

THE EFFECT OF CASH FLOWS INDICATORS BASED ON IAS 7 IN MANAGING LIQUIDITY RISKS WITHIN INSURANCE COMPANIES

Emad Ghafoori Abood AL Najjar

Assist Prof Wasit University

Sajad Abd Almajeed

Assist lecturer Wasit University

Sajjad Mahdi Abbas

Lecturer Wasit University

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ABSTRACT

Liquidity risks represent current and expected threats that require the management of economic units to manage them by providing effective financial programs and strategies in the financing structure and making it responsive to liquidity challenges, which are indicators of the continuity of these economic units. The indicators provided by the cash flow statement represent convenient tools for analyzing liquidity risks and managing the financing needed to implement the objectives of economic units. Therefore, the objectives of the research are to analyze the relationship between the preparation of the cash flow statement in accordance with International Accounting Standard 7 and the indicators it provides and the management of current liquidity risks. A set of conclusions was reached, the most important of which is that the cash flow indicators prepared in accordance with International Accounting Standard 7 are appropriate tools for managing liquidity risks. A set of recommendations was reached, the most important of which is the management of economic units to take advantage of the indicators provided by the cash flow disclosure in managing current and expected liquidity risks.

Keyword: Liquidity risks, Cash flow , Financial programs and strategies , Financing structure.

1. INTRODUCTION

Liquidity risk represents one of the most important risks facing the continuity of the economic unit in the performance of its activities. The success of economic units in investing the available funds from external and internal sources of funding reflects their ability to avoid liquidity risks. It sends messages of reassurance to investors and creditors in indicating the ability of the economic unit to fulfill its financial obligations in the current and future period.

The research problem was represented in a statement: Is there a clear relationship between the indicators provided by the cash flow statement prepared in accordance with International Accounting Standard 7 and the unit's ability to manage current and expected liquidity risks? For the purpose of proving or denying the research hypothesis, it was divided into 4 main parts. The first was related to the research methodology, the second related to the theoretical side of the research and the third to the practical side. The latter was devoted to a statement of the most important conclusions and recommendations.

2. RESEARCH METHODOLOGY

2.1 Research problem

One of the liquidity risks of economic units is the lack of cash inflows to meet the cash outflows. Therefore, attention must be paid to the cash flow statement as an analysis tool that helps management obtain important information. We note that most economic units do not attach great importance to disclosure in reducing liquidity risks to take the necessary precautions and develop appropriate strategic plans, especially if they are prepared in accordance with approved international standards.

2.2 Importance of this Research

The importance of the research appears in clarifying the liquidity risks of economic units and their importance. These risks arise in the inability of the economic unit to finance its financial needs. That is, its inability to prepare cash on hand to pay off short-term obligations without the occurrence of tangible losses or the inability to use the money appropriately. Here, the role of cash flow detection and the method of analyzing it appears in order to reach clear and important information.

2.3 Goal of the Research

This Research aims to:

1. Clarify the concept of cash flow for economic units and its risks.
2. Statement of Accounting Standard No. 7 related to the cash flow statement.
3. Clarify the indicators and percentages used in analyzing the cash flow statement.
4. The role of cash flow in maintaining the continuity of insurance companies

2.4 hypothesis of the Research

The research hypothesis is based on the cash flow statement prepared in accordance with Accounting Standard No. 7 and the use of financial ratios in the analysis contribute to predicting the liquidity risks of economic units.

2.5 Research limit

Location: Al-Hamra Insurance Company was chosen as a sample for research as it is one of the companies listed on the Iraq Stock Exchange

Timeliness: To reach the best results, data for five years, 2016-2020, was selected to be available on the websites.

3. THEORETICAL PART OF THE RESEARCH

3.1 Discovering cash flow- theoretical part

The cash flow statement is one of the important tools in the financial analysis that the administration relies on in its analysis of the financial statements. Financial analysts use cash flow disclosure to determine the strengths and weaknesses of economic units. Where this disclosure provides the financial analyst with indicators through which he can understand the amount of liquidity of the economic unit more than the traditional ratios. Such as the trading ratio, quick liquidity ratios, and others. In addition to helping the credit analyst to derive indicators through which he can deduce the amount of liquidity of the lending entity. (Matar, 2003:361)

Cash flow analysis helps evaluate the economic unit by estimating the unit's future cash flow, cash flow in and out, and the extent to which the unit's available cash covers future cash obligations. (Pratt,2002:203)

The accounting operations in economic units are classified or divided into three different types of activities. These are operational activities, investment activities, and financing activities. All transactions aimed at making a profit for the economic unit are included within the operational activities. For example, transactions for the purchase of goods or sales or the processing of services by the unit and the amounts received and paid by insurance companies as a result of their receipt of monthly or annual premiums and their payments to insurance beneficiaries. As well as employee wages, salaries and advertisements. These transactions usually affect the unit's checking accounts such as inventory, accounts receivable and accounts payable (short-term debt). These activities include all activities that affect net income, including receiving interest on loans granted and paying interest on borrowing from others. Also, the profits or losses resulting from the sale of fixed assets and the income received from the distribution of profits from various investments and other transactions that affect the net income of the unit. The operational activity is the most important activity as it generates liquidity for the unit without the need for external funding sources. The information available in the operational activity is considered one of the important and useful information for predicting future liquidity and cash flows. (Humaidat and Khadash, 2013: 97)

As for investment activities, all transactions related to the purchase and sale of long-term assets, such as the purchase of land or buildings, machinery and equipment, are included. As well as intangible and other long-term assets, as well as the amounts invested in purchasing shares from other economic units and loans granted to others. The importance of this activity is highlighted by providing information on the amounts that have been spent in order to obtain future benefits and all expenditures that are classified within investment activities. (Noor, Ibrahim, 2011: 89).

The last activity is the financing activity. It includes all expenses or received amounts that affect the capital. For example, the amounts resulting from the issuance of new shares or the amounts spent to purchase or redeem unit shares from the owners, as well as the amounts received from short or long-term loans and the amounts paid to repay those loans. The importance of this activity is in predicting future financial benefits by lenders and owners of capital. (Friday, 2000: 216)

3.2 Applying International Accounting Standard No. 7- theoretical part

IAS 7 was revised and renamed in 1992 by the Inter-Agency Standing Committee to require companies to issue a cash flow statement. Its goal was to require economic units to submit standardized reports on cash generation and cash disbursement for a given period. One of its main features is the division of cash flows into three sections: operating activities, investing activities, and financing activities. (Megginson, et.al, 2010:34).

IAS 7 allows the use of one of the two methods of analysis. Direct or indirect view. The direct method shows direct cash inflows and outflows. Starting with the main categories of gross receipts and cash payments. This means that cash flows such as receipts from customers and payments to suppliers are reported separately under operating activities. The indirect method begins with profit before tax and then adjusts this figure for non-cash items such as depreciation and changes in working capital. (Kakani, 2013:61).

The two methods provide different types of information to users. The indirect method which

applies changes in working capital. The main advantage of the indirect method is that it highlights the differences between operating profit and net cash flow from operating activities. Many users of financial statements believe that such a settlement is necessary to give an indication of the quality of the earnings of the reporting economic unit. Some investors and creditors assess future cash flows by estimating future income and then allow for maturity adjustments. Thus, information about past benefit adjustments may be useful to help estimate future adjustments (Elliott, 671: 2008).

The direct method demonstrates more characteristics of a true cash flow statement because it provides more information about the sources and uses of cash. This information is not available anywhere else and helps in estimating future cash flows. The main advantage of the direct method is that it shows operating cash receipts and payments. The specific sources of cash receipts and the purposes for which the cash was paid in past periods may be known to be useful in evaluating future cash flows. (Megginson, et.al, 2010:58).

3.3 Measurement of liquidity by cash flow statement

The cash flow statement is one of the lists that have been recently implemented in economic units at the international level. It became mandatory to work in the nineties of the last century. It has two aspects:

First: Determining the change in cash during the period.

Second: - Knowing the result of this change in any activity of the economic unit (operational, investment, financing)

There is a set of financial ratios and indicators used in analyzing this list to arrive at important information. (Hammad, 2012: 14-15)

The financial liquidity of any economic unit to continue in business depends on its ability to generate net positive cash flows. Cash flows help reduce the organization's dependence on external financing and take care of current debts, obligations and financial investments and reward investors with an acceptable dividend policy. The end result is that regardless of the profits reported if the organization is not able to generate sufficient cash, it will eventually fail. Cash flow data can also be used to evaluate any economic decisions regarding an organization's financial performance. Decisions made on the basis of expected cash flows can be monitored and reviewed as additional information about cash flows becomes available (Elliott & Jamie, 2008: 6).

3.4 Concept, importance and indicators of liquidity measurement and evaluation:

The term liquidity expresses ready cash or the liquidity of the economic unit or the liquidity of the asset. Ready cash is the cash inflow minus the cash outflow, ie the net cash flow. The liquidity of the economic unit means the presence of liquid funds, cash and semi-cash, with the economic unit, sufficient to pay its obligations in a timely manner when due. It is used to move its operational cycle to meet emergency situations. As for the liquidity of the asset, it means the speed and ease of converting the asset into cash at the time of need and without significant losses and according to the normal course of things. (Almohasb1.blogspot.2010:5)

Liquidity in its absolute sense means cash. As for the technical meaning of liquidity, it is the ability of assets to convert into cash quickly and without any losses. The purpose of maintaining liquid assets is to meet any obligation that is currently due or within a short period. Liquidity can be expressed as a relationship between cash and assets that are easy to convert into cash in the fastest

time and without losses. Among the obligations to be fulfilled. (Abdul Hamid, 230: 2002)

There are those who distinguish between the concept of cash and money. Where it expresses the concept of cash with cash assets in the treasury. In addition to other items that can be converted quickly into cash, such as short-term investments. As for the concept of money, it is related to the concept of working capital, which represents the result of subtracting current liabilities from current assets. (Al-Hasadi, 181: 2005)

Some indicate that the concept of liquidity stems from two concepts: (Al-Zoghbi, 132: 2000)

1. The quantitative concept: It means looking at liquidity in terms of the amount of assets in the economic unit that can be converted into cash during the accounting cycle and comparing it with the cash needs for that period.

B. The concept of flow: Liquidity, according to this perspective, means all assets that can be converted into cash during a certain period, in addition to what can be obtained from other sources. Liquidity is considered necessary for economic units in order to run the daily business and the needs of creditors and to avoid the occurrence of financial hardship for them that could lead to bankruptcy and liquidation. (Aqeel, 109: 2006)

Based on the previous concepts, a set of definitions of liquidity can be reached, including: (Shaker and Al-Zuhairi, 52: 2000)

1. Liquidity is having cash when you need it.

2. Liquidity is the ability of an economic unit to provide funds at reasonable costs to meet obligations when they are realized.

3. Liquidity is the ability of deposits to meet withdrawals, as well as to meet the demand for loans.

4. Liquidity is the ability to convert some assets into ready cash within a short period without any loss.

C- The importance of liquidity

The importance of cash flow is that it (Aqeel, 112: 2006)

1. Provide a good credit reputation and thus support lenders' confidence in the economic unit.

2. Continuing with the daily work (operational activity) continuously without delay.

3. The economic unit benefits from the cash discount when liquidity is available.

4. Not having to borrow from outside the unit, which leads to the payment of high costs on the borrowed money.

5. Getting rid of the forced sale of some assets when cash is needed.

6. The ability to fulfill obligations when they are due and to avoid the risk of falling into financial hardship.

3.5 Liquidity Risk:

Prior to the global financial crisis, economic units of all shapes and sizes considered liquidity and budget management a not very important matter. But during the crisis, many economic units worked to maintain sufficient liquidity and an appropriate balance sheet structure. When the crisis ended, the economic units became more interested in managing liquidity and the balance sheet. And self-preservation is not the only motivation for doing so. The consequences of mismanagement of assets and liabilities can extend far beyond the confines of any single financial institution. It can affect the entire financial ecosystem and even the global economy. Regulators do their part to prevent another financial crisis in the future and the burden is now on the financial institutions themselves to support liquidity risks and manage the balance sheet for the sake of

economic unity and the general economy as well. (www.sas.com)

The risks are represented by poor planning in managing liquidity and misallocation of assets to high-value uses. Among the important indicators in measuring liquidity risk that depend on the annual reports of economic units are the following: (Abdul Sattar, 126: 2012)

Operating cash flow adequacy ratio = (operating activities from cash inflows) / (operating activities from cash outflows) x 100

The rise of this indicator means that there is a decrease in the amount of liquidity risk, given that there is an increase in the cash flow in to the account of the cash outflow.

The ratio of cash flow to current liabilities = (net operating cash flow) / (current liabilities) x 100

When rising, this indicator indicates a decrease in liquidity risk, given that the cash flows from operating activities are large and cover all short-term liabilities, and therefore it is possible to meet any financial obligations.

Financial Ease Ratio = (Operating Cash Flow Net) / (Long Term Debt) x 100

The increase in this indicator indicates a decrease in liquidity risk, and this reflects that the percentage of long debts owed by the unit can be repaid, and therefore the unit is on the right track.

Cash coverage ratio = (operating activities out of cash flow net)/(and investment financing for outgoing activities cash flows) x 100

An increase in this indicator indicates a decrease in liquidity risk, given that the economic unit has the ability to cover its expenses from its operating activities.

In order to manage liquidity risks, it is necessary to analyze each of the financing needs and the maturity of commitments, planning for contingency, applying administrative and financial information systems that clarify liquidity in a transparent manner, improving management of assets and liabilities, and maintaining a good level of cash flow, with the diversity of sources of access to funds on which the economic unit is based. (Al-Khalidi, 2011: 130).

4. PRACTICAL PART OF THE STUDY

4.1 Historical introduction on Alhamraa insurance company

Al Hamra Insurance Company was established according to the incorporation certificate numbered (M.S. 7673) on 7/1/2001 and issued by the Companies Registrar Department in the Ministry of Commerce. She obtained a license to practice the profession from the Insurance Controller Department in the Ministry of Finance No. (4/2001) dated 3/27/2001.

The company started its actual activity on 1/7/2001 after obtaining the approval of the Ministry of Finance on the forms of documents that can be marketed. The company's capital is currently 7,000,000,000 dinars.

A- The goals of the company

The company aims to contribute to supporting the national economy, whether in the field of insurance and spreading insurance awareness, or in the field of investing money in the available investment channels in a way that leads to the growth of the national economy.

B- Company's nature of business:

The company has endeavored to make great efforts in increasing and diversifying insurance premiums, despite the circumstances the country is going through.

Table (1) cash flow statement for Al-Hamra Company, research sample for the years (2016-2020)

2020	2019	2018	2017	2016	data
cash flow from operating activities					
					cash received:
21,232,031,651	6,262,532,418	9,129,919,564	7,501,631,954	3,117,696,405	Revenue from insurance operations
14,594,550	30,026,129	259,986,122	83,375,833	57,197,833	investment income
122,151,789	106,054,920	135,753,417	35,598,741	50,418,810	Other transfer revenue
					Add:
(2,090,345,845)	(1,423,056,138)	(3,176,196,738)	(28,770,457)	795,535,453	Shortage of debtors
					Down: Cash Paid
19,637,798,895	5,268,492,240	8,312,119,021	5,984,885,357	2,018,068,760	Expenses of insurance operations
463,092,914	337,524,003	349,928,810	320,927,395	498,976,094	Administrative expenses
183,994,319	106,826,767	116,915,721	567,381,493	131,554,363	Transfer Expenses
111,965,569	109,058,289			71,559,715	taxes paid
(1,605,179,842)	(1,096,469,365)	477,953,824	(631,071,970)	127,050,439	Shortage of creditors
486,760,290	250,125,395	(2,907,455,011)	1,349,713,796	1,173,639,130	net cash flow from operating activities
cash flow from investing activities					
(59,735,450)	6,808,390	1,334,517,106	(25,536,400)	(14,820,500)	(Buy/Sell)

					fixed assets
509,100,000	(16,912,700)	(1,676,927,740)	(1,551,681,819)	(520,669,600)	Investments
449,364,550	(10,104,310)	(342,410,634)	(1,577,218,219)	(535,490,100)	net cash flow from investing activities
cash flows from financing activities					
		2,000,000,000			Capital increase
401,632,039	(78,550,289)	(2,921,782)	579,511,494	(38,914,505)	Technical reserves
401,632,039	(78,550,289)	1,997,078,218	579,511,494	(38,914,505)	net cash flows from financing activities
1,337,756,879	161,470,796	(1,252,787,427)	352,007,071	599,234,525	net cash flow
878,650,513	717,179,717	1,969,967,144	1,617,960,073	1,018,725,547	The cash balance is added at the beginning of the year
2,216,407,392	878,650,513	717,179,717	1,969,967,144	1,617,960,072	Cash balance at the end of the year

Source: Prepared by authors based on company data

When studying the data contained in the above table, we note that there is a discrepancy in the net operating cash flow between the years fixed in it. We note the presence of the highest output from the operating cash flow back to the year 2017, as it amounted to 1,349,713,796 dinars. This is the result of an increase in the current activity revenues, which amounted to 7,501,631,954 dinars with an increase in Investment income and other transfer income, which totaled 118,974,574, despite the presence of an increase on the side of debit accounts, which amounted to 28,770,457 dinars. Where the total inflows from the operating activity was 7,591,836,071 dinars. In contrast, the expenses paid with the change on the side of the creditors for the year 217 were 6,873,194,245 dinars. There was an increase in the debts owed by the insurance company for this year, amounting to 631,071,970 dinars. Which led to a reduction in the total outflows from operating activities, which amounted to 6,242,122,275 dinars. Thus, the activity result is 1,349,713,796. As for the lowest net cash flow from operating activities, it goes back to 2018, which was negative by -2,907,455,011. Noting that there are revenues from insurance operations greater than the previous year, which is considered the highest flow, as it amounted to 9,129,919,564 dinars, as well as investments and transfer revenues, which totaled 395,739,539 dinars. However, the accounts receivable increased

by (3,176,196,738) and thus reduced the total inflow of operational activity, which amounted to 6,349,462,365 dinars. On the other hand, there is an increase in the outflow represented by expenses, as well as payments to creditors that contributed to the increase in the outflow, which became 9,256,917,376 dinars. Which led to the emergence of net cash flow from operating activities negative by -2.907,455,011. The net cash flow from operating activities is the main element in generating cash for any economic unit and enhancing its liquidity, especially insurance companies, which affects the decisions of investors and creditors dealing with the unit.

As for the cash flow from investment activities, it was the highest net return for the year 2020, as it amounted to 449,364,550 dinars. It is the result of selling part of the company's investment. Which led to an increase in its inflow over the outflow represented by the purchase of fixed assets. As for the lowest net investment activities, it goes back to 2017, as it reached negative -1,577,218,219 dinars as a result of the expansion of investments for this year, which is considered an outflow and also the purchase of fixed assets. Therefore, the total outflow is the net inflow from the investment activity for the year.

The financing activity was also volatile from year to year, as we note the highest net flow of financing activity back to the year 2018 as it amounted to 1,997,078,218 dinars, a flow resulting from the capital increase of the company by 2,000,000,000 dinars. As for the lowest net flow from the financing activity, it goes back to the year 2019 and it amounted to negative -78,550,289 dinars. It is the result of reducing the company's technical reserve, which means outflow.

In general, the net cash flow statement for all activities fluctuates from year to year as a result of the fluctuation of the net flow of activities. We note the highest net flow of activities for the year 2020, as it reached 1,337,756,879 dinars. While the year 2018 achieved the lowest flow, as its result was negative and amounted to -1,252,787,427 dinars, despite achieving the highest income from insurance operations. The reason for this result is due to the repayment of large debts owed by the company, as well as an increase in investments for this year, which affected the cash balance at the end of the year.

Through the ratios that were put forward in the research on the theoretical side, which depend in its data on the cash flow statement, through which important information can be provided that helps decision makers to know the amount of liquidity and the financial capacity of the economic unit and the extent of its ability to pay its obligations without causing major losses to the unit. Among these ratios is the cash coverage ratio, which is extracted as follows:

Cash coverage ratio = (operating activities from net cash flow) / (investment financing for external activities cash flows) x 100

Below is an extract of this percentage for the years during the research:

Cash coverage ratio for 2016 = (1,173,639,130)/(-574,404,605) x 100 = (204.323)%

Cash coverage ratio for the year 2017 = (1,349,713,796)/(-997,706,725) x 100 = (135.282)%

Cash coverage ratio for the year 2018 = (-2,907,455,011) / (1,654,667,584) x 100 = (175.712)%

Cash coverage ratio for 2019 = (250,125,395)/(-88,654,599) x 100 = (282.135)%

Cash coverage ratio for the year 2020 = (486,760,290) / (850,996,589) x 100 = 57.199%

As we note from the percentages extracted according to the above law that the highest percentage was for the year 2019, which amounted to (282.135)% due to the increase in the inflow of operational activities. On the other hand, there is a small outflow of investment and financing activities compared to the other years during the research. As for the year 2017, it is considered the lowest percentage, which amounted to (135.282)% due to the large number of outflows of

investment and financing activities, although it is considered to have the highest inflow from operational activities.

As for the second ratio that was put forward on the theoretical side, it is the ratio of cash flow to current liabilities, and it is extracted according to the following equation:-

The ratio of cash flow to current liabilities = (net operating cash flow) / (current liabilities) x 100

The ratio of cash flow to current liabilities for the year 2016 = $(1,173,639,130) / 2,695,119,702 \times 100 = 43.547\%$

The ratio of cash flow to current liabilities for the year 2017 = $(1,349,713,796) / 3,326,191,672 \times 100 = 40.578\%$

The ratio of cash flow to current liabilities for the year 2018 = $(-2,907,455,011) / (2,957,296,137) \times 100 = -98.315\%$

The ratio of cash flow to current liabilities for the year 2019 = $(250,125,395) / 4,047,572,782 \times 100 = 6.180\%$

Cash flow ratio to current liabilities for the year 2020 = $(486,760,290) / 5,708,419,524 \times 100 = 8.527\%$

We note from the above results that the highest percentage goes back to 2016, which was 43.547%. Although it is the highest ratio, but it turns out that the net flow output of the operating activity does not cover all the short-term debts. Therefore, any claim by the creditors puts the company in financial embarrassment. As for the lowest percentage for 2018, which was -98.315%, which is considered a very critical percentage, it shows that there is a net flow of negative operational activity. This means that there are amounts of money coming out of the company greater than the amounts obtained in the operational activity. Therefore, the company cannot pay any obligation from its operational activity in the event of a claim by the debtor in the short term.

As for the third ratio that was touched upon in the theoretical aspect, it is the ratio of financial ease, and it is reached by dividing the net cash flow from operating activities by the long-term liabilities, as explained in the following law:-

Financial Ease Ratio = (Operating Cash Flow Net) / (Long Term Debt) x 100

The financial ease rate for 2016 = $1,173,639,130 / 108,044,368 \times 100 = 1,086.257\%$

Financial ease rate for the year 2017 = $1,349,713,796 / 687,555,862 \times 100 = 196.306\%$

Financial ease rate for the year 2018 = $(-2,907,455,011) / 684,634,080 \times 100 = -424.673\%$

The financial ease rate for the year 2019 = $250,125,395 / 606,083,791 \times 100 = 41.269\%$

The financial ease rate for the year 2020 = $486,760,290 / 1,007,715,830 \times 100 = 48.303\%$

We note from the above results that the highest percentage obtained in 2016, which amounted to 1086.257%, which is a high percentage. It means that the net flow from operating activities is greater than the long-term debts, and therefore the company can pay its long-term debts without any financial hardship. As for the lowest percentage, it was for the year 2018, which was negative, which amounted to -424.673%. This means that the cash inflows from the operating activities were less than the outflows, and therefore the company does not have any liquidity for its operating activities for this year. Therefore, the company cannot pay its debts for its operational activities, and this is what makes it in a critical situation before the creditors.

As for the fourth ratio that was discussed in the theoretical aspect, it was the ratio of the operational cash flow adequacy ratio, which is the result of dividing the cash inflows from operating activities by the cash outflows from operating activities, as shown below:-

Operating cash flow adequacy ratio = (operating activities from cash inflows) / (operating activities

from cash outflows) x 100

Operational cash flow adequacy ratio for 2016 = (3,098,262,609)/(1,924,623,479) x 100 = 160.980%

Operational cash flow adequacy ratio for the year 2017 = (8,251,678,498)/(6,901,964,702) x 100 = 119.556%

Operating cash flow adequacy ratio for the year 2018 = (9,047,705,279) / (11,955,160,290) x 100 = 75.680%

Operational cash flow adequacy ratio for the year 2019 = (7,495,082,832) / (7,244,957,437) x 100 = 103.452%

Operating cash flow adequacy ratio for the year 2020 = (22,973,957,832)/(22,487,197,542) x 100 = 102.165%

We note from the results of the analysis of the above ratios that the highest percentage was for the year 2016, which amounted to 160.980%. This means that the cash inflows for this year are greater than the cash outflows from operating activities. This enhances the company's liquidity and therefore the company's activity for this year is considered a good activity. The lowest percentage was for the year 2018, which amounted to 75.680%. This explains to us that the inflows from operational activities are less than the outflows from this activity, which means that the company's inflows are few, which requires it to study the causes of this decline and treat it as soon as possible and not repeat it in the coming years.

These results reinforce the hypothesis that the cash flow statement prepared in accordance with Accounting Standard No. 7 and the use of financial ratios in the analysis contribute to predicting the liquidity risks of economic units.

Contribution of financing activities	Contribution of investment activities	Contribution of operational activities	net cash flow	financing activities	investment activities	operational activities	Activities
0.07-	0.89-	1.96	599,234,525	38,914,505-	535,490,100-	1,173,639,130	2016
1.65	4.48-	3.83	352,007,071	579,511,494	1,577,218,219-	1,349,713,796	2017
1.59-	0.27	2.32	1,252,787,427-	1,997,078,218	342,410,634-	2,907,455,011-	2018
0.49-	0.06-	1.55	161,470,796	78,550,289-	10,104,310-	250,125,395	2019
0.30	0.34	0.36	1,337,756,879	401,632,039	449,364,550	486,760,290	2020

Source: Prepared by researchers based on company data

It is noted from the above table that the contribution ratios for the different activities of the net cash flow vary from year to year. As we note that the highest percentage of contribution to operating activities from the net cash flow goes back to 2017 when it amounted to (3.83). This cash was invested in the purchase of investments and fixed assets of the company, as noted from

the amounts and percentages fixed in the above table, which affected the net cash flow. As for the lowest contribution rate for operational activities, it goes back to the year 2020, as it amounted to (0.36), which is a small percentage compared to the rest of the other years.

As for the investment activities, we find that the highest contribution rate was in the year 2020. It amounted to (0.34) and this means that there is a dispensation from a group of investments owned by the company. The lowest percentage goes back to the year 2017, which was negative by (-4.48), and this ratio would like the company to buy large assets and investments in that year compared to the rest of the years due to its possession of large liquidity from its operational activities and converting it into investments.

With regard to the financing activity, it becomes clear to us that the highest contribution rate was for the year 2017, as it amounted to (1.65), and the reason for this is due to the reservation of larger amounts in the reserve than the rest of the years, while the lowest percentage was in the year 2019 which was negative (-0.49).

We conclude from the table and percentages that have been worked on in the research that they have a role in knowing the amount of liquidity and the method of distributing that liquidity to its various activities and the company's policy in managing that liquidity and this reinforces the hypothesis of the research.

From the above, and by analyzing the company's data, the research sample and the mentioned financial periods, and extracting cash flow indicators, researchers find that these indicators are essential inputs for taking risk management decisions by defining conservative, adventurous, rational, rational policies and the risks and returns that each policy entails. Conservative policies are less risky. The avoidance tactic depends on calculating the expected returns, while rationality is specific, manageable risks and reasonable returns, while the adventure is high risks and high returns, and all of them depend on cash flow indicators to reveal the cash flow prepared in accordance with International Accounting Standard 7.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

1. Accounting disclosure in financial reports represents the main communication tools between management and users of financial reports.
2. The cash flow indicators represent the inputs to the financing decisions for the creditors and the assessment tools for the financial policies of the management of the unit. The inputs to the risk management decisions and the financial capacity are considered indicators of the continuation and failure of the unit in performing its activities.
3. The insurance company achieved the highest net flow of operational activities in 2017, reaching 1,349,713,796 dinars, and that was because it obtained high revenues from insurance operations and income from the amounts invested.
4. The company achieved the highest net operating activities in 2020, which amounted to 449,364,550 dinars at the time, due to the fact that it sold part of its investments in that year, while the lowest net operating activities was in 2017, when the company purchased fixed assets with investing larger amounts in investment activities As a result of obtaining the highest net operating activities in that year.
5. The company achieved the highest net financing activities in 2018, reaching 1,997,078,218 dinars as a result of issuing shares and increasing its invested capital in the Iraqi Stock Exchange

with a value of 2,000,000,000 dinars, while the lowest net was in 2019 as it amounted to - 78,550,289 dinars as a result of its disbursement of amounts from the reserve .

4.2 Recommendations

1. The necessity for the insurance company to prepare a clear strategic plan to preserve the capital and liquidity necessary to perform the business, while analyzing the various forms of financing requirements and planning for emergency cases.
2. Maintaining a level of cash flow to meet its various obligations.
3. The necessity for the company to have the ability and ability to detect liquidity risks early while providing appropriate solutions.
4. The best use of available liquidity and reserves.
5. The need for insurance companies to prepare a cash flow statement in accordance with Accounting Standard No. 7.

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