each axis. In the first axis, the total number of examination points was (5) points,

As for the second axis, we also find that all units did not get all the points amounting to (7) points, as the Middle East Bank got (1) point, Credit Bank points (3) points, and Al Mansour Bank got (2) points, while the company Asiacecell has only got (4) points.

In the third axis, we find that all units also did not get all the points amounting to (6) points, so the points of the Middle East Bank were (1) point, and the Credit Bank and Al-Mansour Bank were divided, resulting in (2) points, while the Asia Cell Company got (3) Only points.

The researchers conclude, through the presentation and analysis of the financial reports of the economic units in question for the years (2015-2018), the non-disclosure of provisions - assets and potential liabilities, which indicates that the economic units in question do not take into account the requirements of disclosure of provisions, assets and potential liabilities when preparing their accounts and thus the accounting information The financial reports contained in the financial reports are misleading and not beneficial to their users.

Consequently, the researchers' findings by presenting and analyzing the disclosure of provisions - assets and potential liabilities in the financial reports for the years (2015-2018), prove the validity of the first main hypothesis that "**the economic units listed on the Iraq Stock Exchange in question are not committed to implementing The requirements of the International Accounting Standard (IAS**

37) for disclosure of provisions - contingent assets and liabilities".

The effect of applying the accounting standard (IAS 37) on the presentation and disclosure in accordance with the International Accounting Standard (IAS37) on the financial reports of economic units in the financial markets

To find out the effect of applying the requirements of disclosure of provisions - assets and potential liabilities according to the International Accounting Standard (IAS37) on the financial reports of economic units in the financial markets, the Iraqi Middle East Bank was chosen for the years (2015-2018) to apply the disclosure requirements for potential items as it obtained the lowest number Of the points in the application's survey form, as well as the availability of the necessary data and financial reports that enable researchers to conduct that application.

1-Legal cases brought against the bank

After investigating by researchers and conducting the interviews, the financial reports for the years (2015-2018) and the data provided by the legal affairs sector and the accounting and finance sector found a number of potential obligations through legal cases filed against the bank by others, which were classified in Table (5) according to the degree Deciding on the assessment of the management and the bank's attorney to lawsuits with probabilities (more or less than 50%) and neglecting cases of remote probability that do not materially affect the bank's financial statements and do not entail any obligations at the discretion of the management and the bank's attorney.

Table (5) Legal lawsuits filed against the bank

Year	Less than 50% probability		More than 50% probability		Total	
	the amount	the number	the amount	the number	the amount	the number
2014	393,970,000	2	475,004,000	5	868,974,000	7
2015	2,393,970,000	3	1,017,156,442	8	3,411,126,442	11
2016			100,000,000	9	100,000,000	2
2017	100,400,000	2	255,210,000	11	359,210,000	13
2018	36,571,000	6	11,300,000	4	47,871,000	10

Source: (prepared by researchers based on the bank's data and reports).

2-Legal claims brought against others by the bank

After investigating by researchers and conducting interviews, a number of potential assets were found in the financial reports for the years (2015-2018) and the data provided by the legal affairs sector and the accounting and financial sector, through the legal lawsuits filed by the bank against others, which were

classified in Table (6) according to The degree of decisiveness in the estimation of the management and the bank's attorney to lawsuits with probabilities (more or less than 50%) and neglect of long-probability cases that do not materially affect the bank's financial statements and do not have any impact on the assets at the discretion of the management and the bank's attorney.

Table (6) Legal lawsuits filed against others

Year	Less than 50% probability		More than 50% probability		Total	
	the amount	the number	the amount	the number	the amount	the number
2015	4,730,341,000	1	12,000,000,000	1	16,730,341,000	2
2016	3,579,151,120	25	1,109,001,944	40	4,688,153,064	65
2017	30,148,000,000	3	14,103,000,000	23	44,251,000,000	26
2018	324,177,000	20	93,656,000	7	417,833,000	27

Source: (prepared by researchers based on the bank's data and reports).

The implications of disclosure of provisions - contingent assets and liabilities on financial reports

1-List of financial position

It is clear from the list of the Middle East Bank's financial position listed below for the years (2015-

2018) that the application of the requirements of the International Accounting Standard (IAS 37) for the disclosure of provisions - assets and contingent liabilities was not taken into account, as the provisions were not recognized in the statement of financial position despite the existence of obligations

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A potential for the unit resulting from previous events, which is likely to require repayment of an outflow cash flow exceeding the probability ratio of (50%), and a reliable estimate of the commitment amount can be made, although the bank is obligated to prepare its financial statements in accordance with international accounting standards according to the

instructions of the Central Bank of Iraq From the year (2015) and up.

Statement of financial position of the Middle East Bank for the years (2015-2018) according to current data

The amount is in thousands of dinars

Current assets					
Cash and balances with the Central Bank of Iraq	3	310,648,809	281,548,648	410,664,669	465,696,322
Balances with banks and other financial institutions	4	14,662,008	47,689,727	14,116,148	9,298,255
Direct credit facilities	5	140,501,335	113,713,062	100,251,982	94,572,477
Financial assets at fair value through other comprehensive income	6	2,278,335	2,278,335	3,027,444	3,067,733
Investments in subsidiary companies	7	39,642,045	39,870,945	33,336,935	33,336,935
Property and equipment	8	92,945,009	93,147,167	91,758,595	93,780,021
Intangible assets	9	543,662	432,617	352,670	294,959
Other assets	10	29,724,614	55,152,583	94,622,897	100,703,060
Total assets		630,945,817	633,833,084	748,131,340	800,749,802
Deposits from banks and other financial institutions	11	661	540	71,116	417,770
Customer deposits	12	316,027,769	251,838,721	324,513,571	429,184,675
Cash insurances	13	13,224,448	72,966,686	7,994,805	8,318,368
Central bank loan	14	993,000	1,787,050	3,169,737	4,136,137
Miscellaneous allocations	15	3,303,306	2,844,035	2,869,884	2,639,646
Income tax provision	16	1,200,214	2,382,560	1,114,599	
Other liabilities	17	33,772,005	29,919,954	137,499,925	88,585,673
Total liabilities		368,521,403	361,739,546	477,233,637	533,282,269
Shareholders' equity					
paid Capital		250,000,000	250,000,000	250,000,000	250,000,000
Mandatory reserve	18	13,234,248	13,860,094	13,860,094	13,860,094
Other reserves	18	300,133	300,133	300,133	300,133
General banking risk reserve	18	387,242	1,058,399	521,006	559,192
Fair value reserve	6	)7,045(	)7,045(	(83,932)	)7,045(
Retained earnings		)1,490,164(	6,881,957	6,300,402	2,755,159
Total equity		262,424,414	272,093,538	270,897,703	267,467,533
Total liabilities and shareholder equity		630,945,817	633,833,084	748,131,340	800,749,802

Source: (prepared by researchers depending on the bank's data).

Statement of financial position of the Middle East Bank for the years (2015-2018) according to the International Accounting Standard (IAS 37)

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The amounts are in the thousands of dinars

Current assets					
Cash and balances with the Central Bank of Iraq	3	310,648,809	281,548,648	410,664,669	465,696,322
Balances with banks and other financial institutions	4	14,662,008	47,689,727	14,116,148	9,298,255
Direct credit facilities	5	140,501,335	113,713,062	100,251,982	94,572,477
Financial assets at fair value through other comprehensive income	6	2,278,335	2,278,335	3,027,444	3,067,733
Investments in subsidiary companies	7	39,642,045	39,870,945	33,336,935	33,336,935
Property and equipment	8	92,945,009	93,147,167	91,758,595	93,780,021
Intangible assets	9	543,662	432,617	352,670	294,959
Other assets	10	29,724,614	55,152,583	94,622,897	100,703,060
Total assets		630,945,817	633,833,084	748,131,340	800,749,802
Deposits from banks and other financial institutions	11	661	540	71,116	417,770
Customer deposits	12	316,027,769	251,838,721	324,513,571	429,184,675
Cash insurances	13	13,224,448	72,966,686	7,994,805	8,318,368
Central bank loan	14	993,000	1,787,050	3,169,737	4,136,137
Miscellaneous allocations	15	3,303,306	2,844,035	2,869,884	2,639,646
Income tax provision	16	1,200,214	2,382,560	1,114,599	
Provision for lawsuits filed against the bank	19	1,017,156	100,000	255,210	11,300
Other liabilities	17	33,772,005	29,919,954	137,499,925	88,585,673
Total liabilities		368,521,403	361,739,546	477,233,637	533,282,269
Shareholders' equity		369,538,559	361,839,546	477,488,847	533,293,569
paid Capital		250,000,000	250,000,000	250,000,000	250,000,000
Mandatory reserve	18	13,234,248	13,860,094	13,860,094	13,860,094
Other reserves	18	300,133	300,133	300,133	300,133
General banking risk reserve	18	387,242	1,058,399	521,006	559,192
Fair value reserve	6	)7,045(	)7,045(	(83,932)	)7,045(
Retained earnings		)2,507,320(	6,781,957	6,045,192	2,743,859
Total equity		261,407,258	271,993,538	270,642,493	267,456,233
Total liabilities and shareholder equity		630,945,817	633,833,084	748,131,340	800,749,802

Source: (prepared by researchers depending on the bank's data).

It is clear through the presented and amended financial position list of the Middle East Investment Bank. There are differences in the amounts listed in the financial position list between each of the bank's statements and the numbers modified on the basis of the International Accounting Standard (IAS 37), and thus this effect is reflected in the accounting information presented in the users' financial reports and decisions. Investment, as it appeared in the

revised list of financial position that the appropriation account for lawsuits filed in the amount of (1,017,156) for the year (2015) and the amount (100,000) for the year (2016) and the amount (255,210) for the year (2017) and the amount (11,300) for the year (2018), which It led to an increase in losses to an amount of (2,507,320 -) instead of (1,490,164 -) for the year (2015), and a reduction in profits in the account of retained

earnings to amount to (6,781,957) instead of (6,881,957) for the year (2016) and an amount (6,045,192) instead of (6,300,402) For the year (2017) and an amount of (2,743,859) instead of (2,755,159) for the year (2018), thus reducing the total shareholders' equity for the years (2015-2018), and it becomes clear from the amended list the effect of disclosure of potential elements according to the International Accounting Standard (IAS37) on the reports Financial and thus provide information More reliable and quality accounting for users.

2-Provision for compensation for cases brought against the bank

The following is table (7) that includes the amounts of provisions for the lawsuits filed against the bank with a probability of more than (50%) for the years (2015-2018), which must be recognized in the list of financial position contained in the financial reports as they are the bank's obligations towards others At the date of preparing the balance sheet and as a result of previous events that result in a potential outflow of cash that can be reliably measured, as shown below:

Table (7) a statement of the amounts of allocations for the lawsuits filed against the bank

Years	Balance in 1/1	+Plugins	Compensation-	-Refunds	Balance in 31/12
2015	475,004,000	767,152,442	75,000,000	150,000,000	1,017,156,442
2016	1,017,156,442	100,000,000	700,000,000	317,156,442	100,000,000
2017	100,000,000	255,210,000	100,000,000	0	255,210,000
2018	255,210,000	11,300,000	150,312,600	104,897,400	11,300,000

Source: (prepared by researchers based on bank data and reports).

3-Clarifications and explanations about the financial statements

Contingent liabilities-

The following is table (8) that includes the amounts of potential liabilities for legal cases brought by others against the bank with a probability less than (50%) for the years (2015-2018), which needs to be

disclosed in the notes and explanations attached to the list of financial position that are included in the reports. Financial, as it is the bank's obligations towards third parties at the date of preparing the balance sheet and as a result of previous events. It is unlikely that they will result in an outflow of cash and cannot be measured reliably, as shown below:

Table (8) the amounts of potential liabilities for legal cases brought against the bank

Year	the amount	the number
2015	2,393,970,000	3) (Legal claims
2016	0	0
2017	100,400,000	)2 (Legal claims
2018	36,571,000	)4 (Legal claims

Source: (prepared by researchers based on the bank's data and reports).

Contingent assets-

The following is Table (9) that includes the amounts of potential assets for lawsuits filed by the bank against others with a probability of more than (50%) for the years (2015-2018), which must not be

recognized in application of the principle of prudence and caution, but rather disclose them only in the notes And the explanations attached to the financial position list that are included in the financial reports, being potential assets through lawsuits filed against others at the date of preparing

the balance sheet resulting from previous events and resulting in a potential cash flow, neglecting the amounts of potential assets from the lawsuits filed by

the bank For others with a probability less than (50%), as shown below:

Table (9) the amounts of potential assets for litigation against others

Year	the amount	the number
2015	12,000,000,000	1
2016	1,109,001,944	40
2017	14,103,000,000	23
2018	93,656,000	7

Source: (prepared by researchers based on the bank's data and reports).

Consequently, the results obtained through the presentation and application of disclosure requirements for provisions - assets and potential liabilities included in the International Accounting Standard (IAS37) in the financial reports of the Middle East Bank for the years (2015-2018), prove the second main hypothesis that “the presentation The disclosure of provisions - assets and contingent liabilities in accordance with the International Accounting Standard (IAS 37) will have positive repercussions in obtaining reliable and credible financial statements, including the honest accounting information they contain.

Conclusions and recommendations

First / conclusions

1. The current study is considered one of the most advanced and expanding stages of the issue of the International Accounting Standard (IAS37), which leads to ensuring the application of appropriate recognition standards and principles for the disclosure of provisions - assets and potential liabilities, which will be reflected positively on the financial statements and thus on the accounting information presented in the financial reports
2. Personal interviews with account officials for the economic units listed on the Iraq Stock Exchange in question and the results of the survey, indicate the lack of information in the financial reports related to the disclosure of provisions - assets and potential liabilities that

correctly reflect the results of the financial activity of these units.

3. The application of disclosure requirements for provisions - potential assets and liabilities in the economic units listed on the Iraq Stock Exchange in question proved that there is a positive impact on the financial statements presented in the financial reports.
4. Although the economic units listed in the Iraq Stock Exchange in question are obligated to apply international accounting standards, researchers have not found that there is a complete commitment to apply the requirements for disclosure of provisions - assets and potential liabilities, in accordance with the International Accounting Standard (IAS37) by those units.
5. There is a direct relationship between the application of the International Accounting Standard (IAS37) and the accounting information contained in the financial statements, especially with regard to the disclosure of provisions - potential assets and liabilities, and thus influencing the decisions of the users of that information?
6. There is a discrepancy in the application through the survey. Non-application of disclosure requirements for provisions - assets and potential liabilities in the economic units listed on the Iraq Stock Exchange in question contributed to concealing the reality of the financial position of these units.

Second / recommendations

1. The need for accountants to realize the importance of disclosure of provisions - potential assets and liabilities, and the extent of their impact on the accuracy and reliability of financial reports, and to work on developing the capabilities of the accounting staff through workshops, seminars and conferences that enable them to see international accounting standards and facilitate their application in the interest of users of accounting information.
2. Improving the level of accounting disclosure to comply with the requirements of the International Accounting Standard (IAS 37), to address the accounting system applied at the present time in most economic units listed on the Iraq Stock Exchange.
3. Emphasis on developing the capabilities of auditors in the direction of investigating provisions - assets and potential liabilities and confirming them in the accounts' reports in detail, and stating the extent of their material impact on the activity results of the economic units and the financial position of these units.

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