Sumer university Journal of Administrative and Economic Sciences (JAES)
ISSN 3078-6525
مجلة كلية الإدارة والاقتصاد – جامعة سومر- المجلد (2) – العدد (1)

The impact of applying International Financial Reporting Standard "IFRS 13 Fair Value" on the financial performance indicators of Iraqi private banks

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المستخلص:

يهدف البحث الى معرفة اثر ابعاد التمكين الاداري بأبعاده (تفويض السلطة, التدريب, فرق العمل) على التميز التنظيمي للمؤسسة المبحوثة.

الكلمات المفتاحية: التمكين الاداري , التميز التنظيمي .

Extract:

research aims demonstrate the impact of applying International Financial Reporting Standard (IFRS) 13 on the financial performance indicators of Iraqi banks. It also examines the relationship between the fair value of bank shares and financial performance indicators under IFRS 13. To achieve these objectives, the research focused on the banking sector in the Iraq Stock Exchange, given that most banks began implementing IFRS 13 in early 2016. Data was collected for three years, both before and after the implementation of IFRS 13 "Fair Value," covering the period from 2013 to 2018. The research concluded that the coefficient of determination (R^2) for applying IFRS 13 has significant predictive and explanatory power for financial performance indicators. It reached 0.909 before the standard's implementation and 0.838 after its implementation. The analysis of the correlation between the fair value of the shares of the

banks in the research sample and financial performance indicators under IFRS 13 indicates a strong correlation. The International Financial Reporting Standard 13 (IFRS 13) fair value analysis revealed a multivariate correlation of 0.915, a positively significant value at a significance level of 0.01. This multivariate correlation indicates that both the fair value of the banks' shares in the research sample and their financial performance indicators, under IFRS 13 fair value, have good predictive power. The research recommends using fair value information to guide the bank's management and investment decisions, leading to increased operational efficiency and improved long-term indicators such as return on assets (ROA) and return on equity (ROE). However, given that fair value fluctuations can increase net income volatility, further analysis explaining the impact of these valuation-related fluctuations is recommended.

Keywords: Fair value, accounting disclosure of fair value, financial performance.

Introduction

The application of International Financial Reporting Standards (IFRS) will contribute to unifying accounting procedures for all companies nationwide and reducing subjective interpretations and variations in locally applied accounting systems. These standards include a set of rules that enhance the quality of accounting information (Halou, 2023). Measurement using the historical cost method presents a problem in accounting measurement, as it does not provide reliable information for decision-making, thus impacting the interests of investors and information users. Furthermore, measurement based on historical cost does not accurately reflect the financial performance of companies, since assets are valued at book value, which is affected by factors such as the time value of money, inflation, and the prevailing economic conditions. Abdullah and Helio (2023) concluded that the application of IFRS facilitates access to accounting information for users. Al-Ta'i and Al-Mathno (2013) emphasized the need to reconsider asset valuation in economic units when applying IFRS to ensure alignment with the objectives of providing useful accounting information for decision-makers. (Faehod, 2025:308)

Standard-setters and extensive academic studies confirm that fair value reports provide the most relevant information to users of financial data. Fair value reports are expected to ensure a higher degree of transparency in financial

data, which in turn leads to increased relevance of accounting data to value and improves the ability of financial markets to reflect the true value of the company. The extensive use of fair value reports increases the amount of private information available to the public, leading to more efficient resource allocation and capital formation (Palea, 2014:1), especially in the context of economic volatility. All financial institutions face financial risks, such as credit risk, liquidity risk, interest rate risk, foreign exchange risk, market risk, operational risk, and other business risks. Liquidity risk arises from a bank's inability to meet its liquidity obligations, i.e., the risk of not being able to liquidate a portion of its funds at a reasonable price. Effective banking involves engaging in financial intermediation, providing services, extending loans to customers, and managing overall risk. This seems to require evaluating the financial system from an effective perspective, rather than from the perspective of the institution itself. Financial risk management supports financial institutions in developing policies to mitigate potential losses resulting from conservative practices in the financial market (Zhongming et al., 2019:24-25).

This research is important because it provides bank management with a clear understanding of how IFRS 13 impacts their financial performance indicators, helping them interpret their financial results and adjust their strategies. Its practical importance also stems from the study's contribution to addressing the discrepancy between market value and fair value by measuring the two models studied and the impact of applying IFRS 13 on the financial performance indicators of a sample of Iraqi private banks.

In order to achieve the research objectives, it was divided into five sections, the first of which is “Research Methodology and Previous Studies”, the second section reviewed “Theoretical Literature”, the third section “Applied Study – Method and Procedures”, and finally the fourth section presented “Conclusions and Recommendations.”

Section One: Research Methodology and Previous Studies:

1.1 Research Problem:

The topic of fair value accounting has received attention from many accounting organizations and bodies and financial market authorities from countries around

the world. Despite the issuance of many standards that dealt with fair value accounting by accounting organizations and bodies, especially the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), some standards were accused of contributing to the emergence of the financial crisis in 2008. The accusations also extended to the abandonment by some accounting standards of the policy of prudence and caution that uses historical cost to measure at fair value some assets and liabilities such as financial instruments and their derivatives, biological assets, and others. In addition, fair value accounting standards were accused of using estimates based on some personal judgments in estimating some items of the financial statements or changing some assumptions in order to manipulate profit figures through the flexibility of some standards that allow the management of the economic unit to use creative accounting methods to change its results in a way that achieves its motives and goals. In light of the above, the problem of the study lies in raising the research issue at hand and thinking about this research in a research attempt to answer the following questions:

.1Do Is there a correlation and influence between the fair value and market value of the stock prices of the banks in the research sample before and after the application of International Financial Reporting Standard 13 (Fair Value)?

.2Are there significant differences between the available-for-sale financial investments, according to the fair value levels of other investments and the fair value of financial derivatives, and the fair value of equities before and after the application of IFRS 13 Fair Value؟.?

.3Is there a relationship between the fair value of the shares of the banks in the research sample and the financial performance indicators under the application of International Financial Reporting Standard 13 Fair Value?

1.2 Research Objectives:

The research aims to demonstrate the impact of applying International Financial Reporting Standard No. IFRS 13 on the financial performance indicators of Iraqi banks, and to study the relationship between the fair value of bank shares and financial performance indicators under the application of International Financial Reporting Standard 13.

1.3 Importance of the research:

This research is important because it provides bank management with a clear understanding of how IFRS 13 impacts their financial performance indicators, helping them interpret their financial results and adjust their strategies. Its practical importance also stems from the study's contribution to addressing the discrepancy between market value and fair value by measuring the two models studied and the impact of applying IFRS 13 on the financial performance indicators of a sample of Iraqi private banks.

1.4Research Hypothesis:

The study is based on the following hypotheses:

First hypothesis: There is a strong correlation and influence between the fair value and market value of the stock prices of the banks in the research sample before and after the application of International Financial Reporting Standard 13 Fair Value.

Second hypothesis: There are no significant differences between the available-for-sale financial investments according to the fair value levels of other investments and the fair value of financial derivatives, and the fair value of equities before and after the application of IFRS 13 Fair Value..

Third hypothesis: There is a relationship between the fair value of the shares of the banks in the research sample and the financial performance indicators under the application of International Financial Reporting Standard 13, Fair Value .

1.5 Previous Studies:

1 -A study by (Faehod, 2025) indicates This study aimed to determine the impact of applying International Financial Reporting Standard (IFRS 13) on fair value measurement on financial flexibility and its effect on the market value of shares. To test the research hypotheses, the study was conducted on two companies. The first was Bank of Baghdad, a joint-stock company, which applied the fair value standard in valuing its assets and liabilities. The second was the Iraqi Company for the Production and Marketing of Meat and Field Crops, which did not apply the fair value standard. The study then measured the market value of shares by reviewing the Iraq Stock Exchange's financial statements for the years covering the research period. The research concluded that despite applying the fair value standard, financial flexibility indicators fluctuated between increases and decreases, and the market value of shares trended downwards due to factors related to economic and health conditions,

such as the COVID-19 pandemic, currency exchange rate fluctuations, and political conditions and economic relations. The second company, despite not applying the fair value standard and being exposed to the same economic, health, and political conditions, showed better financial flexibility indicators than Bank of Baghdad, and its market value was higher than that of Bank of Baghdad.

2 -**A study (2024) addresses Johri)** This study examines the impact of adopting International Financial Reporting Standards (IFRSs) on the financial reporting quality (FRQ) of Indian multinational corporations (MNCs). It also investigates the moderate effect of internal control systems (ICS) on the relationship between IFRSs and FRQ. Data collection involved a questionnaire using a validated and modified scale adapted from previous studies. A sample of 512 participants was selected using purposive sampling methods. Partial least squares structural equation modeling (PLS-SEM) was used to validate the data and test the hypotheses. The results indicate a significant positive impact of perceived benefits, perceived ease of implementation, and government policy on IFRS adoption within Indian MNCs. However, the impact of legal requirements on IFRS adoption in Indian MNCs is minimally positive. Furthermore, IFRS adoption significantly positively impacts the quality of financial reporting within Indian MNCs. Similarly, the FRQ standard has a significant positive impact on the relevance, accuracy, understandability, comparability, and timeliness of financial reports for multinational corporations in India. The regulatory role of the ICS standard in linking the adoption of International Financial Reporting Standards (IFRS) and the FRQ standard is positive, but not significant for Indian multinational corporations. The insights gained from this study are valuable for investors, shareholders, government entities, financiers, board members, and senior corporate executives.

3 -**The study (Lawalata et al, 2024)** examines This study examines the impact of International Financial Reporting Standards (IFRS) on global accounting practices, focusing on the quality of financial reporting, economic outcomes, and the influence of regulatory and cultural contexts. A multi-method approach was employed, combining qualitative interviews with professional accountants and quantitative analysis of financial data from various countries.

The study explores the benefits and challenges of adopting IFRS, considering factors such as regulatory environments, cultural differences, and varying levels of economic development. The findings reveal that IFRS adoption enhances the quality of financial reporting by increasing transparency, reducing earnings management, and improving the comparability of financial statements. These benefits are most pronounced in countries with robust regulatory frameworks. However, challenges include high costs and complexities in the transition process, particularly for small businesses and developing countries. Cultural and institutional factors significantly influence the effectiveness of IFRS adoption, with varying impacts across different economic contexts. The study's findings underscore the importance of supportive regulatory environments and comprehensive training for accounting professionals in facilitating the effective implementation of IFRS. Policymakers and regulators should consider approaches tailored to the specific challenges faced by different countries. Businesses, particularly in developing regions, must carefully plan and allocate resources to manage the transition to International Financial Reporting Standards (IFRS). These insights offer practical guidance to enhance the effective implementation of IFRS worldwide.

4 -**The study (2023) aimsJasim, Ibrahim)** This research aims to define International Financial Reporting Standards (IFRS) and highlight their historical significance in order to promote their adoption. The research employs both deductive and inductive methodologies. The deductive approach utilizes a literature review related to the research topic. The scientific approach incorporates inductive, descriptive, and analytical methods, along with statistical analysis. The practical application of the research demonstrates that adopting IFRS instead of a unified accounting system for banks has negatively impacted the quality of financial reports for some banks listed on the Iraq Stock Exchange. This suggests a deficiency in the proper application of IFRS due to a lack of clarity regarding its understanding and implementation. Iraqi commercial banks need to commit to the effective and correct application of IFRS to avoid numerous fundamental problems and errors related to the presentation of financial reports. The research recommends increased adoption of IFRS to enhance the comparability of

financial information and improve the transparency and quality of disclosure in financial reports. This means that applying the standards reduces information asymmetry, which in turn benefits users of that information in decision-making.

5- A study (2020 Gwatiringa) seeks) This study assesses the profitability of the banking sector in Zimbabwe by examining key financial performance indicators (KPIs) from 2011 to 2018. The aim is to determine the relationship between these indicators and identify policy measures that should be implemented to enhance sector profitability. The performance of the banking sector was evaluated using KPIs such as return on assets (ROA), return on equity (ROE), loan-to-deposit ratio (LDR), non-performing loans (NPL), net interest margin (NIM), interest coverage ratio (ICR), and capital-to-assets ratio (CAR). Secondary data, presented as time series data, were sourced from the Reserve Bank of Zimbabwe (RBZ). This paper employs paired-samples testing, regression analysis, and ordinary least squares (OLS) regression to determine profitability, and correlation testing to examine the relationship between the KPIs. The results indicate that banking sector profitability is primarily driven by KPIs, and that greater attention should be paid to NPLs and the relationship between these variables. This study recommends that the Reserve Bank of Zimbabwe develop strategies to ensure stability, growth, and the protection of investor and depositor interests, and monitor the capital levels of commercial banks to improve profitability. It also recommends maximizing the use of banks as financial intermediaries, eliminating excessive banking fees, implementing new policies, and undertaking institutional reforms.

Section Two: Theoretical Literature:

2.1The cognitive foundations of fair value:

The introduction of the fair value principle came to address the shortcomings of historical cost, which could not express the financial position of the economic unit in a reliable manner. Also, in view of what the large expansions in investments imposed on the accounting function regarding the need for investors and shareholders to know the true current position of the economic establishment and the changes that occur to their funds, traditional accounting based on historical cost

became unable to meet those requirements, which strengthens the shift towards fair value (Younes, 2011: 34). The International Accounting Standards Board (IASB) has used the term market value as a synonym for the term fair value, and has also given it terms such as alternative value, present value, and current value. This term was developed by the US Financial Accounting Standards Board (FASB), which issued standard FAS 157 entitled: Fair Value Measurement, which came into effect in 2007. This standard was built on the premise that markets include fair pricing and good measurement. This standard is defined as "the amount for which an asset can be purchased or sold, a liability assumed, or a liability settled in a current transaction between willing parties under normal circumstances other than forced sale or liquidation." The International Accounting Standards Board (IASB) also defined fair value in the International Financial Reporting Standards (IFRS) as "the amount for which an asset can be exchanged or a liability settled between two parties who are willing and able to perform the exchange or the obligation, with full knowledge of the facts and in free will." According to this definition, it revolves around the following pillars (Veron, 2008).

-1 Value: These are the numbers that express the property being measured.

-2 Human beings: Value is considered a judgment of human behavior regarding the value and usefulness of a thing.

-3 Fairness: This is the quality that must be available to the person performing the measurement. The fairness of the statements is related to the fairness of the measurement alternatives. The importance of fairness is a necessary requirement to achieve the objectivity of the measurement. The professional accounting bodies have agreed that the foundations of fairness achieve each of (the desire to deal, knowledge, and the occurrence of the exchange process).

Fair value is defined as the price at which ownership is exchanged between a willing buyer and a willing seller when neither party is forced to buy nor to sell, and both parties have reasonable knowledge of the facts relating to the transaction. (Ben Yader, 2022: 9) Fair value is also defined according to International Financial Reporting Standard IFRS 13 as the amount at which an asset is bought or sold through a genuine exchange transaction between willing and informed parties, outside of liquidation conditions. In contrast, the fair value of a liability is the amount due or paid through a genuine exchange transaction between willing parties. The fair value of any item is estimated from the prices offered or asked,

and the elements of fair value include identifying the following: (IFRS 13, Para 9-25)

a- Measurement: Fair value is defined as the price obtained for the sale of an asset or paid for the transfer or conversion of a liability in an orderly transaction between market participants at the measurement date. The objective of measuring fair value is to estimate the market price at the time of the sale of an asset or the conversion of a particular liability using one of the appropriate valuation methods.

for- Asset or Liability: The fair value measurement is for a specific asset or liability, and therefore, when measuring fair value, the economic entity must take into account the characteristics of the asset or liability if market participants take those characteristics into account.

T- Transaction: Fair value measurement assumes that the asset or liability is exchanged in a systematic transaction between market participants for the sale of the asset or the transfer of the liability at the measurement date under current market conditions.

Th- Market participants: The economic entity must measure the fair value of an asset or liability using the assumptions that market participants use when pricing the asset or liability and that serve their economic interests.

c- Price: Fair value represents the price that would be received for the sale of an asset or payment for the conversion of a liability in a regular market transaction at the measurement date under current conditions (exit price), regardless of whether that price can be directly observed or estimated. The transaction should not include transportation costs.

2.2Fair Value Hierarchy:

The market price in the active market is considered one of the most reliable indicators of fair value. It is used for unadjusted fair value measurement, meaning it relies on unadjusted published prices. This level reduces information asymmetry among investors and for the management of the economic entity. International Financial Reporting Standard (IFRS) 13 classifies the fair value hierarchy into three levels based on the information used in valuation methods. This aims to increase consistency and comparability in measurement and disclosure. This hierarchy prioritizes unadjusted published market prices for assets or liabilities. The first level deals with prices in active markets for assets and liabilities. The first level also includes some exceptions to fair value measurement, such as when the

economic entity owns a large share of similar assets or liabilities that prevent it from obtaining a published price. In this case, alternative methods that do not rely on the published price can be used (Choudhary, 2011). On the other hand, Level 2 includes all information other than the prices reported in Level 1. This information is observable to the asset or liability, either directly or indirectly, such as interest rates that can be observed at widely reported intervals. It includes similar rates reported for assets or liabilities in active markets and similar rates reported for assets or liabilities in inactive markets (IFRS 13, 81-85). Level 3 also addresses non-observable information for the asset or liability when no observable information is available to measure fair value to the extent that it is observable, taking into account the availability of all information about market participants' assumptions (IFRS 13, Paragraphs 86-89).

The researcher concludes from the above that there is flexibility in the hierarchy for measuring the fair value of an asset or liability, as the transition from an active market to an inactive market is flexible, as is the transition from the first level to the second or third level, in the event that the inputs or information affecting the measurement and used in the valuation method are unclear. However, if they become clear, then the transition is made from the third level to the second level.

2.3 Accounting disclosure of fair value:

International Accounting Standards and Financial Reporting Standards have paid great attention to the subject of disclosure, with the aim of further improving the quality of accounting information, through how financial statements are presented in terms of the form, content, structure of financial statements and accounting policies. The International Accounting Standards Committee (IASC), which was later called the International Accounting Standards Board (IASB), issued three standards related to disclosure, in addition to setting rules related to disclosure in all other accounting standards related to the manner and requirements of presenting and disclosing information. (Khair Al-Din, 2024: 179) The economic entity must disclose information that helps users of financial statements to evaluate assets and liabilities measured at fair value periodically or non-periodically after initial recognition, and also disclose the valuation methods and information used, in addition to measuring the fair value of non-observed information at the third level periodically, to clarify the effect of this on profit or loss or other comprehensive income items during the period, and also disclose the required fair value separately

for each group of assets or liabilities (Cairns, et al, 2011). Fair value data and information for assets and liabilities must be disclosed clearly in the notes to the financial statements as follows: (IFRS 13, Para 92-99)

1 .Disclosure of fair value at the end of the reporting period, with an explanation of the measurement methods and the level of the fair value hierarchy, disclosure of transfer amounts between levels 1 and 2 and the reasons for the transfer, and disclosure of the optimal use of the non-financial asset to explain the justifications for its use.

2 .Disclosure of assessment methods and information used at Levels 2 and 3, along with any changes in assessment methods and their reasons, and, at Level 3, disclosure of any significant non-observable information. The required quantitative disclosure should be presented in tabular form unless a more suitable format is available.

3 .When disclosing fair value at Level 3, the gross profit or loss for the period recognized in profit or loss and the principal item in which that profit or loss was recognized must be disclosed. Similarly, the gross profit or loss for the period recognized in comprehensive income and the principal item in which that profit or loss was recognized must be disclosed, along with the amounts of transfers to or from Level 3 and the reasons for them.

4 .The impact of changes in non-observable information about financial assets should be disclosed if such change is caused by plausible and reasonable alternative assumptions that would materially affect fair value.

2.4 Knowledge Pillars of Financial Performance:

Scholars and researchers have differed in agreeing on a specific definition of performance due to the comprehensiveness of the term and the breadth of its implications. Consequently, opinions and definitions have varied. However, all agree on its meaning, which embodies the reality of performance in practice: (measuring the results achieved by a company after comparing them with pre-planned objectives. Through this comparison, deviations are identified, and appropriate solutions are developed to address them) (Dewey, 2012: 117). Carton (2004) views financial performance as a concept linked to a phenomenon studied within an economic unit to change the physical condition of the units or the

resulting financial outcomes. These outcomes lead to decisions that support management, as the economic unit obtains these results through the use of performance indicators, which are selected based on the unit's circumstances. Durate et al. (2009) stated that financial performance comprises internal practices and factors that contribute to developing efficiency and provide competitive advantages to economic units in achieving and maximizing their resources through numerous metrics and indicators. Mostafa also pointed out... (2020) The financial performance of the economic unit during the period reflects the actual results, particularly the cash flows from operating activities. The rationale for using cash flows is that they are considered effective operating activities for the economic unit. (Azim, Ahmed, 2015) Financial performance depends on the measurable aspects of the results of the economic unit's operations, such as the production cycle, inventory, etc. Financial performance, in turn, affects business performance indicators such as customer share and satisfaction.

2.5 The importance of financial performance:

Competition and excellence are among the things that distinguish business performance in companies, as the company's superiority over its peers in the field of financial performance provides it with a strong competitive position and makes it able to remain in the market as a strong competitor with large financial capabilities that allow it to develop and strengthen that position in order to move towards achieving the company's goals in maximizing returns and profits. Therefore, it was necessary to touch on the importance of financial performance and summarize it in the following points (Rosa, 2021: 26) (Adel, 2020):

1 -It helps to ensure the availability of liquidity in the company and consequently avoid the risks of bankruptcy and the risks of debt that the company may fall into.

2- It gives a comprehensive view of the different administrative levels in the company, and the extent of participation of each administrative level in the company in reaching the set goals.

3 -It helps in measuring profitability when making investment and financing decisions, and the risks that accompany them make it necessary to measure the level of profitability in order to maintain liquidity in the company and protect it from the risks of bankruptcy and to achieve appropriate returns on the investment decisions taken, and thus achieve the financial performance goals, including increasing the market value of the company.

4 -It helps to clarify the company's ability to implement the planned strategy and achieve the plan's objectives by comparing the achieved results with the results targeted in the plan. This is accompanied by identifying and diagnosing deviations and developing appropriate solutions for them.

The researcher believes that the process of improving performance is linked to two concepts: efficiency and effectiveness, because they represent either the ability of the economic unit to achieve its goals or the ability to obtain the greatest possible output through the available inputs.

2.6 Financial performance from an efficiency and effectiveness perspective:

Dobrin et al. (2012) indicated that operational performance versus efficiency and effectiveness is a study of organizational behavior and performance improvement for economic units. These considerations clearly point to organizational strategy, as can be stated below:

1- Efficiency is achieving a high level of activity with minimal resource consumption. This efficiency often reflects the internal processes of an economic unit. Efficiency is typically expressed as the ratio of inputs to outputs and is the most commonly used metric in the field of economic efficiency.

2- Effectiveness is the achievement of specific goals to realize results inherent in a defined strategy or to accomplish required tasks. An economic unit becomes operationally effective when it identifies, controls, and manages the interaction between internal and external development resources.

2.7 The relationship between International Financial Reporting Standard 13 "Fair Value" and financial performance indicators

Standards are important pillars for calculating the level of performance achieved in the economic unit. Therefore, the evaluation process requires a set of standards in order to determine the levels of development in the company's activities and to identify which aspects of the various activities carried out by the company (Saha, 2020: 108).

Performance evaluation aims to ensure that actual performance aligns with established plans, reduce the risk of errors during planning, define implementation phases, and monitor progress to achieve optimal returns. The concept of performance evaluation functions as a system that helps measure and assess the efficiency of job performance, identifying strengths and weaknesses, providing a database and information on the economic unit's performance, and contributing to

the development of policies, studies, and future research aimed at improving performance (Defond et al., 2020).The importance of performance evaluation stems from its role as a tool to guide the management of an economic unit towards areas of responsibility that require supervision, to optimize the use of human resources within the unit, and to facilitate comparisons between different sectors. Furthermore, it helps interpret deviations resulting from actual implementation, in addition to...As an information system for various administrative levels for the purposes of control and decision-making (Mardan, 2013), financial performance indicators guide users towards how to use fair value information contained in financial statements by conducting financial analyses to provide reliable, transparent, relevant, and effective information compared to historical cost, reflecting the strength of the current financial position of the economic unit. These indicators reflect relevant information about current market conditions, leading to more appropriate financial decisions, as they take market prices into account, which is significantly reflected in stock prices and returns. Accounting studies have included many financial performance indicators as important basic tools for evaluating the financial performance of economic units in the form of financial ratios that add specific indications to the information of financial statements, serving owners, investors, creditors, lenders, and employees to reach the decision-making process and also contributing to improving the prediction of future events (Blankespoor, et al., 2013).

Section Three: "Applied Study - Method and Procedures"

3.1 Research population and research sample:

The banks listed on the Iraq Stock Exchange were chosen as the research community, while the research sample consisted of the following banks: (Iraqi Investment Bank, Iraqi Commercial Bank, Baghdad Bank, Babylon Bank).

3.2 Spatial and temporal boundaries of the research:

· **Spatial boundaries:**The search is spatially limited to banks (Iraqi Investment Bank, Iraqi Commercial Bank, Baghdad Bank, Babylon

Bank).

· **Time limits:**The research is time-bound in the financial data of the aforementioned banks listed on the Iraq Stock Exchange for the years 2013 to 2018, as the banks have applied International Financial Reporting Standard 13 Fair Value.

3.3 Statement of the impact of the International Financial Reporting Standard (IFRS) 13 on the financial performance indicators of the banks in the research sample

3.3.1 Normality test and linear interference test

The results in Table (1) indicate that the data drawn from the research sample population may follow a normal distribution, as the normality coefficient for the variable as a whole reached (0.1799), which means accepting the alternative hypothesis for the normal distribution, which indicates that the data drawn from the study population follows a normal distribution.

Table No. (1) Data Validity Test for Statistical Analysis

Multicollinearity Test				Normal distribution tes		**Variables**
The second model		First model		Kolmgv-Smin		
VIF	Tolerance	VIF	Tolerance	Say. (2-tailed)	Test Statistics	

				0.200	0.087	FV(S)
		2.609	0.383	0.000	0.210	MV
		1.497	0.668	0.000	0.194	FVIAS
		1.623	0.616	0.000	0.230	PFVDFI
		1.863	0.537	0.000	0.207	FVPUL
3.223	0.310			0.000	0.188	Sustainable Development
2.224	0.098			0.000	0.278	DPOR
4.813	0.208			0.002	0.144	PER
3.677	0.103			0.000	0.230	DEEP
2.194	0.456	1.798	0.556	0.002	0.143	LONG
1.194	0.630	1.617	0.618	0.009	0.128	Size
2.345	0.426	3.691	0.271	0.200	0.058	EPS
1.882		1.867		Self-Attachment Test 1799.0 Durbin Watson		

Source: Prepared by the researcher based on statistical results at a significance level of 5%

In order to test the hypotheses of influence between the research variables, the variables must be subjected to the variance inflation coefficient and the allowable variance test in order to ensure that there is no high correlation between the

independent variables. Table (1) shows the variance inflation coefficient and the allowable variance test for the variables.

It is evident that the value of the Variance Inflation Coefficient (VIF) and the Tolerance for each item of the research variables met the required condition, which is the absence of an internal linear relationship. It is evident that the value of the Variance Inflation Coefficient (VIF) for all study variables is less than the permissible limit, in addition to the fact that the value of the Tolerance for all dimensions is greater than the significant value.

3.3.2 Calculating the observations of the standard application, the arithmetic mean, and the standard deviation

Table No. (1) Data Validity Test for Statistical Analysis

Variables	According to standard number (13)	Number of views	Mean	Std. Deviation
MV	Before applying the standard	33	21.3942	17.46647
	After applying the standard	33	52.1479	12.14980
FV	Before applying the standard	33	19.9622	5.90168
	After applying the standard	33	20.4573	6.28242
FVIAS	Before applying the standard	33	.5187	.47444

	After applying the standard	33	.5236	.59708
PFVDFI	Before applying the standard	33	.0633	.08158
	After applying the standard	33	.0321	.03602
FVPUL	Before applying the standard	33	.5062	.55376
	After applying the standard	33	.6369	.67855
Sustainable Development	Before applying the standard	33	1.0667	.76525
	After applying the standard	33	1.2637	4.7738
DPOR	Before applying the standard	33	.5812	.87465
	After applying the standard	33	.4136	.24549
PER	Before applying the standard	33	9.5520	6.26389
		33	10.3112	4.73751

	After applying the standard			
DEEP	Before applying the standard	33	.653	.06966
	After applying the standard	33	.0426	.02148
LONG	Before applying the standard	33	.0163	.00869
	After applying the standard	33	.0204	.00689
Size	Before applying the standard	33	6.7412	1.64928
	After applying the standard	33	7.2143	1.50507
EPS	Before applying the standard	33	2.5467	1.47860
	After applying the standard	33	2.7561	1.19798

Source: Prepared by the researcher based on statistical results

3.3.3 Proving the hypotheses

The first hypothesis: To prove the hypothesis that there is a strong

correlation and influence relationship between the fair value and market value of the stock prices of the banks in the research sample before and after the application of International Financial Reporting Standard 13 Fair Value.

Table (3) shows the results of the statistical analysis of the correlation relationships in applying the International Financial Reporting Standard "IFRS 13 Fair Value" to financial performance indicators, where the correlation value reached (0.902**), which is a positive significant value at a significance level of (0.01). According to the decision rule used, the hypothesis was accepted, and the correlation value indicates that applying the International Financial Reporting Standard "IFRS 13 Fair Value" has a good ability to predict financial performance indicators, because the value is close to (1).

Table No. (3) Correlation relationship before and after applying the standardNumber (13)

		Before applying the standard	After applying the standard
Before applying the standard	Pearson Correlation	1	.902**
	Sig. (2-tailed)		.000
After applying the standard	Pearson Correlation	.902**	1
	Sig. (2-tailed)	.000	
**. Correlation is significant at the 0.01 level (2-tailed).			

Table No. (4) Results of the First Hypothesis Test

moral Adymp. Say (2- tailed)	Value (Z)	Wilcoxon Test	Mann – Whitney	variable
0.640	-0.468	1069.000	508.8000	Fair Value (FV)
0.003	-2.956	875.000	314.000	Market capitalization (MV)

Source: Prepared by the researcher based on statistical results at a significance level

Second hypothesis: There are no significant differences between the financial investments available for sale according to the fair value levels of other investments and the fair value of financial derivatives instruments, and the fair value of shares before and after the application of International Financial Reporting Standard 13 Fair Value.

Table No. (5) Results of the Second Hypothesis Test

Results of the hypothesis test before apply the second model criterion: FV(S) +B, PTBV+ B, DPOR + B, PER+ B, DYP+ BROA+ BSize + B+EPS+	Results of the hypothesis test before applying th second model criterion: FV(S) +B, PTBV+ B, DPOR + B, PER+ B, DYP+ BROA+ BSize + B+EPS+

Value for test = F 24.005 Significance value = 0.000 At a significance level of (0.05)	Value for test = F 29.094 Significance value = 0.000 At a significance level of (0.05)
Multiple correlation coefficient R = 0.933 Coefficient of determination R^2 = 0.870 Modified coefficient of determination (Ad R^2 = 0.834	Multiple correlation coefficient R = 0.944 Coefficient of determination R^2 = 0.891 Modified coefficient of determination (Adj.) R^2 0.860

The varia at a significa level of (5	Regression coefficients (E		Regressi coefficie (B)	The varia at a significa level of (	T. Test		Regressi coefficie (B)	Variabl
	Say	Value			Say.	Value T		
It has n moral eff	.076	1.851	8.461	It has moral ef	0.00	6.241	21.285	Fixed p
It has a m effect	.000	-4.10	-8.376	It has r moral ef	.066	-1.92	21.285	Sustaina Developr
It has n moral eff	.167	1.425	10.050	It has r moral ef	.072	1.880	-2.012	DPOR
It has a m effect	.034	-1.54	.406	It has r moral ef	.076	-1.84	3.137	PER

It has a m effect	.001	-3.31	-92.308	It has r moral ef	.085	-1.79	-252	DEEF
It has n moral eff	.984	-.020	-1.830	It has moral ef	.020	-2.48	-35.82	LONG
It has n moral eff	.919	.103	.042	It has r moral ef	.056	-2.00	-22.85	Size
It has a m effect	.000	8.843	6.498	It has moral ef	.008	11.23	-698	EPS

Source: Prepared by the researcher based on statistical results at a significance level of 5%

This is evident from the results rate Coefficient of determination R^2The application of Financial Reporting Standard No. 13 (FRA) has a significant predictive and explanatory ability for financial performance indicators, reaching (0.891) before the application of the standard and an explanatory and predictive ability of (0.870) after the application of the standard. The results of Table (5) show the statistical analysis of the correlation relationships between financial investments available for sale according to the levels of fair value of other investments and the fair value of financial derivatives instruments and the fair value of shares before and after the application of International Financial Reporting Standard 13 (FRA) 13, where the value of the multiple correlation after the application of the standard reached (0.933), which is a positive significant value at a significance level of (0.01). According to the decision rule used, the hypothesis was accepted, and the value of the multiple correlation indicates that financial investments available for sale according to the levels of fair value of other investments and the fair value of financial derivatives instruments and the fair value of shares before and after the application of International Financial Reporting Standard 13 (FRA) 13 have a good predictive ability for financial performance indicators, because the value is close to (1).

Third hypothesis: There is a relationship between the fair value of the shares of the banks in the research sample and the financial performance indicators under the application of International Financial Reporting Standard 13 Fair Value.

Table No. (6) Results of the Third Hypothesis Test

Results of the hypothesis test before apply the second model criterion: FV(S) +B, PTBV+ B, DPOR + B, PER+ B, DYP+ BROA+ BSize + B+EPS+				Results of the hypothesis test before applying the second model criterion: FV(S) +B, PTBV+ B, DPOR + B, PER+ B, DYP+ BROA+ BSize + B+EPS+			
Value for test = F 18.476 Significance value = 0.000 At a significance level of (0.05)				Value for test = F 35.752 Significance value = 0.000 At a significance level of (0.05)			
Multiple correlation coefficient R = 0.915 Coefficient of determination R^2 = 0.838 Modified coefficient of determination (Ad R^2 = 0.793				Multiple correlation coefficient R = 0.954 Coefficient of determination R^2 = 0.909 Modified coefficient of determination (Adj.) R^2 = 0.884			
The variat at a significan level of (5	Regression coefficients (B)		Regressio coefficien (B)	The varia at a significar level of (	T. Test		Regressio coefficient (B)	Variables
	Say.	Value T			Say.	Value T		

It has a m effect	.001	3.779	13.318	It has a moral eff	.000	7.364	13.020	Fixed part
It has no moral effe	.662	.443	.030	It has no moral eff	.710	-376	.013	MTV
It has a m effect	.040	1.413	1.960	It has a moral eff	.011	2.744	2.474	FVIAS
It has a m effect	.032	1.407	26.042	It has a moral eff	.050	2.064	12.491	PFVDFI
It has a m effect	.130	1.566	2.222	It has no moral eff	.067	1.918	1.481	FVPUL
It has no moral effe	.531	.635	-57.796	It has a moral eff	.014	-2.646	-176.798	LONG
It has a m effect	.047	-2.090	-1.035	It has no moral eff	.290	-1.080	.286	Size
It has a m effect	.000	6.265	4.264	It has a moral eff	.000	6.317	3.614	EPS

Source: Prepared by the researcher based on statistical results at a significance level of 5%

The results of the analysis indicate that the coefficient of determination R^2The application of Financial Reporting **Standard** No. 13 has a significant predictive and explanatory ability for financial performance indicators, as it reached (0.909) before the application of the standard and an explanatory and predictive ability after the application of the standard reached (0.838). The

results of Table (6) are shown in the statistical analysis of the correlation relationships between the fair value of the shares of the banks sampled in the research and the financial performance indicators under the application of International Financial Reporting Standard 13 Fair Value, where the value of the multiple correlation after the application of the standard reached (0.915), which is a positive significant value at a significance level of (0.01). According to the decision rule used, the hypothesis was accepted, and the value of the multiple correlation indicates that both the fair value of the shares of the banks sampled in the research and the financial performance indicators under the application of International Financial Reporting Standard 13 Fair Value have a good ability to predict financial performance indicators, because the value is close to (1).

Section Four: Conclusions and Recommendations

4.1 Conclusions

1. International Financial Reporting Standard for Fair Value 13 is distinguished by the fact that it has combined the measurement and accounting disclosure requirements that were addressed by previous standards into one standard, which has led to improved consistency, increased comparability and expanded the scope of accounting disclosure between financial statements.
2. The results of the statistical analysis of the correlation relationships in applying the International Financial Reporting Standard “IFRS 13 Fair Value” to financial performance indicators are evident, as the correlation value reached (0.902**), which is a positive significant value at a significance level of (0.01). The correlation value indicates that the application of the International Financial Reporting Standard “IFRS 13 Fair Value” has a good ability to predict financial performance indicators.
3. The results of the analysis indicate that the coefficient of determination R2 of the application of Financial Reporting Standard No. 13 has a significant predictive and explanatory ability regarding financial performance indicators, as it reached (0.909) before the application of the standard and an explanatory and predictive ability after the application of the standard reached (0.838).
4. The results of the analysis of the correlation between the fair value of the shares of the banks in the research sample and the financial performance

indicators under the application of International Financial Reporting Standard 13 Fair Value indicate that the value of the multiple correlation after the application of the standard reached (0.915), which is a positive significant value at a significance level of (0.01). The value of the multiple correlation indicates that both the fair value of the shares of the banks in the research sample and the financial performance indicators under the application of International Financial Reporting Standard 13 Fair Value have a good ability to predict financial performance indicators.

5. The results of the statistical analysis of the correlation between available-for-sale financial investments according to the fair value levels of other investments and the fair value of financial derivatives instruments and the fair value of shares before and after the application of International Financial Reporting Standard 13 (IFRS 13) are clear. The multiple correlation value after the application of the standard reached (0.933), which is a positive significant value at a significance level of (0.01). The multiple correlation value indicates that available-for-sale financial investments according to the fair value levels of other investments and the fair value of financial derivatives instruments and the fair value of shares before and after the application of IFRS 13 (IFRS 13) have a good ability to predict financial performance indicators.

4.2 Recommendations

1- Using fair value information to rationalize the bank's management and investment decisions, leading to increased operational efficiency and improved indicators such as return on assets (ROA) and return on equity (ROE) in the long term. Given that fair value fluctuations may increase net income fluctuations, it is advisable to provide additional analysis explaining the impact of these fluctuations resulting from the valuation alone.

2- The recommendation to apply fair value accounting contributes to a qualitative shift for users of financial reports and statements to keep pace with global economic events and changes, with the aim of providing reliable and transparent information from the perspective of the beneficiary groups.

3- It is necessary to hold specialized workshops for investors and beneficiaries to present the mechanisms for implementing International Financial Reporting

Standard 13 with the aim of measuring fair value and disclosure requirements, given its recent implementation.

4- Increasing the supervisory role of the Iraq Stock Exchange over commercial banks towards paying attention to the outputs of financial reports and statements in terms of accounting disclosure information related to International Financial Reporting Standard 13.

5- Strengthening the role of risk management in private banks to manage the effects of fair value measurement on capital adequacy and provisioning requirements, in accordance with other relevant standards (IFRS 9: Financial Instruments), and enhancing investor confidence and the sound and transparent application of IFRS 13, improves the quality and accuracy of financial information, contributes to increasing the value of banks in the Iraq Stock Exchange, and improves investor decisions based on more realistic data.

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