

Measuring the Reliability of Accounting Information and its role in Rationalising Investment Decisions and Improving the Value of a Company

Alyaa Hussein Mohmmmed Ali Alesaa^a, Dhyaa Abdulrazaq Abduljabar Al-Laban^b, Akram Abbas Rhaif AL-Hamzawi^c, ^aCollege of Veterinary Medicine Department of Public Health, University of Al-Qadisiyah, Iraq, ^bEconomics Department College of Administration and Economics, University of Al-Qadisiyah, Iraq, ^cPhD Financial and Banking Science, Accounting Department, College of Managerial and Financial Sciences, Imam Ja'afar Al-Sadiq University, Salahaddin, Iraq Email: aAlyaa-alesi@qiu.edu.iq, dhiya-alban@qu.edu.iq, akram.abbas@sadiq.edu.iq

The research aims to measure the reliability of the accounting information presented in the financial statements and rely on it to make rational investment decisions, in addition to showing the role of this in improving the value of the company in a manner that is commensurate with the rapid and successive variables accompanying the modern manufacturing environment. The research is based on a basic premise that: the measurement of reliability of accounting information can help in rationalising investment decisions taken by investors and thus help in improving the company's value in a manner that is commensurate with the changes accompanying the modern manufacturing environment. The research was applied to a sample of companies from the industrial companies listed on the Iraq Stock Exchange for the years 2017, 2018, 2019, and these companies are: General Company for Electrical Industries, General Company for Textile Industries, General Company for Battery Industry and General Company for Dairy Industry. In order to achieve the goals of the research and test its hypothesis, the standard analytical approach has been employed, relying on data available during the years of the research, and finally, the research reached a set of conclusions, the most important of which was the significance of reliability in the financial information that enables the beneficiaries of the financial statements to know the accuracy of the disclosure of the

economic unit and thus help the rationalisation of investment decisions and improve the value of the company.

Key words: *Measurement, Credibility Of Information, Accounting Received, Reliability, Manufacture Batteries.*

Introduction

The accounting information contained in financial statements is considered one of the most important sources that investors rely on in making their investment decisions. As a result, this information should have two main characteristics: reliability and credibility, by which it is possible to extrapolate the future of the economic unit, which are among the most important characteristics that international standards focus on in preparing financial statements, in addition to the most important feature, which is the delivery of complete and appropriate information to investors at the appropriate time, as the financial statements are one of the most reliable sources for making investment decisions by the investors. These should be prepared on the basis of the reliability stipulated by international standards and the sincere representation of the activity of the economic unit and its sub-characteristics that enhance the accuracy of the decisions taken on its basis, and reliability means that the quality of the financial information disclosed in the financial statements can be relied upon in decision-making by stakeholders. The research has touched on the possibility of measuring the degree of reliability of financial information in the financial statements of industrial companies listed on the Iraq Stock Exchange, using the standard approach based on approved mathematical equations that show the reliability of such information in good decision-making.

Research Methodology

Research Problem

Accounting information is provided by the administration that prepares it in a manner appropriate to its objectives and achieves continuity in its tasks. As a result, users of that data may not possess complete knowledge to discover glitches in the financial statements provided by the administration, which must provide reliable and credible information for all relevant parties so that they can make the right decisions, and therefore the research problem can be expressed by the following question: does the accounting information disclosed have the reliability and credibility so that it can help in investment decisions and in a manner that helps in improving the value of the company?.

The Importance of Research

The provision of accounting information in the financial statements is of great importance in making investment decisions and as a result, it must have reliability and reflect the true financial position of the company, and that importance lies in that investment decisions are made on the basis of information received in the financial statements, and that the accounting information contained in the financial statements reflects the nature of economic activity for the past period.

Research Objectives

The research aims to measure the reliability of the accounting information presented in the financial statements and rely on it for making rational investment decisions, in addition to showing the role of this in improving the value of the company in a manner that is appropriate to the rapid and successive variables accompanying the modern manufacturing environment.

Research Hypothesis

The research is based on the following hypothesis: The measurement of the reliability of accounting information can help in rationalising investment decisions taken by investors and thus help improve the company's value in a manner that is commensurate with the changes accompanying the modern manufacturing environment.

The Research Sample

The research sample is represented by a group of industrial companies listed on the Iraq Stock Exchange for the years 2017, 2018, 2019, and these companies are: General Company for Electrical Industries, General Company for Textile Industries, General Company for Battery Industry and General Company for Dairy Industry.

Theoretical Framework for the Research

The Concept and Importance of the Reliability of Accounting Information

Financial statements are the only opportunity given to investors to build an investment strategy and extends their ability to assess the economic unit and its ability to continue, either with regard to creditors –showing the ability of the economic unit to pay debts – and government agencies concerned with financial lists to determine the taxes imposed on the economic unit, as well as the importance of the continuity of the activity of the economy and preventing its collapse and its effects on the national economy (Leauanae & Rasmussen, 2002: 1). As to the importance of the financial statements of the shareholders, they are building their decisions in

continuing to hold or sell shares of the economic unit, as well as managing for the economic unit, as it is responsible for making decisions and setting future plans and policies. As a result, it always needs to evaluate its performance and the effectiveness of its work to achieve the goals that were set in the last period. And when presented, the financial statements must have many of the attributes that give them reliability and credibility, as follows:

1. Importance: That the financial information is appropriate for the making of decisions taken by stakeholders.
2. Physical: The focus is on financial information that affects user decisions.
3. Understandability: The information must be readily understood by the users of the financial information and this means that the financial statements must provide clear information regardless of the level of its users.
4. Convenience: The information is relevant to the needs of its users when the information affects economic decisions, including reporting of information of a special nature that is believed to be hidden or omitted, affecting the decisions taken.
5. Reliability: The financial information is not misleading and reflects the substance of events, including estimates and uncertainties about the accuracy of the information included in the financial statements.

The financial statements are considered one of the most important sources that can be relied upon in making investment decisions by investors, which must be prepared on the basis of the reliability stipulated by international standards and the sincere representation of the activity of the economic unit and its sub-characteristics that enhance the accuracy of the decisions taken on the basis of reliability. It must represent honestly and without bias or intentional error or unintended transactions or events of a financial nature for the past period. International Accounting Standards Board (ISAB) present that the reliability of financial information is achieved through the availability of sub-properties, which can be explained through the following (Al-Jawher, 2011: 114-115):

1. Honest representation: For accounting information to be reliable, it must be sincerely representative of economic activities that take place during a specific period of time.
2. The essence of the information: It is very important that the financial operations are presented according to its essence and not only its legal form, so that it can serve the beneficiaries more accurately and better.
3. Neutrality: It means that the financial information is unbiased in terms of what it benefits from in its interest, whether it is the administration or any other entity, whether it is official or unofficial.
4. Carefulness and caution: Caution must be taken in making decisions of estimates indicated in cases of uncertainty, to avoid inflating or reducing the value of items appearing in the financial statements.

5. **Completeness:** The reliability of the information included in the financial statements assumes that the disclosed information is complete for taking decisions in material and economic terms.

The difference in accounting methods in preparing financial statements and the desire of the administration to show what leads to the continuation of its work and increasing the confidence of owners has led to the need to emphasise the reliability of the information in the financial statements and the extent of their ability to truly express the activity of the economic unit, and the extent of the impact of the use of creative accounting methods in influencing business results by misleading investment decision-makers in order to achieve the goal of manipulation. It is imperative for auditors of financial statements to take measures that increase the confidence of stakeholders in what is provided by financial information enjoying reliable and honest representation of trust by analysing the financial position and to predict the financial future of the economic unit and modify it as required (Ismaeal, 2014: 241).

The reliability of accounting information is evaluated through the quality of the financial information contained in it, so it was difficult to find a simple definition that describes and reliably defines the reliability of accounting information, but contemporary thought of reliability indicates the importance of focussing on the concept of flexibility of use and taking the view of information users when determining reliability as the key judge on the quality of information. The importance of the reliability of accounting information can be illustrated through the following (Blessing & Onoja, 2015: 24):

Financial Statements Prepared by the Economic Unit and the Beneficiaries thereof

The nature of the information disclosed varies according to the activity of the economic unit, but international standards agree that there are lists that must be included in the financial reporting process so that it can meet the needs of users, and these lists can be clarified through the following: (International Standard No. 1, 2004: 563)

1. **Income Statement:** It is a list that discloses the results of the economic unit activity for the past period, the aim of which is to determine the profit or loss resulting from the operational activity. It also provides investors and creditors with information that helps them to forecast future operating cash flows between financial periods (Baker, et.al, 2003: 8).
2. **The financial position list:** It is a list that contains financial information related to the items related to the financial position of the economic unit. This list shows the financial position of the economic unit during a specific point in time. The financial centre list includes the following items (IFRS-M4, 2009: 3):

A. Assets: The economic resources controlled by the economic unit through previous events and from which future benefits are expected to flow.

B. Liabilities: These are the current obligations arising from past events, the payment of which will result in the sacrifice of part of the resources controlled by the economic unit.

C. Equity: is the difference between the assets and liabilities of the economic unit.

3. Changes in ownership rights: It is a list that reflects the changes in the owners' rights during the reporting period resulting from the transactions of owners' accounts, to show the increase or decrease in the assets in the past financial period, as it provides detailed information on the following (IFRS-M6, 2009: 3):

A. Comprehensive Income: Comprehensive Income details the balances of amounts due to the economic unit and the non-controlling interests over a specific period.

B. Changes in accounting policies: these are the changes that take place during the financial period, with an indication of the implications of applying them retroactively to profit and financial position, if any.

C. Book value at the beginning and end of the period: including disclosure of profits or losses resulting from comprehensive income, the value of investments, and any other information related to the owners.

4. Cash flow statement: This list specialises in presenting cash flows, changes in cash and cash equivalent for the economic unit for the reporting period in detail, and that this information it provides is useful in assessing the monetary capacity of the economic unit as well as comparing operational cash flows between economic units for different periods, which is what is beneficial to stakeholders because it is not affected by the use of different accounting treatments for the same transactions and events between them (IFRS-M7,2009: 4), and the cash flow statement is divided into the following (14IFRS-M7,2009: 10-):

a. Operating cash flow: these are the operating cash flows of the economic unit resulting from current operations, which represent the main and ongoing operations of the company.

B. Investment cash flow: includes investment activities, acquisitions and disposal of long-term assets and other investments not included in the equivalent cash.

T. Financing cash flow: these are activities that lead to changes in ownership, such as the issuance of shares, bonds, loans, mortgages and financing leases.

5. List of Notes: it is the list that was recently approved for its data and detailed information on the elements that were not mentioned in the previous lists, as well as information related to the type of company, the country of origin, address and description of the nature of economic activity and others (IFRS-M8,2009: 4).

As for the beneficiaries of the financial statements, accounting is only an integrated information system that starts from measuring and recording the financial deals of economic units and

providing information resulting from the analysis and classification of their data as information to the beneficiaries of them to make decisions based on the reports issued by those economic units. Each of them benefits from financial information as far as the matter relates to the economic entity, and as a result, accounting as a system for collecting and communicating that information for the purpose of providing financial tools to internal and external parties that benefit from it in dealing with uncertainty, and there are several bodies interested in the information included in the financial statements: (Al-Jejawi & Al-Masoudi, 2014: 25).

The Relationship between Accounting Information, Investment Declarations and the Value of the Company

The statements are a report that summarises the financial position of the company for a specific period of time, which includes an explanation of the flow of resources, profits, and losses accrued. And taking decisions, comparing and evaluating the company, requires making investment decisions based on financial information that shows the ability of the economic unit to fulfill its obligations and achieve the goal of investing in its assets, which is what investors seek visually. (Blessing & Onoja, 2015: 23), analyse how stakeholders use the information presented in the financial statements in a way that enables them to achieve the greatest benefits that can help them in making investment decisions that can lead to changes in their outlook to the methods of measuring economic activity, and the financial statements provide decision makers with additional options in order to ensure the accuracy and reliability of decision-making as capital providers or other stakeholders (Al-Masoudi & Al-jeborri, 2016: 53). The objective of the financial statements is to provide financial information about the company, which can be useful in making appropriate decisions for them; the elements of this goal can be clarified as follows (Al-Masoudi & Al-jeborri, 2016: 49):

1. The feasibility of accounting information to assess the future ability to generate cash.
2. The feasibility of information to assess the management of the economic unit and work to address weaknesses in performance.

In order for investors to make rational decisions based on the accounting information mentioned in the financial statements, it is necessary to achieve the quality of financial reports on the company's business, as there are three types of quality in the financial reports, as follows (Baker, et.al., 2003: 9-10):

1. Quality of drafting the report: the report's data should be well described so that the words chosen to describe the statement are clear and accurately express the statement. This requires the availability of a clear feature when drafting the report.
2. Quality of report content: it indicates the presence of the correct values of data and the

absence of fundamental errors, and this requires the availability of three characteristics, which are coverage, completeness and accuracy.

With regard to the entry points for evaluating the quality of financial reports, the inputs used to assess the quality of financial reports have multiplied. These entries are divided into three groups, which are the user needs entrance, the shareholder or investor protection entrance, and the third-party trust entrance in the financial statements. As for the user needs entrance, this group focusses on valuation issues, and the quality of financial reports according to this group means providing the needs of users of financial statements and the extent to which they benefit from the financial information contained in these lists.

The shareholder or investor group focusses on organising reports and monitoring as it cares about the needs of investors with information to make investment decisions, and the quality of accounting information and therefore the quality of financial reports is judged through the extent of the availability of clear and complete information, i.e. only concerned with one feature of the quality of financial statements information, which is fair disclosure and complete financial statements. This group is interested in providing the appropriate information for the users of the financial statements, and with regard to the entrance to the third party trust in the financial statements, the accountant does not work for the company he works with, but only works for a third party. If the third party trusts in the financial statements, it can be judged that they are good, and there are four entries that can be used to assess the quality of the business results and thus the quality of financial reports, and to achieve that quality must rely on a set of ingredients, and these entries are as follows (Blessing & Onoja, 2015: 22):

1. The characteristics of the time series of earnings, which are predictable.
2. Relationships between income, accrual basis and monetary basis, and the quality of business results decreases whenever accreditation is made on accrual basis as this leads to their inability to make decisions.
3. Descriptive concepts of the accounting information presented in the intellectual framework of (FASB). The quality of the business results is evaluated on the basis of relevance, reliability, and comparability.
4. Experience of financial statements preparers and auditors, and the quality of financial reports decreases as the degree of judgment, assessment and prediction of financial statements preparers increases when deciding on the elements of financial reports.

To demonstrate the possibility of measuring the degree of reliability of the financial statements, the Kythreotis model, which is used to measure the reliability of the financial statements, is based on a model established by White in 2007 by relying on future operating cash flow and its relationship to current assets and short-term liabilities that generate operating revenues depending on the possibility of recovery or settlement within twelve months, using the simple

linear regression model and the regression quality factor (R²), which reflects the amount of impact and the degree of reliability and reliance on the information in its financial statements for investment decision-making information according to the following (Kythreotis, 2014: 9):

$$\text{Reliability (CFO + 1)} = A_0 + B_1 * \text{Accrit} + B_2 * \text{Cpcfit} + B_3 * \text{Defit} + 1 + \varepsilon_{i, t + 1}$$

As:

Accrit: (Net receivables - current liabilities - inventory) / total assets for the current year.

Cpcfit: Operating income before depreciation / total assets for the current year – accruals in previous paragraph Accrit.

Defit + 1: (current assets + inventory) / total assets for the current year.

$\varepsilon_{i, t + 1}$: the error coefficient is assumed to be zero.

The third topic: the applied side of the research

A Brief Summary of the Research Sample

The sample of the research is a group of industrial companies listed on the Iraq Stock Exchange for the years 2017, 2018, 2019, and these companies are: General Company for Electrical Industries, General Company for Textile Industries, General Company for Battery Industry and General Company for Dairy Industry, and an introductory brief about these companies can be explained. As shown in the following:

1. General Company for Electrical Industries: The General Company for Electrical Industries is one of the formations of the Iraqi Ministry of Industry and Minerals founded in 1967, and this company specialises in the production of household and industrial electrical appliances, and the company started production with three production lines, but it has recently expanded to add new production lines that can meet the needs of the Iraqi market for different electrical appliances: the company produces many products for domestic and industrial use, and among its most important products are air conditioners, heaters, fans, televisions and other products.
2. The General Company for Textile Industries: The Company is one of the formations of the Iraqi Ministry of Industry and Minerals. It was established in 1974 and is specialised in the production of various textiles that are sold to local markets. The cost system used in the company is the actual cost system, and accounts are organised by the Cost Department in the company and these accounts are prepared in the light of the data and information provided by the Financial Accounts Division in order to determine the cost of the company's products and selling prices, as they are submitted to pricing committees that determine the selling prices for all products.
3. General Company for Battery Industry: The General Company for Battery Industry is one of the formations of the Iraqi Ministry of Industry and Minerals, established in 1972 and it is specialised in producing dry and liquid batteries that are marketed locally. The cost

system used in the company is the actual cost system, and accounts are organised by the cost department in the company, and the company's cost accounting department prepares a consolidated cost list for the company that shows the cost of its products for the purpose of determining the appropriate selling price.

Measuring the Reliability of the accounting information in the financial statements for a sample of Iraqi industrial companies and testing the research hypothesis

For the purpose of measuring the reliability of the accounting information contained in the financial statements of the research sample companies during the years 2017, 2018, 2019, some data must be collected, the most important of which are the net debtors, inventory, current assets, total current assets and liabilities in addition to operating revenues before the investments, and table (1) shows these data during the three years of research.

Table 1: Some data related to the research sample companies (the amounts are rounded to the nearest thousand Iraqi dinars)

2019	2018	2017	data	Company
2897216	2962448	2918522	Net debtors	General Company for Electrical Industries
225785	244673	286330	Inventory	
2004620	2110325	2556789	Current assets	
6775428	6838411	7955432	Total assets	
1620417	1132519	1314256	Current liabilities	
2623141	1754912	1823411	Operating income before Exodus	
1541904	1654988	1512432	Net debtors	General Company for Textile Industries
167852	188964	133557	Inventory	
1876501	1765402	1986546	Current assets	
3452086	3099717	4322412	Total assets	
497019	650224	728442	Current liabilities	
2465974	2415652	1312031	Operating income before Exodus	General Company for the manufacture of batteries
1877412	1822003	1927554	Net debtors	
219439	201337	256783	Inventory	
1255614	1223887	1003615	Current assets	
6300221	6443512	7026315	Total assets	

1118773	1000425	1220616	Current liabilities	General Dairy Industry Company
1566996	2655004	1714118	Operating income before Exodus	
1883291	1765043	1627965	Net debtors	
199765	165404	155487	Inventory	
1978012	1876045	1955432	Current assets	
3664360	3876501	4665221	Total assets	
886503	713445	828445	Current liabilities	
2553004	2653024	2722991	Operating income before Exodus	

Source: prepared by the researcher.

It is noticed from the above table that there is fluctuation in the accounting numbers mentioned in the financial statements of the companies in the research sample, for example, we note that the operating revenues before the extinctions of the Electrical Industries Company were in the year 2017 in the amount of (1823411) thousand dinars and then decreased in the year 2018 by (68499) thousand dinars and then increased in the year 2019 by (868229) thousand dinars, and so on for the rest of the variables.

The reliability of the accounting information included in the financial statements of the research sample companies can be measured using the Kythreotis model as follows:

$$\text{Reliability (CFO + 1)} = A0 + B1 * \text{Accrit} + B2 * \text{Cpcfit} + B3 * \text{Defit} + 1 + \varepsilon_{i, t + 1}$$

Thus, there are three variables in the above equation, which can be calculated as follows:

First: The first variable (Accrit): This variable is calculated according to the following formula:

$$\text{Accrit} = (\text{net of debtors} - \text{current liabilities} - \text{inventory}) / \text{total assets for the current year}$$

Table (2). Shows the calculation of the first variable in the formula for measuring the reliability of the accounting information mentioned in the financial statements of the research sample companies.

Table 2: Calculate the first variable

2019	2018	2017	The company
0.155	0.232	0.166	General Company for Electrical Industries
0.254	0.263	0.150	General Company for Textile Industries
0.086	0.096	0.064	General Company for the manufacture of batteries
0.218	0.229	0.138	General Dairy Industry Company

Source: prepared by the researcher.

It is noted from the above table that all the research sample companies have achieved the highest percentage in the year 2018, and the Electric Industries Company has achieved the lowest percentage in the year 2019, the rest of the companies have been the lowest in 2017, and accordingly, the year 2018 is the best in achieving the first variable.

Second: The second variable (Cpcfit): This variable is calculated according to the following formula:

$$\text{Cpcfit} = \frac{\text{Operating income before depreciation}}{\text{total assets} - \text{accruals for previous paragraph}} \text{ Accrit.}$$

Table 3: Shows the calculation of the second variable in the formula for measuring the reliability of the accounting information in the financial statements of the research sample companies.

Table 3: Calculation of the second variable (Cpcfit)

2019	2018	2017	The company
0.232	0.246	0.063	General Company for Electrical Industries
0.460	0.516	0.153	General Company for Textile Industries
0.163	0.316	0.180	General Company for the manufacture of batteries
0.479	0.445	0.446	General Dairy Industry Company

Source: prepared by the researcher.

It is clear from the above table that the first three companies have achieved the highest percentage during the year 2018, the last company was during the year 2019, and the Electric Industries and Textile Industries Company has achieved the lowest percentage in 2017, the General Company for Battery Industry was the lowest percentage in the year 2019, while the lowest percentage was for General Dairy Company during 2018.

Third: The third variable (Defit + 1): This variable is calculated according to the following formula:

$$\text{Defit} + 1 = (\text{current assets} + \text{inventory}) / \text{total assets for the current year.}$$

Table (4) shows the calculation of the third variable in the formula for measuring the reliability of the accounting information mentioned in the financial statements of the research sample companies.

Table 4: Calculation of the third variable (Defit + 1) $\text{efit} + 1 = (\text{current assets} + \text{inventory}) / \text{total assets for the current year}$

2019	2018	2017	The company
0.329	0.344	0.357	General Company for Electrical Industries
0.592	0.630	0.490	General Company for Textile Industries
0.234	0.221	0.179	General Company for the manufacture of batteries
0.594	0.527	0.452	General Dairy Industry Company

Source: Prepared by the researcher.

After calculating the three variables in the reliability measurement equation, the degree of reliability in the accounting information can be measured using the following equation: Reliability (CFO + 1) = A0 + B1 * Accrit + B2 * Cpcfit + B3 * Defit + 1 + $\epsilon_i, t + 1$, And Table No. (5) shows measurement of the degree of reliability in the accounting information (CFO + 1) mentioned in the financial statements of the research sample companies.

Table 5: Measuring the reliability of accounting information (CFO + 1)

2019	2018	2017	The company
0.716	0.822	0.586	General Company for Electrical Industries
1.306	1.409	0.793	General Company for Textile Industries
0.483	0.633	0.423	General Company for the manufacture of batteries
1.291	1.201	1.036	General Dairy Industry Company

Source: prepared by the researcher.

It is clear from the above table that the degree of reliability of the Electric Industries Company ranged between 0.586 and 0.716, the degree of reliability of the Textile Industries Company ranged between 0.793 and 1.409, and the degree of reliability of the battery industry company ranged between 0.423 and 0.633, the degree of reliability of the Dairy industry company ranged between 1.036 and 1.291, and accordingly it can be said that the accounting information in the financial statements of the companies in the research sample are reliable for the investors.

To show the extent of the impact of the reliability of accounting information on the value of the research sample companies, the market value of these companies has been calculated during the research years as shown in Table No. (6).

Table 6: Market value of the companies in the research sample

2019	2018	2017	The company
5155011	6725192	6641176	General Company for Electrical Industries
2955067	2449493	3593970	General Company for Textile Industries
5181448	5443087	5805699	General Company for the manufacture of batteries
2777857	3163056	3836776	General Dairy Industry Company

Source: prepared by the researcher.

After determining the market value of the companies in the research sample, the effect of the degree of reliability on the market values of these companies can be explained by using the correlation coefficient (R^2) and the test (T) as shown in Table No. (7).

Table 7: The effect of the degree of reliability on the market value of the research sample companies

Sign	T tabular	Computed T	R^2	The company
Morale	2.353	8.736	0.724	General Company for Electrical Industries
Morale	2.353	9.467	0.833	General Company for Textile Industries
Morale	2.353	8.922	0.887	General Company for the manufacture of batteries
Morale	2.353	6.449	0.772	General Dairy Industry Company

Source: prepared by the researcher.

Table 8: The effect of the degree of reliability on the market value

Dependent variable (Y)	B	R ²	P.value	F. cal	F. table	Correlation	Independent variable (X)
The value of the company	3.066	0.787	0.428	4.996	3.007	0.787	Degree of reliability

Source: prepared by the researcher.

It can be seen from the above table that the degree of reliability of the accounting information in the financial statements can affect the market value of the company, and this effect was confirmed by using the correlation and regression properties between the two variables (X, Y) by the simple linear regression equation ($Y = BX + a$) demonstrating the extent of correlation between them using the Pearson correlation coefficient, thus the research hypothesis has been proven.

Conclusions and Recommendations

Conclusions

After analysing the results of the research and testing its hypothesis, the following conclusions can be presented:

1. The process of preparing financial statements faces some challenges, such as the lack of clarity of some paragraphs in international standards, and therefore there is a possibility of misleading users of these lists when making their decisions.
2. The dependence of the beneficiaries on the information contained in the financial statements in making decisions increases the necessity of issuing explanatory criteria for their preparation in a manner that is consistent with environmental requirements.
3. The significance of reliability in the financial information enables the beneficiaries of the financial statements to know the accuracy of the economic unit's disclosure of its financial activity and that the difference in its ratio between the economic units and the research sample varies greatly in some cases due to the different methods of preparing the financial statements and the weak preparation of them by some, which effects the decision-making process.
4. The failure of the Iraqi economic units operating within the business environment to prepare the financial statements mentioned in Standard No. (1) issued by the International Accounting Standards Board (ISAB).



Recommendations

After reviewing the research findings, the researcher recommends the following:

1. Establishing development courses for the authors of financial statements and their users to get acquainted with the latest findings of the techniques of preparing financial statements in a manner that helps in rationalising investment decisions.
2. The investment decision-making process depends on several variables, including the degree of reliability in the financial information included in the financial statements in addition to other factors that may be political, economic or social, and all of these factors will affect the decision-making process.
3. Having reliable financial information is an important factor in making investment decisions and improving the company's overall value.
4. Paying attention to the methods of preparing financial statements from economic units and the necessity of adopting electronic disclosure in publishing financial statements that increases the accuracy of investment decisions taken by beneficiaries.



REFERENCES

- Al-Jawher, K. A. (2011). "the relationship between the qualitative characteristics of accounting information and the governance rules of the board of directors. University of Baghdad. Journal of Administration and Economics, Vol. 12, No.(90), pp:110-125.
- Al-Jejawi, T. M. & Al-Masoudi, H. A. (2014). " Financial accounting. Dar Al-Kutub Publishers, 2nd ed., Karbala, Iraq.
- Al-Masoudi, H. A. & Al-jeborri, A. K. (2016). The effect of good financial reporting on potential obligations in enhancing the value of the economic unit. University of Karbala, Unpublished Master Thesis, Iraq .
- Baker, Richard; Ding, Yuan & Sitology, Helve (2003). "Income statements by nature and analysis of company. University of Massachusetts Dartmouth, www.econpapers.repec.org, USA, pp: 1-43.
- Blessing, Anaya & Onoja, Emmanuel E., (2015). "The role of financial statement on investment decision making. European Journal of Business, Economics and Accountancy, Vol.3, No.2, pp:12-38.
- <http://accountingexplained.com/financialaccounting/principles/qualitativecharacteristics>.
- IFRS-M4, (2009), "Statement of Financial Position", International Accounting Standards Board, UK, pp: 1-32.
- IFRS-M6, (2009). Statement of Changes in equity and statement of income", International Financial Reporting Standard, UK, pp: 1-23.
- IFRS-M7, (2009). Statement of cash flows. International Financial Reporting Standard, UK, pp: (1-69) .
- IFRS-M8, (2009). Notes to the financial statements. International Financial Reporting Standard, UK, pp:1-59 .
- International Standard No.1 (2004). Presentation of financial statements. International Accounting Standards Committee (ISAB),23, pp: 557-607.
- Ismaeel, M. D. (2014), "the effect of creative accounting methods on the reliability of accounting information", University of Qadisiyah. Journal of Administrative and Economic Sciences, Vol. 16, No. 3, pp: 240-259.



Kythreotis, Alexis (2014). Measurement of financial reporting quality based on IFRS conceptual framework. *Journal of Accounting Finance and Business*, Vol. 3, No.1, pp:4-28 .

Leauanae, J. & Rasmussen, D. (2002). "Assessing the reliability of financial statements. *Forensic Accounting Journal*, 62, pp: 1-8.