
THE EFFECT OF IFRS IMPLEMENTATION ON FINANCIAL REPORTING STANDARDS IN IRAQI ENTERPRISES

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ABSTRACT

This study examines the impact of IFRS implementation on financial reporting quality of Iraqi companies focusing on three pillars of such quality: 1) disclosure quality, 2) earnings management, and 3) value relevance. The importance of this study lies in the fact that as financial reports are more sensitive to regulatory constraints, the transparency and confidence by investors in publicly traded companies in Iraq is not to be overlooked. A quantitative approach has been decided with the help of panel data models. We analyzed simulated data from 30 listed Iraqi companies for the time period 2016 to 2025 in its first phase to get 300 firm-year observations. Results showed that IFRS adoption is positively related to improvement in financial reporting quality. It also improves the quality of disclosure, reduces earnings management practices and increases the relevance of value. Firm size, profitability, leverage, and audit quality also impact the adoption of reporting standards. According to the study, actual implementation of IFRS has the potential to improve the quality of the financial reporting in Iraq as long as strong adherence to regulation, external audit and professional development are followed by effective internal auditing.

Keywords: IFRS, financial reporting quality, disclosure quality, earnings management, value relevance, Iraqi companies, Iraq Stock Exchange.

1. INTRODUCTION

Market globalization, international investments, and the need for transparent but comparable financial information have radically transformed how financial reporting is conducted today. Based on this, International Financial Reporting Standards (IFRS) have taken center stage as a global accounting framework and have been aimed at improving the transparency, comparability, and utility of financial information for investors and capital markets participants (IFRS Foundation, 2024). To know whether, where, and how quickly a company reports its financial performance is very important because quality control refers not only to conforming to accounting standards but also to reflecting the reliability, usefulness, and comparability of the financial statements. Prior literature has proposed different measures of reporting quality including: the degree of earnings (managed efficiency); the degree of value relevance; the level of timely loss recognition; and the degree of disclosure transparency (Barth et al., 2008; Dechow et al., 2010). The effect of IFRS in emerging markets depends on the existing institutional conditions. The adoption of such standards may not itself result in a better quality of reporting through its absence of strong enforcement and independent auditing tools and procedures, high corporate governance

processes and professional standards. A few researches shows that the standard framework IFRS may improve the quality of reporting in that it reduces earnings management and increases value relevance but evidence has emerged that this is largely marginal (Ahmed et al., 2013; Mensah, 2021). The role of IFRS in the world Financial Reporting Standards (IFRS) adoption in Iraq, especially by listed companies and in the banking sector, are growing highly significant. The Central Bank of Iraq required banks to adopt IFRS in 2016 and it subsequently strengthened compliance with IFRS 9. The banking sector is thus considered a key focus of studies on IFRS in Iraq, yet evidence regarding non-banking sectors is still relatively limited (Madhi & Mohammed, 2025). Moreover, Iraqi research has also considered relationship between IFRS application and earnings quality, accounting conservatism, information asymmetry, and importance of value (Abdullah & Ibrahim, 2024; Al-Jubouri, 2020; Chouaibi & Mutar, 2024). Thus, the objective of this study is to determine the effects of adoption of IFRS on financial statement quality of Iraqi firms through quantifiable measures such as disclosure quality, earnings management practices, and value relevance. Since this work is preliminary-initiated, it will first use realistic simulation data in a preliminary analysis to evaluate the methodological and statistical model. In the later stages of this research, future simulated data will be replaced by real annual reports from Iraqi companies listed on the Iraq Stock Exchange.

2. LITERATURE REVIEW

2.1 International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) is a set of worldwide accounting standards aimed at improving the internationalized, consistent, fair, and valuable information contained within financial statements. But their effectiveness depends on actual implementation, enforcement practices, auditing processes, and governance structures (IFRS Foundation, 2024; Barth et al., 2008; Ahmed et al., 2013). In Iraq, the impact of IFRS is accentuated given that the banking sector has been required to implement these standards since 2016.

2.2 Financial Reporting Quality

The quality of financial reporting refers to the degree to which financial statements provide relevant, faithful, comparable, and understandable financial information. Such quality may be measured by factors such as disclosure quality, earnings management practices, and value relevance (Dechow et al., 2010).

2.3 IFRS And Quality of Financial Statements

IFRS application can lead to increased reporting quality by promoting transparency, reducing information asymmetry, and promoting comparability. However, this enhancement is not inevitable: poor enforcement risks undermining the benefits that follow the implementation of IFRS (Barth et al., 2008; Ahmed et al., 2013; Mensah, 2021).

2.4 IFRS and The Quality of Disclosure

IFRS has provided a path to enhanced disclosure by requiring clearer communication around accounting policies, estimates, risks to financial instruments, impairments, and other material matters. Hence, improved adherence to IFRS is expected to improve the quality of disclosures.

H1a: Adoption of IFRS has a positive impact on the quality of disclosures by Iraqi companies.

2.5 IFRS and Earnings Management

Earnings management may cause reporting quality to be low due to misstatements concerning actual performance. IFRS may help in limiting an undesired selection of accounting decisions and increases the transparency in disclosures of earnings management due to the restriction of avoidable accounting decisions. However, low-quality control mechanisms could mitigate this favorable effect (Barth et al., 2008; Ahmed et al., 2013; Mensah, 2021).

H1b: There are adverse effects of introduction of IFRS on earnings management in Iraqi companies.

2.6 IFRS and Value Relevance

Value relevance relates to the extent that accounting detail relates to share prices or market values in the accounting information. Application of IFRS could add value relevance by strengthening measurement accuracy but both the clarity with which information is presented and the comparability by means of disclosure (Ohlson, 1995; Barth et al., 2008).

H1c: Implementation of IFRS has a positive impact on value relevance among Iraqi organizations.

2.7 Firm Characteristics

The different influences of IFRS on firms may vary by firm size, leverage ratios, profitability levels, and audit quality assessment, for example. Larger, more profitable firms will use IFRS more adequately; by contrast, excessive leverage may heighten scrutiny or perhaps bring increased competition for monitoring initiatives or pressure toward a focus on earnings management methods. Additionally, a high-quality audit can strengthen compliance with IFRS standards (Ahmed et al., 2013; Dechow et al., 2010).

H1d: The effect of IFRS on the quality of reporting varies based on the size of the firm, leverage ratios, profitability levels, and audit quality assessments.

2.8 Research Gap

Previous literature has yielded conflicting results on the impacts of international standards on accounting quality. Research by Barth et al. (2008) showed that international standards have an overall positive impact on accounting practices. Conversely, Ahmed et al. (2013) stated that mandatory adoption did not necessarily generate enhanced quality outcomes. Dechow et al. (2010) emphasized that multiple indicators should be used to evaluate reporting quality. Further, Mensah (2021) and Chehade & Procházka (2024) supported the implementation of effective enforcement with governance and confirmed such leads to improvements in reporting quality in emerging markets.

The particular situation in Iraq is under-researched—especially beyond the banking sector—most studies focus specifically on single indicators on a single topic (e.g., disclosure or earnings quality) regarding IFRS 9 compliance issues only. To fill this gap, this research explores three aspects: disclosure quality, earnings management practices, and the value relevance of IFRS adoption by applying a quantitative model controlling for different firm attributes.

3. METHODOLOGY

Financial statements play a crucial role in decisions taken by investors, lenders, and regulators. It links the adoption of IFRS to three critical areas of reporting quality: disclosure quality, earnings

management, and value relevance. This is important for Iraq as it enables an assessment of the quality of reporting post-implementation of IFRS and whether its effectiveness is still limited by issues of enforcement and application (Barth et al., 2008; Dechow et al., 2010). Therefore, the research objectives included the following:

1. Explore IFRS's impact on the quality of financial reporting in Iraqi firms.
2. Evaluate the implications of IFRS to disclosure quality.
3. Research on IFRS and the impact on earnings management practices.
4. Analyze the impact of IFRS on value relevance.
5. Analyze the impact of size of firm, leverage, profitability, and audit quality on such factors.
6. Create a quantitative method which is applicable to real data of Iraqi companies.

Based on the theoretical framework and prior empirical studies, the following hypotheses were developed to examine the impact of International Financial Reporting Standards adoption on the quality of financial reporting in Iraqi companies. These hypotheses aim to test the direct effects of IFRS adoption on disclosure quality, earnings management, and value relevance, as well as the moderating role of firm-specific characteristics. Therefore, the research hypotheses were:

H1: IFRS adoption positively affects Iraqi companies' financial reporting quality.

H1a: IFRS adoption improves disclosure quality more strongly than less.

H1b: Adoption of IFRS negatively influences earnings management (Barth et al., 2008; Mensah, 2021).

H1c: The use of IFRS has a positive, significant effect on value relevance (Barth et al., 2008; Ohlson, 1995).

H1d: The effect of IFRS on report quality depends on such factors as firm size, leverage, profitability, and audit quality (Ahmed et al., 2013; Dechow et al., 2010).

3.1 Research Design

This study applies a quantitative applied methodology to examine IFRS adoption impacts on financial reporting quality in Iraqi firms. As this approach assesses the relationship between the practice of IFRSs and key indicators for reporting quality (including disclosure quality, earnings management, and value relevance), it is appropriate. This research is based on Panel Data that includes company-specific and time-level observations. This methodology allows for company-to-company comparison over several years while also enabling the evaluation of differences in reporting quality over time. It also increases the power of the statistical model and reduces biases related to unobserved features of firms (Barth et al., 2008; Dechow et al., 2010; Ahmed et al., 2013).

3.2 Population and Sample

The target population for the present study is Iraqi companies listed on the Iraq Stock Exchange, as firms are required to publish annual financial statements and follow disclosure obligations. The sample comprises companies that have consistent financial data throughout the research period. Entities with incomplete or variable data are excluded. The chosen sample may include organizations from multiple sectors such as banking, services, investment, insurance, agriculture, and so on.

The anticipated sample size is:

30 listed Iraqi companies $\times$ 10 years = 300 firm-year observations

The timeframe for this study spans from 2016 to 2025. This period is relevant as it aligns with the increasing trend towards IFRS adoption in Iraq, particularly following the banking sector's shift to IFRS compliance mandated by the Central Bank of Iraq.

3.3 Data Sources.

1. Annual reports of the Iraqi listed companies.
2. Published financial statements.
3. Bulletins on the Iraq Stock Exchange.
4. Corporate disclosures to regulatory authorities.
5. Financial statements from Iraqi banks.
6. Annual share prices or end of year closing prices used for assessing value relevance.

3.4 Measurement of Research Variables

Adoption of IFRS is the primary independent variable of this study. This can be measured in two different forms. The first method consists of a dummy variable with two sets of values that can be applied: one at the outset if a company adopts IFRS and another that assigns 0 in cases where it does not. The second, more effective way employs an IFRS compliance index ranging from 0 to 100 to reflect conformity performance and measurement standards. For the purposes of this research, IFRS is envisioned as a progressive compliance measure which continually changes as its application in practice changes.

Financial reporting quality is the main dependent variable. It is the ability of financial statements to provide information that is relevant, reliable, comparable, and accurate. Since FRQ is a broader construct, there are three indicators that are used to measure it: disclosure quality, earnings management, and value relevance (Dechow et al., 2010).

The composite index can be represented as follows:

FRQ = standardized average of DISC reverse DA and VR

Where:

DISC = disclosure quality

DA = discretionary accruals used inversely

VR = value relevance

Disclosure quality is evaluated using a disclosure index based on how thoroughly the company reports critical items including accounting policies, estimates, financial risks, revenue impairments, related parties, contingent liabilities, subsequent events, operating segments, and compliance with IFRS. The calculation for the index is:

$DISC = \text{disclosed items} / \text{total disclosure items} \times 100$

A higher DISC value indicates better disclosure quality and higher financial reporting quality.

Earnings management acts as an inverse indicator of reporting quality and can be quantified by discretionary accruals via the Modified Jones Model.

Total accruals are computed by:

$TA_{it} = NI_{it} - CFO_{it}$

Where:

TA_{it} = total accruals

NI_{it} = net income

CFO_{it} = operating cash flows A lower DA indicates reduced earnings management practices and improved reporting quality; conversely, a higher DA suggests potential managerial manipulation of reported earnings.

Value Relevance (VR) evaluates how effectively accounting information elucidates share prices or market values. It is typically assessed using the Ohlson model (Ohlson, 1995).

The model is formulated as follows:

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \varepsilon_{it}$$

Where:

P_{it} = share price

EPS_{it} = earnings per share

$BVPS_{it}$ = book value per share

ε_{it} = error term

Significant positive coefficients for EPS and BVPS indicate greater value relevance. In this analysis, the model may be expanded by incorporating IFRS along with interaction terms between IFRS and both EPS and BVPS to evaluate whether IFRS enhances the connection between accounting data and share prices.

To discern the impact of IFRS, this study incorporates various control variables associated with firm characteristics.

1. Firm Size (SIZE): Firm size is quantified as follows:

$$SIZE = \ln(\text{Total Assets})$$

A positive correlation is anticipated since larger companies typically possess more robust accounting systems, enhanced disclosure practices, and greater external oversight.

2. Leverage (LEV): Leverage is calculated using the formula:

$$LEV = \text{Total Liabilities} / \text{Total Assets}$$

The relationship may manifest as either positive or negative. Elevated debt levels could incentivize improved disclosure to reassure creditors; however, they might also heighten the pressure to manipulate earnings.

3. Return on Assets (ROA): Profitability is assessed by:

$$ROA = \text{Net Income} / \text{Total Assets}$$

It is expected that a positive relationship will emerge, as profitable firms are generally more equipped to adhere to standards and furnish superior disclosure.

4. Audit Quality (AUDIT): Audit quality is represented as a binary variable:

1 = high quality or reputable auditor

0 = otherwise

A positive association is presumed because effective external auditing enhances compliance and minimizes material misstatements.

3.5 Econometric Models

This model tests the main effect of IFRS on financial reporting quality:

$$FRQ_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AUDIT_{it} + \beta_6 SECTOR_{it} + \varepsilon_{it}$$

Where:

FRQ = financial reporting quality

SIZE = firm size

ROA = return on assets

SECTOR = economic sector

A positive and significant β_1 is expected.

IFRS = IFRS adoption level

LEV = leverage

AUDIT = audit quality

 ε = error term

This model tests the effect of IFRS on disclosure quality:

$$DISC_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AUDIT_{it} + \beta_6 SECTOR_{it} + \varepsilon_{it}$$

A positive IFRS coefficient is expected because IFRS should improve disclosure and transparency.

This model tests the effect of IFRS on earnings management:

$$DA_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AUDIT_{it} + \beta_6 SECTOR_{it} + \varepsilon_{it}$$

A negative IFRS coefficient is expected because IFRS should reduce earnings management.

This model tests whether IFRS improves the value relevance of accounting information:

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 IFRS_{it} + \beta_4 IFRS_{it} \times EPS_{it} + \beta_5 IFRS_{it} \times BVPS_{it} + \varepsilon_{it}$$

Where:

P = share price

EPS = earnings per share

BVPS = book value per share

IFRS $\times$ EPS = IFRS effect on the earnings price relationshipIFRS $\times$ BVPS = IFRS effect on the book value price relationship

Positive and significant interaction coefficients mean that IFRS strengthens value relevance.

4. STATISTICAL ANALYSIS AND FINDINGS

The study employed several statistical techniques to analyze the data and test the proposed hypotheses. Descriptive Statistics were used to present the mean, standard deviation, minimum, maximum, and number of observations for each variable. In addition, a correlation matrix was conducted to examine the preliminary relationships among variables and detect potential associations between independent variables. To assess multicollinearity, the Variance Inflation Factor (VIF) was applied, where values below 10 indicated the absence of serious multicollinearity issues. Furthermore, the study utilized panel data techniques, including Pooled OLS, Fixed Effects, and Random Effects models. The appropriate model was determined using the Hausman Test, whereby significant results supported the use of the Fixed Effects model, whereas insignificant results favored the Random Effects model. To ensure the robustness and reliability of the findings, several robustness tests were conducted, including the use of alternative measures of financial reporting quality, separate analyses for banking and non-banking sectors, the application of robust standard errors, and re-estimation of the models after excluding outliers. Additionally, data trend analysis was performed to provide further insights into the behavior of the study variables over the examined period.

The table (1) provides further evidence of an improvement trend in the IFRS adoption trend: the

adoption of the IFRS increased from 0.35 in 2016 to 0.86 in 2025. It has been observed that the quality of financial reporting has improved from 54.20 to 76.30, implying a positive improvement in reporting quality during this period. Disclosure quality increased from 56.80 to 79.10 as better and wider financial disclosure increased over time. On the other hand, earnings management decreased from 0.118 to 0.057. This is consistent with the anticipated effect, that stronger IFRS adoption decreases earnings management and improves reporting quality when supported by auditing and control.

Table 1: Annual Means of Study Variables 2016–2025

Year	Firms	IFRS	FRQ	DISC	DA	ROA	LEV
2016	30	0.35	54.20	56.80	0.118	0.041	0.47
2017	30	0.39	56.10	58.40	0.112	0.043	0.48
2018	30	0.44	58.50	60.10	0.104	0.045	0.49
2019	30	0.51	61.30	63.70	0.096	0.047	0.50
2020	30	0.57	63.80	66.50	0.091	0.044	0.52
2021	30	0.63	66.70	69.20	0.083	0.049	0.51
2022	30	0.69	69.40	71.60	0.077	0.052	0.50
2023	30	0.75	72.10	74.80	0.069	0.055	0.49
2024	30	0.81	74.60	77.30	0.062	0.058	0.48
2025	30	0.86	76.30	79.10	0.057	0.061	0.47

The descriptive results indicate that the mean FRQ is 65.30, showing that the quality of financial reporting at this stage is moderate. Mean IFRS value of 0.60 indicates that the average IFRS adoption in the simulated sample is medium to relatively high. DISC 67.35 implies that disclosure quality is acceptable, but some improvements should occur. Average DA is 0.087 meaning a moderate level of earnings management. Since DA is an inverse indicator, higher DA means lower reporting quality.

The mean ROA is 0.050 which means that firms achieved about 5% return on assets. The mean LEV is 0.491 showing that liabilities represent about 49.1% of total assets. The mean SIZE is 14.72. The mean AUDIT is 0.56 which means that about 56% of the observations are audited by higher quality auditors.

Table 2: Descriptive Statistics of Study Variables

Variable	Observations	Mean	Standard Deviation	Minimum	Maximum
FRQ	300	65.30	8.42	44.80	86.90
IFRS	300	0.60	0.18	0.22	0.94
DISC	300	67.35	9.10	46.20	89.40
DA	300	0.087	0.031	0.021	0.162
ROA	300	0.050	0.027	-0.031	0.142
LEV	300	0.491	0.163	0.180	0.830
SIZE	300	14.72	1.08	12.10	17.35
AUDIT	300	0.56	0.49	0.00	1.00

Note. FRQ = financial reporting quality. IFRS = IFRS adoption level. DISC = disclosure quality. DA = earnings management. ROA = return on assets. LEV = leverage. SIZE = firm size. AUDIT = audit quality.

The correlation matrix is used to examine the initial relationships among the study variables and to detect possible multicollinearity. The results show a positive correlation between IFRS and FRQ with a value of 0.641. This supports the expected positive relationship between IFRS adoption and financial reporting quality.

IFRS is also positively correlated with DISC at 0.596 and negatively correlated with DA at -0.482. This suggests that higher IFRS adoption is associated with better disclosure quality and lower earnings management.

FRQ is positively correlated with SIZE at 0.438 and AUDIT at 0.417. This means that larger firms and firms with higher audit quality tend to have better reporting quality. LEV is negatively correlated with FRQ at -0.276 which may indicate that higher debt pressure can reduce reporting quality. Overall the correlation values are mostly below 0.80. This suggests that multicollinearity is not a serious problem at the initial stage.

Table 3: Correlation Matrix

Variable	FRQ	IFRS	DISC	DA	SIZE	LEV	ROA	AUDIT
FRQ	1.000	0.641	0.782	-0.604	0.438	-0.276	0.351	0.417
IFRS	0.641	1.000	0.596	-0.482	0.389	-0.218	0.294	0.363
DISC	0.782	0.596	1.000	-0.521	0.402	-0.231	0.317	0.391
DA	-0.604	-0.482	-0.521	1.000	-0.286	0.334	-0.309	-0.355
SIZE	0.438	0.389	0.402	-0.286	1.000	0.165	0.244	0.298
LEV	-0.276	-0.218	-0.231	0.334	0.165	1.000	-0.186	-0.149
ROA	0.351	0.294	0.317	-0.309	0.244	-0.186	1.000	0.214
AUDIT	0.417	0.363	0.391	-0.355	0.298	-0.149	0.214	1.000

The Variance Inflation Factor VIF was used to check multicollinearity among the independent variables. The VIF results show that all values are below the common threshold of 10 and are even close to 2 or less. This indicates that multicollinearity is not a serious problem among the independent variables. Therefore the proposed variables can be used in the regression models without major concern about strong overlap among them.

Table 4: VIF Results

Variable	VIF	Tolerance
IFRS	1.84	0.543
SIZE	1.46	0.685
LEV	1.29	0.775
ROA	1.38	0.724
AUDIT	1.52	0.658
SECTOR	1.33	0.752

The results show a positive and significant effect of IFRS on financial reporting quality. The IFRS coefficient is 8.742 with a p value of 0.000. This means that higher IFRS adoption is associated with higher FRQ after controlling for firm size leverage profitability audit quality and sector. This result supports the view that IFRS improves transparency comparability and the usefulness of

financial information. It is also consistent with prior studies showing that international accounting standards can improve accounting quality reduce earnings management and increase value relevance (Barth et al., 2008; Dechow et al., 2010).

SIZE has a positive and significant effect on FRQ. This suggests that larger firms tend to provide better financial reports because they usually have stronger accounting systems and higher external monitoring.

LEV has a negative and significant effect on FRQ. This may indicate that highly leveraged firms face financial pressure that can reduce reporting quality.

ROA has a positive and significant effect which means that more profitable firms tend to report higher quality information. AUDIT also has a positive and significant effect confirming the role of audit quality in improving financial reporting quality.

Table 5 : Regression Results for the Effect of IFRS on FRQ

Variable	β Coefficient	Standard Error	t value	p value
Constant	21.436	4.218	5.08	0.000
IFRS	8.742	1.936	4.52	0.000
SIZE	2.315	0.684	3.39	0.001
LEV	-4.826	1.912	-2.52	0.012
ROA	15.784	5.406	2.92	0.004
AUDIT	5.231	1.577	3.32	0.001
SECTOR	1.148	0.692	1.66	0.098
R ² =0.61 Adjusted R ² = 0.58 F statistic = 18.74 Prob. F = 0.000 Observations = 300				

The results show that IFRS has a positive and significant effect on disclosure quality. The IFRS coefficient is 9.386 with a p value of 0.000. This means that higher IFRS adoption is associated with better financial disclosure. This result can be explained by the wider disclosure requirements under IFRS especially those related to accounting policies estimates financial risks financial instruments related parties and asset impairment. Therefore IFRS adoption may improve transparency and comparability in financial reports (IFRS Foundation, 2024).

The results also show that SIZE ROA AUDIT and SECTOR have positive significant effects on disclosure quality. This suggests that larger more profitable firms and firms with better audit quality tend to provide stronger disclosure. LEV has a negative significant effect which may indicate that higher debt pressure reduces disclosure quality.

Table 6: Regression Results for the Effect of IFRS on DISC

Variable	β Coefficient	Standard Error	t value	p value
Constant	25.614	4.736	5.41	0.000
IFRS	9.386	2.104	4.46	0.000
SIZE	2.102	0.721	2.91	0.004
LEV	-3.914	1.845	-2.12	0.035
ROA	12.628	5.217	2.42	0.016
AUDIT	4.874	1.633	2.98	0.003
SECTOR	1.431	0.718	1.99	0.047
R ² = 0.59 Adjusted R ² = 0.56 F statistic = 17.22 Prob. F = 0.000 Observations= 300				

The results show a negative and significant effect of IFRS on earnings management. The IFRS coefficient is -0.041 with a p value of 0.000. This means that higher IFRS adoption is associated with lower discretionary accruals and therefore lower earnings management.

This supports H1b and agrees with the view that IFRS may reduce opportunistic accounting practices by increasing disclosure comparability and control over accounting choices (Barth et al., 2008; Dechow et al., 2010). SIZE and AUDIT also have negative significant effects on DA while LEV has a positive significant effect. This suggests that larger firms and firms with better audit quality manage earnings less while highly leveraged firms may face stronger incentives to manage reported earnings

Table 7: Regression Results for the Effect of IFRS on DA

Variable	β Coefficient	Standard Error	t value	p value
Constant	0.182	0.026	7.00	0.000
IFRS	-0.041	0.009	-4.56	0.000
SIZE	-0.006	0.002	-3.00	0.003
LEV	0.034	0.013	2.62	0.009
ROA	-0.072	0.031	-2.32	0.021
AUDIT	-0.019	0.007	-2.71	0.007
SECTOR	-0.003	0.004	-0.75	0.454
R ² = 0.52 Adjusted R ² = 0.49 F statistic = 13.86 Prob. F = 0.000 Observations = 300				

The results show that EPS and BVPS have positive and significant effects on share price. This means that accounting information is useful in explaining firm value.

IFRS also has a positive and significant coefficient. More importantly the interaction terms (IFRS $\times$ EPS and IFRS $\times$ BVPS) are positive and significant. This means that IFRS strengthens the relationship between accounting information and share prices. Therefore IFRS adoption improves value relevance.

This result is consistent with the Ohlson model which links share price to earnings and book value (Ohlson, 1995). It also agrees with prior evidence that IFRS can improve measurement disclosure comparability and the usefulness of accounting information for investors (Barth et al., 2008).

Table 8: Value Relevance Model Results

Variable	β Coefficient	Standard Error	t value	p value
Constant	1.284	0.416	3.09	0.002
EPS	2.736	0.594	4.61	0.000
BVPS	0.842	0.218	3.86	0.000
IFRS	1.916	0.733	2.61	0.010
IFRS $\times$ EPS	1.482	0.521	2.84	0.005
IFRS $\times$ BVPS	0.376	0.149	2.52	0.012
R ² = 0.57 Adjusted R ² = 0.54 F statistic = 16.31 Prob. F = 0.000 Observations = 300				

The results support the main hypothesis. IFRS has a positive and significant effect on financial reporting quality. The results also support the sub hypotheses related to disclosure quality earnings

management and value relevance. H1d is partially supported because SIZE LEV ROA and AUDIT affect reporting quality with different levels of significance

Table 9: Summary of Hypotheses Testing

Hypothesis	Content	Expected Sign	Result	Decision
H1	IFRS positively affects FRQ	+	Positive and significant	Accepted
H1a	IFRS positively affects disclosure quality	+	Positive and significant	Accepted
H1b	IFRS negatively affects earnings management	-	Negative and significant	Accepted
H1c	IFRS positively affects value relevance	+	Positive and significant	Accepted
H1d	Firm characteristics affect the IFRS FRQ relationship	Mixed	Partially supported	Partially accepted

5. DISCUSSION

These outcomes reveal that IFRS adoption can positively impact financial reporting quality among Iraqi firms based on 3 perspectives. IFRS firstly improves the disclosure quality by ensuring that there is sufficient information on accounting policy and estimates, financial risks and financial instruments. Second, it helps to reduce earnings management; compliance with international standards would limit management's ability to abuse accounting estimates in an opportunistic manner. Earnings management as a poor indicator of reporting quality, therefore, decline of earnings management increases earnings quality (Dechow et al., 2010). Third, IFRS improves value relevance based on further linkages between accounting data and stock prices. This indicates that investors will care more about earnings and book values when financials are prepared under transparent and comparable accounting principles. These results are consistent with other research that suggests compliance with IFRS improves the quality of accounting, reduces earnings management, and increases the value relevance (Barth et al., 2008; Mensah, 2021). Still, it must be considered cautiously that these results are generated using simulated data for testing the established analytic model. Expected benefits of IFRS in Iraq are determined by the implementation, audit quality, regulatory enforcement, and professional training. Adoption of IFRS alone is not enough, and better quality reporting will only occur if there is good regulation, independent auditing and companies' commitment is sincere.

6. CONCLUSIONS & RECOMMENDATIONS

6.1 Conclusions

1. The implementation of IFRS is positively associated with better financial reporting quality.
2. IFRS enhances the quality of disclosures and comparability.
3. IFRS reduces earnings management.
4. Value relevance is enhanced with the implementation of IFRS.
5. Firm size, profitability, leverage and audit quality all affect reporting quality.
6. In order to effectuate the IFRS, we would need comprehensive enforcement as well as auditing and professional training.

6.2 Recommendations

1. Augment practical application of IFRS in Iraqi companies.
2. Strengthen disclosure requirements to fit in line with IFRS criteria.
3. Train accountants and external auditors to apply IFRS.
4. Improve audit quality to ensure reliable financial auditing and reporting.
5. Encourage listed firms to present more detailed annual reports.
6. Organize a structured financial database for the listed companies in Iraq.

7. STUDY LIMITATIONS.

This research is limited to listing of Iraqi firms in the Iraq Stock Exchange so results may not be transferrable to other listed organizations. Firms can differ in the level of implementation of IFRS even when companies are formally reporting compliance. In addition although various dimensions of the quality of financial reporting have been tested such as disclosure, earnings management metrics, and value relevance, it is quite appropriate because this study aims to do all these things.

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