The role of the external audit in assessing continuity of companies under the Financial Crisis: An Applied study in the Iraqi banks listed in the Iraq Stock Exchange for the period 2016-2019

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ABSTRACT

In the first decade of the third millennium, shareholding companies faced several crises, with four major crises affecting financial markets, beginning with the collapses of a group of large companies following the Enron Energy company and similar companies in various countries, followed by the financial crisis and the collapse of global oil prices, which quickly ended until the sta As a result, the purpose of this study is to shed light on the role of external audit in assessing bank continuity, as Iraqi banks are among the first institutions and companies to move toward the application of international standards as well as being committed to accounting principles and assumptions, and they face a wide range of risks, the most dangerous of which is financial instability. Furthermore, the Kida model has been adopted in assessing the stability of banks and their ability to meet their obligations and perform their duties through a set of financial ratios that distinguish successful banks from those whose ability is suspect and vulnerable to financial failure, as well as trying to identify the nature of their activities at an early stage. However, using financial ratios, Kida's model was applied to a sample of three Iraqi banks, and the research concluded that the external auditor should use financial analysis models to know and evaluate the banks' continuity in terms of anticipating financial collapse.

Keywords: financial failure, corporate continuity, Kida model, external audit, financial Crisis

1. Introduction

Banks assume survival and continuity, and then try to grow in their activities and profits, but a number of them face in certain periods the risk of financial failure for several reasons to which the bank is exposed. From this point of view, and because of the specificity and nature of work and importance in the economic field, banks have made the field of analysis, and forecasting require redoubled efforts from several sides to achieve its success. Furthermore, the future of the bank and its continuity depends on its financial position and its achievement of profits. Therefore, the issue of forecasting the financial condition of the bank is considered an important matter for all parties, whether inside or outside the bank. However, there is no doubt that the subject of forecasting the financial situation is mainly related to the concept of continuity and its importance in accounting thought, where the imposition of continuity is considered one of the basic assumptions and it is built on its basis that the economic unit, including the bank, continues in its activity for a period of time sufficient to achieve its goals and is able to fulfil its obligations towards others. Therefore, we had to do a research study in which we explain the role of indicators of financial failure in assessing the continuity of banks and clarify the importance of the Kida model for predicting the financial failure of banks due to the bank's exposure to many types of risks, including the risks of financial failure.

The problem of the research was represented by the question: Does the Kida model reveal to us the risks of financial failure facing commercial banks listed in the Iraqi Stock Exchange by evaluating their continuity in carrying out their commercial activity in the foreseeable term. In addition, audit firms do not assess the extent of the continuity of their clients' companies when issuing the audit report. Nevertheless, local financial institutions, especially banking, suffer from financial crises represented by financial failure, due to various reasons. Financial analysis contributes to the

interpretation and analysis of business results for Iraqi banks, and its indicators are used to help Knowing the current financial situation of banks and predicting the future situation, and its available tools are not limited to performance analysis only, but go beyond that in several aspects, through financial ratios derived from the income statements and the balance sheet. Therefore, the research problem is represented by the following question: Does the Kida model reveal to us about Risks of financial failure facing commercial banks listed in the Iraqi Stock Exchange through assessing their continuity in practicing their commercial activity in the foreseeable future?

The research derives its importance from the importance of the topic of financial failure and its prediction and assessment of the continuity of banks within the external audit procedures and its serious impact on the level of the economy and society as a whole in general, as well as specific parties from the management of banks and government agencies. Also, the failure and bankruptcy of banks leads to a financial crisis, so a means must be found for early warning of the possibility of banks failing in the future, in other words, assessing the extent of the banks' continuity and disclosing this within the external auditor's report. Furthermore, the importance of the research also lies in shedding light on the risk of financial failure in Iraqi banks and on the extent of the possibility of having a mathematical model through which it can be predicted in an integrated and accurate manner.

The main objective of this research is to show the effect of using external auditing for indicators of financial failure to assess the continuity of Iraqi banks in light of the financial crises faced by companies listed in the financial markets and to know the extent to which external auditing of banks depends on financial analysis as a tool for predicting financial failure. As well as knowing the degree to which the external audit benefited from the financial analysis of banks for the purpose of predicting the future in all directions. As well as clarifying the importance of predicting financial failure and assessing the continuity of banks in making decisions at the internal and external levels. As well as clarifying the importance of financial analysis to predict financial failure on banks through the application of the (Kida) model to verify the possibility of financial failure or not.

2. Literature review

The study (Aziz, 2014) aimed to apply the Kida model to predict financial failure, adopt operational cash flow indicators, and the extent to which the results of the Kida model are compatible with operational cash flow indicators. However, the study found that the models for predicting the financial failure of banks in achieving high confidence despite their not high ratios.

The study (Al-Brefkani, 2017) aimed to use one of the Altman mathematical models, by applying it to a sample of local Iraqi banks and the possibility of predicting financial failure at least a year before its occurrence, and attempt to find defensive means. However, financial failure is one of the negative phenomena that financial institutions, including banks, may be exposed to, and this may lead to their exit from the market.

The study (Al-Hamwi, 2016) aimed to test the suitability of the (Texas) index to measure the possibility of financial failure in the traditional Syrian private banks, and the study found the suitability of the (Texas) index of financial failure.

The study (Al-Safrani et al, 2020) aimed to find out whether it is possible to use the Kida model in predicting financial failure in Al-Inmaa for Financial Investments Holding Company. However, the study concluded that the Kida model can be used in the forecasting process and that the value of the model decreases as the period in which to predict financial failure approaches.

The study (Boudiaf, 2019) aimed to address the main problem that revolves around the extent to which the financial information available in the financial statements contributes to the interpretation and prediction of financial failure in the dairy sector and its derivatives and to distinguish between failed and successful companies through the main indicators for evaluating financial performance (financial ratios) due to the importance of this problem, as it deals with a dangerous phenomenon that has serious effects on the level of a sensitive sector and of great importance in the national economy. Nevertheless, the results of the study indicate that the financial failure at the level of milk and dairy

sector institutions is due to financial factors that are reflected in the indicators of financial performance evaluation.

The objective of (Othman & Khadija, 2007) is to study the possibility of benefiting from financial analysis in predicting financial failure in service companies and banks and using models to predict financial failure based on financial ratios. The study reached a set of important results, most notably that the Kida model is suitable for predicting financial failure in service companies and banks, and the data that appears in the financial statements of banks and companies is sufficient for the purposes of financial analysis to predict financial failure according to the model.

A study of (Qhimesh Amin & Bogadi,2019.) aims to shed light on the role of short-term financial management in protecting the institution from financial failure by analyzing various short-term financial management tools, using the financial indicators and ratios necessary to show the status of these institutions during The period 2013-2018. However, the study concluded that short-term financial management tools have a significant role in protecting the institution from the risk of financial failure.

The study (Jawad, 2014) aimed to shed light on the concept of corporate failure and present the most prominent models used in predicting and analyzing companies' failure with proposing a model to reveal the possibilities of failure of Iraqi joint-stock companies, including internal and external financial and non-financial indicators, and the model was distributed to a sample of professors In Iraqi universities, auditors working in the Federal Audit Bureau and private auditing companies and offices, as well as financial analysts working in stock brokerage companies and financial investment companies to test its objectivity, importance, and weight of its indicators. Nevertheless, the research reached a set of conclusions, the most prominent of which was that failure is not a sudden phenomenon for the company and its stakeholders, but rather an event that passes through multiple stages, each of which has symptoms that ultimately lead to the event that ends the life of the company.

The study (Farag, 2018) aimed to show the effect of using the financial ratios of companies on the disclosure of references to fraud in the deliberately distorted financial statements, by applying to a sample of companies listed on the Egyptian Stock Exchange, where the increasing efforts of management to commit fraud cases in the financial statements to achieve personal benefits, which caused decreased reliability of the information in the financial statements. Thus, expanding the scope of audit procedures by relying on the analysis of financial ratios, which increases the efficiency of the auditor in predicting the possibility of fraud in the financial statements deliberately distorted and giving confidence to the financial statements of companies.

3. A theoretical framework for indicators of financial analysis as a tool for evaluating continuity

3.1. Concept of Financial Analysis:

Financial analysis is an organized process of processing data for an institution to obtain information that can be used in the decision-making process, evaluation of financial institutions in the present and the past, and a prediction of what will be the situation in the future (Al-Akraa, 2017:3). (Al-Akraa,2017 :3) also mentioned that it is the sum of the operations that study, understand, and analyze the information and financial data contained in the lists of companies or banks, and then analyze and interpret those data to benefit from them by judging the financial position of the company or bank and predicting the future and possible events (Al-Hajri, 2016: 24) and we will address the most important matter related to the concept of financial analysis in line with the topic of the research is as follows:

3.2.1 Financial ratios and indicators of financial failure

Financial ratios express the relationship between two variables (by dividing one by the other) in a way that facilitates obtaining results for financial operations and does not add anything new to them, but rather tries to explain that relationship between them in order to facilitate the process of financial analysis, and these ratios remain of limited importance unless they are compared with other similar

financial ratios, as this importance increases when one of these financial ratios for a particular economic unit is compared with its counterpart in the previous years for the same unit, or by comparing these ratios with the ratios of similar units in the nature of work and some other conditions, and such comparison helps in arriving at the competitive position of this economic unit or the bank (Mahmoud et al, 2013.45).

3.2.2 The most important classifications of financial ratios

We can mention the most important common financial ratios used in financial analysis:
I. Liquidity Ratios Group: The liquidity of the facility can be measured by its ability to meet its short-term obligations when they become due, which are as follows (handel et al, 2012: 254): Trading Ratio: It is one of the most common financial ratios to measure the liquidity of the facility and the bank and it measures the ability of the bank to meet its short-term obligations. Therefore, it indicates the margin of safety through the ability of current assets to cover current liabilities, and that the high ratio is a good indicator of the bank's liquidity and is calculated as follows (total current assets / total current liabilities). As for the quick liquidity ratio: it is the ratio that shows the extent of the economic unit's ability to pay Its short-term obligations without relying on goods. Nevertheless, this ratio is measured by dividing current assets minus inventory by current liabilities and by the following law: (total current assets - inventory/total current liabilities), as well as the net working capital: The net working capital can be measured using the following equation, net working capital (current assets - current liabilities) and this measurement is useful for internal control purposes in the bank and when obtaining long-term debt, the loan agreement often includes a minimum amount of net working capital that must be maintained by obligating the bank to maintain with good fluidity.
II. Debt Ratios Group: It measures the bank's ability to pay off all debts when they are due, regardless of whether these debts are short or long-term, but they focus on measuring the ability of the unit or the bank to service long-term debts only, and this type of ratio includes ratios Sub-categories: (the ratio of total debts to total assets, the ratio of short-term debts to equity, the ratio of assets to equity, the ratio of current assets to total loans (Mahmoud et al., 2013: 45) as well as the ratio of assets to equity: which are those ratio that expresses the extent to which the economic unit contributes through its capital to generating its assets in general on the one hand, and the return of these assets to the unit without loans, and that a decrease in this ratio gives security to creditors in the event of liquidation, as well as to shareholders in a proportion of their ownership of the unit away from their short and long-term obligations, and this ratio is calculated As follows (the ratio of assets to equity = assets / equity) (Mahdi, 2020: 28), as for the ratio of short-term debts to equity: through this ratio, the relationship between the amount of funds that presented by the project owners and the amount of funds that come from current obligations, and the rise of this percentage to approximately (67%) may be an indication of the approaching danger, and an indication of the unit's need to increase reliance on short-term sources due to the poor confidence of creditors in the long-term position of the unit (Mahdi, 2020: 28).

III. Activity Ratios Group: It aims to judge the extent of the bank's ability to exploit its various assets in the exercise of its current activity, which is based on the process of investments, services and granting loans, and then contribute to achieving the maximum possible profits through it. It also measures the extent to which the unit is able to efficiently and effectively utilize its available resources (Mahmoud et al, 2013, 46).
IV. Group profitability ratios: used as indicators to assess the profitability of the unit or the bank and express the extent of efficiency in which the bank makes its investment and financial decisions. These ratios include sub-ratios (gross profit ratio, return on investment, total return on sales, net profit on sales) (Mahmoud et al, 2013.46), as for the gross profit ratio // this ratio expresses the margin available to cover all other obligations, i.e. costs for all jobs. This indicator measures the ratio of gross profit to sales, and the higher this ratio, the better for the bank or establishment. This ratio is calculated as follows: (gross profit = gross profit/net sales ratio) (Handal et al, 2012, 256), as well as the net profit

ratio // this ratio, measures the remaining amount of each dinar of sales (as a percentage) after paying all costs, including interest and taxes: (Net Profit Ratio = Net Profit / Sales) (Handal et al., 2012: 256).

3.2.3 Advantages and disadvantages of financial ratios

Financial ratios are a useful tool and are characterized by useful advantages to serve the objectives of information users and in some cases are characterized by certain defects. Among the benefits of using financial ratios (Al-Fatli, 2014: 207) determining lost unrealized profits and potential growth opportunities and determining potential risk rates as well as making possible improvements to performance, and identify good opportunities.

There are some negatives associated with the use of financial ratios in evaluating performance with regard to financial ratios, and they are concerned with numbers and factors of a quantitative nature and do not measure qualitative factors, which may be appropriate for the purposes of evaluating the performance of banks. Furthermore, financial ratios are affected by different accounting methods and procedures. The bank's adoption of different accounting methods and procedures may give misleading results in many areas of analysis, as well as many financial ratios are static indicators as on the date of preparing the financial statements.

3.3 Concept of Financial Failure:

The term financial failure to express the process that is the economic unit has begun to move towards hardship event or financial bankruptcy or express their lack of unity of economic viability in the labor market and provide products to customers, as defined by Beaver as the failure of the units of economic access to reliable forecasts (Aziz, 2014: 5). Nevertheless, financial banking failure is one of the most dangerous things that may face the banking sector and threaten its existence, as it may extend and constitute a comprehensive banking crisis that negatively affects the performance of the entire banking system in the country, and may now extend to a wide range of effects. Therefore, a clear picture of the concept of banking financial failure must be presented, as the banking institution does not announce its financial failure suddenly, but rather goes through several stages before declaring its bankruptcy (Al-Hamwi, 2016: 13). We address the most important matters related to the concept of financial failure in line with the topic of the research as follows:

3.3.1 stages of financial failure: The process of financial failure goes through the following stages:

I. Incubation stage (emergence): It is known that the facility does not suddenly or unexpectedly deteriorate, but there are some indicators that indicate the existence of imbalances on the part of the management represented in the increase in indirect costs, the increase in competition, the lack of credit facilities, the increase in burdens and the weakness of working capital, often an economic loss occurs at this stage, where the return on assets is less than the usual ratios of the facility, and it is preferable that the problem be discovered at this stage, as re-planning at this stage may be more effective (Ali & Jihad, 2011: 860).

The fiscal deficit phase: This phase occurs when the administration notes of a faltering financial and this is usually when the economic unit becomes unable to cope with their instant cash, and at this stage be the unit's assets greater than their obligations, but the problem lies in the difficulty turn those assets into cash to cover outstanding debts. (aziz, 2014:6).

III. The stage of financial deterioration (financial insolvency): This stage lies in the inability of the bank to obtain the necessary funds to cover its outstanding debts, and it can address this, but the treatment takes a long period of time, by amending the financial policies of the bank, changing management, or working to issue shares or issue bonds. However, most of the banks that adopt these treatments succeed in overcoming this stage if the defect is discovered in time and appropriate action is taken. As for the banks that cannot carry out the necessary treatment, they move to the fourth stage, which is the stage of total insolvency (Al-Dogji, 2008: 4).

IV. The stage of total insolvency: At this stage, legal procedures are taken as a result of the facility's inability to pay its debts, and thus the bank is declared bankrupt, and this stage is the final stage and the facility has reached the stage of failure (Abu Musa, 2014: 31).

3.3.2 Reasons for financial failure

The financial failure of banks is due to a set of factors that affect their performance directly or indirectly, and they necessarily differ from one bank to another, and the reasons can be divided according to what the researchers wrote:

A: Administrative reasons: Among the most important reasons that lead to the bank's failure is the absence of competent leadership individuals, and the conflicts between the parties to the organizational hierarchy of the institution, as well as the predominance of the special interests of shareholders and owners, which lead to the emergence of administrative imbalances, including (Ammari, 2015: 43) the weakness of the bank's management and its inefficiency, weakness of the regulatory side, choosing a bad team to work with, which does not have the flexibility and ability to change.

B: Financial reasons: Among the reasons that lead to the bankruptcy of banks are the weakness of their financial structure, as well as irrational spending that is not commensurate with the revenues of the project, which leads to the emergence of financial imbalances, which are the following (Kaios, 2018: 8): the imbalance of financing structures and the high cost of financing sources, accumulated losses or lack of profits due to competition, loss of cash flow and inability to pay its debts to its various creditors, the accumulation of bank debts in a way that negatively affects the results of its business.

3.4.3 Technical reasons:

It includes poor planning from the beginning, the choice of technology applied, and energy use, technical defects that are revealed during operation experiments, and delays in implementation by application (Al-Dogji, 2008: 4).

3.3.4 types of financial failure

It should be noted that there are two types of financial failure (Al-Brefkani, 2017: 272):
A- Creeping failure: This is due to several internal reasons (such as management inefficiency, increased dependence on debt, unplanned expansion, and wasteful use of resources).
B- Sudden failure: It occurs suddenly as a result of political, economic, legal, or social changes.

3.4 the importance of predicting financial failure

This type of forecast occupies great importance in the field of financial management, in particular, because of the great damages caused by the failure of institutions and banks. However, forecasting failure brings many positive advantages to those who expect it in a timely manner, as it enables them to take the necessary measures to address failure in its early stages and avoid reaching Bankruptcy and liquidation, and (Altman) believes that the project for forecasting the financial crisis must combine several financial indicators to ensure an unbiased measurement, and this helps to achieve the financial prosperity of companies and banks by finding and aligning weaknesses and working to solve sudden problems in a manner consistent with the company's activity. The financial failure of banks, in particular, is very important because of its effects on both (Albirifkani, 2017: 273).
A: its existing loans
B: its loans are under study
A: The prices and terms of its loans
D: The possibility of cooperating with borrowers to address existing problems
E: The timing of the withdrawal

3.5 the concept of continuity

Definitions and concepts related to imposing continuity differed according to the researchers' orientations. Continuity in accounting thought means that the bank will continue its operations in the foreseeable future and will not exit the banking business or liquidate its assets, and until that happens it must be able to increase its resources sufficiently and for an unlimited period of time that enables from achieving its goals and plans, fulfilling its obligations towards others, and growing its activities, and there are no indications that it will not continue. Furthermore, the bank shall prepare the financial statements on a going concern basis unless administration intends to liquidate the bank or to cease its business, or it has no other alternative but to do so, and when administration is aware, when making its assessment, of uncertainties of relative importance related to events or conditions that may cast great doubts on the bank's ability to continue as a going financial institution, so it must disclose cases of uncertainty, and when the bank does not prepare the financial statements on the basis of going concern, it must disclose this fact with the basis on which the financial statements were prepared and the reason for not considering that the bank continual (hamid, 215: 2020) and continuity means that the bank continues to carry out its business in the near future, and that it is not obliged and has no intention to liquidate or reduce the volume of its business, or to search for means of protection from creditors in accordance with laws and regulations (Al-Amin, 2016: 54). However, we will address the most important issues related to the concept of continuity in line with the topic of the research as follows:

3.5.1 Factors and indicators that affect the imposition of continuity

A) Financial indicators: These factors and indicators are as follows:
I. The appearance of basic financial ratios negatively: Many financial ratios are used to predict the situation of companies and banks, some of these ratios are used for financial analysis in general, and financial ratios are one of the ways to judge the company's ability to continue in the future by identifying strengths and weaknesses in Financial statements (Hamid, 2020:50).
II. Delaying or suspending dividends: The failure of the management to distribute the realized profits appearing in the financial statements for several financial periods, despite the entitlement of these distributions, indicates that the institution has problems related to liquidity, or that the management distributes shares instead of cash without justification, This is an indication of a weakness in the institution's ability to continue its work in the foreseeable future (Matar, 2001:7).
III. The approaching date of maturity of fixed-term loans without an expected possibility of repayment: The liquidity deficit and the lack of self-financing capabilities may lead the company or the bank to pay more borrowing to finance current obligations or investment activities, and then lead to burdening the company with debt interest burdens that may outweigh its profits (Abdel Rahman, 1995: 159).
IV. Negative appearance of operating cash flows in historical or future financial statements and frequent large operating losses or significant deterioration in the value of assets: - The negative appearance of operating cash flows means that the company cannot pay its expenses and obligations without resorting to borrowing, i.e. relying on investment or financing flows. Operating losses are also an important indicator of uncertainty about the company's continuity, regardless of whether the auditor will include in his report an explanatory paragraph related to continuity, or a decision to exclude such clarification (Edwards, 1993: 58).
V. Increasing current liabilities over current assets and the inability to pay creditors' dues on time: - When current liabilities exceed current assets, this leads to problems related to the financial institution's inability to meet its obligations, and the availability of liquidity is necessary for the company to continue its activity and paying its obligations and maintaining its reputation with its creditors, and that the lack of sufficient liquidity affects the institution's ability to meet its obligations (Hamid, 2020: 51).

B) Other indicators: These indicators include the following:
I. Non-compliance with capital requirements or other legal requirements: - The funds invested in the institution consist of paid-up capital and loans that the company obtains from banks, bondholders, and

lenders, and there are recognized ratios to maintain a balance between internal and external sources of financing, as if the balance is disturbed due to an increase in the volume of loans and a decrease in the paid-up capital, the company bears financial burdens for debt service, represented by interest on debt and loan installments. In order for the company to continue, the ratio of loans to equity should not exceed the acceptable limit in the industry to which the company belongs, in order to ensure the greatest possible success and ability to continue (Al-Momani & shwiaat, 2008.153).

II. Existing legal cases against the financial institution that may result in judgments that it cannot fulfill: When there are lawsuits filed against the financial institution, and the success of these lawsuits may lead to obligations or compensation that the financial institution cannot meet, or seize its assets, or be subject to liquidation to pay off obligations, this is an indication of the weak ability of the enterprise to continue in the future and must be taken into account by the auditor (Berger, & Udell, 2006).

III. Change in government policies and laws that are likely to negatively affect the institution: It is obvious that all financial institutions operate in an environment governed by government laws and legislation, and therefore these laws change from time to time. Sometimes they are temporary laws that may not be approved, such as laws that It specializes in the production of a specific commodity, customs laws, or taxes, which affect costs, prices, and laws related to the workforce and importing production requirements, as some laws do not allow the import of certain goods or stop importing them as a result, the institution may face the problem of its inability to deal with those laws or its inability to bear additional burdens by raising the customs value and taxes for some requirements, which leads to the weakness of the company's ability to continue in the future (Williams & Vorley. 2015).

3.5.2 assessing the continuity of banks

By reviewing the literature, research and previous studies carried out by many researchers, the researchers did not agree on a specific quantitative measure to measure and evaluate the continuity of the bank and predict future events, as they used some financial ratios and multiple models for measurement, however, the measures that were used cannot predict the future in an absolute way, since the continuity of the bank is affected by several factors, and for the purpose of ensuring accuracy in predicting the future status of banks in terms of their ability to continue or liquidate, use indicators of creditworthiness and bankruptcy on the basis of evaluating their previous activities and measuring the extent to which banks are able to grow and develop their resources. These indicators have been used in mathematical equations or regression analysis to predict the financial situation and analyze performance in the near future, as creditworthiness indicators reflect the quality of the performance of existing banks, while bankruptcy indicators reflect the banks' ability to continue and meet their obligations (Hamid, 217: 2020).

3.5.3 the most important models used in assessing the continuity of banks

These models depend on the weights of a set of financial ratios. As a result of the great development in the financial and business market, interest has increased in developing mathematical models capable of predicting the failure of banks, in order to reach a set of financial ratios that are most capable and efficient in predicting the continuity of banks, which may be in danger of financial failure or In the event of a need for restructuring (Sheikh, 81:2008), the Beaver model, the Z-Score model (Altman, 1968), the (Taffler and Tisshow 1977) model, the Springate1978 model, the Kida 1981 model.

3.5.4 Kida model for predicting financial failure

 Financial failure models are adopted as comparative standards and study of financial failure ratings for economic units through which global ratings are obtained, especially with the presence of continuous updating of information and the use of advanced technologies, and this has been adopted in Britain (Chariton, 2000:21 & Neophxton). Many studies have appeared since the beginning of The sixties to determine the indicators that can be relied upon in predicting the possibilities of financial failure, and the views of the American Institute of Certified Public Accountants were the need to

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determine the responsibility of imposing continuity for companies and how to diagnose the previous event of financial bankruptcy to prevent the risk of investors, lenders, and others (Jabal et al, 2009: 305). Kida is the 1981 model, and the researchers considered it one of the most important models for predicting financial failure, if not the most important one at all, and the most common and used. In the short term, but if the result is a negative value, this indicates that the organization is close to financial failure, but (Alkhatb and AlBzour) indicate that if the value of Z is less than (0.38), the organization faces a potential risk of financial failure (Al-Safrani et al, 2020).

However, he models takes the following form (Al-Akraa, 2017: 6):

$Z = 1.042X1 + 0.42X2 - 0.461X3 - 0.463X4 + 0.271X5$

1X = net profit after taxes to total assets

X2 = Total Equity to Total Liabilities

X3 = liquid assets to current liabilities

X4 = revenue to total assets

X5 = cash to total assets

4. Results:

The research is based on the hypothesis that "there are no indications that the commercial banks listed in the Iraqi Stock Exchange will not continue their commercial activities". However, the banks listed in the Iraq Stock Exchange were identified as a community for the application of the research, where (3) banks were selected as a sample for this community. The time period is from (2016) to (2019), and the researchers relied on the available sources and literature from books, periodicals, and research. Furthermore, in the practical aspect, the researchers relied on the financial statements, records, and documents of the research sample banks (the Commercial Bank of Iraq, the Bank of Baghdad, and the Credit Bank Iraqi.

Table 1. Measuring the extent of the failure of the Commercial Bank of Iraq

The year	Net profit after interest and taxes/assets	Equity / Liabilities	Liquid Assets/Current Liabilities	Revenue / assets	Cash/assets	Z
2016	0.017	1.987	0.963	0.042	0.277	0.46
2017	0.021	1.728	0.922	0.051	0.271	0.37
2018	0.024	1.767	1.146	0.044	0.350	0.31
2019	0.014	1.528	1.625	0.043	0.529	0.03

Source Prepared by researchers based on the data of the Iraqi Stock Exchange

From Table No. (1), the positive Z value of the Commercial Bank of Iraq for the four years indicates its distance from financial failure, but with different safety values, which indicate the bank's continuity in its activity at the foreseeable level. It reached (46%) in 2016 while it was in (2017) (37%), that is, it decreased (9%), and the year (2018) was (31%), that is, it decreased by (6%) from the previous year, but in 2019 the percentage was (3%), i.e. a difference of (28%) for the previous year. Therefore, the bank's administration should try to restore safety rates to a higher level to ensure the continuity of its commercial activity, and it is clear from the results of this bank that the research hypothesis is proven that there are no indications that commercial banks listed in the Iraq Stock Exchange will not continue their commercial activity.

Table 2. Measuring the extent of failure of the Bank of Baghdad

The year	Net profit after interest and taxes/assets	Equity / Liabilities	Liquid Assets/Current Liabilities	Revenue / assets	Cash/assets	Z

2016	0.016	0.308	0.980	0.061	0.681	-0.14
2017	0.005	0.323	0.963	0.049	0.693	-0.13
2018	0.003	0.315	0.974	0.032	0.708	-0.13
2019	0.006	0.318	0.832	0.035	0.609	-0.09

Source Prepared by researchers based on the data of the Iraqi Stock Exchange

From Table No. (2), the negative Z values of the Bank of Baghdad for the four years indicate that it is approaching financial failure with different values, and that the bank will not continue its activity at the foreseeable level, if it does not take measures to remedy that. Over the four years, it reached negative values, and it was in (2016) at a rate of 14%, while in (2017) it was (13%), meaning that the risk increased by (1%), and in (2018) it was at a rate of (13%), i.e. equal With the previous year, but in 2019 the ratio was (9%), meaning the risk increased by (4%) from the previous year, so the bank's management should work to restore the safety ratios to a level that ensures the continuity of its commercial activity, and it is clear that the research hypothesis is denied because there are indications that Some commercial banks listed in the Iraq Stock Exchange will not continue their commercial activities.

Table 3. Measuring the extent of the failure of the Iraqi Credit Bank

The year	Net profit after interest and taxes/assets	Equity / Liabilities	Liquid Assets/Current Liabilities	Revenue / assets	Cash/assets	Z
2016	0.009	1.528	0.873	0.013	0.333	0.32
2017	0.014	1.957	1.070	0.030	0.343	0.42
2018	0.011	1.701	2.399	0.028	0.825	-0.16
2019	-0.009	1.318	2.066	0.009	0.866	-0.17

Source Prepared by researchers based on the data of the Iraqi Stock Exchange

From Table No. (3), the positive Z-values of the Iraqi Credit Bank for the two years (2017, 2016) indicate that it has moved away from financial failure with safety values that indicate the bank's continuity in its activity at the foreseeable level. In (2016) it reached (32%) while it was In (2017) (42%), it rose (10%), but the Z values turned negative for the two years (2019, 2018), which indicates that the bank is approaching financial failure with values that indicate the bank's lack of continuity, as the year (2018) was (16%) And in 2019, the ratio reached (17%), so the bank's management must try to restore the safety ratios as they were in the past two years. Furthermore, it is clear to us from the results of the evaluation of the continuity of banks, the research sample, based on indicators of financial failure according to the Kida model that some banks showed positive results, meaning that there is nothing to prevent them from continuing their commercial activity in the foreseeable future and that some of the banks showed negative results, which indicates that It will not continue to practice its commercial activity if it does not take measures to address this. However, it is clear from this that the research hypothesis is denied for the existence of these indicators, and this requires continuous and appropriate efforts from the administrations of these banks to remedy the matter.

5. Conclusions

Financial failure is one of the negative phenomena that financial institutions, including banks, may be exposed to. The results of the study proved that the KIDA model is suitable for application to Iraqi banks and helps the external auditor to predict the future of banks annually. The application of the

model answers the questions of the study problem, and that it is able to discover and distinguish between failed and non-failed banks. However, the results of the financial analysis of the main financial indicators constituting the model showed that there is a weakness in the performance of some banks in the research sample through the negative indicators that appeared in them, which confirms their exposure to financial failure or a great approach to it if these banks do not take the necessary measures to correct their performance. Accordingly, and from the foregoing results of the analysis reached by the researchers through the application of the model, it was found that some banks will not continue their commercial activity, as it was found from the application that the financial statements of the banks (the research sample) do not provide sufficiently reliable information, therefore are not suitable for making an investment or financing decisions, unless quick action is taken and intervention by the central bank aims to identify the reasons behind the indicators of the financial failure of banks.

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