IMPACT OF IFRS9 APPLICATION ON THE QUALITY OF ACCOUNTING INFORMATION CONTAINED IN BANKS' FINANCIAL STATEMENTS

Rasha Adnan Ahmed, Baghdad College of Economic Sciences University
Marwa fadhil Khalaf, Baghdad College of Economic Sciences University
Mohammed Abdulameer Jawad, Baghdad College of Economic Sciences University

ABSTRACT

The study aims to identify the effect of the transition to the application of IFRS 9 in the presentation in the financial statements, This study was conducted on the National Bank of Iraq, relying on private data (financial position statement and income statement) in the year 2018, and the study concluded that international financial reporting standards play an important role in improving and achieving the effectiveness and quality of accounting information by providing high-quality financial statements that are characterized relevance and reliability in presentation and disclosure, And that, when applying the IFRS9 standard, the purpose of disclosure in the comprehensive income is to include a total of all operational and financial events that affect the interests of the owners in the company and may be reported on comprehensive income amount annually because it provides an overview of revenue and expenses, The other comprehensive income it includes net income and unrealized revenue from hedging instruments or financial derivatives and financial gains or losses in foreign currency transactions, The study recommended that the (IFRS9) should be applied as an alternative to the International Accounting Standard No.(IAS 39) because it provides measurement, classification, and disclosure appropriate to financial assets, and the financial statements prepared by banks should be in accordance with the (IFRS9) standard, of high quality information, through characteristics such as relevance, reliability, and constancy.

Keywords: IFRS9, Quality of Accounting Information, Financial Statements for Banks

INTRODUCTION

Accounting standards play a prominent role in providing guidance and counseling to measure processes and events and then present them. Accordingly, most countries were quick to issue standards for regulating financial statements. And that the issuance of standards differs from one country to another, In general the standards are determined according to the basis used in their issuance. The difference in standards has been highlighted among countries following the fundamental transformations that the world economy witnessed in the recent period. And the consequent increase in the effectiveness of the accounting information included in the financial statements at the international level, thus, accounting was required to respond to these new requirements to get from addressing problems at the local level to addressing them at the international level.

RESEARCH METHODOLOGY AND THEORETICAL ASPECT

Research is a continuous and ongoing process to gain access to new knowledge. This is in a clear methodological framework, and in light of the findings of previous studies. Based on this understanding, the Topic includes two requirements: the first deals with the research methodology by presenting the research problem, its purpose and its importance, as well as the methods used in the research and its determinants. While the second requirement deals with the theoretical aspect.

The First Requirement/Research Methodology

First: Research Problem

As a result of the difficulties faced by the parties benefiting from accounting information prepared following the International Accounting Standard (IAS39). Thus, the (IFRS9) was issued in 2009, which contains many variables related to the classification and measurement of assets, financial obligations and derivatives between their measurement at fair value and amortized cost. As well as, expected credit losses, in addition to providing a new framework for hedge accounting that enhances the benefits of decisions related to financial statements, through the reconciliation of hedge accounting with risk management activities, and thus the research problem can be formulated with the following question: "What is the Impact of International Financial Reporting Standards (IFRS9) Application on the Quality of Accounting information Contained in Banks' Financial Statements ? ".

Second: Research Hypothesis

The Application of International Financial Reporting Standards (IFRS9) Improves the quality of accounting information contained in banking financial statements.

Third: Research Objectives

1. Identify the International Financial Reporting Standard (IFRS9).
2. Quality of accounting information and banking financial statements.
3. Switch to applying the International Financial Reporting Standard (IFRS9) in the presentation of the financial statements.

Fourth: The Importance of Research

The importance of research is the clear statement and identification of (IFRS9) and the extent to which its application affects the quality of accounting information contained in bank financial statements.

Fifth: Research Methodology

To achieve the goals of the research, and analysis the problem, the research relied on the descriptive analytical approach, and the deductive inductive approach in analyzing the problem and arriving at the results and recommendations.

The Second Requirement/ Theoretical Aspect

First: International Financial Reporting Standard (IFRS9)

The International Accounting Standards Board (IASB) issued International Financial Reporting Standard (IFRS9) in July 2014 relating to financial instruments and allocations. It contains main topics: (IFRS, First Impression, 2014).

- Classification and measurement of financial instruments.
- Impairment of assets (decay).
- Hedge accounting.

This standard came into effect on January 1, 2018 to replace International Accounting Standard (IAS39) for Financial Instruments: Proof and Measurement, and will be mandatory with early application permitted, as it must be applied retrospectively, but comparative information is not compulsory (Youssef, 2015).

International Financial Reporting Standard (IFRS9) started as a joint project between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). The Boards published the discussion paper in March 2008 requiring reporting of all changes in the fair value of net income or profit and loss (IASB, 2008).

The International Accounting Standards Board (IASB) attempted to develop the new standard in three phases to be an alternative to (IASgby39) with the release of each component of the new standard separately. (Reback, 2011), the first phase included the measurement and classification financial assets and liabilities, and starting in November 2009, the Board issued the first part of the standard (NO. IFRS9), which covers the classification and measurement of financial assets, where the Board clarified two directions that are used to determine how to classify and measure financial assets:

a. Business Model Entity for Managing Financial Assets

A business model refers to how an entity manages its financial assets in order to generate cash flows—by collecting contractual cash flows, selling financial assets or both. The business model should be determined on a level that reflects how financial assets are managed to achieve a particular business objective.

b. Contractual Cash Flow Characteristics for Financial Assets

One of the criteria for determining the classification of a financial asset, The contractual cash flows of the asset represent payments that are limited to the principal of the debt and the interest/return. Interest is the monetary equivalent of the time value of money and the credit risk associated with the principal on an existing debt over a certain period of time. While the return is the profit that the banks receive in return for granting credit and financing operations to clients, whether in the form of direct or Instruments (IFRS, 2014).

Depending on the two tests, the financial asset falls into the category of measurement by the amortized cost or fair value through the other comprehensive income. If the asset does not exceed either of the two tests, it will be measured at fair value during profit or loss (EY-IFRS Developments, 2014). The financial asset is the asset that is in the form of:

1. Cash.
2. A property rights tools.

3. A contractual right to receive cash or other financial assets from another entity or exchange financial assets or financial obligations with another entity under conditions that are possible to be preferred to the entity.
4. Contracts that will be amortized or a contract that is amortized, according to the property rights tools for the entity, or may have to do so.
5. A derivative that will be amortized or may be amortized, not for the exchange of a fixed amount of cash or another financial asset, but for a fixed number of property rights tools (Aljaarat 2010).

Examples of financial assets (cash, financial investments in shares of other companies, receivables, loans and advances granted to others, financial investments in bonds, derivative financial assets, and receivables for financing leases) (Tasdit, 2016).

Fair value is defined by the International Accounting Standards "It is the value by which an asset can be exchanged or a commitment settled between parties that wish to exchange, and aware of the facts and dealings with a free will" (Ibrahim, 2011). Financial assets are classified in the financial statements of banks to:

1. Financial assets measured at amortized cost: these are financial assets that the bank's management aims to maintain, in accordance with the business model, to collect contractual cash flows (principal debt+interest) and these assets are proven at the time of purchase at cost, plus purchase expenses, and the premium or discount is amortized using The effective interest method, and any decrease in its value is recorded in the statement of profits and losses. The amount of the decrease in the value of these assets represents the difference between the value confirmed in the records and the present value of the expected cash flows. Any financial assets from/to this item may be reclassified, except in cases specified in the financial reporting standards. (In the event that any of these assets is sold before its due date, the result of the sale is recorded in the income statement in a separate item and disclosed according to the requirements of the financial reporting standards (Khudair, Ernst & Young Report, 2012).
2. Financial assets measured at fair value: Assets in this category can be classified into: (Abu Nassar & Hamidat, 2016).
    a. Financial assets at fair value through profit or loss.
    b. Financial assets at fair value through other comprehensive income.

It is classified into these two categories upon acquisition and when the enterprise becomes a party by contractual relationship with others.

In October 2010, the Board issued another part of the International Financial Reporting Standard (IFRS9), which basically covers the classification and measurement of financial obligations. Most of the classification and measurement requirements for financial obligations were transferred from the International Accounting Standard (IASB39) to this standard without any change, Where most of these obligations were measured at amortized cost in International Accounting Standard (IASB39) or divided into a base contract that is measured at amortized cost and an implicit derivative measured at fair value, As for the obligations that are kept for trading purposes, they are measured at fair value, Accordingly, it can be said that the classification and measurement requirements related to financial obligations have been kept unchanged and transferred to the International Financial Reporting Standard (IFRS9) because they do not conflict with the reality of scientific application, and it has been based on it and has become part of it, which confirms that the standard did not start from scratch, but rather is the development An update to the International Accounting Standard (IASB39). As for the second phase, it included depreciation (amortized cost and depreciation), while the third phase included hedge accounting (IASB, 2010).

Second: Accounting Information in the Banking Financial Statements

a. Concepts of Accounting Information Quality

Quality means matching the thing to the specifications that meet the usual requirements and in order to benefit from the acquisition of the item or service provided to customers, and in order to achieve it is necessary to search for compatibility with these requirements (Chandrupatla, 2009), Since the financial statements are prepared for the purpose of providing adequate information about the activities of the economic unit, the information contained in them should be of high quality because they will have a positive impact on the decisions of the stakeholders, and these decisions enhance the efficiency of the financial market, as confirmed by the International Accounting Standards Board (Beest et al., 2009). The quality of information depends on a number of characteristics that cannot be dispensed with, and the lack of it means the lack of benefit from it in decision-making and includes:

1. **Relevance:** It means that the information must be able to influence decision-making and the following characteristics must be available in the information to be more relevance: (Lahdo, 2018).
   a. Timing: Get the information in a timely manner.
   b. Evaluation: The information is measurable for comparison.
   c. Understanding: the information must be clear.
2. **Credibility (Reliability):** Accounting information is credible as it is free of error and bias and presented truthfully. The following characteristics of information must be available to be more credible: (Kieso & Weygandt, 2011).
   a. **Verifiability:** means a high degree of agreement between numbers of individuals in charge of the measurement.
   b. **Honesty in the presentation:** means the honesty of information in representing the event and free from errors.
   c. **Neutrality:** Means avoiding deliberate bias in arriving at predetermined results to serve a particular group.
3. **Comparability:** It is the ability to compare the financial statements of a specific financial period with the financial statements of a previous period or other periods of the same entity or compare the financial statements of the entity with the financial statements of another entity during the same period (Hamidat & Khdash, 2018).
4. **Constancy:** means constancy in the use of accounting methods that lead to comparing the results of the same entity for different financial periods. In case of departing from this characteristic, the quantitative effect of the change and the reason for this change must be disclosed (Hamidi, 2009).

b. Banking Financial Statements

The financial statements prepared by the banks are the same as the financial statements prepared by the rest of the establishments, but their components differ, and the financial statements: are the principal means through which a company communicates its financial information to those outside it. These statements provide a company’s history quantified in money terms. The financial statements most frequently provided are (1) the balance sheet, (2) the income statement, (3) the statement of cash flows, and (4) the statement of owners’ or stockholders’ equity. Note disclosures are an integral part of each financial statement. (Kieso & Weygandt, 2013) and it Include:

1. **Balance Sheet:** It is an honest mirror showing the rights or assets of the project and its obligations (liabilities) at the end of the financial period concerned, This method of preparing accounting lists according to the lists model is more appropriate and acceptable at present, and the main objective of this statement is to provide users with

accounting information with the financial situation of the economic entity within a specified period of time (Mohammed, 2006). Accordingly, the elements of banking financial position statement are in two aspects, the first is the assets aspect; and the elements of this aspect are arranged and categorized according to the liquidity of each element so that it begins with the most liquid element and then the least, and so is because to the degree of importance of the element of liquidity in the work of the bank as a crucial element in the performance of work. The other aspect is the liabilities aspect and it includes all the elements that constitute an obligation to the bank, and their receipt is arranged in this aspect according to the degree of liquidity as well, so we find current deposits or current accounts always top the first elements on the liabilities aspect, Given its rapid liquidity, the following is a statement of the most important elements include in the balance sheet.

- **Assets Aspect:** Cash and includes: (cash in the treasury and at banks)-portfolio of securities and includes (investments in stocks and bonds)-amounts of discounted bills-current accounts owed-loans and advances-fixed assets net-other assets-Regular accounts as a second phase after the balance sheet is compiled.
- **Liabilities Aspect:** Current Accounts-Term deposits-Deposits with notice and saving- Bank deposits-Cash insurance-Different allocations-Other liabilities.

2. **Income Statement (Profit and Loss):** It is defined as a summary of transactions that generate the revenues of the establishment as a result of the sale of its products or the performance of services, as well as interviews that result in a summary of revenues and expenses in order to show the profits and losses resulting from the operations of the establishment during a certain period of time. In other words, the results of the business are indicated by determining the periodic net profit and disclosing its main components that aim to help in assessing the cash flows. (Al-Majhly, 2009). Therefore, it is represented in the following:

- **Revenue:** The main revenues of the bank include the following: interest on lending operations and credit facilities to customers, the commissions collected by the bank for its services to customers such as pay for service, discounting of commercial fees. Investment income: it is represented by the income of shares and bonds owned by the bank, and the extent to which the interest due date is agreed with the date of preparing the financial statements. - As for the earnings of shares, it is recorded at the collection because it is difficult to determine the outcome of the company's invested business until after the end of the fiscal year and to determine the profits and the policy of distribution and collection in cash. Therefore, the value of the dividends is only recognized when the securities are sold and is the difference between the book value and the selling value of these securities.
- **Expenses:** The main expenses of the bank include the following: Debt interest: These are interest paid to customers in exchange for deposits in order to provide current credit accounts (Here, the bank makes a calculation of the benefits accrued to the benefit of its customers, which have not been paid yet).
  - Commission paid to banks or some individuals for services they perform to the bank.
  - General and administrative expenses, which are represented in all burdens incurred by the bank, such as salaries and rents, stationery, postal, telephone, and water, taking into account performing inventory adjustments.
  - Depreciation of fixed assets.

- Losses in sale of securities (results if the securities owned by the bank are sold at less than their book value).
- Allowances (allowance for debt, allowance for fall in investment prices, and any other allowances) (Shaheen, 2014).

3. **Cash Flow Statement:** Since the bank uses the accrual system in accounting, and due to the need to know the internal and external funds resulting from the activity during the period, Concern has begun towards preparing this list as an integral part of the final accounts for the purpose of achieving several objectives, the most important of which are:
   - Assisting investors and related parties who use the financial statements to understand the entity's future financial capabilities, including its ability to fulfill its obligations.
   - To know the extent of the difference between the net profit determined for the period on an accrual basis and the cash flow collected.
   - Evaluating the changes that occur in the entity's financial structure.

This statement is prepared on the basis of its division into three phases for measuring cash flows:

- Net cash flows from operating activities: These include the adjustment to net profit on non-cash items, and changes in the elements of the assets and liabilities to income that are included in the determination of net profit or loss.
- Net cash flows from investing activities: These include cash flows from investment operations related to the acquisition of fixed assets and securities and the establishment of branches.
- Net cash flows from financing activities: these are the result of long-term loan operations that the bank obtains, and repays it in addition to changes in equity (Shaheen, 2014).

Third: Turn into the Application of (IFRS9) in the Presentation of the Financial Statements

Financial reporting standards play an important role in improving and achieving the effectiveness and quality of accounting information by providing financial statements according to different bases, they may be sectorial financial statements are defined as dividing the company into sectorial parts and displaying sectorial financial information Segmented as well as overall company information, Therefore, the availability of information in this form will be important to all those who use it. The information provided by the sectorial statements includes information content that affects decision-making and helps to evaluate the performance of companies (Al-Omari & Suwaidan, 2007). Financial statements with a general purpose to be of high quality should contain appropriate, credible and reliable information and data (Abu Nassar & Hamidat, 2008). The financial statements are shown according to basic principles for presenting information as well as the basis for classification and measurement. IFRS9 Financial Instruments-Classification and Measurement has come to replace IAS39, which is the development and updating of this standard and therefore it is moving towards the concept of fair value as a basis for measurement and accounting evidence. This is to enhance the relevance of the accounting information presented in the reports which is useful to its users in order to assess the amounts, timing and uncertainties related to the company's future cash flows. The standard also aims to lay the foundations for recognition, measurement, amortization (impairment) and hedge accounting (Abu Nassar & Hamidat, 2008). Thus, the transformation to IFRS 9 has an impact on systems, controls, contracts and credit policies, This in turn affects the enterprise's financial reporting strategies and operations, bearing in mind that the nature and extent of that impact varies which requires clear activities for transformation while assessing the effects of that transformation to avoid any unwanted events later in the transformation process (Wafer, 2016).

The application of (IFRS9) is not easy because of the progression that the standard has gone through in various phases of the years from 2009 to full replacement in 2014. To be valid from 2018 despite the opportunity to apply the phases of the standard from an early age, which faces many challenges, the most important of which are: (Beerbaum, 2015)

1. The need for the entity to evaluate all financial instruments that will be affected by the alternatives of measurement in accordance with the standard (IFRS 9) and accordingly it is necessary to make adjustments to the accounting systems of those entities.
2. The existence of many areas that require diligence and interpretation by the authors of the financial statements and legal accountants, for example if the business model is managed in an active manner for the purpose of achieving change at fair value.
3. Financial instruments that have been reclassified in a previous period according to the IFRS9 need to be reclassified in accordance with the principle of fair value based on the financial reporting standard (IFRS9) as they depend on business models and their characteristics.
4. The complexity of reclassifying segments of the debt securities for complete examination by looking at the asset group.
5. The application of the International Financial Reporting Standard (IFRS9) requires the reclassification of financial assets prepared in accordance with the principle of fair value through profits and losses to their preparation based on the principle of amortized cost as it becomes impossible to apply hedging accounting retroactively, as the figures of the previous year (the year of comparison) if mentioned may need to be clarified in the case of profit or loss of the fair value of those assets reflected in the previous year against the change in the value of financial derivatives.
6. The impact of the transition phase of the standard (IFRS9) on the retained profits may be essential in the case of that the item to which it is credited is measured retrospectively according to the amortized cost principle and that the derivatives remain at fair value.
7. Businesses entities that apply this standard need to determine the effect of taxes and supervisory certificates when applying (IFRS9), which means a change in the measurement method and the effect on include net profits and losses.

PRACTICAL ASPECT

The First Requirement/ Practical Steps for turn into the Application (IFRS9):

First: Preparing the Business Model

1. The management of the bank is committed to preparing business models and the policy for distributing financial instruments and defining the approved standards according to the characteristics of each instrument, it’s objective and main characteristics, and the future expectation of cash flows.
2. The bank's board of directors should approve the business models prepared by the main management staff.
3. The method of managing these assets depends primarily on the actual operations that take place on the portfolio of financial assets and not on the intention of the bank’s management to manage these assets.

Second

Determining the contractual cash flow characteristics of financial assets through the objective of acquisition and the main deals of the financial asset, as shown in (Table 1):

Table 1
CONTRACTUAL CASH FLOW CHARACTERISTICS OF FINANCIAL ASSETS

Financial Assets	Purpose of the Acquisition	Basic Characteristics of Financial Asset
Financial assets measured at amortized cost	Keep it to collect contractual cash flows.	- Collection of the principal amount + return
		- Sale/ offer or exception due to the deterioration of credit capacity.
		- Scarcity of sales cases.
		- Sales are justified.
Financial assets at fair value through other comprehensive income.	-Keep it to collect contractual cash flows.	-High sales
		- Frequent.
	-Selling.	- High value.
Financial assets at fair value through profit and loss.	-Trading.	- The aim of which is to trade to collect cash flows.
	-Management of financial instruments based on fair value.	-Collection of occasional contractual cash flows.
	-Selling to cover cash flows.	
Source: prepared by researchers		

We notice through the division above in (Table 1) that the business models must be clear and that they reflect the strategy of the administration and the bank in managing its financial assets and securing cash flows in a balanced way for the assets compared to the financial assets held during long periods. And that any change in the classification method should be justified according to IFRS9 standard. The bank can distribute the financial instrument to more than one business model.

Second Requirement/Hypothesis Testing

"The application of IFRS9 improves the quality of accounting information contained in the financial statements"

First: A specialized committee must be formed to apply business model and distribution policy according to the goal of maintaining it to collect cash flows, after the classification process according to the goal and characteristics, The initial measurement and recognition of financial assets is made when the company becomes a party to the contractual provisions of the financial instrument and is initially measured at fair value plus transaction costs. Where purchases from ordinary financial assets are recognized on the date that the company commits to buy or sell the asset on the date of the commercial transaction.

As for the cancellation, it occurs when the contractual rights of the cash flows from the financial assets expire, or when the transfer or assignment of the financial asset and all the substantial risks and benefits related thereto are made. And are discontinued proof of financial liabilities at amortized.

Second: The classification and subsequent measurement of financial assets:

Where the bank, through a business model team, should classify financial assets into:

1. Financial assets at amortized cost.
2. Financial assets at fair value through other comprehensive income.
3. Financial assets at fair value through profit and loss.

The subsequent measurement of the financial asset in accordance with IFRS 9 is determined by the purpose of the acquisition so that it is shown in the appropriate form in its financial statement, and as shown in Table (2):

Table 2
FINANCIAL ASSET IN ACCORDANCE WITH IFRS 9

Purpose of Financial Asset	Target	Presentation in Financial statements
Trading	Making profits through buying and selling	Fair value/profit and loss
Trading or retaining before the due date	Making profits through subsequent sales	Fair value/comprehensive income
Retention	Collecting principal of the debt and interest	Amortized cost
Source: prepared by researchers		

The disclosure of comprehensive income provides a comprehensive view of the company's income that is not included in the income statement, where the income excluded from the income

Statement is included in the shareholders' equity of other comprehensive income accumulated. The purpose of the disclosure of comprehensive income is to include a total of all operational and financial events affecting the interests of the owners of the company and the amount of comprehensive income may be reported annually, monthly or every three months because it provides an overview of revenues and expenses including taxes and interest at end of the income statement, The comprehensive income revealed it includes net income and revenue from unrealized profits and unrealized losses from hedging instruments or financial derivatives and financial gains or losses in foreign currency transactions, so researchers see the need to apply comprehensive income on the financial statements to the subject of the test.

Third: Defining the elements of the proposed investment portfolio according to the business model:

Financial assets at fair value through income statement:

- Government bonds listed on the financial markets.
- Corporate bonds listed on the financial markets.
- Shares of companies listed on the financial markets.
- Investment funds.

Financial assets at fair value through other comprehensive income statement:

- Shares listed on active markets (fair value).
- Shares not listed in active markets (not having fair value).

Financial assets at amortized cost:

1. Financial assets available with market price:
    - Foreign treasury bonds.
    - Foreign corporate loan bonds
2. Assets are not available with market prices:
    - Financial government bonds.
    - Corporate bonds and loans.

Financing facilities and direct credit/net

1. Receivables current accounts:
    - Loans and bills.
    - Credit cards.

2. Real estate loans to major companies:
    - Current accounts (debit).
    - Loans and bills of exchange for small and medium enterprises:
        - Receivables current accounts.
        - Loans and bills.

Third:

Requirement/the application of the financial reporting standard 9 on the financial statements of the Iraqi National Bank Brief about the National Bank of Iraq Research Sample:

The National Bank of Iraq was established in 1995 as a public joint stock company within the private sector to provide a full range of banking services whether it is for companies or individuals in Iraq. Due to the bank's success as well as support for its future growth, the capital increased from 400 million Iraqi dinars to 250 billion Iraqi dinars or 215 million U.S. dollars in December 2013. In 2005, Capital Bank of Jordan purchased the majority of al-Ahli Bank's shares (61.85%), enabling The National Bank of Iraq to develop its products and services, strengthening a global foothold and promoting financial inclusion nationwide. Thanks to the extensive network of correspondent banks, Capital Bank represents the gateway of the National Bank of Iraq to the global economies, where it facilitated the transmission and reception of internal and external remittances, the granting of credit facilities and the provision of commercial finance services. The bank conducts its business through a sophisticated banking system. Capital Bank and all subsidiaries of

First: The consolidated interim financial position statement summarized as on January 31, 2018 and described in Table 3:

Table 3
THE CONSOLIDATED INTERIM FINANCIAL POSITION STATEMENT SUMMARIZED AS ON JANUARY 31, 2018 (IQD(IN THOUSANDS OF DINARS)

Details	As prepared by the bank (without applying standard 9	Proposed form after application of Standard 9
Assets		
Cash and balances at the Central Bank	271185162	271185162
Balances held by banks and other financial institutions	116167700	116167700
Direct credit facilities. Net	86405842	86405842
Financial assets at fair value through income statement1	………….	13478492
Financial assets at fair value through other comprehensive income2	634696328	2515807
Financial assets at the amortized cost 3	………….	618702029
Property and equipment, net	13716658	13716658
Intangible assets, net.	3024344	3024344
Other assets	41661121	41661121
Total assets	1166907155	1166907155
Liabilities		
Deposits banks and other financial institutions Deposits Deposits customers	190736	190736
Deposits customers	169479806	169479806
Cash insurance	60361690	60361690

Central Bank of Iraq Loan	4000000	4000000
Various allocations	2828239	2828239
Income tax allowance	2911030	2911030
Other liabilities	642048267	642048267
Total liabilities	881819768	881819768
Shareholders' Equity		
Capital	250000000	250000000
Compulsory reserve	3987189	3987189
General bank risk reserve	3282703	3282703
Expansion reserve	4000000	4000000
Fair value reserve	38742	38742
Rounded earnings	23856237	23856237
Total shareholders' equity	285087387	285087387
Total liabilities and shareholders' equity	1166907155	1166907155
Source: statement of financial position of the Iraqi National Bank at the disposal of researchers.		

Clarification of paragraphs subject to financial reporting standard 9

1. Financial assets at fair value through the income statement:
   Government bonds listed on the stock market 65641
   Listed corporate bonds on the stock market 688489
   Shares of listed companies on the stock market 5815710
   Investment funds 6908652
   Financial assets at fair value through income statement 13478492

2. Financial assets at fair value through other comprehensive income:
   Shares of listed companies on the stock market 1143127
   Shares of not listed companies on the stock market 1372680
   Financial assets at fair value through other comprehensive income 2515807

3. Financial assets at the amortized cost:
   - Financial assets with market prices:
   Foreign Treasury Bonds ………
   Corporate loan bonds 63626689
   63626689
   - Financial assets with no market prices:
   Government securities 614264340
   Corporate loan bonds 41175000
   655493340
   Total Financial assets at the amortized cost 618702029

Second: The consolidated interim of statement income and other comprehensive income summarized as on January 31, 2018 and described in Table 4:

Table 4
THE CONSOLIDATED INTERIM OF STATEMENT INCOME AND OTHER COMPREHENSIVE INCOME SUMMARIZED AS ON JANUARY 31, 2018 (IQD(IN THOUSANDS OF DINARS)

Details	As prepared by the bank without applying standard 9	Proposed form after application of Standard 9
Interest revenue	3949287	3949287
Interest expense	524150	………
Net interest income	3425137	……..
Net commission income	5226736	5226736
Net interest income and commissions	8651873	………
Net foreign currency exchange profit	7322117	5854006
Net profit for other operations	51836	51836
Net operating income	1381592	
Net interest income and commissions		15072865
Dividends of financial assets at fair value through income statement 4	……..	147330
Profit/loss of sale of financial assets at the amortized cost 5	…….	1985000
Dividends of financial assets at fair value through other comprehensive income 6	…….	1562135
other revenue	……..	1337196
	…….	1061661
Total income		16134526
Salaries and benefits of employees	1760640	1760640
Other operating expenses	3581229	3581229
Consumption and fire fighting	494073	494073
Low property allowance	1364214	1364214
Custom loaded credit losses	5087433	5087433
Other expenses	……..	10250672
Total expenses	2112723	12363395
Net income for the period before income tax	731131	3771131
Income tax (20%)	………	754226
Net income for the period	731131	3016905
Other comprehensive income will not be reclassified in the income statement in later periods	……..	……..
Change in the fair value of financial assets at fair value through other comprehensive income	892843	892843
Total other comprehensive income items	892843	892843
Total comprehensive income for the period	161712	3909748

Source: Income statement of The National Bank of Iraq at the disposal of researchers.

4. Clarification of paragraphs subject to financial reporting standard 9

Table 5
DIVIDENDS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

Details	realized gain/loss	Unrealized gain/loss	Dividend returns	Total
Treasury bills and securities	20345	19429	…….	39774
	15460	14460	30450	530

Corporate shares	65071	………	……..	65071
derivatives	242762	17193	…….	41955
investment funds	………	……..	…….	……..
	94718	22162	30450	147330

5. Profits/losses selling financial assets at the amortized cost:

Selling bonds and the company made losses 1985000

6. Dividends of financial assets at fair value through other comprehensive income:

Revenue distribution of shares of companies 1562135

CONCLUSION AND RECOMMENDATIONS

Conclusion

1. The International Accounting Standards Board (IAS) issued the International Financial Reporting Standard (IFRS9) on financial instruments as an alternative to the International Accounting Standard (IAS39).
2. The International Financial Reporting Standard (IFRS9) covers the classification and measurement of financial assets, and operates in two directions, namely the business model and the characteristics of the contractual cash flow of financial assets.
3. The objective of the financial statements is to provide adequate information about the activities of the economic unit and to be of high quality information because it will affect the decisions of the stakeholders and those decisions enhance the efficiency of the financial market.
4. IFRS plays an important role in improving and achieving the effectiveness and quality of accounting information by providing high-quality financial statements that are relevance and reliability in the presentation and disclosure.
5. Banks need to evaluate all financial instruments that will be affected by measurement alternatives, so adjustments to accounting regulations must be made in accordance with the International Financial Reporting Standard (IFRS9).
6. When applying ifrs9, the purpose of disclosure of comprehensive income is to include a total of all operational and financial events affecting the interests of the owners in the company, may be reported annually the amount of comprehensive income because it provides an overview of revenue and expenditure. The other comprehensive income includes net income, unrealized revenue from hedge funds, derivatives and foreign currency transaction gains and losses.

Recommendations

1. That IFRS9 should be applied as an alternative to IAS39 for the appropriate measurement, classification and disclosure of financial assets.
2. The business model through which the financial asset as well as the characteristics of financial assets is managed must be applied and the International Financial Reporting Standard (IFRS9) eliminates categories (retained until maturity, loans and receivables and available for sale under IAS 39) while maintaining a classification Financial liabilities according to the said criterion.
3. The need for the bank's management to prepare the business model (and the approval of the Bank's Board of Directors) and the policy of distributing financial instruments and determining the criteria adopted according to the characteristics of each instrument and its objectives and main characteristics and the future expectation of cash flows.
4. Financial statements prepared by banks in accordance with the International Financial Reporting Standard (IFRS9) must be of high quality information through characteristics such as relevance, credible and consistent.

5. Financial assets should be classified as: financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, financial assets at the amortized cost.
6. The need to prepare a portfolio of financial assets in scientific ways depending on the actual operations of the bank to manage those assets.

REFERENCES

Abu, N., & Mohammed, H.J. (2008). *International accounting and financial reporting standards-Theoretical and scientific aspects.* Dar Wael, Jordan.

Al-Jaarat, K.J. (2011). *Financial reporting standards.* Publishing House, I2, Amman Jordan.

Abraham, A. (2011). *Role of fair value accounting in crisis.* Faculty of Commerce and Business Administration, Helwan University, Egypt.

Al-Majhali, N.M.A. (2009). *The characteristics of accounting information and its impact on decision-making.* Algeria.

Al-Omari, A.M., & Sweidan, M.S. (2007). Disclosure of sectoral information in the annual financial reports of Jordanian industrial companies field study. *Journal of the Faculty of Commerce for Scientific Research, 44*(2).

Beerbaum. D. (2015). Significant increase in credit risk according to IFRS9": Implication for financial institution's. *International Journal of Economic Management Science, 4*(988).

Beest, F.V., Geert, B., & Suzanne B. (2009). *Quality of financial Reporting: Measuring qualitative characteristics.* Nijmegen center for economics, Netherlands.

Chandrupatla,T.R. (2009). *Quality and reliability in engineering.* Cambridge University Press, ISBN: UK.

Youssef, A.A. (2015). *International accounting standard 9 and Arab banks.* Arab Banking Union, Al Hayat Magazine.

Donald, K., & Jerry, W. (1999). *Intermediate Accounting.* dar al Miriykh for Publishing, Riyadh, 1999.

EY-IFRS Developments (2014). IASB issues IFRS 9 financial instruments. *Classification and Measurement, 86*, 2014.

Hamidat, A., Khdash, J., & Hossam, D. (2018). *Qualitative characteristics of information in financial reports.* Electronic Reference for Informatics.

Hamidi, Z.A. (2009). The qualitative characteristics of accounting information and its impact in assessing war damage. *Journal of Management and Economics, 75*.

IASB. (2008). Reducing complexity in reporting financial instruments.

IASB. (2010). Issues addition to IFRS 9 for financial liability accounting.

IFRS. (2014). 9 Financial Instruments: Classification and measurement.

IFRS. (2014). First impressions: IFRS 9 Financial Instruments. KPMG cutting through complexity.

Khudair, A.T. (2012). *IFRS9 for expected credit loss accounting.* Ernst & Young Practical Training 2012.

Kieso, D.E., & Weygandt, J. (2013). *Intermediate Accounting, (9th edition).* John Wiley & Sons, USA, 2013.

Lahdo, S. (2018). Concepts of quality accounting information.

Mohammed, J.A. (2006). The importance of the quality of accounting information in the financial statements of its users, Iraq, Erbil.

Reback, L.J. (2011). The financial reporting. *Society of Actuaries, 87*.

Shaheen, A.A. (2014). Accounting for Banking Operations in Commercial and Islamic Banks, Gaza.

Weaver, L. (2016). *Managing the transition from IFRS to US GAAP.* Jumeirah Publishing and Distribution House, First Edition, Kuwait.