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The Role of Implementing International Financial Reporting Standards (IFRS) on the Quality of Financial Reports in Bank of Baghdad

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Abstract

The study aims to demonstrate the role of applying IFRS in enhancing the quality of financial reporting at the Bank of Baghdad, in order to benefit financial report users and contribute to improved report quality and future financial advantages. For this purpose, a sample was selected from the Iraqi Stock Exchange and Bank of Baghdad during the study period (2021-2022). The study found that Bank of Baghdad's financial statements included disclosures on the accounting policies and methods used in preparing the financial statements, along with the presentation of accompanying analytical reports. Furthermore, sufficient information was provided using methods such as analytical tables, templates, and graphs in accordance with international financial reporting standards, specifically International Standard No. 1 for the preparation and presentation of financial statements. All of this indicates that there is a link in the presentation. In addition, the bank submitted its final accounts to the external auditor for audit and opinion issuance immediately after the end of the financial year, demonstrating the timeliness of reporting. The study recommends strengthening the implementation of IFRS and providing an appropriate economic and financial environment in Iraq that enables the banking sector to fully adopt IFRS, thereby contributing to improving the quality of financial reporting.

Keyword: Concept of IFRS, Quality of Financial Reports, Importance of Financial Report Quality

1. Introduction

Accounting has undergone rapid developments worldwide in recent years, with many countries adopting International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) due to the acceleration of cross-border foreign investment through multinational and cross-border companies. Many contemporary studies have shown that the transition to IFRS brings many advantages and benefits to the accounting system.

However, debate continues among academics and practitioners regarding the extent of these standards' benefits and the feasibility of their adoption, given the variations in accounting systems among countries. This is especially relevant since IFRS were primarily developed to meet the requirements of capital markets and free economies in developed and emerging markets.

IFRS are considered a contemporary tool in modern accounting thought. Their implementation aims to improve the quality of accounting performance in industrial and service organizations, thereby achieving the core objectives of the accounting system. IFRS also reflect the expanding strategic role of the accounting profession in supporting organizational competitiveness and strategic success, especially in light of the global financial crises and their negative impact on the present and future of developing economies, including Iraq.

It is crucial for users of financial data (investors, regulatory bodies, etc.) to have access to transparent and credible financial information to support sound decision-making. Managerial manipulation by executives in many companies poses a major economic obstacle and can lead to financial crises. The Enron and WorldCom scandals are prime examples of early 21st-century corporate collapses in the U.S. caused by financial data manipulation. To boost confidence in financial reporting, the European Parliament in 2002 issued

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regulations mandating listed companies in the EU to apply IFRS.

This study provides a knowledge framework regarding the impact of IFRS on the quality of financial reporting, and its effect on curbing managerial manipulation of financial results. The study seeks to ensure transparency of financial information that builds trust in accounting systems and attracts foreign investment to the subject of the study: Bank of Baghdad.

Study Methodology and Previous Studies

1.1 Problem Statement

The banking sector is one of the fundamental pillars of financial institutions worldwide, playing a vital role in the success or failure of any country's economy. Effective government oversight is essential to achieving efficiency and performance, particularly in the banking sector, which relies on transparency and accountability as reflected in financial reports. Given the weakness of the financial sector, which poses significant challenges in times of monetary policy changes, this study seeks to address the research question: "Does the Bank of Baghdad comply with international financial reporting standards, and what is the impact of this compliance on the quality of its financial reports?"

1.2 important of the Study

The study contributes to providing a knowledge framework for the impact of international financial reporting standards on the quality of financial reports, and how this can reduce management manipulation in financial reporting. Providing transparent financial information builds trust in accounting systems and attracts foreign investment to the Bank of Baghdad.

1.3 Study Objective

The study aims to demonstrate the role of applying IFRS in enhancing the quality of financial reporting at the Bank of Baghdad, in order to benefit financial report users and contribute to improved report quality and future financial advantages.

1.4 Research Hypothesis

The application of IFRS helps the Bank of Baghdad strengthen the foundations of financial statement preparation and disclosures in line with global banking practices.

1.5 Review of Previous Studies

1. Study Sarker (2025) ^[24]

This study assessed how cloud accounting affects the financial reporting capabilities of small and medium-sized enterprises (SMEs). It sought to examine the impact of adopting cloud accounting on enhancing the efficiency of financial reporting for SMEs. The study indicates that cloud-based accounting systems reduce manual errors and data reprocessing while enhancing the timeliness and transparency of financial reporting. Furthermore, these systems provide remote access and real-time communication between stakeholders, improving decision-making and compliance with financial regulations. However, issues such as data privacy, implementation costs,

and the need for employee training are key variables that affect the effectiveness of adopting these systems. This study provides important insights for practitioners.

2. Study (Jasim *et al*, 2023) ^[15]

The research aims define international financial reporting standards, in addition to showing their importance during historical development. It is clarifying the international financial reporting standards. In addition to showing its importance during the historical development. Results of the practical application of the research showed that the adoption of international financial reporting standards instead of the unified accounting system for banks has affected the quality of the financial reports of some banks listed in the Iraq Stock Exchange. It is concluded from this that there is a lack of proper application of international financial reporting standards because of the unclear understanding of them and how to apply them. Iraqi commercial banks need to adhere to the effective and proper application of international financial reporting standards to avoid many issues and fundamental errors related to the presentation of financial reports. The adoption of International Financial Reporting Standards (IFRS) increases the possibility of comparing financial information, in addition to increasing the level of transparency and the quality of disclosure in financial reports. This means the application of standards reduces information asymmetry, therefore is reflected in the users of that information in decision-making. The value of research comes from the importance of international financial reporting standards and their ability to provide quality and comparable financial reports between different companies and economic units, also the role of it for improving the quality of financial reports.

3. Study Al-Luhaidan (2020) ^[5]

The main purpose of this paper is to examine the impact of International Financial Reporting Standards (IFRS) adoption and Audit Quality (AQ) on Earnings Management (EM) practices in Saudi Arabia listed firms. EM is measured by the discretionary accrual using Healy (1985) and Kothari, Leone, and Wasley models. The investigation indicates that there is a negative relationship between IFRS adoption and EM practices, especially if it is combined with AQ, while it found a positive relationship between firms' size and accrual EM, and no significant impact of AQ on firms' debt ratio and EM practices. The importance of these results lies in providing clear evidence that the adoption of IFRS in developing countries has helped reduce earnings manipulation practices, which contributes to gaining confidence in Saudi firms and thus attracting many foreign investments.

4. Study (Salah, Abdelsalam, 2019) ^[23]

The purpose of this study is to investigate whether the financial reporting under International Financial Reporting Standards (IFRS) has more quality than local GAAP for firms listed on Taiwan stock exchange. However, there is no significant difference in either the timely loss recognition or the value relevance of accounting information between the pre and post-adoption periods. This study contributes to the literature by using data from an emerging market. It

provides an insight to practitioners, international standard setters and regulators into the international debate on the effects of the switch from local GAAP to IFRS on Financial Reporting Quality.

5. Study (AKPAKA, 2015) ^[4]

This study therefore seeks to investigate the impact of IFRS adoption on value relevance of financial information of listed Deposit Money Banks (DMBs) in Nigeria. analyses on seven (7) listed banks. Using the Generalized Least Square (GLS) the study documented that: PreIFRS financial information is value relevant; post IFRS financial information has very weak value relevance and post IFRS financial information has no relative value relevance over pre- IFRS financial information. The study therefore, recommends a need for strong enforcement effort, rigorous IFRS training and good corporate governance.

2. Theoretical Framework of the Study

2.1 The Concept of International Financial Reporting Standards (IFRS)

International standards have emerged to keep pace with important developments in the business world, particularly in financial reporting, which is the ideal way to make the accounting profession a reliable practice representing various sectors. They have provided rules, principles, and guidelines for accounting practices. They are referred to when necessary to reduce effort, limit multiple accounting treatments of the same issue, and provide high-quality financial data that helps stakeholders make informed decisions (Abu Amr, 2017) ^[3]. Standards are defined as guidelines for measuring operations and events that affect business results and financial position. They act as a practical guide for the preparation and presentation of financial statements (Al-Saqqa, 2008) ^[8]. IFRS is defined as a set of accounting standards and interpretations issued by the International Accounting Standards Board (IASB), aiming to achieve consistency among the countries that apply them in the field of financial reporting. These standards provide financial information that is relevant and reliable for decision-making. IFRS is also described as a set of essential rules and guiding principles that provide instructions on proper record-keeping, transparency, standardization, comparability, and enhancing public trust in financial reporting in a globalized world (Shiyanbola, 2022: 217) ^[25]. Aerts and Walton (2009: 71) ^[27] pointed out that the essence or foundation of financial accounting consists of a set of assumptions, rules, and conventions called Generally Accepted Accounting Principles (GAAP), which are fully accepted. The differences between these standards from one country to another are rooted in the objectives of the accounting systems in each country, which leads to the development of country-specific accounting standards.

International accounting is defined as "accounting for international contracts, comparing accounting principles between different countries to achieve compatibility or consistency in accounting across the globe, and providing accounting information for managing and overseeing global operations" (Al-Musawi, 2015: 398) ^[7].

2.2 Objectives of International Financial Reporting Standards (IFRS)

The main objective of issuing the International Financial Reporting Standards is to improve the quality and transparency of information presented in financial reports so that they reflect the true economic performance and financial position of an economic entity. The objectives of issuing IFRS include the following:

(Mohammad & Mshiekh, 2024: 299; Ismail & Kadhim, 2022: 289) ^[21, 14]

1. Providing an internationally agreed-upon framework for how companies prepare their financial statements and report accounting information, through general guidelines for financial reporting at the international level.
2. Measuring and identifying financial transactions and events of economic units and disclosing them in accordance with specific and generally accepted accounting practices, by simplifying accounting procedures using a unified reporting language.
3. Obtaining more reliable and relevant information about the financial position to allow international comparison, as reports are prepared in accordance with internationally agreed-upon measurement and disclosure rules, achieving standardization, transparency, comparability, and reliability.
4. Providing sufficient disclosure for stakeholders while ensuring the quality of accounting information, which helps users make sound economic decisions. International accounting standards thus provide investors with a comprehensive view of the financial matters, attracting new investors to the capital market.
5. Work to provide external reviewers with the necessary rules and guidelines on which they base their work.

2.3 Quality of Financial Reporting

There is limited discussion in relation to "quality of financial reporting" in professional and academic discourse, yet quality is a concept that is regularly referred to, notably in recent years when Australia adopted IFRS. Although the meaning of the word quality is seldom addressed directly, different associated elements have been identified that contribute to a definition of the concept of "quality". (Cheung *et al.*, 2010: 148) ^[11], (Kieso *et al.*, 2020) ^[17]. Some researchers have conducted general reviews on various facts surrounding the quality of financial reporting. Accounting standards convergence, accounting standards harmonization, economic crises, growth in disclosure requirements, and other factors have created an excessive focus on financial reporting. (Beest, 2009) ^[10] Also, the worldwide increase in accounting scandals in the early 21st century has pointed to weaknesses in financial reporting quality. The quality of financial reporting determines, and depends upon, the value of accounting reporting. Across the world, the demand has gone out for providing a clear and full definition of financial reporting quality. It is essential to provide high-quality financial reporting to influence users in making investments decisions, and to enhance market efficiency. Providing ideal methods for assessing the quality of financial reporting is another global demand. The higher the quality of financial reporting, the more significant are the benefits to be gained by investors and users of the financial reports. Moreover,

financial reporting quality is a broad concept that does not just refer to financial information; it also includes other non-financial information that is useful for making decisions. (Herath, Albarqi, 2017: 1) ^[13] According to (IASB), financial reports general-purpose documents that provide financial information to help current and potential investors, lenders, and other creditors make useful decisions regarding the provision of resources to entities (Mbawuni, 2019:30). (Abdelkader, 2017) ^[1] and (Al-Shatnawi & Dagher, 2025: 927) ^[9] financial reporting quality as “reporting that adheres to international accounting standards and the conceptual framework of IFRS, conveying the report content to users in a timely manner, free from material misstatements, and truthfully reflecting the company's economic situation.” The quality of financial reports also reflects the effectiveness of the accounting information system applied within economic units, assisting senior management in making the most informed decisions. The purpose of such systems is to ensure reporting quality, which supports planning, control, and analysis of economic unit activities (Abdelraheem *et al.*, 2021:192) ^[2].

2.4 Importance of High-Quality Financial Reporting

Financial statements must meet many criteria to be considered of high quality. The quality of the financial information has great importance for different groups of users, especially for members of the business process, because the quality of information determines the viability of future strategic decisions. Due to the intensive development of a systematic approach to study and solving the problem of assessing the quality of financial reporting and the wide application of quality management systems, practical significance indicators, (Al-Mansouri & Al-Julaidi, 2025:74) ^[6] criteria and parameters of the financial information gain the increasing weight. The role of management in the preparation of high-quality reporting is increased. Therefore, to ensure the reporting quality control, many companies are forced to create new departments (such as the internal control) and view the structure and functionality of existing units. (Renkas *et al*, 2015:4) ^[22]

2.5 Enhancing the Quality of Financial Reports as Input for Bank Evaluation Processes

Financial reporting is the tool to interconnect various kinds of financial information that is very much valuable for making a decision related to investment, credit, and other business activities. (Mansour, 2023: 399-400) ^[19]. Usually, it includes general purpose financial statements like balance sheets, income statements, cash flow statements, equity reports, and many other various kinds of statements. It is the method to demonstrate financial data about the flow of funds, financial health, and operating performance of a firm. These are usually published in the company's annual reports. So, it has great importance to the investors to make an investment decision. It is of the same importance for the organization to have an actual position of the firm and plan. So, the report should be standard enough that lead both the investors and the company in the right direction. There are several dimensions of the quality of the report like as relevance, understandability, reliability, and comparability. Technology helps to enhance the quality of financial reports of today's business using IT like computers, hardware, and

software in order to make a decision effectively from strategic to the operational level. Although at the early stage of IT, it was very limited use to accounting system but today's IT is a broader area supporting ERP with business intelligence appliance. Now It is time to conduct research to recognize modern technologies and how they should be used to progress the dimensions of Reporting in terms of relevance, understandability, reliability, comparability, and other quality dimensions (Sina *et al*, 2021:86) ^[26]

2.6 The Impact of IFRS 9 on Accounting in the Banking Sector

The need to make systematic provisions for loans under Standard No. 9 leads to an increase in provisions in banks' financial statements, which may result in a decline in accounting profits and increase the need for financial support and stability in banks. In fact, these allowances have grown relative to savings liabilities, including provisions or the banks' ability to withstand exceptional risks in the medium term. As a result, banks have sought to adapt their business models to deal with the implications of IFRS 9 on a continental level by:

1. Increasing profit margins to compensate for higher provisions that impact profits.
2. Testing different elements that form financial ratios to ensure that rising provisions do not expose banks' financial strength to risk.
3. Adjusting the structure of their investment portfolios, increasing potential demand for advanced financial products such as real estate loans or sophisticated investment loans. (Hassanain, 2022: 478) ^[12]

3. Practical Framework of the Study (Methodology and Procedures)

3.1 Study Population and Sample

The study sample consisted of the Iraq Stock Exchange and a case study of Bank of Baghdad, covering the time period 2021-2022, based on data availability in the Iraq Stock Exchange.

3.2 The Extent of Bank of Baghdad's Compliance with the Adoption of International Financial Reporting Standards (IFRS) and the Quality of Financial Reporting

1. Verification Through the Presentation of the Balance Sheet

The tables and financial reports present the accounting procedures and controls adopted by the bank, along with the audit plan for the annual financial statements. These procedures align with sound accounting principles, norms, and international standards, indicating that the financial statements were prepared and organized in accordance with national and international accounting rules, applicable legislation, and IFRS reporting standards. They fully and clearly reflect the bank's financial position and are organized in compliance with the requirements of Banking Law No. (94) of 2004, Companies Law No. (21) of 1997 (as amended), and all effective regulations and instructions. Adherence to sound accounting principles and norms in line with the applicable laws and auditing regulations ensures that the qualitative characteristics of financial statements are present. The following tables display the financial reports of

Bank of Baghdad.

Table 1: Statement of Financial Position for Bank of Baghdad

Asset	2022 (F'000)	2021 (F'000)
Cash and balances with central banks	722, 854, 049	706, 104, 609
Balances with other banks and financial institutions	145, 683, 305	181, 712, 652
Investment in affiliated companies	1, 197, 494	1, 136, 627
Financial assets at FVOCI (Fair Value through Other Comprehensive Income)	2, 378, 166	2, 368, 857
Financial assets at amortized cost	664, 735, 996	442, 311, 497
Net direct credit facilities	89, 496, 407	60, 520, 275
Property and equipment, net	73, 537, 949	121, 636, 282
Intangible assets, net	1, 013, 274	364, 886
Right-of-use assets	2, 104, 736	-
Other assets	21, 198, 202	23, 652, 971
Total Assets	1, 724, 199, 578	1, 539, 808, 656
Liability	2022 (F'000)	2021 (F'000)
Deposits from banks and financial institutions	857, 122	863, 909
Customer deposits	1, 309, 292, 958	1, 157, 462, 988
Cash collateral	15, 194, 507	14, 677, 854
Income tax provision	10, 635, 320	7, 168, 178
Miscellaneous provisions	5, 449, 465	6, 583, 550
Borrowed funds	579, 381	1, 616, 256
Lease liabilities (right-of-use)	2, 146, 146	-
Other liabilities	30, 418, 413	42, 316, 043
Total Liabilities	1, 374, 573, 312	1, 230, 678, 778
Equity Component	2022 (F'000)	2021 (F'000)
Paid-up capital	250, 000, 000	250, 000, 000
Legal reserve	18, 003, 470	15, 405, 776
Other reserves	58, 441	58, 441
Fair value reserve	(3, 504, 393)	3, 068, 025
Foreign currency translation differences	1, 092, 265	1, 092, 265
Retained earnings	83, 976, 483	45, 641, 421
Total Shareholders' Equity	349, 626, 266	309, 129, 878
Total Liabilities & Equity	1, 724, 199, 578	1, 539, 808, 656

Translation and Analysis

Financial Statements of Bank Baghdad

The financial statements of Bank Baghdad for the fiscal year were prepared in accordance with International Financial Reporting Standards (IFRS), and based on the guidelines and regulations issued by the Iraqi Central Bank. The accounting policies followed in preparing the financial statements for the current period are consistent with those used in the preparation of financial statements for the year ending December 31, 2021, and 2022. The financial statements were prepared following the historical cost principle, with the exception of certain financial instruments that were measured at fair value through other comprehensive income at the end of each financial period. Credit loss provisions are made accordingly.

First - Relevance Property

The availability of disclosures regarding the accounting policies and methods used in preparing Bank Baghdad's financial statements, and the presentation of analytical disclosures, in accordance with IFRS (International Financial Reporting Standards) and International Standard No. (1) on the preparation and presentation of financial statements, indicates the presence of the relevance property in the presentation. Furthermore, the bank submitted its final accounts to the external auditor for auditing and opinion issuance immediately after the end of the fiscal year, demonstrating the timeliness property. Additionally, general information about the bank, the annual report of the board of

directors, the external auditor's report, and supplementary information useful to financial statement users are provided. This helps ensure the predictive value of the accounting information, which assists users in forecasting the bank's financial future and potential upcoming events. However, there is no standard for determining past financial periods for presenting this accounting information. Therefore, only one previous year's financial statements were presented, which indicates a weakness in the predictive value of the accounting information. In other words, most companies only comply with the minimum presentation of financial statements.

The availability of the retroactive value of accounting information increases when the bank issues quarterly or semi-annual financial statements (interim financial statements) to serve the users of the financial statements.

The fact is that most users of financial statements do not have sources of accounting information about the bank, other than the financial statements, which can help them monitor their past decisions. This means that these financial statements only provide the minimum retroactive value

Second - Reliability Property: For the reliability property to be present, the published financial statements of the bank must include all relevant and reliable information to convince financial statement users that the content of the statements is dependable and can be relied upon. The reliability property is present when the following attributes are met: verifiability, faithful representation, and neutrality. The financial statements included the following points:

- The consolidated financial statements include those of the bank and its subsidiaries under its control. Control is achieved when the bank has the ability to control the financial and operational policies of the subsidiaries in order to benefit from their activities. Transactions, balances, revenues, and expenses between the bank and its subsidiaries are eliminated. Due to the delisting of Baghdad Brokerage Company, the consolidation nature of the financial data was removed, and it now pertains only to Bank Baghdad.
- The financial statements of the subsidiaries are prepared for the same fiscal year as the bank, using the same accounting policies followed by the bank. If the subsidiaries follow different accounting policies, adjustments are made to align their financial statements with those of the bank.
- If the group loses control over a subsidiary, it derecognizes the related assets, including goodwill, liabilities, and minority interests, while recognizing any resulting profits or losses within the profit or loss.

- A decision was issued by the Corporate Registrar to delist Baghdad Brokerage Company under number (7837) dated February 28, 2022. The impact of the company's delisting was disclosed in the interim financial statements for the period ending June 30, 2022.
- Bank Baghdad's Affiliates as of December 31, 2022

Table 2: Affiliated Companies of Bank Baghdad

Company Name	Main Activities	Country of Incorporation	Shareholding % - 2022	Shareholding % - 2021
Al-Ameen Insurance Company - Private Joint Stock	Insurance	Iraq	49 %	48 %

2.Verification through the presentation of the income statement and other comprehensive income

The presentation of the income statement and other comprehensive income is consistent with and in line with the International Financial Reporting Standards (IFRS):

Table 3: Income statement and other comprehensive income for the Bank of Baghdad

Line Item	2022 (thousand IQD)	2021 (thousand IQD)
Interest Income	44,795,773	21,468,956
Interest Expense	9,469,103	7,673,454
Net Interest Income (Interest Income - Interest Expense)	35,326,670	13,795,502
Net Fee & Commission Income	56,023,994	47,454,283
Net Interest & Commission Income	91,350,664	61,249,785
Net Foreign Exchange Gains	20,308,430	18,557,632
Cash Dividend Income on FVTPL Financial Assets	113	630,499
Other Income	362,745	2,524,873
Total Income	112,021,952	82,962,789
Staff Salaries	14,452,518	14,211,636
Other Operating Expenses	13,650,068	9,470,019
Depreciation & Amortization	2,234,842	1,801,673
Miscellaneous Provisions	730,988	500,000
Total Expenses	31,068,416	25,983,328
Profit before Expected Credit Losses	80,953,536	56,979,461
Expected Credit Loss on Financial Assets	17,163,731	19,830,919
Net Profit before Tax	63,789,805	37,148,542
Income Tax Expense	10,635,320	7,168,179
Net Profit after Tax	53,154,485	29,980,363
Basic & Diluted EPS (IQD)	0.213	0.120

3. Verification by displaying the statement of changes in shareholders' equity

The presentation of the statement of changes in

shareholders' equity is consistent with and in line with International Financial Reporting Standards (IFRS)

Table 4: Statement of Changes in Shareholders' Equity for the Bank of Baghdad

Year 2022	Paid-up Subscribed Capital	Legal Reserve	Other Reserves	Foreign Currency Translation Differences	Fair Value Changes	Retained Earnings (Profit/Loss)	Total Shareholders' Equity
Balance as of January 1st	250,000,000	15,405,776	58,441	1,092,265	3,068,025	45,641,421	309,129,878
Effect of IFRS 16 Implementation	-	-	-	-	-	8,694	8,694
Effect of Write-off of Brokerage Company	-	60,030	-	-	-	303,352	343,322
Adjusted Balance as of January 1st	250,000,000	15,345,746	58,441	1,092,265	3,068,025	45,936,079	309,364,506
Profit for the Current Year - Statement B	-	-	-	-	-	53,154,485	53,154,485
Transferred to Reserve	-	2,657,724	-	-	-	2,657,724	-
Change in Fair Value Reserve	-	-	-	-	436,368	-	436,368
General	-	-	-	-	-	12,500,000	12,500,000
Journal Adjustments	-	-	-	-	-	43,643	43,643
Balance as of December 31st, 2022	250,000,000	18,003,470	58,441	1,092,265	(3,504,393)	83,976,483	349,626,266

Table 5: List of changes in shareholders' equity of the Bank of Baghdad

Year 2021	Paid-up Subscribed Capital	Legal Reserve	Other Reserves	Foreign Currency Translation Differences	Fair Value Changes	Retained Earnings (Profit/Loss)	Total Shareholders' Equity
Balance at the Beginning of the Year	250, 000, 000	13, 876, 834	58, 441	1, 092, 265	3, 782, 315	17, 190, 627	278, 435, 852
Profit for the Year - Statement B	-	-	-	-	-	29, 980, 363	29, 980, 363
Transferred to Reserve	-	1, 499, 018	-	-	-	1, 499, 018	-
Change in Fair Value Reserve	-	-	-	-	714, 290	-	714, 290
Journal Adjustments	-	29, 924	-	-	-	30, 551	627
Balance at the End of the Year	250, 000, 000	15, 405, 776	58, 441	1, 092, 265	(3, 068, 025)	45, 641, 421	309, 129, 878

4. Verification by Presenting the Cash Flow Statement

The presentation of the cash flow statement is consistent

with and in line with International Financial Reporting Standards (IFRS)

Table 6: Cash Flow Statement for the Bank of Baghdad

Operating Activities		
Description	2022 (₹'000 IQD)	2021 (₹'000 IQD)
Profit before income tax	63, 789, 805	370, 148, 542
Depreciation & amortization (non-cash adjustments)	2, 234, 385	1, 801, 673
Provision for expected credit losses	17, 163, 731	19, 830, 919
Miscellaneous provisions	730, 988	500, 000
Finance cost on lease contracts	61, 249	-
Foreign exchange effect on cash and cash equivalents	268, 095	714, 291
Loss on sale of property and equipment	243, 322	-
Journal adjustments	-	(672, 000)
Profit before changes in assets and liabilities	84, 491, 575	59, 994, 798
Decrease (increase) in restricted withdrawal balances	(99, 683, 154)	(1, 723, 457)
Decrease (increase) in deposits at banks (>3 months)	(80, 300, 000)	(87, 600, 000)
Decrease (increase) in net direct credit facilities (amortized cost)	14, 521, 258	19, 993, 637
Decrease (increase) in other assets	2, 454, 768	(4, 769, 023)
Increase in customer deposits	151, 829, 970	85, 061, 389
(Increase) decrease in cash collateral	516, 653	(5, 005, 070)
Increase (decrease) in other liabilities	(12, 884, 696)	10, 443, 704
Decrease in miscellaneous provisions	1, 865, 074	(16, 893, 563)
Net cash used in operating activities before tax	59, 081, 300	234, 702, 415
Income tax paid	(7, 168, 178)	(4, 578, 241)
Net cash provided by (used in) operating activities	51, 913, 122	230, 124, 174
Investing Activities		
(Increase) decrease in financial assets at amortized cost	(222, 424, 499)	(279, 500, 744)
(Increase) decrease in financial assets through other comprehensive income	(506, 544)	2, 277, 522
(Increase) decrease in property, plant & equipment and intangibles	(15, 490, 787)	(8, 050, 031)
Proceeds from sale of property & equipment	88, 629	1, 453, 645
Net cash used in investing activities	(238, 334, 201)	(283, 819, 638)
Financing Activities		
Decrease in long-term borrowings	(1, 036, 875)	(2, 194, 882)
Cash dividends paid	(11, 502, 935)	-
Lease liabilities cash outflows (IFRS 16 impact)	(419, 224)	-
IFRS 16 application effect on cash	(8, 694)	-
Net cash used in financing activities	(12, 976, 728)	(2, 194, 882)
Net Change in Cash & Cash Equivalents		
Net decrease in cash & equivalents (before FX effect)	(199, 388, 805)	(55, 890, 346)
Foreign exchange effect on cash	(268, 095)	-
Cash & equivalents at beginning of year	827, 462, 456	883, 352, 802
Cash & equivalents at end of year	627, 805, 556	827, 462, 456

It is clear from the Chairman of the Bank's Board of Directors and the Board of Directors' report, as well as the published financial statements for public users, that it includes both accounting and non-accounting information. This is important and necessary for informing users about the bank's current and future activities, the annual plans for the years 2021-2022, and future plans. Additionally, there are several pages in English that contain the external

auditor's report and the three financial statements. From this, we can say that the bank has provided the characteristics of (verifiability), (faithful representation), and (neutrality) by publishing the necessary information for financial statement users without favoring one party over another.

Thirdly - Secondary Characteristics

It is evident from the financial statements that the

presentation method includes two fiscal years (2021 and 2022), which helps users compare the presented accounting information year-over-year based on their need for such data. This achieves the characteristic of comparability between financial statements.

Revenue Recognition and Expense Recognition

- Interest revenues are recognized using the effective interest method on the total book value of high-value assets or the amortized cost of financial liabilities, except for interest and fees from non-performing credit facilities, which are not recognized as revenue but are recorded in a deferred interest and fees account.
- Expenses are recognized based on the accrual principle.
- Commissions are recorded as revenue when services related to them are provided, and dividends from company shares are recognized as income.
- The preparation of financial statements and the application of accounting policies in line with international financial reporting standards (IFRS) requires the bank's management to make important accounting estimates. This also requires the management's opinion on the application of financial policies, affecting asset and liability amounts and the disclosure of potential obligations. These estimates and judgments impact revenues, expenses, provisions, and other comprehensive income items, especially as the bank's management is required to make significant judgments in estimating future cash flow amounts and timing. These changes are necessarily based on assumptions and factors that vary in degree of estimation, and actual results may differ from these estimates due to future conditions and circumstances.
- Financial assets are classified according to the business model under which assets are held and whether the contractual conditions of financial assets apply to the existing balances. New standards are also set to determine whether financial assets have significantly deteriorated credit-wise since their initial recognition, and a future credit loss methodology is implemented.

The results obtained from the previous analyses are clear. The financial statements, items, and accounts contained therein indicate that the bank applies the same accounting policies from year to year, which is in line with International Financial Reporting Standards No. 9. This indicates that the data is of high quality in the preparation of financial reports, and that the bank has followed the historical cost principle in valuing its fixed assets. and has used the straight-line method to calculate the annual depreciation of fixed assets. This ensures consistency in accounting policies, stability, and comparability, as these two characteristics are interrelated and complement each other.

5. Responsibility for Preparing Financial Statements

The bank is responsible for preparing all financial statements included in the standard, and the financial statements and their appendices are consistent and compliant with International Financial Reporting Standards (IFRS). The bank is responsible for establishing and implementing a robust and appropriate internal control system with regard to the preparation and disclosure of

financial statements in a manner that is free from errors resulting from mistakes or manipulation, selecting and applying appropriate accounting policies, and making sound accounting estimates.

6. Application of International Financial Reporting Standards

The financial statements for the fiscal year have been prepared in accordance with International Financial Reporting Standards and the guidelines and instructions of the Central Bank. The historical cost principle has been applied in accounting for real estate and equipment.

7. Anti-Money Laundering and Terrorism Financing Reporting Unit

The bank follows all legal procedures that limit money laundering and terrorist financing. This is done in accordance with the instructions and guidelines issued by the Central Bank of Iraq and in line with the Anti-Money Laundering and Terrorist Financing Law No. 39 of 2015. The following programs are in place to combat money laundering and terrorist financing:

1. **SIRON System:** Monitors daily banking operations according to scenarios designed to detect suspicious and unusual transactions, relying on scenarios approved by the Central Bank of Iraq.
2. **FIRCO System:** This system is linked with internal and external remittance screens in the banking system and checks the sender's and recipient's names during remittance processing, comparing them with names on international sanction lists. If there is a match, the transaction is stopped, and the responsible party is alerted for further investigation before the remittance is processed.

8. Compliance Officer

The reports of the bank's compliance officer, which were provided to us during the year under review, were in line with the requirements and instructions of the Central Bank of Iraq.

9. Capital Adequacy

The bank, based on the Central Bank of Iraq's decision No. 110 of 2020, which approves the regulatory guidelines for capital adequacy in commercial banks according to Basel II and III requirements, reported a capital adequacy ratio of 52% as of the balance sheet date, well above the 12.5% ratio required by the Central Bank.

Through a detailed examination of the financial reports and the bank's disclosures, it is clear that the management is responsible for preparing and presenting financial statements that meet the characteristic of relevance with its three components. Management must present the financial statements in a timely manner, not exceeding the deadline set by the Securities Commission (150 days from the balance sheet date), to assist the users in making necessary decisions before the information loses its significance. Additionally, it is the management's responsibility to provide sufficient accounting information with predictive value to help users forecast the bank's future financial condition and make informed investment decisions. The management must also comply with the requirements set by

the Securities Commission of Iraq by submitting annual financial statements and accompanying quarterly financial statements, with comparisons to the corresponding quarter of the previous year.

Furthermore, it is the company's management responsibility to present accounting information in the financial statements in a way that enables users to perform comparisons (horizontally—across two or more years—or vertically—using financial ratios, for example) or with the financial statements of other similar companies. To achieve this, the company's management should adhere to the approved accounting system and standards in preparing and presenting the financial statements. Moreover, consistency and stability in the presentation of financial statements from year to year, using the same accounting policies, is required. Otherwise, the company's management must disclose any changes in the accounting policies applied.

As a result, we confirm the study hypothesis, which states: "The application of international financial reporting standards helps Baghdad Bank strengthen its foundation for preparing financial data and disclosures in line with global banking practices."

4. Conclusion and Recommendations

4.1 Conclusion

1. The bank's financial statements for the reported fiscal year were prepared in accordance with International Financial Reporting Standards (IFRS) and based on the instructions and directives of the Central Bank of Iraq issued in this regard. The bank adopted the historical cost principle for the recording of properties and equipment.
2. The bank, in compliance with Central Bank of Iraq Decision No. (110) of 2020, which approved the regulatory controls related to capital adequacy for commercial banks according to Basel II and Basel III requirements, calculated its capital adequacy ratio. As of the balance sheet date, the capital adequacy ratio stood at 52% of capital and sound reserves, significantly exceeding the Central Bank's required minimum of 12.5%.
3. The presentation of the financial statements includes two fiscal years (2021 and 2022), enabling users to perform comparative analysis of the accounting information year over year, thereby supporting the comparability characteristic and enhancing the quality of the financial information.
4. The financial statements of Bank of Baghdad provide disclosures of the accounting policies and methods used in preparing the financial reports. They also include analytical statements, as well as sufficient presentation of information using tables, models, and charts. This aligns IFRS and specifically IFRS 1 on the presentation of financial statements.

4.2 Recommendations

1. Work to promote the application of international standards in all their provisions, provide an appropriate economic and financial environment, and enable the banking sector to adopt them fully and comprehensively to improve the quality of financial reporting.

2. Establish a specialized body to oversee the adoption of international accounting standards, particularly for the preparation of financial reports related to measurement and disclosure.
3. Develop measurement methods and improve the level of disclosure and transparency in order to improve the quality of financial reporting.
4. Raise awareness among banks regarding the adoption of international standards and reporting through training programs and workshops.

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