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# Adopting the Standard of Financial Instruments IFRS9 and its Impact on the Quality of Financial Reporting

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***Abstract:***
*The adoption of standards has become a must in light of the developments and mergers that have taken place in the economic units, and therefore it is not reasonable for Iraq to remain isolated from the outside world, especially after it became open to it and its interests became intertwined with many countries of the world, this necessitates the adoption of international accounting and financial reporting standards, and the importance of financial instruments and derivatives for many economic units. IFRS 9 requires the economic units that will adopt adjustments to their accounting systems and records, as well as the reclassification of their financial instruments as well as the preparation and training of their accounting staff, all of which pose challenges for the economic units seeking to adopt this standard. The adoption of this standard can be reflected in the quality of financial reporting of these units and their suitability, credibility and accuracy, financial reports are responsible for the delivery of financial and non-financial information that influences the decision-making process of the beneficiaries of these financial statements and the impact on the economic activity of those units.*

***Keywords:*** *IFRS9 , Quality, Financial Reporting*

**Introduction & Methodology:**

**First; Research methodology:**

1-1- The problem of research: - Economic units (banks) that apply the current rules and standards are no longer able to report well the result of their activity and financial position in light of the rapid environmental changes, and in order to help the beneficiaries of their financial reports to make the right decisions and the desired benefit, so it became necessary to apply the standards of financial reporting, including the financial instruments standard IFRS 9. Thus, the problem of searching can be expressed with the following questions:

- Does the adoption of IFRS 9 enable economic units (banks) to report well on the outcome of their activity and financial position.

1-2- The importance of research: the importance of research stems from what comes:

- The adoption of international accounting and financial reporting standards, especially (IFRS 9), is the gateway from which Iraq looks to the outside world, especially after environmental changes have resulted in iraq's interlocking interests with the outside world.

- Measuring and demonstrating the quality of financial reporting under the adoption of the IFRS 9 financial instrument standard.

1-3- Research hypothesis: The research is based on a basic hypothesis:

- Adopting the financial reporting standard of financial instruments (IFRS 9) enables economic units to report well on the outcome of their activity and financial position.

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**Second: Previous studies**

1- Study (Saeed &Essa, 2008) entitled: - (Implications of the application of international financial reporting standards on the quality of accounting information contained in the financial statements of investment companies listed on the Amman Financial Market)

The study aimed to refer to the most important rules and disclosures for fair value through the application of its accounting standards, and its expected effects on financial reporting in the Jordanian investment sector, as the study criticized some concepts of fair value and difficulty in applying them, as the study emphasized the usefulness of preparing financial statements for users on the basis of fair value. The study reached the following conclusions:

-The beneficiaries promise that accounting information based on the application of international financial reporting standards is appropriate for economic resource allocation decisions.

-The beneficiaries are neutral towards the reliability and reliability of accounting information based on estimates contained in the requirements of international financial reporting standards and accounting standards.

2- Study (thabet, 2018) entitled: - (The impact of adopting the development of international financial reporting standards on the quality of accounting information and its impact on the efficiency of investment decisions in the Iraqi environment)

This study addressed the criteria of financial reporting according to its development and its effects in economic units through the quality of information and the availability of useful and appropriate information characteristics when applying financial reporting standards, as the study showed the role of managers and opportunistic behavior in the management of the company and the presence of asymmetry in information between managers of economic units and stakeholders. The study found:

1- The adoption of international financial reporting standards (IFRS) quality in the accounting information contained in the financial reports in the economic units.

The quality of accounting information contributes to the efficiency of investment decisions in economic units when they adopt international financial reporting standards (IFRS).

2- There is a clear effect by adopting standard 9 of financial instruments on financial reports by following and applying the expected loss model instead of following and applying the losses incurred previously.

**Financial Reporting Standards - IFRS9 Financial Reporting Standard**

The development of the environment, the development of the needs of the beneficiaries of information and the need for reliable, sound and accurate information contributed to the direction of the accounting bodies towards seeking to standardize this information through accounting compatibility on the adoption of accounting and financial reporting standards that contribute to the improvement of financial reports and give them transparency and accuracy, including the financial instrument standard (IFRS 9).

**1-2-The concept of the standard:**

The aim of this work is to establish rules for action (Shenov, 2007: 75), but Noor and Al-Jajawi for their part have defined the standard as an abbreviation of many methods and interpretations and contribute to the unification, organization and facilitation of the work of Shi Ma (Nur and Al-Jijao, 2009). : 4 ) . As for the accounting standard, Littleton has defined it as the agreed practical guide for the accountant to deal with certain cases, and it contributes to reducing flexibility in application and management interventions (Al-Shammari and Al-Ma'ani, 2014:58).

For its part, Belkaoui has known accounting standards as providing practical provisions and rules for accountants to conduct accounting work, and they are generally accepted as strict rules supported by penalties if they are not complied with (Belkaoui, 2004: 124).

**2-2- Financial Reporting Standards (IFRS)**

The term International Financial Reporting Standards (IFRS) has two specific meanings: referring to a new series of standards issued by the International Accounting Standards Board (IASB), to distinguish it from a series of standards issued by the International Accounting Standards Board (IASS), issued by the International Accounting Standards Committee (IASC), and the second is the general meaning of the standards issued by the International Accounting Standards Commission (IASB) and its interpretations, as well as the financial reporting standards issued by the International Accounting Standards Board (IASC). International Accounting and Interpretation (IASCs) Hadi, 2017: 345.

The objectives sought by the International Accounting Standards Board for international financial reporting standards are:

1- Achieving public interest: - The board aims to establish international financial reporting standards to achieve the public interest, by issuing a set of standards of high quality and susceptibility to understanding and implementation.

2-Credibility: - The adoption of IFRS leads to the preparation of financial statements containing high quality and transparent information.

3-Comparability: - Financial reporting standards seek to enhance the comparability of information reported in financial statements, so that financial statements prepared in different regions of the world can be compared.

4-Convergence: - The Board seeks to promote the use and strict application of ifrs worldwide.

5- Customization: - To achieve the above goals, the Board takes into account the special needs of small and medium-sized economic units as well as emerging economic units.

6- Conformance: - The International Accounting Standards Board seeks and encourages the binding status of the application of financial reporting standards strictly, in order to achieve compatibility between economic units.

Because of the importance of accounting and financial reporting standards, Iraq has sought to keep up with these developments by adopting modern financial reporting standards, as the Central Bank of Iraq issued its instructions of the same number (12/9 on 4/1/2016) which required banks and insurance companies listed on the Iraqi Stock Exchange to adopt financial reporting standards in the preparation of their reports for 2016.

**3-2-International Financial Reporting Standard (IFRS 9):**

What distinguishes the strategy of the IASB's work is to make efforts to accept the contradictions, differences and complexities that arise as a result of certain events, or crises in the business world, and the pressures that the Board has sought to work to reduce are the pressures of the 2008 financial crisis, in which financial instruments played a role. The International Accounting Standards Board (IASB) has agreed with the U.S. Financial Accounting Standards Board (FASB) to act quickly to stimulate efforts to improve accounting for financial instruments (Khalid, 2016:88).

These efforts and developments are the result of increased demand from many relevant entities to make improvements to existing standards, which are in place to ensure the development of the financial reporting process to reach or improve quality, in order to raise the efficiency of the financial market and contribute to ensuring that the benefit reaches investors familiar with financial reports.

It is worth mentioning that the existence of the IAS 39 financial instrument standard is in place and implemented by companies of a financial nature, but it has not met the above needs, which have emerged due to the financial crisis, which led to the unification of work between the American Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), in an effort to issue a new standard that addresses the implications of IAS 39( IFRS) on 12 October. The second is 2009 to be the beginning of solving the problem of recognition and measurement of financial assets. (Muhammad and Hamid, 2017: 3).

**1. IFRS9 target and range**

The aim of issuing ifrs9 is to solve the problems and difficulties that accompanied the application of IAS39, as this standard laid the foundations for classification and measurement of both financial assets and financial obligations, as well as came with many improvements represented by disclosures, and adopted the model of expected losses instead of the model of losses achieved, and addressed the business model of the enterprise managed through the characteristics of the contractual cash flow (Dulaimi, 2017) : 44) .

The IFRS9 range includes both financial assets and financial obligations, and it also accommodates all items, which fall under iAS39, which includes financial instruments, measurement and recognition, which have been exceeded by IFRS9 to include classification, measurement, recognition and hedging.

**2- Stages of the development of ifrs 9:**

This standard came as a result of mobility and change within the framework of the strategic plan developed by the International Accounting Standards Board in stages, as the Board worked to make the change and replace the standard (IFRS 9) as an alternative to IAS 39) in the form of axes representing time stages of the standard as follows:

- The first axis: - the stage of classification and measurement of assets and financial obligations

**The Classification and measurement phase of financial assets and liabilities**

This phase was published in November 2009 and relates to the classification and measurement of financial obligations, followed by an addition in October 2010 concerning the fair value option of financial obligations, and the application of this standard was set at the beginning of the beginning of 2015 and the application is mandatory, as this phase has seen further adjustments in 2011 and 2014. The measurement and classification of financial assets is determined by the model of the economic unit's business, the nature of its management of its assets and the cash flows of these assets, and the financial assets are reclassified when there is a change in the model of the economic unit's management of its business. (Ernst & Young , 2015:4 ).

**- The second axis: - The phase of the impairment phase**

This topic contains the subject of a great controversy among specialists in this field due to the losses suffered by financial institutions in the value of financial instruments, where the Board worked on making adjustments and proposals on accounting for the depreciation of financial assets in the years 2011, 2013 and 2014 by developing a model for recognizing the losses of value and determining the appropriate time for the recognition of losses. (Khaled, 2016: 89). This phase demonstrated the redesign of the basic model of assets and financial guarantees, loan obligations and debit leases, as well as the transition from the projected loss model to the loss model achieved, as well as the need for early recognition of the decline of assets (Ernst & Young, 2015:5).

**-Third Axis: Hedge accounting phase**

This phase was characterized by the fact that it worked to determine what is best for hedging accounting in terms of classification and measurement of what is stated in IAS 39). The aim of the new standard is to simplify hedging rules, as many risks can be hedged, thereby mitigating some of the operational burdens associated with hedging accounting requirements in economic units (Ernst & Young, 2015:6).

3- Requirements for the classification and measurement of assets and financial obligations in accordance with the mechanism of operation of the International Standard IFRS9

**The measurement of assets and financial obligations is required according to the IFRS 9 standard:**

1- Financial AssetS Classification and Measurement Requirements: - The standard stipulated two basis for the possibility of classifying and measuring financial assets: - (IfStandards Corporation for Financial Reports, 2014:8)

1- The business model of the establishment for the management of financial assets.

2- The characteristics of the contractual cash flow of financial assets.

It can be said that the company's business model represents the way in which the enterprise manages its assets for the purpose of generating cash flows, while the other basis of the characteristics of contractual cash flows is one of the important indicators of the classification and measurement of the financial assets of the economic unit. Ifrs 9 also clarified the possibility of distinguishing for the purpose of measuring the financial asset, whether it is measured by the cost extinguished or at fair value through the existence of some bases, the financial asset is measured by the extinguished cost if there are some grounds represented by:

- The purpose of keeping the financial asset within the business model of the establishment is for the purpose of obtaining contractual cash flows as a result of the retention of this financial asset.
- On certain dates the contractual terms of the financial asset generate some cash flows, payments of the principal amount and interest on the next principal amount.

The financial asset is also measured at fair value through other comprehensive income if it meets some of the foundations (previous source, 2014: 8):

- The purpose of maintaining the financial asset in the business model of the establishment is in order to obtain contractual cash flows and sell financial assets.
- On certain dates generated by the contractual terms of the financial asset, some cash flows are made payments of the principal amount and interest on the next principal amount.

We note that IFRS 9 has classified financial instruments into two categories and their division is due to two measurements as it has simplified many of the complexities in this area, which were previously reduced by the burden of accounting application for employees and interested in this field.

2- The requirements for the classification and measurement of financial liabilities in accordance with the standard in accordance with the standard action mechanism (IFRS9) these requirements were achieved through the following:

Financial obligations are addressed in INTERNATIONAL FINANCIAL REPORTING 9 without changing from iAS 39. This means that during the development of IFRS 9, the IAS Has been fed backwards to the effect that iAS 39's accounting requirements are still working well, and that most of the respondents surveyed do not believe the need for a fundamental change in accounting for financial obligations and thus the processing of iAS 39's financial obligations has been transferred to IFRS 9 without fundamental change. That is, most financial obligations will continue to be measured by the cost of the extinguisher.

( IFRS 9 , 2014 : 12)

IfRS9 has not long been the focus of attention of many interested bodies and organizations, whose work includes working under the standards, including the Saudi Arabian Monetary Fund Authority, which has made a series of recommendations regarding the adoption of this standard(AMF, 2016:2-5):

It adopted the recommendations on what information and disclosures should be followed on this standard:

1- The elements to be followed when implementing this standard:

-Determining the effectiveness of hedging for net investment

- Determine the possibility of classifying certain tools within the extinguished cost, especially when there are prepayment options.

2- The importance of transparency in the adoption and impact of ifrs9, as the aim is to enable users of financial statements to understand the qualitative and quantitative effects of the new standard on the financial statements of the unit of investment and its performance, and the adoption of this standard contributes to the quality and reliability of the quality and quantity of information by the economic units adopted.

3- The International Financial Reporting Standard (IAS) 9 applies to all economic units, but it is particularly interested in accounting processes for financial instruments.

4- Although the adoption of the IFRS 9 financial instrument standard will be enforceable on 1/1/2018, there are prior implementation statements from this date by the economic units to clarify the changes that will or will occur as a result of the application of this standard.

**Financial instruments and related concepts - a conceptual portal**

In light of the industrial revolution, economic change, the expansion of investments and the global trend towards globalization, and to meet the needs of traders in the global financial markets, financial instruments have emerged with broader concepts than the traditional perspective of financial instruments represented by stocks and bonds, as modern financial instruments have emerged, namely Derivatives.

**The historical development of financial instruments**

When talking about financial instruments and derivatives, we find that these instruments are not a recent product, but they were present in some way in the time periods of the distant past, we find it appeared in the Middle East during the reign of Hammurabi in 2000 B.C., where i found some contracts entitling the owner to receive payments for an agreement, as well in the Bible, as he mentioned that the Prophet Jacob worked seven years as a condition for marrying the daughter of one of the righteous and this contract serves as a contract (Riederova) , 2011: 523 ) . Kauliene also explained that in ancient Japan in 1760 BC. M. There was an exchange for grain trading, including rice, the presence of speculation, which was occurring for this trade, and the hedging taken in order to continue trading these grains, and with the continued development of hedging and speculation in the trade of other types other than agricultural crops, including wool and minerals (Kauliene, 2014: 75).

**2-3-Definition of financial instrument**

The financial instrument is defined by the International Accounting Standard 32 Financial Instruments Presentation and under iAS 39 Financial Instruments: Recognition and Measurement of Financial Instruments & Measurement as any contract that results in the existence of the financial asset of an economic unit, while resulting in a financial obligation or a title to another economic unit. (Al-Jaarat, 2017: 39 and 197). This definition was adopted in IFRS 9 as many terms and clauses have been transferred to IFRS 9 as set out in ISA 39.

Mirza & atall defined it as any contract that results in financial assets, financial obligation or a property rights instrument of another economic unit (, 2008:221 Mirza & atall). Ali and Salem also defined it as a contract that would result in a financial asset or financial commitment to an economic unit or a property right to another economic unit (Ali and Salem, 2010:235).

**3-3-Characteristics of Financial Instruments**

Financial instruments have a range of characteristics that contribute to the measurement and disclosure process of accounting including (Mensah & et.al,2011, 100):

1- Financial instruments are used by economic units in order to transfer the financial risks to which they may be exposed to another party.

2- The financial assets or obligations that arose as a result of the financial contracts are presented at fair value in the list of the financial center of the economic unit.

3- The assets and obligations consist of rights to receive or obligations to pay cash, which are determined contractually or under other legal conditions or in exchange for the productive and service activities of the economic unit.

4- The specified amounts and the timing of the cash receipt or payment may be fixed under the terms of the contract or determined by other possible factors.

5. The final value of a financial instrument is usually influenced by external risk factors, which include credit and market risk. Market risk is the possibility of future market factors (e.g. stock prices, currency exchange rates and interest rates), which will affect the final amount paid or received, and credit risk is the possibility that the second party in the contract may be unable to settle its obligation at maturity.

As a result of these risks, economic units that hold financial instruments as assets or liabilities may experience the gains or losses of retention.

**3-4-Classification of Financial Instruments**

Financial instruments are classified into several different groups and may be overlapping types at times, so by reviewing the literature related to this topic will be mentioned the most traded types in the global financial markets, whether these markets are regular or non-regular, and the researcher will divide the financial instruments into three main groups and as follows:

- Traditional financial instruments.
- Derivative financial instruments.
- Other financial instruments.

**1-4-3Traditional financial instruments**

In some accounting literature, it is called financial instruments fundamental, as traditional financial instruments are classified into stocks and bonds, which are the basis and nerve of life in all financial markets, as follows (Ched, 2017:2):

-Stocks: - Some companies issue shares to raise funds in order to expand their business, shares are equal shares in the ownership of the economic unit, so that the owners of shares can be considered owners of parts of the economic unit.

-Bonds: - Bonds are interest-bearing guarantees, which the issuer and on specific dates and as confirmed in the bond certificate to pay a sum of money as well as pay the value of the bonds when they are due, the bondholders receive interest on a semi-annual or annual basis or in accordance with the terms of the bond. Unlike shareholders, bondholders are lenders to the enterprise, which can be a government or private company.

**2-4-3 Derivative Financial Instruments:**

There is no doubt that business in today's global economy in the developed financial markets is exposed to a variety of risks, which, if not managed, can have significant effects on profits, and even more can threaten the very existence of the company, thus risk management becomes a very important issue and derivative financial instruments have become a key instrument in risk management.

These derivative financial instruments or derivatives are simply useful for risk management, as economic units use fair values or cash flows to offset changes in fair values or cash flows of at-risk assets. The development of computing and communication technology has helped to expand the use of these derivatives, and this technology provides new ways to analyze market information as well as the ability to process large amounts of payments (Kieso & et.al, 2012:1001).

**Classification Of Derivative Financial Instruments**

Many writers and researchers have classified financial instruments in different ways, but the most prominent of their class (Kieso & at all , 2014 :839) :-

1. Financial forwards & financial futures futures

2.Options.

3.Swaps.

1. **The Future Contracts**

Future stake contracts are agreements for the purchase or sale of an asset at a certain time in the future for a certain price set at the date of the contract, and these contracts give the holder the right and impose an obligation on him to purchase this asset, and in relation to this type of contract, Payette stated that it is an agreement between two parties, the seller and the buyer, and before reaching this agreement the contract must be determined in detail, i.e. it is explained what is the original, the size of the contract and the date of delivery, as well as the expiry date. The contract, as stated, is generally traded in financial markets and can also be traded outside these markets (Payette, 2005:1). It can be said that this type of contract is typical, but the differences can be in the size and type of the agreed terms. There are many types of futures contracts and as follows:

1. Future Interest Rates Contracts

As it comes (Mohsen, 2006, 205-207):

- Future contracts for short-term interest rates: - Represent contracts that are concluded on financial assets with fixed income associated with interest, and the prices of these assets are influenced by the future direction of change in interest rates, so the value of these assets rises by rising interest rates and falling by their decline.

- Long-term interest rate futures: - Contracts on long-term assets such as government bonds represent that this type of contract is concluded for the purpose of countering the risks of bond price fluctuations, i.e. coverage against the risks of bond price volatility.

B. Exchange Rate Futures: - Future Currencies Contracts

It is called currency futures contracts characterized by currency futures as small amounts, and is used by contracts traded in future markets characterized by being continuous during the (24) hours and are dealt with by banks around the world, as the bank represents the work of the broker for the account of others, it organizes the movement of instant currencies and the transfer of futures between countries (Narrator, 2000) : 353) .

C. Future Indicator Stock Contracts Futures

Maha benefits for speculation and for the purpose of hedging and arbitrage, increasing its use in recent decades as it does not require high costs for trading purposes, and provides high liquidity, as it does not require its implementation at maturity material delivery of the financial asset, but is settled by a simple accounting cash process, as the future price variation is calculated through the following equation.

(The difference between the price of the index at the settlement and its price at the beginning of the contract) and multiplies in the multiple value of the contract (Aniza, 2007: 20)

**2-The Forward Contracts**

It is a binding contract for both parties and does not entail the payment of the bonus in the sense that it is an agreement between two parties to buy or sell financial instruments, a commodity or foreign currency at a specified rate, at a future price called the future price or the price of practice (Nassar and Hamidat, 2018: 647)

A. Interest Rate Rates: - Forward Interest Rate Contracts

It is an agreement concluded for the purpose of protecting against the risk of fluctuating interest rates of loans, as a certain interest rate is fixed on the amount of the loan to be obtained later in the future, i.e. the interest rate and the date of execution are fixed on the date of the conclusion of the contract (Musa, 2015:169).

B- Forward currency contracts

Is an agreement between two parties for the purchase or sale of a certain amount of foreign currency against the local currency, to be done at a future date and at an agreed price at the date of writing the contract as the date of implementation of this agreement is fixed, these contracts are used for the purpose of protecting against fluctuation in the exchange rates of currencies, characterized by these contracts as non-transferable or non-transferable (Musa, 2015: 169).

**Options Contracts:**

It is a contract between two parties that gives the holder the right and not the obligation to sell or buy financial instruments or other assets, at a certain date at a certain price and at a pre-agreed price, and is called the option of buying call options, either the option of selling put option (carpenter, 2009: 20) the contract price is called the price of the contract (Strike Price) or the exercise price, and at a certain date or during a certain period of time and the buyer has the absolute freedom to exercise this right or not Practice while it is binding on the seller, and the option buyer pays the premium bonus to the option seller in exchange for the right to buy or sell (Jeter & Chaney, 2012: 660).

The types and details of the options can be indicated as follows (Nassar and Hamidat, 2018: 648-649):

1- Call Option options: The purchase option gives the buyer the right not to commit to buying the asset at a certain price and for a specified period, and in return the buyer gives a suitable price to the seller called premium and for this price the seller incurs the obligation as he has received the price of the implementation of this agreement.

2- The option of selling Put Option: - The agreement of the contract of the option of selling between the seller and the buyer gives the right and not the obligation to the buyer the possibility of selling the asset at a certain price and during a certain period, and to pay the buyer for this right to the seller premium, and the latter is obliged to implement this agreement at the buyer's request.

Therefore, it can be determined that the maximum loss that the option buyer can incur is the amount of bonus given by him to the seller when the asset prices are lower than the specified price, and vice versa when the option seller makes the maximum gain that the option seller can make is the amount of bonus received when asset prices are higher than the specified price.

**Swap contracts**

Swaps or swaps are an agreement between two parties to exchange cash flows in the future, and under the agreement the dates of payment of cash flows are specified and how they are calculated, and cash flows usually include the future value of the interest rate, exchange rate or any other market variable (Hull, 2018:155). This type of agreement does not change any party without the consent of the parties to the agreement.

The most important types of these exchanges (Matar, 2015: 338-343):

**A- Currencies Swaps: Currencies Swaps**

Is an agreement between two parties that includes the exchange of two specific currencies, i.e. the purchase or sale of one currency against another currency on the basis of the immediate exchange rate between the two currencies, the purpose of this process is to hedge the changes in the exchange rates, banks use this type of contract to counter the volatility of currency prices.

**B- Interest rate swaps: Interest Rates Swaps**

It is a process of exchanging a fixed interest rate at a variable interest rate, where one party borrows an amount at a fixed interest rate, and at the same time lends to another party at a fixed but higher interest rate, as these two parties enter into agreements for short-term loans with a variable interest rate, and the agreement does not include an exchange of the principal of the amount borrowed, but the benefit is taken from the stabilization of the loan amount in the contract for the purpose of calculating the interest premium and the payment is made by one party after making a settlement of the interest amount between them, The main purpose of this type of exchange is to reduce the cost of financing.

**Other financial instruments :**

What was mentioned in the previous types of financial instruments was a clear classification as traditional instruments that are either origin or commitment, and the other type derivatives instruments which are a contract that results in the origin or commitment, but there are other types of financial instruments where overlap, which are several types of different qualities and similarlinks overlapping, so the researcher wanted to adopt them within the classification of other financial instruments in order to indicate and identify them, including the following: :-

Composite financial instruments:-

Some financial instruments include a part of ownership and part of a commitment called composite financial instruments, and it has been presented by IAS 32 as a convertible bond, as it contains the part of the obligation, which is the payment of the amount of periodic interest payable, as well as the right of ownership that gives the holder the possibility of converting the bond into ordinary shares (Jaart, 2017: 204). Some types of composite financial instruments include:

- Embedded Derivatives:

The Council has made it clear that the implied derivative is a mixed instrument (integrated) that includes a host contract, and the implied derivative adjusts some or all of the cash flows that the contract may require according to the specified interest rate, the price of the financial instrument, the price of the commodity, the foreign exchange rate, the price index, the price, the credit rating, the credit rating, the credit index, or any other variable, provided in the case of a non-financial variable that the variable is not allocated to the party in the contract (Council) , 2009: 13)

Convertible Securities:

Convertible bonds are bonds that have the added advantage of being converted into a specified number of common shares as a mixed guarantee, as they have the ability to provide equity-like returns due to the stock component with less potential volatility due to their bond-like advantages, and economic units must meet their obligations to convertible bondholders before shareholders. It is important to note that convertible securities are subject to interest rate and credit risk risks that apply to traditional bonds (www.invesco.com/pdf/clcsec).

**B-Repurchase Agreements:**

Armakolla & atall explained that the repurchase agreement, called repo or RP, is an agreement between two parties to sell securities and then the subsequent repurchase of those securities at an agreed price, and the original seller is called the cash borrower, the original buyer is the cash lender and the securities is used as collateral to obtain a cash loan guaranteed at a fixed interest rate (repurchase rate), which is the difference between the repurchase rate and the original buy-back rate (Armakolla & atall, 2017 :4)

**C-Securitization**

Securitization is the process in which certain types of assets are grouped so that they can be converted into interest-bearing securities, as securitization is a financial model that uses any future cash flows that can be obtained from an asset as collateral for debt repayment. Securitization can be defined as a process in which the economic unit collects the right to receive some future payments to certain assets and sells this right in the form of securities, and the fact that securitization helps generate money and flows money continuously (Khanna, 2018: 94).

**3-5- Risk of financial instruments**

Financial reporting standards have identified the types of risks associated with financial instruments( 2017: 185-188):

1-Credit Risks: - For financial instruments of credit risk is the part of the inability of the parties involved in the contract to meet the value of the financial instrument, which is the financial obligation on the date of the settlement.

2-Liquidity Risks: - Relates to the inability to provide the necessary funds to meet the requirements of the Financial Instrument Agreement.

3- Cash Flow Risks: - Related to matters related to the financial instrument itself such as the interest rates associated with the instrument contract.

4-Market Risks: - Linked to future fair value changes in the market, interest rates, exchange rate risks or any risks associated with the movement of financial markets.

The researcher believes that there are other risks associated with financial instruments that can be added to the previous risks of:

5- Operational Risks: - These risks relate to the same economic units or the dealers of these contracts and employees and how to settle them, by following the prices and market movement and the differences resulting from both the original subject of the contract and the prices associated with it, and confirming the dates of settlements and working on the settlement correctly in order to serve the economic unit by utilizing the terms of the contract to transfer the risk or reduce it.

6- Legal Risks: - Risks resulting from the failure to draft contracts related to financial instruments in such a way as to ensure protection to the parties dealing with this contract.

7- Control Risks: - The existence of a regulated, strong and experienced internal control system, contributes to avoiding any financial losses that may be exposed to the economic unit, including these losses in relation to financial instruments and related to their contracts.

**Quality of financial reporting**

The quality of financial reporting:

The American Society for Quality Control considers it to be the degree of product excellence and its compatibility with what is intended to be used and utilized (Samurai and others, 2012: 189). Quality has been shown as the sum total characteristics of the product or service when purchasing and during use (, 2012: Horngren & et all.)

4-2- The importance of quality financial reporting

The Importance Of Quality Of Financial Reporting

The importance of the quality of financial reporting and what this quality offers can be summarized through the following points (Benston,2003:7):

1- The importance of the quality of financial reporting is achieved through obtaining accurate and reliable information that reflects the sincerity of its representation of the economic unit, and this is evident through the decisions of the investors.

2- The importance of the quality of financial reporting is realized when the data presented is in accordance with GAAP, and the financial statements have been prepared in accordance with international accounting standards, and thus gain the trust of owners and other users.

3- The quality of financial reporting is important when the accuracy in showing profits, future expectations, contracts and obligations is shown correctly reflecting the extent of the changes in the financial position of the unit.

4- The importance of the quality of financial reporting is realized when there are benefits from the result of the presentation of information, and the extent to which it contributes to the analysis of market trends that investors wish to obtain to contribute to the evaluation of their future forecasts.

5- The quality of financial reporting provides a measure of economic performance, which reflects the performance of its management, and the deliberate ness of managers in violating and manipulating this measure was the biggest problem for financial accounting.

The researcher believes that the quality of financial reporting depends on the quality of accounting information, as the process of financial reporting is the provision and provision of information with certain specific characteristics, arranging and working to coordinate it appropriately through its presentation in the financial reporting lists, in order to reach the purposes for which it was prepared, whether internal or external, and that achieving the quality of financial reporting is the result of the extent to which economic units adhere to instructions and laws, and the extent to which their managers and employees have ethics and professional conduct.

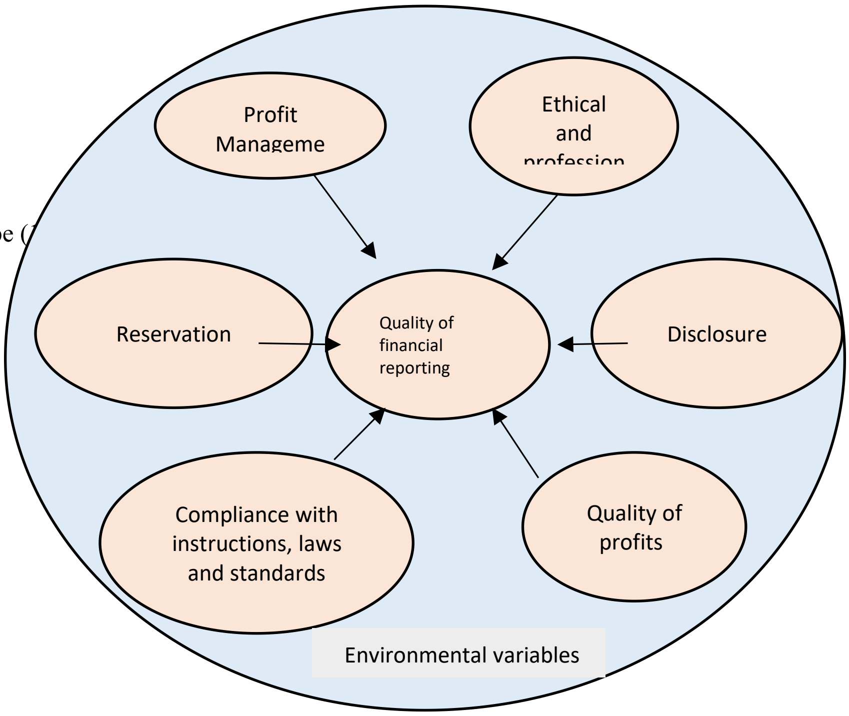
3-4-Factors affecting the quality of financial reporting

Factors Influencing with the Quality of Financial Reporting

The quality of financial reporting is influenced by a range of factors such as accounting disclosure, accounting reservation, compliance with accounting standards and financial reporting standards, the extent to which the economic unit complies with the instructions and laws associated with the organization of its business, the commitment of its management and employees to behavioral ethics and professional work ethics, and the quality and extent of management practice of profit management,

This can be explained in form (1):

Shape (




Factors influencing the quality of financial reporting

The source is prepared by the researcher.

A brief account of the factors shown in the figure above:

1. Ethical and professional commitment: - (Ogbonna & Ebimobowei) explained that the profession of accounting is a profession based on showing a high sense of responsibility, competence and ethics of professional conduct, commitment to the confidentiality and maintenance of information, and the preparation of financial reports wisely, and without biases to meet the needs of users, and that these reports are characterized by briefness, accuracy, honesty and professionalism, to support decision-making and comparisons (Ogbonna & Ebimoboboi, 2011: 15-1566).

2. The extent of its commitment to apply ing the accounting rules and international standards: - Al-Jaarat stressed that the implementation of international standards contributes to the compliance with the requirements of globalization, harmony and harmony between economic units and contributes to the comparison process according to the sound foundations, meets the legal requirements and the requirements of the owners of capital, whether internal or external, and contributes to solving many issues that may appear at the international level and the best example is the exchange rates (Algarat, 2017). : 40-43).

3. Earnings Management: - Profit management can be defined as the group of operations and measures taken by the management of the economic unit, with the aim of maximizing the benefits of management and achieving some benefits, by exploiting some of the flexibility that exists in the applicable standards (Tamimi & Flayyih, 2014:16) as it is necessary to distinguish between profit management and the quality of profits if the relationship between them is reversed, and there is disagreement to apply profit management between a supporter and a non-supporter, as a kind of misinformation that reflects the lack of credibility of financial statements ( Previous source: 54).

4. Earnings Quality: - Al-Tamimi and Al-Saadi stressed that the quality of profits is one of the important things that contribute to the evaluation of the financial situation of economic units, by multiple parties and beneficiaries of financial statements such as creditors and current and potential investors, as the quality of profits gives an indicator of the distribution of profits received and contributes to the decision-making of investment (previous source:166).

5. Disclosure: - The principle of comprehensive disclosure is to include financial reports on all important and necessary information in order to communicate them to the users of these reports and give them a clear and correct picture of the economic unit (Shirazi, 1990: 322).

6. Accounting Conservation Accounting Reservation: - "Accounting Principles Board (APB) has defined the accounting reservation as the measurement of assets and obligations under uncertainty. The International Accounting Standard Board defined the accounting reserve as a process of taking precautions and not overestimating assets, obligations, income and expenses too little." (Qazal, 2018:5).

**4-4-Entrances to measure the quality of financial reporting**

In order to measure the quality of financial reporting by a set of mathematical equations are measured:

1-Accurate Financial Reporting.

2-Relevance of Financial Reporting.

3-The appropriate timing for financial reporting is timeliness for Financial Reporting.

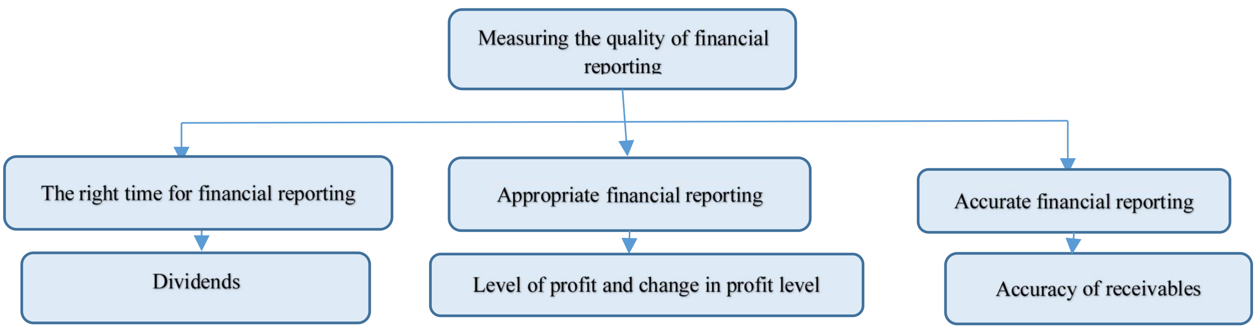
In order to reach the three points above, multiple mathematical models are adopted, including the following measurement:

A- Measuring the level of profits and comparing them.

B- Measuring receivables and measuring operational cash flows.

C - Owners' shares, sales growth value, market share impact, profitability of shares and multiple profitability

The above can be explained in the following form (2):




Entrances to measure the quality of financial reporting

Source: - Prepared by the researcher

The above entries will be addressed briefly as follows:

1- Accurate Financial Reporting: - One of the most important and influential characteristics in the field of accounting information, and its clear impact on financial reporting, especially with regard to the extent of the impact on the delivery of information to users and their impact on them to contribute to the decision-making process. It can be reached through (the accuracy of receivables), as the dues of the economic unit, whether related to debtors and creditors, and the analytical ratios that can be reflected in operational cash flows and the impact on future predictable profits, is one of the things through which the quality of financial reporting is measured.

2- Relevance of Financial Reporting: - Is a key feature in the quality of financial reporting, which is its ability to influence the decision for the purpose of making a change as a result of the arrival of this information, and on this basis it was adopted for the purpose of measurement, and can be reached through reaching the level of profits and quality and the extent of management intervention through the practice of profit management.

3- The appropriate timing of financial reporting Timeliness for Financial Reporting: - One of the things that has a strong impact in the decision-making process is the timing of the arrival of the information, if the right timing adds strength in the ability of financial reporting to influence the decisions of users, and thus the possibility of achieving profits or losses, and this is achieved through the relationship between the profits and the returns achieved which will be measured by mathematical equations as well.

**Conclusions and recommendations**

The government's efforts to address the crisis have been a cause for the government'

The research reached a set of conclusions, the most important of which are:

1- The process of applying financial reporting standards in all economic units, whether optional or mandatory, and updating these standards, was found for the purpose of achieving important objectives, notably reaching the public interest, credibility, compatibility, convergence and comparability between most of these economic units.

2- The financial reporting standard for financial instruments IFRS9 came as a result of the existence of failures and the emergence of the financial crisis of financial instruments, and the escalation of the volume of criticism by many professional organizations and workers in this field to the previous standards due to the existence of gaps and differences in the application process, so ifrs9 came to be applied mandatory and global.

3- Developments and economic change and the expansion of investments and the global trend to remove barriers between economic units of different business nature in general and similar in particular, and to meet the needs of traders in the global financial markets emerged financial instruments emerged with broader concepts than the traditional perspective of financial instruments represented by stocks and bonds, as emerged modern financial instruments are derivatives, and financial instruments benefit the economic units in order to transfer the financial risks to which they may be exposed to another party.

4- The quality of financial reporting is achieved through obtaining accurate, reliable and appropriate information that reflects the sincerity of its representation of the economic unit, and the data presented must be in accordance with GAAP, and that the financial statements have been prepared in accordance with international accounting standards, and thus gain the trust of owners and other users and this is evident through their decisions.

5- The quality of financial reporting is achieved through credibility and accuracy in showing profits, future expectations, contracts and obligations, and their results have been correctly reflected in the extent of changes in the financial position of the unit.

**Recommendations:**

1- The researcher recommends the need to adhere to the application of financial reporting standards to what their application reflects to keep up with developments in the world as a whole, and what this application gives it in the process of launching the information prepared accordingly.

2- The application of the ifrs9 financial instrument standard requires the availability of scientific and professional expertise from employees in economic units, in order to communicate useful information to the beneficiaries and the reflection of its application to the financial statements published, so the economic units should work to provide their employees with the latest developments in this field.

3- The diversity of financial instruments and their importance in transferring risks requires greater studies in this area, and a more in-depth focus on their types in light of the economic developments taking place in the world.

4- The researcher recommends working to find a unified mechanism to measure the quality of financial reporting between academics and professionals to reach common points that contribute to solving many of the problems that occurred due to the variety of methods used in the measurement process.

5- The researcher recommends the need to increase disclosure in the financial statements in order to reach the information to the beneficiaries more fairly.

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