The Effect of Reporting About Value Creation on the Earnings Quality of Iraqi Economic Entities[1]

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ABSTRACT

The study aims to measure the impact of reporting on value creation on the earnings quality of the economic unit by presenting and discussing the conceptual aspects of the value creation process through multi-capital and the importance of reporting it in Iraqi private banks in addition to presenting and analyzing the concept of profit quality and its measurement models.

Therefore, the checklist prepared for this purpose was used based on previous studies related to the subject in order to determine the level of reporting of the research sample banks by analyzing the content of the annual reports of those banks as well as adopting the Tobin's Q scale to measure the value of the economic unit and then using some statistical models to find out the effect of reporting on value creation on the value of the research sample banks.

The research reached a set of conclusions, the most important of which are: the value creation model through multi-capital in the international integrated reporting framework as a reporting mechanism can help in providing an appropriate environment for obtaining high-quality information and thus can improve the quality of accounting information, especially the quality of reported earnings and enable stakeholders also have access to different capitals from an integrated and long-term perspective. It also increases transparency and reduces information asymmetry, thus limiting the management of opportunistic earnings that often occur through manipulation of accounting estimates and accruals according to a short-term perspective that focuses on making earnings only. The result is reflected positively in the earnings quality.

In light of the conclusions reached, the researchers recommend expanding information reporting practices in Iraqi private banks on the basis of a broad base of capital to demonstrate the value creation process in order to provide transparency, improve the quality of information, and reduce attempts to manipulate and distort earnings through receivables to achieve high levels of earnings quality, thereby enabling investors and other stakeholders to accurately evaluate units and assisting them in the effective allocation of resources among low-rated or high-performance Iraqi private banks.

Keywords: *Multi-capital; value creation; Earnings Quality*

INTRODUCTION

The literature on accounting and information reporting indicates that there are growing concerns that financial reporting is becoming insufficient to meet the information needs of a variety of stakeholders, particularly investors, for more information on value creation as financial reporting systems fail to provide integrated information that reflects interdependence and incompletely calculate most intangible assets, the most general of which is intellectual capital generated by economic units, despite the business models of economic units are increasingly dependent on a range of different capitals, particularly intellectual capital, which together create value and therefore, there is a need

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to enhance understanding of these relationships and how one capital can transform into another from the perspective of multiple capital.

Based on the above, the adoption of the model of value creation through multiple capital by the economic unit can overcome the inadequacy of traditional financial reporting and increase transparency as a result of the provision of financial and non-financial information in a way that shows interdependence between them without neglecting any information of importance to the value creation process in that unit, as well as contribute to reducing the state of asymmetry in information and improving the quality of information.

Accordingly, attempts at manipulation, miscalculations and opportunistic calculations of profits by management should be minimal as a result of the economic unit communicating the reality of the whole unit based on a broad base of capital, which is reflected in increasing the quality of profits of that unit.

THE FIRST TOPIC: RESEARCH METHODOLOGY

Search Problem

The problem of the research is that Iraqi private banks do not report in their annual reports on the process of value creation, which may lead to a rise in profit management practices represented by optional receivables and thus a decrease in the quality of profits in them.

Research Objectives

The research aims to achieve the following:

1- Presenting and discussing the conceptual aspects of the value creation process that takes place through interactions between multiple capital classes and the importance of reporting them in the research sample banks.

2- Testing the impact of reporting value creation on the quality of the profits of the banks of the research sample.

Research Hypotheses

This research seeks to test the following hypothesis:

There is a statistically significant effect relationship for reporting value creation on the quality of profits of the research sample banks.

Research Community and Sample

The research community is represented by all private banks listed in the Iraq Stock Exchange for the period (2018-2020), which are (44) banks, including (21) banks within the regular market and (23) within the secondary market, and the researchers have selected a sample of (10) private banks from within the regular market as shown below:

1- Al-Ahly	6- Al-Mansour Investment
2- Baghdad	7- United Investment
3- Assure	8- Iraqi Trade
4- alsharq al-Awsat Investment	9- Mosul
5- alestethmar	10- alkhaleeg

Means of collecting data and information

For the purpose of achieving the objectives of the research, both theoretical and applied, the researchers will rely on the necessary tools and means to reach that. On the theoretical level, focus will be on the availability of Arab and foreign sources such as books, periodicals, theses, and university dissertations. As for the applied side, the researchers will rely on several means to obtain the required data, the most important of which is annual reports. Published for a sample of Iraqi private banks.

Search Limits

 Temporal limits: represented in the annual reports of a sample of Iraqi banks for the years (2018-2020).

 Spatial limits: The spatial limits of the research are represented by a sample of private banks listed in the Iraq Stock Exchange.

The Theoretical Framework of the Research

Evolution of Reporting Practices Over Time

Ashok & Abhishek likens economic units to the supposed citizen of the country in which they operate and therefore they are equally responsible towards the environment as the natural citizen, since they use the resources of the society to achieve their goal and at the same time they have to be accountable to their stakeholders by communicating information about their performance and contribution to the society in which they operate in order to achieve sustainable economic and social development and preserve the environment, it is therefore necessary to analyze the stages of development of reports of economic units across different time periods. Since the sixties of the last century, economic units have started to prepare reports that include communication of business performance only through financial statements, such as the statement of financial position. The income statement, and then the reports centered around the financial statements of the units began to develop during the eighties by including management discussions, governance issues and environmental reports along with the financial statements. In view of the dynamic nature of the business environment during the year 2000, reports were presented better by including the concept of sustainability reports (SR), and recently the first steps began to shift in the approach of reports of economic units around the world from static reports to the approach of dynamic integrated reports (Ashok & Abhishek, 2019:27).

The main reason for this development may be the demand for more disclosure in the reports of economic units, which led as a result to those developments and changes in reporting methods and frameworks from preparing financial reports to sustainability reports to integrated reports (Murthy, 2019:2 & Stroehle).

Table (1) below shows the stages of development of economic units reports.

Schedule (1): Stages of development of reports of economic units

Focus on information	Stages of developing reports of economic units
Financial Statements - Information relating to financial performance only	1960
Financial performance, management discussions, governance, environmental reporting	1980
Financial performance, management discussions, governance, sustainability reports	2000
Integrated reporting (past, present, future)	years following the launch of the Integrated Reporting Framework in 2013

Source: Ashok, M L. & Abhishek, N. (2019), Indian Journal of Accounting (IJA), No.1(51), p27.

The Integrated Reporting Framework announced in 2013 demonstrates the new methodology for corporate reporting to meet stakeholder needs. Its philosophy includes displaying both financial and non-financial information through the systematic disclosure of value creation, i.e. how organizations have allocated resources in the past and how they will create value in the future. According to their business models (12 Gokten, 2017), thus one of the advantages of a multi-capital framework is that firms are able to look at and communicate how “value” beyond economic value is created/destroyed (Haji & Hossain, 2016:421).

Since the main focus is the process of value creation, the extended concept of value requires consideration of the multiple types of capital employed or affected in the process. These types of capital, as inputs into the business model, are stores of value that serve as the basis for creating value for the enterprise. Its importance is based on the fact that its availability, quality and affordability can influence the long-term viability of an organization's business model and its ability to create value over time (Farfan- & Macias (2017:5) Lievano).

Value creation and its relationship to multiple capital

The term “value” is referred to as a benefit that someone gets from something, but value cannot be created without someone evaluating it. We live in a society where everything is connected, business with people, business with the environment, business with society, society with the environment i.e. some are interdependent and hence economic units should try to take into account as many stakeholder interests as possible regardless of the tool or method by which the amount of so-called “value” created is calculated (Sofian, 2018:256)) .

Traditional tools for understanding value creation tend to ignore intangible assets and sustainability. Michael Porter's famous value chain, for example, is modeled as a factory with inputs on the left that are converted into finished products on the right. Finished products and sold products are reported in the traditional way or what is known as financial reporting and the basic assumption here is that value is created through the delivery of products, however this view fails to fully capture the value that is created for business today and the reason for this is because it ignores non-competencies. The tangibles, systems, data, processes, and networks that fuel innovation and performance and ignore the external effects of unity in society and the environment (Adams, 2015;88).

Hence the attempt of the International Integrated Reporting Council to provide a model for creating value, taking into account all the aforementioned matters.

As the CEO of the International Integrated Reporting Council, Paul Druckmann, believes that integrated reporting is a matter of making economic units tell their story (or strategy), and economic units tell this story by dealing with six different capitals, or stores of value that can be used to produce goods or provide services (Gleeson-White, 2015: 118).

Accordingly, the economic unit tells the story of value creation for the various stakeholders with a comprehensive view of everything that contributes to that process or everything that affects it or influences it, and then communicates it through the integrated report.

Multi-Capital (the Six Capitals) is part of the conceptual foundation of "Value Creation", which is seen in terms of its impact on those six values. The IRC's selection of the Six Capitals idea comes in order to encourage units to think beyond financial capital. For all capital that it uses or influences and includes capital that is outside the traditional boundaries of the financial accounting entity, i.e. capital that the unit does not own or control, such as carbon emissions into the atmosphere, pollution of a river, or the labor practices of its main suppliers nor the IRF requires companies to deal with all six capitals or even use the language of six capitals, but rather to consider and report on those that most influence value creation (Gleeson-White, 2015:126).

The value created by the unit over time is manifested in the increases, decreases or shifts in capital caused by the business activities and outputs of the organization and this value has two interrelated aspects – value created for IIRC, 2013;10):

• The organization itself, which provides financial returns to providers of financial capital.

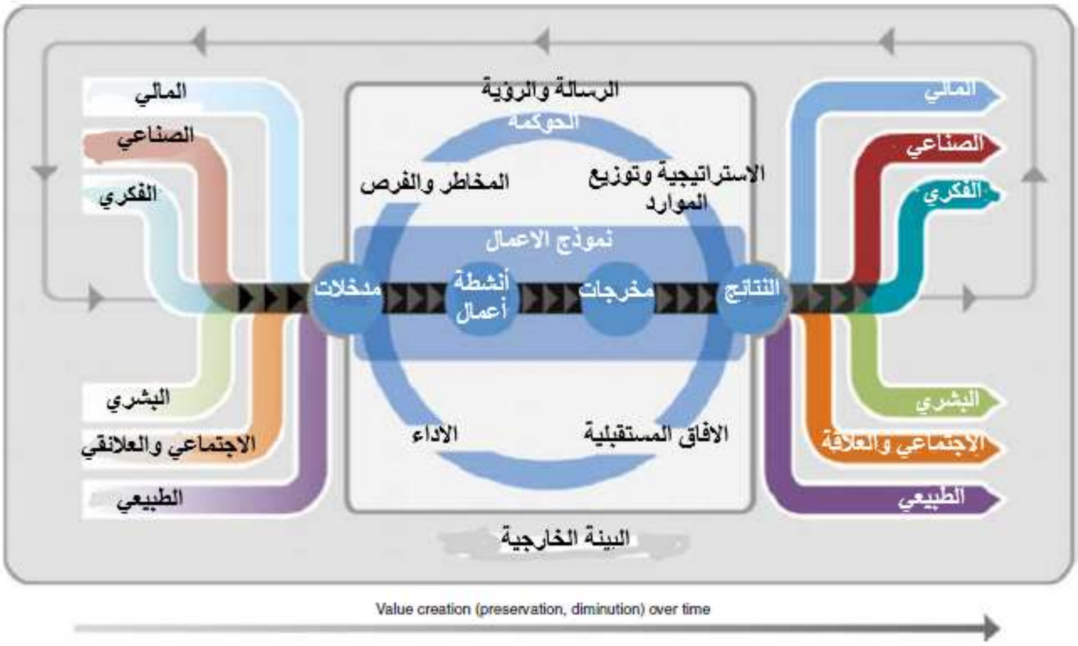
• Others (i.e. stakeholders and society as a whole).

Providers of financial capital are concerned with the value the organization creates for itself. They are also concerned with the value a unit creates for others when it affects the unit's ability to create value for itself, or relates to a specific goal of the unit (for example, an explicit social purpose) that influences their evaluations.

Because value is created across different time horizons and for different stakeholders through different capitals, it is unlikely that it will be created by maximizing one capital while ignoring others. For example, maximizing financial capital (such as profit) is unlikely to result in Exploiting human capital (e.g., through inappropriate HR policies and practices) leads to maximizing unit value in the long run (IIRC, 2013;10-11).

Figure (1) below illustrates the role of multiple capital in the framework of integrated reporting, which is what the International Integrated Reporting Council called the value creation process.

Figure (1): Value Creation Process



Source: IIRC, 2013, "The International <IR> Framework", p13.

The Value Creation Process describes the dynamic business model through which this occurs and is depicted schematically in the IRF as a twelve-legged spider: six streams of different capital feeding from the "external environment" into the business model, which transforms and graduates them. On the other hand, there are six different streams of capital that have increased, decreased, or transformed by being processed within the business model. This complex and dynamic process and business strategy to ensure its viability over time (from the short term to the long term) is the story that the integrated report must tell (Gleeson-White, 2015:119).

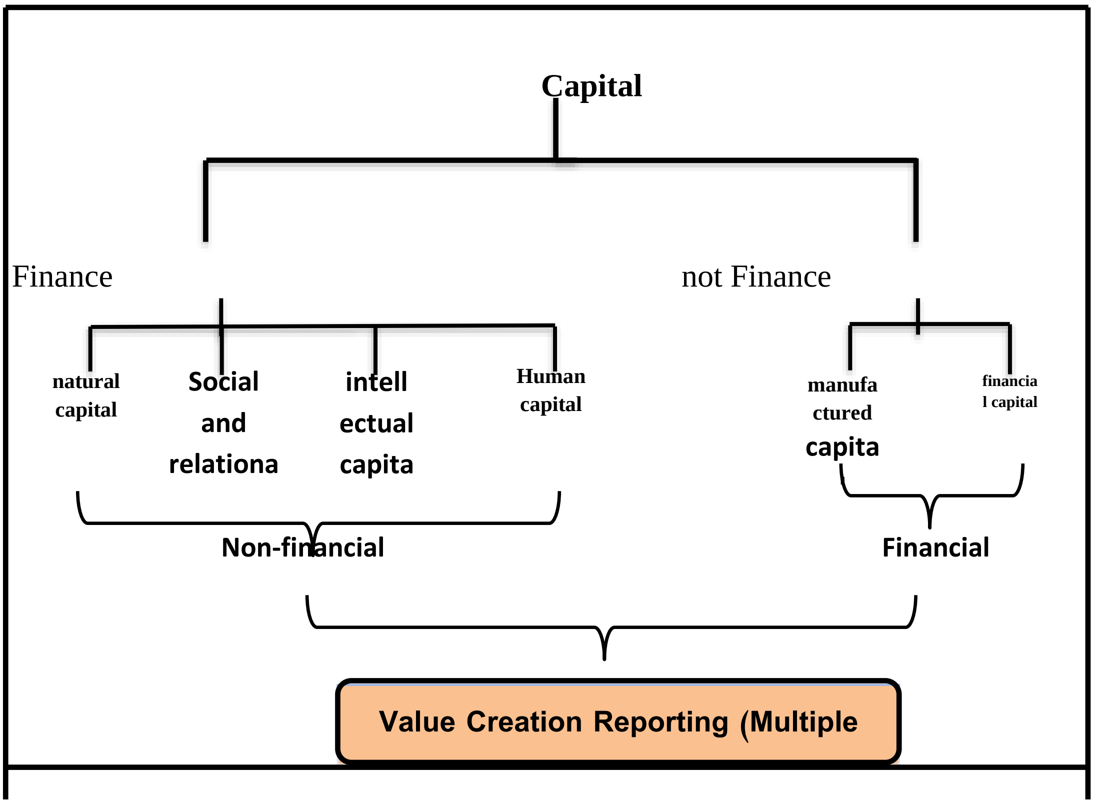
Nature reporting creating value

Morros believes that there is a growing view that the purely financial dimension of unit value is becoming too narrow, and that there is a need for a holistic view that recognizes the broader value that unit creates (or reduces) for both shareholders and society (Morros, 2016:343).

Therefore, IIRC presented the idea of structuring information on the basis of six types of capital representing capital: financial, industrial, intellectual, social and relational, human, and natural, as depicted in Figure (2), although the metrics used to report some of these capitals are well established in Previous reporting frameworks However, there are no reporting patterns for other capitals so far (Almasan, et.al, 2019:576).

Also, this new model based on integrated thinking has put sustainability at the forefront and redefined the accounting role, as the goal of accounting today is no longer crystallized only in the production of useful financial information, but that accounting as an information system must provide comprehensive and summarized information derived from the mixture of financial and non-financial performance according to For a paradigm shift in unit reports (Gokten, 2017:12).

Figure (2): Value Creation Reporting Structure



Source: Prepared by the researchers

That is, the role of accountants will extend beyond financial numbers, to provide advice and visions in the management, care, protection and development of intellectual and physical assets, as accountants need to establish a management system to measure and control all six capital elements of the economic unit, and the system must be integrated: Strategy Budgeting, forecasting, performance measurement, management reporting, incentive compensation, and corporate governance are all part of the process. Financial metrics will be combined with non-financial metrics to capture the pulse of business activity. Accountants can develop a hierarchy of metrics for the six capitals, in order to arrange and communicate the organization's strategy to all levels and in across the organization, using KPIs, scorecards, and dashboards (Stretch, 2020:27).

One advantage of the multiple capital model is that units are able to look at and report on how "value" beyond economic value is created or depleted (Haji & Hossain, 2016:421), however the risk is that units may misunderstand the nature of capital different funds, which may lead to the exclusion or ignoring of capitals of intrinsic value such as human, social and natural resources and interest only in capitals of economic value sympathetic to the metaphor used for the term "capital" that suggests that they are money and assets, so there should be a clear distinction between capitals with intrinsic value, as represented by social, human, and natural capitals, and capitals with economic value such as financial, intellectual, and industrial capitals in order to avoid continued economic domination (Haji & Hossain, 2016:421-422).

In fact, the IIRC framework recognizes that there is no requirement for a unit to report comprehensively on its capital: "The IIRC framework does not require an integrated report to provide a comprehensive account of all the complex interrelationships of capital so that the net impact of the unit on global stocks can be calculated of capital" (IIRC, 2013:31). However, the IIRC recognizes the importance of units adopting a broader understanding of capital than has traditionally been the case and holds that the unit should report the capital it uses even if it is not owned or controlled. (De Villiers, et.al, 2020: 132).

In general, the unit is obliged to report on the capitals that are inputs to the production process, since the profitability of the unit will generally be affected by this state of capitals, but the activities of the unit often have a negative impact on other capitals, but do not have a significant impact on the profitability of the unit in the long run. In such a case, according to the framework, there is no requirement to report such negative impact and this conclusion is based on the interpretation of "value" as "value to investors"; If the IIRC adopts a broader concept of value, such as "value to society," it will be necessary for the unit to report on the impact of its activities on all capital, regardless of its impact on its profitability (DeVilliers, et.al, 2020:132).

The importance of reporting on value creation

Any economic unit interacts according to its mission and vision with internal and external stakeholders to create value through a mixture of capital belonging partly to the unit itself and partly to others such as the local community or national government. Hence, a brief description of the adjustments in capitals created by the business is necessary from for effective integrated reporting (Salvioni & Bosetti, 2014: 7).

Rachel Jackson, Head of Sustainability at the Association of Certified Public Accountants (ACCA), says, "Although the economic units depend on the six capitals to different degrees, these combined capitals affect the long-term survival of any unit and affect its value creation. It will be a critical component of future unit reports and will be essential to meeting stakeholder expectations" (ACCA, 2013).

In the same vein, Morros argues that to ensure long-term survival, business leaders will increasingly need to measure, manage and report the value they create to both society and shareholders and will therefore need to make decisions on the basis of institutional and societal value creation, with full appreciation of how the latter influences the first (Morros, 2016:343).

The quality of the profits... its concept... its importance... its measurement

The concept of profit quality

Earnings are defined as the net income or the final result (because it appears in the last item of the income statement) and it is the most important element in the financial statements as it predicts the future cash flow and provides information about how management allocates the resources of the economic unit (Al Nasser, 2018:68-69), as well as they provide valuable information to stakeholders, and are very important in decision-making by investors. Since profits are widely measured in many circumstances, their quality has attracted the attention of researchers, standard-setters and professionals as each economic unit is judged by its profits as a standard of The most important criteria for measuring the financial performance of the unit (Paoloni, et.al, 2017: 597).

However, like many other concepts in accounting, there is no agreement on the quality of earnings, and there may not be a clear agreement on the meaning of earnings quality. The reason for this is because each user of the financial statements has his own purpose when using earnings numbers (Pham, 2020:20-23) Rezaee, et.al describes it as a completely ambiguous concept (Rezaee, et.al, 2020:19), and accounting standards-setting bodies such as the IASB did not define the concept of quality of earnings, but rather mentioned a number of characteristics of high-quality accounting information such as "appropriateness and honest representation and comparability" and others (Al Nasser, 2018: 68-69).

From the foregoing, it is clear that there is no agreement between researchers or accounting standards-setting bodies on a unified concept of profit quality.

While Al-Farraji identifies two different visions of the accounting literature through which the quality of profits is defined, the first vision is related to the benefits it provides to the decision-making process, as the benefits accrued from the quality of profits for the purposes of decision-making increase when the volume of misrepresentations and accounting practices for managing profits decrease, especially since these practices lead to a decrease in predictive ability profits and their stability, which results in a distortion of the expected benefits of published information related to profits. As for the other view, it defines the quality of profits according to the economic basis that depends on the size and type of accounting information and in light of what is included in the published profits from the display secretariat of real profits, which establishes the use of measures based on correlation with real (basic) profits, which measure the unit's ability to make future distributions and not on the basis of published profits that are determined in the light of accounting recognition rules and tools. The increase and inaccuracy in those estimates lead to an increase in the differences between profits and cash flows of the unit and thus provide signals that are not compatible with real profits. Because of the unit's practices to manage accordingly, the quality of the profits is represented in the quality of the entitlement, which determines the extent to which the published profits are able to reveal quickly and specifically the basic profits achieved (Al-Faraji, 14: 2017).

Earnings quality may be seen as “the ability of reported earnings to reflect true unit earnings and predict future earnings” (Menicucci, 2020:10).

In other words, it represents "the extent to which the net income recorded in the income statement differs from the real profits" (Gissel, et.al, 2005:32).

Schroeder, et.al goes further in defining the quality of profits by focusing on the convergence and correlation between the accounting concept and the economic concept of income, by relying on the concept of capital preservation as an input to measure income, describing it as representing "the degree of correlation between the company's accounting income and its economic income" (Schroeder, et al, 2014: 170).

It may also be referred to as “those continuing earnings, which are derived under conservative accounting rules or reflect conservative application of relevant rules and are supported by cash flows and accurately forecast future earnings” (Franceschetti, 2018:16).

The researchers believe that no matter how different the concepts of profit quality are, most of them include some similar terms or contain desirable characteristics of accounting information such as honest representation, appropriateness, comparability or predictive ability, etc., since accounting profit is one of the most important accounting information, and therefore it should have the same characteristics as other information. Other accounting that is of good quality.

The importance of earnings quality

Earnings are one of the main indicators of unit performance, which is generally interpreted as net income, earnings after interest and taxes, displayed in the income statement. The real economy of the unit and its ability to generate profits, and the high quality of profits may lead to a more accurate measurement of management performance and the returns achieved by shareholders and may reduce the risks of investors’ decisions (Takacs, et.al, 2020:1), especially since most investors tend to see the quality of current profits in unity as one of the biggest determinants of investment (Pratiwi & Pralita, 2021:335), then a low EQR is unacceptable because it misleads investors, misallocates capital and reduces economic growth. Conversely, a high EQR conveys an accurate picture. about the profitability of the unit and its growth (Al Nasser, 2018:69), and therefore the provided profit is a major factor in decision-making.

In addition, the quality of profits is necessary for economic units to access the stock and debt markets (Salvato & Moores, 2010:196), and the quality of profits is an essential feature of financial reports because it embodies the principle that financial reports should be as useful as possible for investors and service providers. (Menicucci, 2020:15) also evaluates the quality of profits will help the user of the financial statements to make decisions about the reality of current income and future expectations regarding the quality of profits, and on the other hand, it is important to understand that the quality of profits. The low ones are not indicators of weak financial position or misapplication of accounting policies, estimates and judgments. Rather, they are often related to lower quality earnings items with transactions that are more subjective, risky or uncertain in nature. In addition, accounting standards are flexible by design so that they can be applied in many different markets, industries, geographic regions, and conditions (Cug & Cugova, 2021:5).

Measuring earnings quality

The quality of earnings has attracted special attention from the researchers, and their efforts are represented in achieving a correct and reasonable way to evaluate it. As different definitions of the quality of earnings have been developed, several methods have been proposed to measure it. In fact, there is no generally accepted method for measuring the quality of earnings. The researchers use different measures related to the desired characteristics of accounting information. Although there are a large number of accepted methods for measuring the quality of earnings, none of these measures revealed their superiority because earnings quality is a multidimensional concept that allows different users to interpret it differently. Therefore, the choice of earnings quality measure depends on the research question posed, the availability of data, and estimation models. (Menicucci, 2020:23).

Most of the studies dealt with a number of measures of the quality of earnings, which were generally recognized in the accounting literature, namely (quality of accrual, continuity, predictability, smoothing, appropriateness of value, appropriate timing, and conservatism), which were classified into two groups according to their supposed function in preparing financial reports, as the first group included accounting-based measures (accuracy quality, continuity, predictability, and smoothing) because these measurements are based on accounting information such as cash, profits, or receivables. On the other hand, the second group included market-based measures, which are (appropriateness of value, appropriate timing, and conservatism) because it is based on the relationship between accounting and market data (Pierbaumer, 2021: 5-10).

Earnings management as a measure of earnings quality

One of the common definitions of earnings quality is the absence or absence of earnings management (Elsiddig Ahmed, 2020:3). Earnings management also has a lot in common with earnings quality. According to Lo, most people would agree that highly managed profits are of low quality (Lo, 2008:351). This is because these administrative actions cause reported earnings to deviate from accurate and unbiased earnings (Pham, 2020:22). However, a lack of earnings management is not enough to ensure high-quality earnings (or high-quality accounting numbers in general), because there are other factors that contribute to earnings quality. For example, accountants who follow a poor set of standards will generate low-quality financial reports. However, if these other contributing factors are considered to be constant, then the close relationship between earnings management and earnings quality can be observed (Lo, 2008:351).

The goal of earnings management is to manipulate earnings by increasing or decreasing earnings, retaining earnings, or distributing dividends using discretionary accrual elements. As investors usually prefer profits that do not fluctuate much, but shareholders prefer profits that do not fluctuate and tend to increase (Indrayati, 2021: 222-223).

Previous writers classify earnings management into two main categories: real earnings management (i.e. the effect on cash flows) and accrual management through changes in accounting estimates and policies. They also believe that the cost of earnings management varies across these methods (Lo, 2008:353).

First - Managing Real Profits

Although real earnings management has not been as widely studied as accrual-based earnings management, the Cohen & Zarowin study finds that managers prefer to manipulate real activities by means such as reducing optional expenses or capital investments, rather than manipulating accruals as a method of earnings management. Real earnings management activities differ significantly from accruals-based activities as they have direct effects on cash flows (Cohen & Zarowin, 2010:7).

Second: Receivables Management

Dechow, et.al point out that earnings management analysis often focuses on management's use of discretionary accruals (Dechow, et.al, 1995:194).

Earnings management can be based on choosing certain accounting options and policies, which leads to discrepancies between the timing of cash flows and the timing of accounting recognition of income. In other words, earnings management can take the form of receivables management (Ferentinou & Anagnostopoulou, 2016:5).

GAAP often requires the exercise of discretion in the financial reporting process (for example, the exercise of judgment in determining the amount of accounts receivable likely to be collected, the appropriate allocation pattern for the cost of equipment, or the duration of marketable securities from likely to hold, etc.). However, accounting discretion may open the door to opportunistic earnings behavior. Managers may manipulate earnings by exploiting the opportunity set of generally accepted actions defined by an accounting standard. Such opportunistic behavior affects earnings, making it a "less reliable measure of an economic unit's performance" or measure. distorted the performance of the economic unit. Specifically, self-interested managers may use accounting appreciation to opportunistically manipulate accruals (Franceschetti, 2018:21).

The relationship between reporting value creation and earnings quality

The consensus on the ability to achieve high-quality reporting in recent times appears to depend on the endeavor to integrate financial and non-financial information within the framework of an integrated reporting system, as it is expected that the clarity and completeness of the reporting processes that arise here will steadily improve the quality of unit reporting and unit accounting information (Obeng, et.al, 2020: 2).

As the main purpose of accounting information in general in financial markets is to serve as a basis for capital allocation and therefore if the features that make up the quality of financial information are inaccurate or used incorrectly, it may cause (Junior, et.al, 2020:120):

1- Ineffective allocation of resources or bad investment decisions.

2- Reducing the capital offered by investors to the market, which leads to an increase in the cost of obtaining this capital.

3- Low ability to predict future profits based on previous financial information, which reflects profits without market quality.

In this context, Tlili, et.al believes that the primary objective of integrated reporting is to improve the quality of information provided to capital providers and enable investors to access different capitals through an integrated and long-term perspective (Tlili, et.al, 2019:16). Obeng, et.al also sees this type of reporting as a means to achieve a gradual improvement in the quality of accounting information, noting at the same time that an increase in the level of integration may be associated with an increase in the level of quality of profits, and this confirms the importance of integration in reporting accounting information (Obeng, et. al, 2020:18).

In another context, the reporting of value creation falls within the voluntary reporting. Rather, it is perhaps the most complete and advanced form of this type of reporting today (Girella, 2021:9) It includes the elements of voluntary reporting referred to by Francis, et.al. It includes historical information and other financial measures and non-financial measures in addition to the expected information. Francis, et.al stated that the quality of profits is affected by the decisions to disclose information in economic units (Francis, et.al, 2008:81), and the study of Dechow & Schrand referred to this meaning by saying that economic units have many opportunities to provide voluntary disclosures as well as mandatory disclosures, which can enhance the quality of profits (Dechow & Schrand, 2004:88). In addition to that, Shanti, et.al confirmed that units that enjoy a high level of voluntary reporting will enjoy. Also, with high earnings quality, because voluntary reporting increases transparency, and thus opportunistic earnings management will not occur when the units increase their transparency in the annual reports. The profitability of the economic unit will also be high, as the integrated reporting reflects the real state of the unit (Shanti, et.al, 2018:36), and the long-term orientation of this type of reporting allows the units to attract investors who have long-term orientations and who are less likely to practice pressure towards achieving short-term performance goals that can lead to profit management (Lemma, et.al, 2019:429). On the other hand, Girella believes that high-level reporting can provide a good control package to reduce opportunistic behavior of management as well as information asymmetry that occurs as a result of the failure of traditional financial reporting to provide information related to intangible assets (Girella, 2021: 6-7). When Information asymmetry is high and stakeholders do not have sufficient resources, incentives or access to relevant information to monitor management actions, which may result in the practice of profit management (Dadbeh & Mogharebi, 2013:2162) and thus distort the declared profit of the economic unit, which may be emerging from on the conflict of interests between the manager and the stakeholders or as a result of accounting restrictions in the business, such as errors in the forecasting process and estimating the future value, or the use of inappropriate accounting methods that result in differences between the expected profits and the profits reported in the financial statements (Dang, et.al, 2020: 63-64).

The researchers believe that the integration in reporting accounting information referred to by Obeng, et.al, as previously, is mainly embodied in the value creation model through multiple capital by providing all information on capital referred to by the international integrated reporting framework, whether through quantitative measures. Or through the description, which contributes to the value creation process that reflects the increase and decrease and the interactions between capitals.

Accordingly, the model for reporting value creation within the international integrated reporting framework comes to convey the reality of the unit by drawing an integrated picture of it among the stakeholders and thus works to reduce the asymmetry of information they have by not neglecting any essential information regarding any type of capital that you use or It is affected by the economic unit in a way that guarantees its long-term continuity and adds quality to its profitability.

THE PRACTICAL SIDE OF RESEARCH

First - Measurement and statistical description of the variable reporting value creation in banks, the research sample

In order to know the level reached by the private banking sector in Iraq in reporting the creation of value through multiple capital, an appropriate method of measurement should be chosen. Reporting of multiple capital in economic units, for example, the study of (Bhanawat, 2016 & Soni, (Alqallaf & Alareni, 2018).

In order to conduct this analysis, the two researchers were able to prepare a checklist based on a number of studies related to the subject to verify the extent to which Iraqi private banks reported the research sample on value creation through multiple capital, and that list included sixty (60) items for reporting. Divide it into six (6) types of capital, as shown in Table (2).

Schedule (2): List of multiple capital

Reporting items	type of capital
-1Financial capital in the business model. 5- Information about government grants -2Debts, equity or grants; Investments 6- Cash distributions to shareholders -3Information about capital shares 7- Information about debt capital -4Return on assets, return on equity, liquidity ratio. 8- Key Performance Indicators (KPIs.(	financial
-1Business model inputs, activities, outputs, results 3- Information about owned and leased buildings and equipment -2Producing goods or providing services 4- Key Performance Indicators (KPIs.(	the factory
-1Business model inputs, activities, outputs, results. 9- Human resource development -2Staff efficiency and capabilities. 10- Number of staff -3Staff experience 11- Average age -4Employee loyalty and motivation 12- Average days of training for each employee -5Diversity of staff 13- Total investment in training -6Employee morale 14- Absenteeism rate -7Human Resources Management 15- The percentage of the minimum wage -8Employee benefits. 16- Key Performance Indicators (KPIs.(	human
-1Business model inputs, activities, outputs, results. 7- Operations, policies and procedures -2Corporate Governance 8- Organizational Structure -3Intellectual property 9- Trademarks -4Information Technology and Information System 10- Company Image -5Funds spent on research and development. 11- Market share -6Number of new products developed. 12- Key Performance Indicators (KPIs.(	intellectual
-1Social and relational capital in the business model. 9- Engaging in social work -2Customer safety and privacy. 10- Participation in cultural projects -3Customer satisfaction index. 11- Institutional culture -4Human Rights 12- Claims and lawsuits -5Relationships with suppliers 13- Relationships with business partners -6Relationships with lenders. 14- Relationships with employees -7Relationships with legislators, regulators and policy makers. 15- Relationships with shareholders -8Social investment (money spent on charity) 16- Key Performance Indicators (KPIs.(	social and relational
-1Business model inputs, activities, outputs, results. 3- Investments in environmental protection. -2Use of and impact on land, water and atmospheric resources. 4- Key Performance Indicators (KPIs.(	natural

Source: Prepared by researchers based on (IIRC, 2013), (Alqallaf & Alareni, 2018), and (Dilling & Caykoylu, 2019).

Accordingly, the researchers assumed that the reporting of each of these items is equal to (1) if the bank provides the required information, and in the event that such information is not provided, then the reporting of that item is equal to (0), as it will become clear later.

Then, the researchers evaluated the reliability of the checklist by conducting a reliability measure using the coefficient (Alpha Cronbach) for internal consistency. The reliability coefficient of the scale was (0.66).

After clarifying and selecting a method for measuring the level of reporting value creation through multiple capital and the values that are assumed for that purpose, which range on average between (0) and (1), we can obtain the measurement results.

As the data collected was examined by examining the reports of (10) private Iraqi banks during the study period, which was determined in the years (2018, 2019, 2020), and by comparing them with the items included in the check list, the average values were calculated for the items reported by each bank. From the research sample banks during each financial year separately, and then reach the average values for the three years in question, as shown in Table (3) below.

Schedule (3): The results of reporting the multiple capital of the research sample banks

Average Reporting%	Reporting percentage during the fiscal year %			Name of bank	s
	2020	2019	2018		
23	27	23	20	Al Ahly	-1
28	30	30	25	Mansour for investment	-2
30	33	32	25	Baghdad	-3
19	20	18	20	United Investment	-4
26	27	27	25	Assyria	-5
29	30	33	23	Iraqi trade	-6
31	32	32	28	Middle East Investment	-7
18	20	18	15	Mosul	-8
24	25	25	23	investment	-9
27	27	30	23	Gulf	10

Source: Prepared by the researchers based on the published annual reports of the research sample banks.

It is clear from the above table that the Middle East Investment Bank obtained the highest average rate of reporting value creation through multiple capital during the study years, which amounted to (31%), which made it top the list of banks in the research sample, while Mosul Investment Bank ranked last, bottoming out the list with an average reporting rate during the years. The study reached (18%)

Second - Measurement and statistical description of the variable quality of profits in banks, the research sample

The usual starting point for measuring voluntary benefits is the total benefits, which can be arrived at by the following equation:

$$TA_{it} = EBXI_{\ it} - \ CFO_{it}$$

Hence a particular model is used for the process that generates the non-discretionary component of the total receivables, enabling the decomposition of the total receivables into a voluntary and non-discretionary component. Most models require estimation of at least one coefficient, and this is usually implemented through the use of an 'estimation period', during which no regular earnings management is expected (Dechow, et.al, 1995:197).

The voluntary entitlement is calculated by subtracting the non-optional (normal) accrual from the total value of the entitlement (TA) (Indrayati, 2021:223).

This is done in three steps to measure the abnormal level of entitlements by using the cross-section model to calculate the optional (abnormal) dues for economic units and for each year, as follows (Cohen & Zarowin, 2010:14):

First - Estimating the parameters for each year and each economic unit according to the following equation:

$$\frac{\mathbf{TA}_{it}}{Assets_{i,t-1}} = \mathbf{k_1}\ \frac{1}{Assets_{i,t-1}} + \mathbf{k_2}\ \frac{\Delta\ Rev_{it}}{Assets_{i,t-1}} + \mathbf{k}_{\ 3}\frac{PPE_{it}}{Assets_{i,t-1}} + \boldsymbol{\varepsilon}_{it} \qquad (1)$$

Second: We use the estimated parameters in equation (1) to estimate the natural accruals (NA) for each economic unit and for each year according to the following equation:

$$\mathbf{NA_{it}} = \mathbf{k_1}\ \frac{1}{Assets_{i,t-1}} + \mathbf{k_2}\ \frac{(\Delta\ Rev_{it} - \ \Delta AR_{it})}{Assets_{i,t-1}} + \mathbf{k}_{\ 3}\frac{PPE_{it}}{Assets_{i,t-1}} \qquad (2)$$

Third: Measuring the level of abnormal dues for each economic unit and for each year according to Equation No. (3)

$$\mathbf{DA_{it}} = (\mathbf{TA_{it}}/\mathbf{Assets_{it-1}}) - \mathbf{NA_{it}} \qquad (3)$$

The researchers adopted the above model to determine the quality levels of earnings in this research.

The profit quality variable can be described statistically based on the results obtained after applying the above equations and as in Table (4) below:

Schedule (4): Statistical description of the dependent research variable (quality of earnings) according to the voluntary dues scale*

less value	highest value	standard deviation	average	year
0.0078917861	0.2380341922	0.0719915789	0.0822552281	2018
0.0040410062	0.1980341578	0.059113455	0.0676934195	2019
0.0010847062	0.3386936418	0.100501618	0.0809712563	2020

Source: Prepared by researchers based on the results of the (SPSS) program.

It appears from Table (4) above that the highest average of optional entitlements was in 2018, when it reached (0.0822552281), while the lowest average was for optional entitlements in 2019, when it amounted to (0.0676934195). Among the rest of the research years, the general average of optional dues for all years did not exceed (0.076973301), which indicates that there is quality in profits in that year compared to the general average, while the averages for the years 2018 and 2020 were higher than the general average, which means that there is a decrease in the quality of profits. In those years for the research sample banks.

* The absolute values of the voluntary entitlements were relied upon in calculating (mean, standard deviation, highest value, lowest value).

Research Hypothesis Testing

The main research hypothesis will be tested for the purpose of identifying the correlation and influence between the two research variables and determining its validity for the purpose of accepting or rejecting the hypothesis, relying on a number of statistical tools and methods to conduct the analysis as follows:

A- The relationship

In order to know the strength of the relationship and its direction as a first step to prove or deny the basic hypothesis, the existence of a statistically significant correlation between reporting the creation of value and the quality of profits for the research sample banks was tested, as shown in Table (5) below.

Schedule (5): Correlation between reporting value creation and profit quality for the research sample banks

sign	Tabular t-value at (5%) level	t test for correlation coefficient	Correlation coefficient value
There is a link	2.05	3.05	-0.50

Source: prepared by the researchers based on the results of the SPSS program

Through table (5), the calculated value of t was (3.05), which is greater than its tabular value at the level of significance (0.05), and this means rejecting the null hypothesis and accepting the alternative hypothesis, i. The value of the correlation coefficient was (-0.50), which is a negative value, and this means that the correlation is inverse, that is, whenever there is a report on value creation through multiple capital, the optional receivables will decrease, which raises the level of profit quality for the research sample banks.

B- Influence Relationship

In order to know the effect of reporting value creation on earnings quality, a simple linear regression model will be used, as in the equation below:

$$\mathbf{Eq\_index}_{i,t} = \alpha + \beta CV_{i,t} + \varepsilon_{i,t}$$

whereas:

Eq_index i, t: earnings quality index for economic unit i for period t and is a dependent variable.

CV i,t: reports the value creation of economic unit i for time t and is an independent variable.

:ε: i,t random error.

Schedule (6): The effect of reporting value creation on the quality of profits for the research sample banks

sign	value F calculated	value R^2	test t for test B	value B	hard value	dependent variable	the independent variable
There is an effect	9.46	0.25	3.07	-0.38	0.72	earnings quality	Reporting value creation

Source: Prepared by researchers based on the results of the (SPSS) program.

Through Table (6), the calculated value of F was (9.46), which is greater than its tabular value at the level of significance (0.05), and this means rejecting the null hypothesis and accepting the alternative hypothesis, i. The sign of this negative beta coefficient means that the effect is negative (inverse relationship), while the value of the determination coefficient was (0.25), which means that (25%) of the changes in the quality of earnings can be explained by reporting value creation, and the value of the beta coefficient reached (-0.38), which is a negative value and a function, as the value of t calculated for it reached (3.07), which is greater than its tabular value at the level of significance (0.05). This means that when changing one unit in reporting value creation, there will be a decrease of (38%) in the level of significance. Optional accruals, which raises the level of quality of profits. As for the regression equation, it was as follows:

$$\mathbf{Eq\_index}_{\,i,\,t} = \mathbf{0.72 - 0.38\ CV}_{\,i,t}$$

THE FOURTH TOPIC: CONCLUSIONS AND RECOMMENDATIONS

First: Conclusions

The two researchers reached a set of conclusions in the light of what was discussed on the theoretical side and what was reached on the practical side, as follows:

1- The prevailing traditional models of annual reports, such as financial reports and sustainability reports, may not meet the needs of stakeholders, as it is not possible to obtain through them the necessary information to assess the ability of the unit to create sustainable value over time, and those independent reports, especially the sustainability report, are adding a burden to their users because they are. It is mostly long and deals with information independently from the rest of the information contained in the financial statements and the notes attached to it. Therefore, it fails to show the ability of the unit to create value in the short, medium and long term through the effective management of its strategic resources. It also makes it less transparent towards investors and other stakeholders, which makes it difficult for them. The possibility of evaluating the performance of the research sample banks and how to use their resources efficiently and effectively and maintain them in the long term.

2- The multi-capital value creation model in the International Integrated Reporting Framework as a reporting mechanism can help provide an appropriate environment for obtaining high-quality information and thus can improve the quality of accounting information, especially the quality of reported profits, and also enable stakeholders to access capital. It is different from an integrated and long-term perspective, as it increases transparency and reduces asymmetry in information and thus limits the management of opportunistic profits that often occur through manipulation of estimates and accounting receivables according to a short-term perspective that focuses on making profits only, which is reflected in the result positively in the quality of profits.

Second: Recommendations

In light of the conclusions reached by the researchers, the following is recommended:

1- It is necessary for Iraqi private banks to realize that traditional reporting of financial information only or reporting of financial information independently of non-financial information will not achieve long-term success and will not meet the needs and aspirations of the growing stakeholders. Therefore, Iraqi private banks should begin to change their method. In thinking from isolated thinking that ignores the value creation process by linking financial and non-financial information to integrated thinking that takes into account all matters related to value creation to achieve a better understanding of the factors that materially affect the bank's ability to create value over time, i.e. the six capitals and on As proposed by the International Integrated Reporting Council.

2- Expansion of information reporting practices in Iraqi private banks on the basis of a broad base of capital to demonstrate the value creation process to provide transparency, improve the quality of information, and reduce attempts to manipulate and distort profits through accruals to achieve high levels of profit quality and thus enable investors and other stakeholders. Accurately assess units and assist them in the effective allocation of resources among low- or high-rated Iraqi private banks.

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