**The role of IFRS 1 application in the relevant of accounting information from the users of financial statements prospective: An applied and analytical study in Asia Cell Communications Company**

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**Abstract:**

 The research aims to study the requirements of a IFRS (1) standard and the statement of a suitable concept and its importance for users of financial statements and the role of applying of IFRS (1) standard also aims to test the ability of applying the standard requirements in companies listed on the Iraqi Stock Exchange, and the relevant of the accounting information for the users of those companies in light of applying those standards. The research reached a set of conclusions, the most important of which was that of the standard, the application of the IFRS (1) standard requirements, describe the transformation process to IFRSs as a transformational stage, as the stage involves adopting the economic unit of standards on a set of procedures, methods and accounting treatments that unit should perform for the purpose of preparing financial statements in accordance with international standards and optional and compulsory exceptions that it facilitates the adoption process, in addition, the reports and financial statements aim to provide useful and appropriate accounting information that meets the needs of its users, as the property of predictive value in accounting information improve the ability of companies to predict the results of future expectations, the property of value assurance in accounting information provides the ability to change or correct current or future expectations, and it reduces the degree of uncertainty when it has feedback.

**Keywords:** IFRS 1, relevant, accounting, information, users, financial statements.

**1. Introduction:**

 Standard IFRS (1) is one of the most important standards issued by the International Accounting Standards Board, as this standard was applied to the economic unit that adopts international financial reporting standards for the first time or those that present their financial statements for the first time prepared in accordance with international financial reporting standard, as this standard aims to present the procedures, rules, accounting policies and basic requirements that should be followed by the economic unit when it adopts international reporting standards for the first time as a basis for preparing its financial statements. The primary purpose of preparing and publishing financial statements is to provide the users of these statements with information that will be useful to them in the process of making economic decisions, the implementation of IFRS (1) standard has received the attention of most countries in the world to raise the level of economic and financial organizations and to keep pace with the requirements of governance, as well as strengthening the capabilities of economic units, to develop and diversify the scope of its operations with the apparent increase in the number of users of financial statements from government, banks, analysts and others and the need to build a common understanding of accounting concepts across countries in order to unify the language of money and business, consequently, the preparation of financial statements that provide appropriate accounting information to these users in order to enhance their various decisions. The research deals with the role of applying IFRS (1) standard in the relevant of accounting information from users opinion of financial statements in Iraqi companies which depends in organizing its accounts and preparing its financial statements on the local accounting system represented by the unified accounting system.

According to the recent developments in the local environment requirements and adoption of international accounting standards and international standards for financial reporting, in view of the challenges facing the economic units operating in the local environment. In particular, the company in the research when preparing financial statements and adopts those standards, specifically the international standards for financial reporting, in particular standard IFRS (1) as a base for preparing its financial statements, these challenges are embodied in the compliance of the financial statements with the requirements for preparing them in accordance with this standard and the disclosure rules contained therein, and its role in improving its accounting outputs as well as strengthening transparency indicators to provide its users with useful and appropriate information for decision-making. We can formulate from the above the research problem according to the following questions:

1. Is there a possibility to apply the requirements of standard IFRS 1 in the local environment, specifically for companies listed on the Iraqi Stock Exchange?
2. Does applying the requirements of standard IFRS (1) contribute to providing appropriate accounting information from the users of the financial statements of the companies listed on the Iraqi Stock Exchange?

The importance of research comes from applying the requirements of standard IFRS (1) by preparing financial statements that provide appropriate accounting information, in the light of the transformation stage of the approved accounting system for economic units in the local environment, including companies listed on the Iraqi Stock Exchange to the final transformation of adopting international financial reporting standards, in particular standard IFRS (1) which will contribute to improve the quality and appropriateness of accounting information in the financial statements prepared by these companies and the possibility of relying on it in the decision-making process of the relevant parties. The research seeks to achieve the following objectives:

1. Studying the aim and scope of IFRS (1) standard requirements.
2. A statement of the concept of relevance and its importance to users of financial statements.
3. Explain the role of applying standard IFRS (1) in providing appropriate accounting information from the users.
4. A statement of the applicability of the requirements of standard IFRS (1) in the companies listed on the Iraqi Stock Exchange.
5. The role of applying the requirements of standard IFRS (1) in the relevant of accounting information for the users of the financial statements of companies listed on the Iraqi Stock Exchange.

**2 . Research methodology and previous studies:**

 This topic aims to focus on the applicability of the requirements of the international financial reporting IFRS (1) standard, which is the starting point for the Iraqi environments preparation for the adoption stage in 2021 through the application of the IFRS (1) standard, it includes a set of principles, procedures, methods and basic treatment, as well as mandatory and optional exception, which facilitate the adoption process for economic units and the importance of providing appropriate accounting information to users of financial statements which have the ability to predict and feedback as well as determine the relative importance of accounting items in the light of the application of the international financial reporting of IFRS (1) standard. This research is the evidence that economic units can take in the adoption process, as it contributes to identifying the foundation through which to facilitate the implementation process.

Al-Hashemi study (2012) The study aimed to shed light on IFRS (1) standard which was not previously addressed in spite of abundance of writings in the application of international standards, and the preparation of proposed rules for the transformation that contribute to achieving accounting standardization, in a way that contributes to making a comparison between different banks and measuring the adequacy of performance. The study concluded activating the bank law in relation to the application or adoption of international standards for the preparation of financial reports in banks, and accordance to the provisions of the banking law No. (94) of 2004 and the laws related to banking which requires the application of the international financial reporting standards in the first year of transformation, and work to develop the human resources working therein to enable them to keep pace with the development in the international standards for the preparation of financial reports to ensure the correct application of these standards.

Study of Makhlouf (2014) aimed to find out the extent of the impact of applying international financial reporting standards on the current institutional investor’s decision to increase their investment and attract new investors, also assess the effects of commitment to apply international financial reporting standards and disclosure instructions imposed by Jordanian laws on public joint-stock companies and its relationship to high-quality financial reporting. The study reached a set of conclusions, the most important of which was the commitment of industrial public shareholding companies to apply international financial reporting standards at a high rate, which is a positive indication of the importance of applying these standards and their role in the growth and continuity of these companies. Umoren study (2015) The study aimed to test if the mandatory adoption of international financial reporting standards improved the importance of the financial information value in the financial statements of commercial banks in Nigeria. The results indicate that the gradual value of earnings per share is appropriate during the post-term period of IFRS (1) standard, this means that profits reported by Nigerian commercial banks have become more beneficial to equity investors in determining the bank’s value after adopting international financial reporting standards.

Based on the questions mentioned in the research problem, the following hypotheses can be formulated:

1. There is no possibility to apply the requirements of standard IFRS (1) in companies listed on the Iraqi Stock Exchange.
2. There is no relationship between the application of the requirements of standard IFRS (1) and the appropriateness of accounting information by the users of the financial statements of the companies listed on the Iraqi Stock Exchange.

The present research concentrate on the ability of applying the requirements of the international financial statements IFRS (1) standard which considered a start point of the Iraqi environment ready of adoption stage in 2021 by applying this standard, it includes a set of principles, procedures, methods and basic treatment, as well as mandatory and optional exception, which facilitate the adoption process for economic units and the importance of providing appropriate accounting information to users of financial statements which have the ability to predict and feedback as well as determine the relative importance of accounting items in the light of the application of the international financial reporting of IFRS (1) standard. This research is the evidence that economic units can take the adoption process, as it contributes to identifying the foundation through which to facilitate the implementation process.

**3. Requirements of IFRS (1) standard “adopting international financial statements standards for the first time”:**

 The IFRS (1) standard considered the first international financial statement standards that focus on the issue of adopting those standards for the first time, according to which a set of procedures and requirements to be followed when economic units adopt international financial statement standards for the first time.

*3.1 The relevant of accounting information by adoption of IFRS (1) standard:*

Financial statement aims to provide accounting information about economic unit for users and investors, As users evaluate the financial statements to make decisions about additional investments or evaluate the efficiency and effectiveness of management in its use of the resources of the economic unit and assess financial use manner as well as strengths and weaknesses ( Walter and others, 2018). The published financial reports and financial statements of economic units are the main means of disclosure through which disclosure is made for those units and show the results of their business during the financial period and their financial position at the end of the same period, as it is known that all users, whether internal or external, rely to a large extent on these reports when making their various decisions and building future expectations about the future of economic units and their results. Therefore, these reports play a fundamental and essential role in the decisions of all users, (Hamad,2010).

Characteristics of the information presented in the financial statements are the basis to characterize the useful accounting information or the basic rules that should be used to evaluate the quality of the accounting information in accordance with the conceptual framework of international financial reporting standards from the users of the financial statements.

Item 4 of the conceptual framework of the International Financial Reporting Standards Foundation indicated in order for the accounting information to be useful, it must be appropriate and honestly express what it aims to express and enhance the usefulness of the accounting information, if they are comparable, verifiable, available in time and understandable, item 5 identified the essential characteristics as appropriateness and faithful representation (International Financial Reporting Standards Foundation, 2018).

The importance of the relevant characteristic lies in the fact that the decision that the user of the accounting information intends to take is important and dangerous. The starting point for making the decision is the relevance of the information provided to him in relation to the decision under study, (Tebi, Alshaikh, 2020), In the same regard, (Bakker) included a definition of appropriate accounting information as information that is able to make a difference in decision-making if it has a predictive value, an assertive value, or both. Financial information has predictive value if it can be used as an input into the process to predict future results, It has assurance value if it provides feedback on past assessments and incorporates materiality in appropriateness. Information is important if its deletion or misrepresentation might affect users' decisions (Bakker and others, 2017), The relevance of the information is related to its relative importance, as the nature and relative importance of the item is as important as determining the value of inventory within homogeneous categories and the information consider material (of relative importance) If its omission and misrepresentation could affect the economic decisions that users can make based on financial decisions, The International Accounting Standards Board did not specify a particilar standard or percentage for materiality, as this is due to the size of the company, the nature of its operations and other factors (Abu Nassar, 2017).

Honest representation means that the accounting information is faithfully representative of the economic processes and events that occurred in the unit and that were expressed in the financial statements, as the list of financial position equitably represents the financial position of the economic unit and its rights in the assets and liabilities on them, (Aljaarat, 2007) In order for the accounting information to be honestly represented, it should have three characteristics: completeness, impartiality, and free from important and influential errors, it is not expected that these characteristics will be fully realized, but they are intended to be achieved to the maximum extent possible, (Zekri, Marouf, 2018). As for completeness, it means providing all necessary information for honest representation. Deletion can cause the information to be false or misleading and therefore not be useful to users of financial statements, (Kieso, 2018). Neutrality indicates that, in order for accounting information to be faithfully expressing all other operations and events in the economic unit, it should be objective, that is, not biased towards the conflicting interests of its users, so that the financial reports are not prepared and presented to serve a specific party or entity of the users of these reports at the expense of other parties or to influence the decision-making to achieve a predetermined result, but rather for public use without personal bias, (Zekri, Marouf, 2018), while the absence of errors indicates that there are no errors or omissions in the description and statement of economic units, and there are no errors in the process of handling the accounting information declared, (Abu Nassar, 2017).

Comparability, verifiable, timely provision of information and understandability are qualitative characteristics that enhance the usefulness of information deemed relevant and genuinely expressed. The augmenting qualitative characteristics may help in their use to describe a phenomenon if both are appropriate and equally faithfully express that phenomenon. These characteristics will be recognized as follows:

The comparison process requires consistency in the use of accounting policies from period to another, meaning consistency in fixing those policies, in addition, the presentation of the financial statements should be consistent from one period to another and the classification of items. The economic unit is not allowed to change accounting policies except in specific circumstances that achieve the characteristic of suitability and sincerity of representation or as a requirement for local legislation or a requirement for an international standard as mentioned in the International Accounting Standard (8), (Abu Nassar, 2017).

Verifiable It is the degree of agreement between independent and knowledgeable individuals who perform the measurement process using the same methods of measurement, that is, the extent to which there is a high degree of consensus among independent accountants when they use the same methods of measurement and come up with similar results for economic units so that the characteristic of honest representation is also achieved, (Hmeedat, 2019).

The right time Appropriate timing provides information to decision-makers before it loses its ability to influence decisions, and the lack of appropriate timing can make appropriate information lose its utility, (Schroeder and others, 2009), and that the appropriate timing is linked to my characteristics of relevance and sincere representation. The information is supposed to reach the decision-makers at a time when such information affects the relevant decisions taken without delay, and at the same time it should not lose its credibility, That is, the urgency to obtain accounting information does not affect its honest representation, accuracy and impartiality, (Aljaarat, 2007). Understandability of accounting information means that the information is classified and presented clearly and accurately, it is assumed that the users of accounting information have a reasonable level of knowledge in the field of accounting and in the work of the economic unit and its activities, and they have the desire to exert sufficient effort to study the accounting information presented in the financial reports of the economic unit, (Abu Nassar, 2017).

*3.2 The importance of appropriate accounting information for users of financial statements:*

The accounting information is of great importance to many of the beneficiaries of it. The accounting information in the financial statements is many and multi-purpose for the needs of each beneficiary, as each entity needs a certain amount of this information, the importance of accounting information lies in the level of its disclosure, as this information is found in the financial statements, through the financial analysis, it is possible to assess the financial position of the economic unit for the past and current period and predict the risk of bankruptcy in the future, and this analysis depends primarily on the quality of the accounting information produced by the accounting information system in the form of financial statements, especially with regard to its ability to predict the future, (Fawziya, Khadija, 2016), there are many users of the accounting information helps them in rationalizing their decisions to be taken based on this information, and their needs for this information vary due to the diversity and multiplicity of their continents, and the following main categories of users can be identified and what information is used for their needs, (Aljaarat, 2008). The table shows the importance of appropriate accounting information for users of financial statements:

**Table 1.** The importance of appropriate accounting information for users of financial statements.

|  |  |  |  |
| --- | --- | --- | --- |
| Users | Relevance | Prediction and Assurance | Relative importance |
| The present and future investors | Help make decisions in term of:Their continued possession of the rights they possess in the unit.The ability of the current administration of the unit to manage its affairs.Determine the size and nature of the cash flows that are expected to accrue to them as a result of those investments. | Investors needs to know:The extent of the economic unit’s ability to invest, compete in the market and grow in the total value of the unit..nvestors believe that the predictive information derived from the future financial statements of the economic unit will benefit them in making the investment decision in the economic unit.The value of predictive information from the investors' point of view will be greater if the published financial forecasts for the economic unit are audited by an independent and impartial auditor. Rather, the type of neutral technical opinion in this regard will affect the value of the information provided to them by the published financial forecasts. | The materiality appears in the informational content of the financial statements for each of the notes, notes and income statement |
| Present lenders | Help in understanding the unit’s conditions in terms of granting credit, guarantees, rate of return, payment terms and due date, i.e. evaluating the unit to generate cash flows that guarantee their rights. | The information provided by future accounting information is one of the most useful information for lending decision-makers because of its influence on their decision-making, because The financial position of the debtor is one of the most important elements that should be analyzed when granting loans, as it is the guarantee. | The materiality appears in the informational content of the financial statements for both the income statement and the balance sheet. |
| Suppliers, customers and employees | The profitability of their current and prospective relationships with the economic unit and the unit’s ability to continue generating cash flows and ensuring their continuity.Customers need information that helps predict the future situation of the economic unit and its ability to continue the process of producing and selling its goods..As well as the need for information about the extent of safety and the expected career improvement in the future. | This category is interested in financial reports and information that clarifies the liquidity of the economic unit and its future profitability, the extent of credit capacity for that unit and the available period for payment, and the extent of financial stability enjoyed by the unit in the future..Forecasts to determine the extent of the economic unit's ability to continue operating operations, in addition to achieving high future profit rates, and thus its ability to pay labor returns in terms of wages, bonuses and incentives. | The relative importance appears in the informational content of the financial statements and the extent of their ability to achieve revenue, |
| contributors | Information about the success of the unit in investing the money it manages And to achieve a rewarding return and the success of its financing policy and its executive management..The ability of the economic unit to distribute profits. | Their need to find out the efficiency of the administration as an agent on their behalf in managing the economic unit, especially the planning function and what it requires in preparing financial forecasts, which reflect the management’s ability to explore future variables with the greatest potential to affect the ability of the economic unit to achieve its goals. | The materiality appears in the informational content of the financial statements and their impact on profit distribution. |
| Financial analysts | To conduct the necessary financial analyzes to assess the potential risks and returns associated with the unit and provide advice to customers in light of this. | One of the most important information needed by financial analysts and investment opportunity analysts is the information of published financial forecasts for the economic unit and the related observations and details. | Materiality appears in the informational content of the financial statements. |
| Customers | The need for information regarding the above-mentioned parties as well For information on environmental and economic conditions. | The more important the customer, the more he can request the financial information he deems necessary and sufficient to make the decision to deal with the economic unit or not, and to make sure that its financiers will fulfill their pledges in terms of quantity, quality or delivery time. | The relative importance appears in the informational content of the financial statements for each of the income and financial position lists. |
| Governmental entities | The need for information to help it verify the extent of the economic unit’s compliance with the same laws Related links such as corporate law and income tax law As well as information that helps to estimate various taxes on the economic unit and determine the extent of its ability to pay those taxes. | Depends on the information contained in the financial statements to draw conclusions about growth, liquidity and profitability, and based on that information and other economic information, the government prepares policies and makes economic decisions that include tax rates, price policies, wages, investment incentives and imposing restrictions on imports to protect certain local industries. | Materiality appears in the informational content of the financial statements. |

**4. Results:**

Asia cell Communication Company was established as a limited company in 25.7.2007 according to the decision of the registrar of companies in Baghdad number 02 – 6444, the company get a license from Media and Communications Authority in 30.8.2007 for 15 years’ worth (1.25) million USD. to set up a telecommunications network in Iraq for the purpose of providing mobile phone servicesand turned into a joint stock company in 2.11.2011 with a capital of (270012) million ID. the company obtained the approval of the Securities Commission to be listed on the Iraq Stock Exchange in 24.7.2012, its capital was increased to (310000) million ID. In 8.7.2015. Asia cell Communications has adopted, since 2018, three of the financial reporting standards represented by the standards (9, 15 and 16) this is an early adoption of the standards and it has been chosen to see the extent to which the requirements of international financial reporting standards are applied and their impact on the financial statements and the possibility of their compatibility under the accepted accounting system.

The Iraqi environment provides accounting information in accordance with the accounting principles accepted for it by adopting the unified accounting system in organizing and recording the accounting operations of economic units for profit in most sectors except for the banking sector, which has adopted international standards as of 2016. Asia cell Telecom takes the unified accounting system as a basis for organizing its procedures and accounting system. Despite the growth witnessed by the money market, companies need to unify the accounting language by unifying the business language and making it useful and understandable, which faces the unified accounting system great challenges in front of changes in the economic and investment environment and thus led To the emergence of deficiencies in the unified accounting system currently applied, which is represented in the following:

1. The unified accounting system failed to keep up with recent changes to the due to the lack of continuous updates to it according to political and economic variables.
2. In light of the economic openness and the entry of foreign investors and foreign companies into the Iraqi environment, the local accounting systems suffer from a lack of understanding and clarity for other foreign investing countries.
3. The absence of the unified accounting system containing extensive information regarding the accounting treatments, the failure to introduce numerous accounting rules under the current circumstances, compared to the international standards that are constantly being developed, and to expedite finding solutions and treatments in light of what the standards objectives contain.
4. The failure of the reports attached to the accounts to the clarifications and disclosures that complement the accounts and the sufficiency of a number of items without giving a clear and complete picture of the accounting treatments.
5. The unified accounting system is more complex in accounting treatments, because it uses more than one accounting entry for treatment in cases of proof and cancellation of accounting operations, which in turn prolongs the accounting procedures.

The Asia cell Communications Company, on the date of the transfer, is obligated according to the text of item (21) of Standard IFRS (1) in preparing its opening financial statements for the first time as well as the related explanations in accordance with the international financial reporting standards. The international accounting standard 1 take the requirements of preparing and presenting financial statements including related lists of income and cash flows of economic units when converting to international standards, the item 1 specifies the basis for presenting the financial statements and specifies the overall requirements for presenting them, the instructions for their structure, and the minimum requirements for their contents, to ensure comparability with the financial statements of companies in previous periods and with other economic units that practice the same activity.

International Accounting Standard (1) in accordance with items (9 and 10) gave the objective of the financial statement which includes information about the financial position and cash flows of economic units, that consider useful for a wide range of users while making economic decisions, and must include all the financial statements previously mentioned, in addition to the explanations and comparative information with the previous period when applying an accounting policy and retrospectively, this information, along with other information mentioned in the explanations, helps the users of the financial statements in forecasting the future cash flows of the economic unit, specifically predicting their timing and degree of certainty as well as their relative importance in order to achieve a kind of suitability to the content. Informative information for those lists from the perspective of their users.

When preparing the financial statements for the transformation, the company must take what was stated in the International Accounting Standard (1) regarding the items required to appear in the financial statements in terms of structure and content, as it was mentioned in item 50 thereof, international financial reporting standards apply - only - to the financial statements, and not necessarily on the other information presented in the annual report or in a report prepared according to regulatory requirements or in another document, accordingly, it is important for users to be able to distinguish the information prepared using IFRSs from other information that may be useful to users, but which is not the subject of these requirements.

 In the same context, item (51) which includes specifying the information that should be displayed in the financial position list, and what should be included in the list of financial position of independent items. Item 65 of it also stipulates the disclosure of the history of the financial assets and liabilities of the amounts due from commercial and other debtors, and includes amounts payable to commercial and other creditors, information about the expected date of recovery of non-cash assets, such as inventory and the expected date, regardless of whether the assets and liabilities are classified as current or for the settlement of obligations such as provisions, regardless of the classification of assets and liabilities as current or non-current, for example, the company discloses the amount of stock that is expected to be recovered within a period exceeding twelve months after the financial reporting period.

It is evident from the foregoing that when Asia cell Communications Company adopts international financial reporting standards and in preparing the statement of financial position, it is required to apply the requirements of International Accounting Standard (1) regarding the structure and content in the presentation of its items, as well as the items of the income and cash flows lists in addition to applying the accounting treatments stipulated in the International accounting.

Before starting to prepare the financial statements for the Asia Cell Communications Company (private shareholding), we clarify that the company, as mentioned previously, has applied three international financial reporting standards, which are (9, 15 and 16) standards and has carried out the required accounting treatments in the final accounts starting from the date of Their application to international accounting standards in 2018, the following are the financial statements of Asia cell Communications Company when adopting international financial reporting standards, according to the requirements of IFRS 1, three statements of financial position as on 1/1/2018 and comparative accounts as on 31-12-2018 and the year of application of the standards as on 31/12/2019 must be prepared and the statement (2) which represents the list of financial position of the company. Asia cell in accordance with international financial reporting standards for the first period required for the transformation, as the company's accounts were transferred from the applicable accounting system to international standards, and what was stipulated in the requirements of the International Financial Reporting Standard (1) was applied to prove the obligations and assets required by the standard and cancel the assets and liabilities to be excluded and upon application it became clear that the account of deferred revenue expenditures includes according to disclosure (1) as below:

**Table 2**. Account of deferred revenue expenditures (amounts in millions of dinars)

|  |  |
| --- | --- |
| Account name | Amount |
| The goodwill | 50812 |
| Trade mark | 29727 |
| License fee | 475831 |
| 3rd generation charges | 227423 |

**Source**: The two researchers prepared them based on the available data from the company.

From the previous disclosure, it becomes clear that the goodwill item is one of the assets that need to be excluded and treated by closing it in the retained earnings account in accordance with the requirements of International Financial Reporting Standard (1) because it is an internally generated in accordance with the standard (IAS 38) intangible assets, note that in the period 1/1/2018, the company did not apply any of the standards, and it adopted the standards other than 2018 and the list (2) below represents the list of financial position as on 31/12/2019 for Asia Cell. After completing the preparation of the financial statements in accordance with international financial reporting standards and before preparing the income and cash flow statements, the changes that took place in the financial position items of Asia Cell Communications Company (private company) should be clarified when converting to international standards, as follows:

Fixed assets: This item represents the amount of fixed assets owned by the company (741583) it represents the book value of the fixed assets after deducting the specified extinction, as indicated in the item (6) from the International Accounting Standards (16) real estate, machinery and equipment, which are tangible items that are kept for use in the production or supply of goods or services, or for renting them out to others or for administrative purpose, it is expected to be used for more than one period, item 7 of it also indicated that a cost-proof of a fixed asset exists only when it is probable that future economic benefits associated with the item will flow into the economic unit, the cost of the item can be measured - in a reliable way.

Deferred revenue expenditures: This item represents a group of items represented by the goodwill and trademark clause and the fees related to the license and the right to use. When analyzing this account we would like to clarify the following:

1. The deferred revenue account that is recognized according to the unified accounting system has been changed to what is equivalent in international standards, which is the (intangible assets) account.
2. The amount of change in the intangible assets account transferred to the retained earnings account amounted to (50182) million dinars resulting from a decrease in intangible assets for Asia cell's recognition of goodwill upon applying the unified accounting system.

Upon analysis, the goodwill account appeared, and it represents, according to criterion 38, intangible assets, as mentioned in item 8 thereof, the intangible asset is a non-monetary, identifiable asset that does not have a tangible physical entity as stipulated in item (11) of it that the tangible asset is identifiable in order to distinguish it from , item 12 of the standard stipulates that an asset be identifiable when it is separable, that it can be separated from the other items or sold, transferred, licensed, leased or exchanged, either individually or with a related or existing contract or identifiable commitment, regardless of whether the economic unit intends to do so or it results from contractual rights or other statutory rights, regardless of whether these rights are transferable or separable from the unit or from other rights and obligations.

 Accordingly, when analyzing the goodwill clause, it became clear that it resulted from an internal generation that did not result from a business merger, as the item (12) stipulated From the International Accounting Standard (38) recognized in a business combination is an asset that is expressed future economic benefits arising from other assets acquired in the process of business combination, as mentioned in the item (48), it is not permissible for the internally generated to be proven to exist, and accordingly, its value of (50812) million dinars is required to be excluded in accordance with the requirements of the International Financial Reporting Standard (1) item (10 / b) thereof.

 As for the remaining accounts amounting to (484060), they show an identifiable value, and accordingly their establishment is not excluded according to the International Accounting Standard (38). Note that the goodwill clause was excluded because the company did not provide details or clarifications on how it was generated, in order to know more about the accuracy of the accounting procedure that should be taken when switching to standards in the future, statement (4) below shows the effect of the change in the account of intangible assets as follows:

**Table 3.** Intangible assets as of 31.12.2019 (amounts in millions of dinars)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Total cost | Amortization balance accumulated as in 1.1.2019 | Amortizing the current year | Total amortization | Balance as in 31.12.2019 |
| Customer relations | 10903 | 10903 | -- | 10903 | 0 |
| Trade mark | 95550 | 72193 | 6370 | 78563 | 16987 |
| License fee | 1531250 | 1157520 | 102083 | 1259585 | 271665 |
| Third generation license fee | 373619 | 194928 | 48732 | 243660 | 129959 |
| Right to use | 90924 | -- | 25475 | 25475 | 65449 |
| Total | 2102246 | 1435526 | 182660 | 1618186 | 484060 |

**Source:** The two researchers prepared them based on the available data from the company

From the above disclosure, it becomes clear that the item has been completely closed since the date of preparing the initial financial statements for the adoption stage of international standards, and thus the balance = zero.

Inventory: This item includes the value of the company's stock, whose value is (17658), represented by the reserve tools store, as well as the stock of miscellaneous items represented by the store (SIM cards and shipping cards), and guided by the International Accounting Standard (2), item (6) of it stipulates that inventory is an asset held for sale in the normal course of business or in the production stage for such a sale or in the form of raw materials or tasks that will be used in the production process or in the provision of services, item (36 / b) also stipulated that the financial statements disclose the total book value of the stock and the book value in the appropriate classifications of the company.

Debtors: The value of this item is (314443) represented in the rights and dealings of the company with others, represented by trade receivables, various receivables and advances.

Cash: This item includes the cash value in the fund amounting to (57834) and the value of cash at banks amounting to (1070358), the International Accounting Standard (7) in item (6) of it has specified cash, which includes cash in the treasury and demand deposits, item (3) of it also stipulates the interest of the users of the financial statements of any economic unit in how to generate cash and cash equivalents and how to use them, despite the possibility of the difference in its main revenue-producing activities, as it needs cash to carry out its operations, pay its obligations and provide returns to its investors.

Reserves: This item, whose value is (197543), represents the compulsory reserves that must be deducted according to the applicable corporate law, and it represents (5%) of the net profit, which amounts to (155,000) in addition to the reserves that the company wishes to establish to face the fluctuations of events, as for the various reserves, whose value is (42543), which appears in this item when analyzed, it appears that it is an account that has not been used for many years, and therefore the company can transfer it to retained earnings or keep it as shown in the clause.

Retained earnings: This item includes the retained earnings from previous years with the addition of the net profits realized for each financial period as well as the deductions that are made as a result of the distribution of profits to shareholders and the required accounting treatments, as the amount of the amendment in this account amounted to (378403) million dinars, according to the details mentioned below:

Amortization of amounting to (50812) million dinars and as of 1/1/2018 and for the period included, the adoption of international standards for what is included in the International Financial Reporting Standard (1), which provides for the exclusion of assets and liabilities that are not recognized by the requirements of the International Financial Reporting Standard from the financial statements of the economic unit when it adopts international financial reporting standards and deals with them by closing it in the retained earnings account.

 (709) million dinars were transferred as a result of applying the standards of international financial reporting (15,9), as international standards stipulated the necessity to address the impact of applying international standards when adopting for the first time by closing them in the retained earnings account, and this is what was done by the Asia Cell Company when preparing the list of financial position for the year 2018, by:

1. Closing the effects of adopting the financial reporting standard (9), amounting to (18300) million dinars.
2. Closing the effects of adopting the International Financial Reporting Standard (15), amounting to (709) million dinars, which is a positive balance.
3. The deducted amount from the retained earnings item of (310000) represents the amount transferred to distribute cash dividends to shareholders.
4. The balance of retained earnings after the above amortization amounted to (763135) for the year 2019.

From the above, it is clear to us that the international financial reporting standards from the research sample were compatible with the Iraqi environment and in all circumstances, noting that despite the presence of companies characterized by a good financial position represented by the Asia Cell Company, which carried out early application of the standards and was able to the accounting treatments and apply the necessary accounting policies accompanying the International Financial Reporting Standard (1), this indicates the negation of hypothesis IFRS (1) of the current research, which refers to “there is no possibility of applying the requirements of Standard 1 in companies listed on the Iraq Stock Exchange, and that there is a possibility to apply the requirements of Standard IFRS (1) in the companies listed on the Iraq Stock Exchange.

Financial Reporting Standard (1) “adopting international financial reporting standards for the first time” aims to present the first financial statements prepared in accordance with international financial reporting standards and their financial reports are of high quality, transparent to their users and comparable to the periods in which the financial statements are presented.

After the requirements of applying the International Financial Reporting Standard IFRS (1) have been applied to the financial statements of the company, the research sample, and for the purpose of knowing the extent to which the application of the requirements of Standard 1 provides appropriate information for the users of the financial statements of that company, The matter requires the use of some financial indicators appropriate to the research variables, which will be calculated in light of applying the requirements of the standard to their financial statements before and after implementation for the purpose of proving or denying hypothesis (2) for research that: There is no relationship between the application of the requirements of Standard (1) and the appropriateness of accounting information from the viewpoint of the users of the financial statements of the companies listed on the Iraq Stock Exchange.

Below are some of the financial indicators of Asia cell Communications Company before and after applying the requirements of Standard IFRS (1), and this will be clarified through Table 4:

Table 4. Some financial indicators of Asia cell Communications before and after implementing the requirements of the standard IFRS (1):

|  |  |  |  |
| --- | --- | --- | --- |
| Financial indicators | Before application | After application | Percentage change |
| Liquidity index |
| Liquid or quick ratio (current assets current liabilities) | 96,480% | 96,480% | 0% |
| Cash Ratio (cash and cash equivalents current liabilities) | 74,539% | 74,539% | 1% |
| Profitability ratio indicators |
| revenue (profit / loss) ÷ total assets (fixed + current) | 5,706% | 5,913% | 3.6% |
| revenue (profit / loss) ÷ Equity | 11,913% | 12,851% | 7.9% |
| Revenue power (profit / loss before taxes and interest) ÷ total assets | 51,744% | 53,623% | 3.6% |
| Calendar indicators |
| Book value index (equity÷ shares) | 446,894% | 416,112% | -6.9% |
| Leverage index / leverage ratios |
| debt ratio (total liabilities ÷ total assets) | 52,762% | 54,675% | 3.6% |
| Ratio of debt to equity (total liabilities ÷ Property rights ) | 110,142% | 118,828% | 7.9% |

 **Source**: Prepared by the two researchers

The application of the requirements of the International Financial Reporting Standard (1) has contributed to the provision of appropriate information for users of the company's financial statements, the research sample, as most of the financial indicators rose against a slight relative decline for some others, however, it does not pose a great risk to the parties related to those companies, These financial indicators have enabled it to give the ability to predict future events and to evaluate past events and to identify items of material importance that have an impact on decisions, This is in light of the results achieved when applying the requirements of Standard (IFRS 1), that indicates the negation of hypothesis (2) that “there is no relationship between the application of the requirements of Standard (IFRS 1) and the appropriateness of accounting information from the viewpoint of users of the financial statements of companies listed on the Iraq Stock Exchange.

**5. Conclusions:**

Under the International Financial Reporting Standard (1) it involves many accounting standards aimed at presenting the adopted economic unit its first lists prepared in accordance with the standard with acceptable accounting policies, as the financial statements represent a basic means of disclosure of accounting information through which users can meet their needs and make correct decisions. Second: The International Financial Reporting Standard (1) described the transformation process to IFRS as a transformational stage, as the stage of adopting the economic unit of standards involves a set of procedures, methods and accounting treatments that unit should perform for the purpose of preparing financial statements in accordance with international standards as well as the optional and compulsory exceptions that facilitate the adoption process.

The financial reports and statements aim to provide useful and appropriate accounting information that meets the needs of its users as:

1. The predictive value feature in accounting information provides improvement in companies' ability to predict the results of future expectations according to past, current and future results.
2. The assured value feature in accounting information provides the ability to change or correct current expectations or future and reduces the degree of uncertainty when it has feedback.
3. The materiality feature in accounting information provides the ability to determine knowledge of the nature of the information, its relative importance and its impact on decisions

After applying the requirements of the International Financial Reporting Standard (1) in the accounts of the Asia Cell Communications Company, the following financial statements included The account showed an amount of (50812) million dinars within the deferred revenue expenditure account recognized in accordance with the unified accounting system, which violates the requirements of the standard. The financial statements of Asia Cell showed the reserves account with the total amount (1062302) million dinars according to the unified accounting system, as the company did not indicate what is included in this account in terms of the amount of the various reserves and the mandatory reserve. The effect of the amendment on the retained earnings account amounted to (50812) million dinars through the amortization of the account.

Some financial indicators appropriate to the research variables were used to extract the financial ratios before and after applying the requirements of Standard IFRS (1) to the research sample company, and its most prominent results were the following:

1. The application of the requirements of Standard IFRS (1) has provided appropriate information to the users of the company's financial statements for the research sample.
2. Most of the financial indicators have increased in contrast to a slight relative decline for others, but it does not pose a great risk to the parties related to the company, the research sample.
3. Financial indicators enabled the users of financial statements to be able to predict future events, evaluate past events, and identify items of materiality that have an impact on decisions.

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