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Fair Value Accounting And Its Role In Reducing Financial Failure

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APSTRACT

The research aims to highlight the role played by the tools and models of valuation of ordinary shares in making financing and investment decisions through ordinary shares, by taking the shares of the banks covered by the research during the period (2010-2020) and by five banks working in the fields of banking, and it has been possible to analyze the research variables and extract their real values and stand on the returns and risks of ordinary shares and determine the extent of their role in reducing financial failure, It has been reached to accept the main hypothesis of the research, and this is consistent with previous reference studies on raising the value of the share leads to an increase in the return and risk of the stock in general and then reduce financial failure, and differ from the results of other studies that disagree with this opinion. In the light of this, a set of appropriate recommendations could be developed.

Keywords: fair value accounting, market capitalization, return, risk, financial failure

The first topic: Study methodology

Firstly: Research problem

Due to the impact of political and economic conditions on the prices of shares traded in the financial markets, as well as the diversity of information available and the level of transparency, there are large and continuous fluctuations in prices. As a result, investors find it difficult to determine the fair or real value accounting for these investments, as well as how to reduce risks and, as a result, reduce financial failure.

Search aim: secondly

This study attempts to reach a main goal represented in showing the role of fair value accounting in reducing financial failure in banking institutions, and from this main goal the following research tasks branch out:

1. Knowing the prices of ordinary shares of the research sample in the Iraqi capital market.
2. Determine the real (fair) value of the shares of the research sample companies using one of the scientific evaluation models.
3. Analysis of the returns and risks of stocks for the banks, the research sample.
4. Measuring indicators of financial failure of the research sample banks.

Research importance: Third

This topic is related to the rapid developments in the financial markets in recent times in terms of deals and financial operations related to investing in ordinary shares and learning how to evaluate ordinary shares, in addition to that it is an attempt to know the impact of these changes in a way that is commensurate with achieving the safety of dealing in securities and increasing transparency and access to an appropriate environment. Investment helps in the growth of the local economy, as it gives a method and method that helps the investor to determine the real value of the share in order to maximize investment returns as much as possible, and reduce the risks associated with investing in ordinary shares to the lowest possible level, and then how to reduce financial failure.

Fourth: Research assumes**The first main hypothesis of the research**

Fair value accounting has a role in reducing financial failure

The second topic: The theoretical framework of the research

First: the concept of fair value accounting

The fair value or the real value is estimated based on the facts represented in assets, profits, earnings per share and dividends, in addition to future growth expectations, and is calculated by estimating cash flows, dividends, returns and capital losses resulting from investing in ordinary shares at the end of the retention period and estimating The required rate of return on investment in ordinary shares (Abdul Hakim & Hassan, 2010: 58), also known as the discounted value of cash that is achieved as a result of the activity of the institution during a certain period of time and represents the real value (fair value), which expresses the values of the share through cash flows future (Kemp 2011: 1), and that the purpose of analyzing the real value and comparing it with the prevailing price in the markets is to acknowledge the extent of the randomness of prevailing prices and whether the shares are stable at an inflated or low price, and this comparison is for the investor for the purpose of keeping or disposing of the share (Ziyad, 2014: 45), and a distinction should be made between the share price and the real value, as the share price simply represents the current market price and can be easily determined for publicly traded banks, on the contrary, the real value of the share cannot be determined, but it can be estimated and be equal in the event that the stock market is reasonably effective. And it is possible that the share values in the market differ from the real values of the share due to manipulation and speculation in the share prices in the market, and it is not possible to provide information about the company's performance, the high cost of obtaining information, insufficient disclosure of information in the company, and the wrong analysis of information among investors (Abdul Hakam and Hassan, 2010: 58).

The concept of fair value is one of the main concepts in accounting and finance and aims to evaluate assets at a value that reflects the true value of the asset. However, different interpretations and translations have led to some issues related to real value perceptions (Grabler & Floberg, 2016:13), and the concept of fair value has evolved for more than A century and this stage refers to the use of many concepts to measure the fair value currently used (Zyla, 2015: 9) and the Financial Accounting Standards Board FASB indicated the objective of the basis for determining the fair value of measurement, which is to determine or estimate the exchange rate for assets or liabilities that are measured in the event The absence of an actual transaction for that asset or required (Landsman, 2006:2).

Interest in the concept of fair value increased in order to reach a fair and equitable measurement basis, but achieving this matter was not easy because fair value accounting was not included as a basis for measurement in the conceptual framework of the financial statements issued by each of the International Accounting Standards Board, nor in the framework Conceptual Financial Accounting issued by the American Accounting Standards Board (Jaarat et al, 2016:157).

The fair value was defined by the International Accounting Standards Committee as the amount for which an asset can be exchanged, or a commitment settled between two knowledgeable parties willing to deal on a purely commercial basis, within the framework of

balance, or under normal conditions between two independent parties (Marra, 2016). : 585), and as it was also known as an estimated amount, as it is possible to exchange what is in the evaluation between the seller and the buyer wishing to conclude the deal, and under a neutral market so that each of them has sufficient information and has absolute freedom and without coercion to complete the deal (Hamad, 2003: 11), and within the framework of international financial reporting standards IFRS, fair value is defined as the amount at which an asset can be exchanged or a liability settled between two independent and knowledgeable parties under the exchange process and willing to deal (IASB, 2008: 1945), either the definition of fair value according to the reporting standard International Finance IFRS13 is defined as the price delivered to sell an asset or paid to transfer a liability in a transaction under normal circumstances between market participants at the measurement date (IFRS, 2017:534), and also defined it is the amount at which an asset can be exchanged and the obligation paid between knowledgeable parties and on a purely commercial basis (Al-Abadi, 2009: 7). Facts with free will, and fair value is also defined as the value of an asset or obligation that can be bought, carried, sold, or settled in a current deal between two willing parties other than forced sale or liquidation (Shahin, 2013: 227). Fair value is also defined as The current value at which an asset is sold or bought, or an obligation is equal to it, in a market that enjoys normal conditions of supply and demand (market equilibrium) and the availability of appropriate information for evaluating the asset or obligation (market efficiency) for all parties dealing in the market, in addition to the availability of evidence indicating the intention of the purchaser On the purchase and the seller's intention to complete the sale, which is the value of the assets in an efficient market. (Mohammed, 2008, 181).

In the field of fair value accounting, the fair value accounting method was canceled by US President Franklin Roosevelt in 1938 because it was believed that its use exacerbated the economic depression at that stage, causing the failure of financial institutions (Quintas, 2011:12) and the lack of confidence And transparency in historical cost accounting can make matters worse in crises, and among the generally accepted things is that fair value accounting is more appropriate than historical cost accounting when the markets in which assets are exchanged are highly liquid, however, historical cost accounting does not reflect The current value of the asset and then it is better to use market values even if the markets are illiquid (Penman, 2011:168).

The importance of fair value accounting increased when the crisis of savings and loan institutions emerged in the years 1980-1990 as a result of accepting short-term deposits to finance long-term mortgage loans at a fixed interest rate, and with the rise in interest rates due to the high inflation rate in the early eighties, many savings and loan institutions had to pay the fixed interest rate (Bick et al, 2018:2) and in addition to the significant impact that savings and loan institutions knew of changing the price level on long-term activities, in light of these problems and circumstances, Britain issued the SSAP16 accounting standard in 1980 related to the current cost with the aim of Addressing the impact of the general change in price levels by adjusting and adjusting the objectives and basic principles of current cost accounting as a result of the historical cost and complementary to it and not a substitute for it (Tarayrah, 2015: 81).

In 2003, international accounting standards gave the possibility of calculating the fair value of any financial asset based on its provisions and evaluation based on market values (the first level for determining fair value). The laws of British economic units were amended in 2004 to allow the use of fair value as a basis for accounting measurement in the profit and loss account. (Wang, 2012:14) In 2005, the measurement bases imposed on the IAS 39 standard were replaced by financial instruments, recognition and measurement, to market-to-market accounting, and this period witnessed the beginning of the issuance of international financial reporting standards that support and support the fair value, which reached the current number 14 standards, and the issuance of the first standard in 2003 related to the adoption of financial reporting standards for the first time, and it is noted that most international accounting standards and American accounting standards talk about the measurement of fair value and explain it in every related economic crisis, and in every period of time this is on the one hand,

on the one hand Others 11 American accounting standards were issued until 2008 related to fair value (Bartbut & Abahoonie, 2009:50).

Second: fair value requirements

The fair value is based on four basic requirements, which are the exchange rate, the regular transaction, market participants, and the transaction market. The reliability of the fair value measurement is due to the availability of these requirements. Al-Adila (Bil Nour, 2018: 59).

1. The exchange rate

It is the price that will be received through the sale of assets or a payment to transfer liabilities according to IFARS 13 standard, as the fair value is based on the external price regardless of whether this price can be observed directly or using the evaluation method, and that the purpose of using the evaluation method is to estimate The price at which a regular transaction will take place to sell assets or transfer liabilities (CAP, 2019) and the main reason that makes the exit price necessary to measure fair value is that it is the best indicator that represents the expectation of future cash inflows and outflows associated with assets and liabilities from the perspective of market participation on the measurement date) FASB, 157: C23).

2. Regular treatment

A regular transaction can be defined as a transaction that is supposed to be offered in the market for a period prior to the measurement date to allow for the usual and familiar marketing activities of transactions, which include assets and liabilities that are required to be sold and purchased for a regular transaction that is not a compulsory coercive liquidation transaction or bankruptcy (Nour al-Din and Abd al-Latif, 2015: 413).

3. Market participants

Market participants are defined as the buyers and sellers of assets and liabilities in the market, and these participants are characterized by a set of the following characteristics (Basco et.al, 2017:29):

- To be independent from each other, and not related parties, and the term related parties is used in accordance with the use of the International Accounting Standard IAS24.
- Have a reasonable understanding and knowledge of the assets and liabilities and the transaction using all available information, including information that requires various efforts to obtain it.
- The ability to enter into the transaction with the incentive (ie they are motivated and not forced) to do so.

4. Market fit

The fair value measurement assumes that the transaction to sell the assets or settle the liabilities takes place in the principal market, and in the absence of a principal market, depends on the most appropriate market for the asset or liability, that the principal market is the market in which the economic unit sells the assets or settles the liabilities at the price that maximizes the amount The assets that can be received in exchange for the sale or lead to a decrease in the amount will be paid to settle the liabilities, taking into account the costs of commercial transactions in each market (Allal and Khader, 2019: 252).

Third: fair value models: the most prominent of these models are:

The Discount cash Flow Model

This model is estimated by companies on the basis of the present value of future cash flows, which are discounted at an appropriate discount rate, and it can be said that the adjusted net present value can be based on the principle of added value, and the discounted cash flow is an evaluation technique based on predictions, and there is another type of Cash flows, which is the free cash flow and represents the cash that is not required for investment operations. This model indicates that it is not affected by market errors (Steige, 2008: 4) and can be calculated according to the following equation: (Oliveira, 2014: 2).

$$V = \sum_{t=1}^{t=n} \frac{CFt}{(1+r)^t}$$

If that

C_t: cash flows for period t:

r: the discount rate for cash flows.

1- Dividend Discount Model

The Dividend Discount Model (DDM) was designed for the first time by (Williams) in 1938, and this model is one of the most used models in the evaluation of ordinary shares because the distributions are the basis for estimating the real value of the share, and this model is a clear application of the basic idea, or it is called analysis. The main and main goal of this model is to find the value of the real shares that are formed by collecting the present value of a growing series of distribution of future profits, as each of these stages is deducted at a specific discount rate or the return that is commensurate with the degree of risk (Al-Ardhi, 2017: 54.)

The future value of ordinary shares can be calculated using the discounted cash dividend model, through the following equation:

$$V_j = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} + \frac{D_3}{(1+K)^3} + \dots + \frac{D_n}{(1+K)^n}$$

If that

V_j : the value of the common stock j

D_t: distributions over period t

K: required rate of return per share j

Fourth: Financial Failure:

The phenomenon of financial failure of organizations is a general phenomenon that is not confined to a specific country or a particular economic system, but is a phenomenon synonymous with the development of any economies in various countries (Janabi, 2019, 256), and it is a case opposite to the case of financial or legal hardship, which means the inability of the company to paying its financial obligations due to others in full, which leads the company and in most cases to bankruptcy, and Beaver is the first to use the term financial failure in 1966 and stated that the company fails when bankruptcy occurs or its inability to pay its dues to creditors or failure to pay profits due to investors in its appointment, as the term financial failure was used by the researcher John Argenti in 1986, when he referred to it as the process in which the company began to walk the long road that ends with the occurrence of financial hardship (Al-Amiri, 2007, 335-336).

The financial failure is the company's inability to fulfill its financial obligations when the due date is due, or the occurrence of losses to creditors after failed operations, or the inability to retrieve the mortgaged property and seize the company's property, or withdraw and leave the obligations on the company without paying them, or that the company's property is placed under judicial receivership, and this is what is consistent with it (Lahsnawi, 2017, 269), as indicated by (Shahm, 2019, 98) as the imbalance facing the company, which occurs when there are operations or works for the company followed by the assignment of assets in favor of creditors, or bankruptcy, as it is intended, is the weakness of the financial structures and the competitive nature of the company due to its inability to build a competitive atmosphere that enables it to confront competitors, and then leads to a lack of competitiveness (Saeedi, 2021, 416).

Indicators of financial failure

a. Financial indicators: (Zarqoon, 2021, 67)

1. Declining rate of return on invested funds.
2. Consecutive losses in addition to the lack of profits.
3. The assets are much less than the size of the financial liabilities due to the decline in sales.
4. The volume of current liabilities is greater than current assets.
5. Dividends distributed are few or by borrowing.

B. Administrative indicators: (Ismail, 2016, 182).

1. Management is characterized by weakness in making the right decisions.

2. Administrative policies are inefficient and ineffective.
3. The company's inability to continue and achieve growth.
4. Lay off some efficient employees.
5. The inability to keep up with technological developments.
6. Loss of competitiveness, as well as competitive advantage.

2. Predicting financial failure:

Here, most business failure prediction models are based on financial data, and these models have a common goal, which is to classify companies into two categories: failed companies and successful companies. , but the first application of statistical tools to predict business failure began with the univariate analysis of Beaver 1966 (Zizi et al, 2020,4).

The third topic: the applied framework of the research

First: Indicators used in the applied side:

There are a number of indicators used in the applied side of the research, namely:

• (BSize)

Total assets in the bank were used to find out the potential impact of the bank's size on the returns and risks of the banks.

The natural logarithm of total assets was generally used to represent the size of the bank as a control variable. (Million, et al., 2015).

• (Capital Adequacy) : CAR

It is the ratio of the adequacy of the capital owned by the banks to support the assets that contain or generate risks, for example the loans granted, i.e. the amount of property rights and other reserves that the bank maintains against its risky assets, and the banks that have a higher ratio of capital to assets are safer and less risky One of the banks with a low capital ratio.

• Cost : (Activity Cost)

This indicator is one of the most important indicators through which the efficiency of banks and the quality of the credit portfolio are known. It is measured by dividing expenses into total income and is expressed as follows: (Rossi, 2017).

Cost ratio = total expenses / total income x 100

• (ROA):

It is the ratio of net income to total assets of the bank and measures the efficiency of the bank's management in achieving profit from the bank's resources.(Adzobu et. al ,2017).

The rate of return on assets = net profit after tax / total assets x 100

•(ROE)

This indicator represents the ratio of net income to equity, and describes the performance of the return from the perspective of shareholders (Chen et. al, 2013), as the higher the return on equity, the more efficient the performance from the point of view of the owners, and this indicator measures the efficiency of the bank in generating profits per unit of shareholders' rights (Al-Kaabi and Al-Jubouri, 2021, 153), and this indicator can be measured through the following equation:

Rate of Return on Equity = Net Profit After Tax / Equity x 100

•(Namely Non-performing Loans Ratio)Loan

It represents the ratio of non-performing loans to the total loans that reflect the level. Expected losses are interpreted as a subsequent measure of actual losses from lending (Adzobu et al., 2017).

Non-Performing Loan Ratio = Non-Performing Loan / Net Loan x 100

•(Loan Loss provision ratio) NPLR:

The loan loss provision is a means through which banks can control expected loan losses and enable banks to detect and cover high levels of bank losses resulting from lending (Adzobu et al., 2017), and it enables the determination of the loan loss provision ratio through the ratio of the loan loss provision to the total Loans, and a high level of provisions for loan losses indicates high levels of non-performing loans (Muhammad and Hamid, 2021).

This indicator can be calculated as follows:

Loan Loss Risk = Loan Loss Provision / Total Loans x 100

• Fair value: The fair theory model was used in its calculation, and it is denoted by the symbol (Fair) value FV.

Second: Analysis of Indicators in Banks Research Sample:

We note from the tables included in the analysis of indicators of Iraqi banks for the years (2010-2020), that there is a set of indicators that were used in the field of measuring financial failure and fair value, and as it was clarified in the previous paragraph and an indication of its abbreviations.

Table (1): Analysis of the indicators of the National Bank of Iraq for the years (2010-2020).

ROE	ROA	NLLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Year
4.25	1.26	13.81	26.00	24.71	34.38	49.20	25.61	11.0	7.76	2010
2.56	1.18	32.57	10.82	17.90	26.56	57.09	4.86	11.2	8.00	2011
5.44	3.62	3.00	1.66	10.76	20.01	45.86	11.48	11.5	8.26	2012
3.69	2.91	3.94	1.91	19.18	21.30	31.07	21.43	14.7	11.50	2013
2.37	1.98	4.03	2.22	29.23	26.87	42.82	26.21	14.7	11.50	2014
0.50	0.38	4.48	2.46	23.96	34.40	48.70	26.21	14.7	11.50	2015
1.11	0.87	4.28	2.35	38.05	21.54	49.73	80.34	8.76	5.50	2016
6.06	2.53	2.23	2.20	84.39	22.27	47.36	90.88	8.78	5.51	2017
4.72	1.95	1.90	3.00	140.5	14.64	49.10	45.89	8.72	5.45	2018
2.90	1.16	1.38	3.00	66.97	26.73	40.59	65.25	8.80	5.53	2019
1.92	0.67	0.96	4.00	54.33	35.56	34.40	62.82	8.95	5.68	2020
3.23	1.68	6.60	5.42	46.37	25.84	45.08	41.91	11.1	7.84	average

Source: The table prepared by the researcher according to the annual releases issued by the banks

Table (2): Analysis of the indicators of the Assyrian Bank in Iraq for the years (2010-2020).

ROE	ROA	LLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Year
4.83	1.27	2.08	4.00	19.61	11.75	54.93	83.57	11.1	7.88	2010
13.65	1.69	8.38	7.27	23.71	25.95	49.98	69.81	11.2	7.96	2011
17.89	2.85	11.67	8.44	37.60	18.92	63.65	1.41	8.43	5.16	2012
14.30	2.28	12.39	34.62	39.98	27.25	64.90	0.06	8.55	5.28	2013
13.32	2.20	8.17	31.77	45.12	19.64	62.16	0.05	8.64	5.37	2014
11.23	1.80	7.50	12.90	35.44	6.98	58.35	78.02	8.61	5.34	2015
2.88	0.49	20.15	16.03	54.93	2.57	67.42	95.78	8.57	5.31	2016
7.16	1.69	0.06	37.42	53.77	2.78	70.82	88.46	8.57	5.31	2017
2.30	0.56	2.99	41.87	59.46	1.20	57.42	85.78	8.67	5.40	2018
1.56	0.37	0.11	8.17	58.33	3.53	62.88	75.44	8.63	5.36	2019
2.67	0.64	0.37	8.24	10.74	5.30	57.72	97.15	8.68	5.41	2020
8.34	1.44	6.72	19.16	39.88	11.44	60.93	61.41	9.07	5.80	average

Table (3): Analysis of Gulf Bank indicators in Iraq for the years (2010-2020).

ROE	ROA	LLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Year
7.25	1.42	5.64	8.40	70.14	12.96	23.36	9.02	14.4	11.20	2010
10.55	3.52	8.33	23.84	55.21	24.76	33.38	10.08	11.5	8.28	2011
24.38	8.56	3.41	23.41	37.02	50.46	35.10	21.81	11.6	8.36	2012
18.90	7.35	3.40	54.32	36.05	30.84	38.90	1.77	11.8	8.63	2013
12.36	5.27	3.67	9.65	46.20	30.27	42.66	4.48	11.9	8.64	2014
4.33	1.70	4.99	12.20	72.32	34.35	39.39	15.64	11.9	8.64	2015
1.85	0.73	0.82	11.23	73.33	35.85	39.62	32.22	11.9	8.64	2016
1.32	0.70	1.57	21.89	80.57	33.86	53.19	72.68	11.7	8.51	2017
0.19	0.10	0.01	30.24	94.54	29.65	54.38	54.89	11.7	11.20	2018
-1.28	-0.7	0.04	17.51	136.0	26.34	55.85	59.03	11.7	8.28	2019
0.00	0.00	0.03	14.43	99.15	24.86	60.14	72.92	11.7	8.36	2020
7.26	2.60	2.90	20.65	72.78	30.38	43.27	32.23	12.0	8.98	average

Table (4): Analysis of the indicators of the Middle East Bank in Iraq for the years (2010-2020).

ROE	ROA	LLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Year
11.98	1.74	6.32	6.25	72.57	24.54	14.50	50.92	11.7	5.69	2010
15.68	3.24	4.77	4.89	55.88	28.27	20.64	37.40	11.8	5.75	2011
15.23	3.49	5.28	4.36	53.18	24.10	22.92	44.77	11.9	5.84	2012
12.07	3.16	5.04	0.71	60.16	26.71	26.19	35.69	11.8	5.82	2013
0.81	0.36	5.55	7.12	86.73	27.50	44.95	21.77	11.8	5.76	2014
2.07	0.68	6.96	15.75	43.04	18.74	32.80	60.67	11.9	5.83	2015
4.09	1.79	1.00	0.92	60.30	17.31	43.75	96.76	8.82	2.75	2016
-0.22	-0.1	1.13	1.04	97.85	13.01	33.89	95.98	8.89	2.81	2017
-0.86	-0.3	0.04	4.85	112.4	11.81	33.40	97.40	8.90	2.83	2018
0.03	0.01	0.12	6.66	98.81	14.29	40.61	94.82	8.82	2.75	2019
-0.85	-0.3	3.31	22.22	107.3	13.14	38.11	84.06	8.81	2.74	2020
5.46	1.25	3.59	6.80	77.12	19.95	31.98	65.48	10.5	4.42	average

Table (5): Analysis of the indicators of the Bank of Baghdad in Iraq for the years (2010-2020).

ROE	ROA	LLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Year
13.65	1.69	8.38	7.27	60.93	18.81	12.36	32.32	11.9	5.91	2010
17.89	2.85	11.67	8.44	55.22	16.64	15.95	17.66	11.9	5.87	2011
14.30	2.28	12.39	34.62	52.75	10.55	15.93	14.91	12.1	6.04	2012
13.32	2.20	8.17	31.77	54.50	11.80	16.50	12.97	12.2	6.17	2013
11.23	1.80	7.50	12.90	47.39	12.40	16.00	16.62	12.2	6.19	2014
2.88	0.49	20.15	16.03	80.54	15.35	16.92	58.05	12.1	6.12	2015
7.16	1.69	0.06	37.42	48.49	16.25	23.56	68.07	9.08	3.01	2016
2.30	0.56	2.99	41.87	72.62	15.55	24.42	77.36	9.04	2.97	2017
1.56	0.37	0.11	8.17	84.66	14.54	23.95	84.20	9.05	2.97	2018
2.67	0.64	0.37	8.24	71.51	13.21	24.16	77.23	9.05	2.98	2019
7.25	1.42	5.64	8.40	44.24	9.98	19.61	82.11	9.15	3.08	2020
8.56	1.45	7.04	19.56	61.17	14.10	19.03	49.23	10.7	4.66	average

Through the previous tables, the final indicators of the banks included in the research can be extracted, as included in the following table:

Table (6): Analysis of the final indicators in the banks included in the research for the years (2010-2020).

ROE	ROA	LLP	NPLR	Cost	Loan	CAR	INCDIV	BSize	FV	Bank
3.23	1.68	6.60	5.42	46.37	25.84	45.08	41.91	11.1	7.84	Al Ahly
8.34	1.44	6.72	19.16	39.88	11.44	60.93	61.41	9.07	5.80	Assyria
7.26	2.60	2.90	20.65	72.78	30.38	43.27	32.23	12.0	8.98	Gulf
5.46	1.25	3.59	6.80	77.12	19.95	31.98	65.48	10.5	4.42	The Middle East
8.56	1.45	7.04	19.56	61.17	14.10	19.03	49.23	10.7	4.66	Baghdad
Baghdad	Gulf	Baghdad	Gulf	East	Gulf	Assyria	East	Gulf	Gulf	highest index

Figure (1) shows these indicators in the banks included in the research:

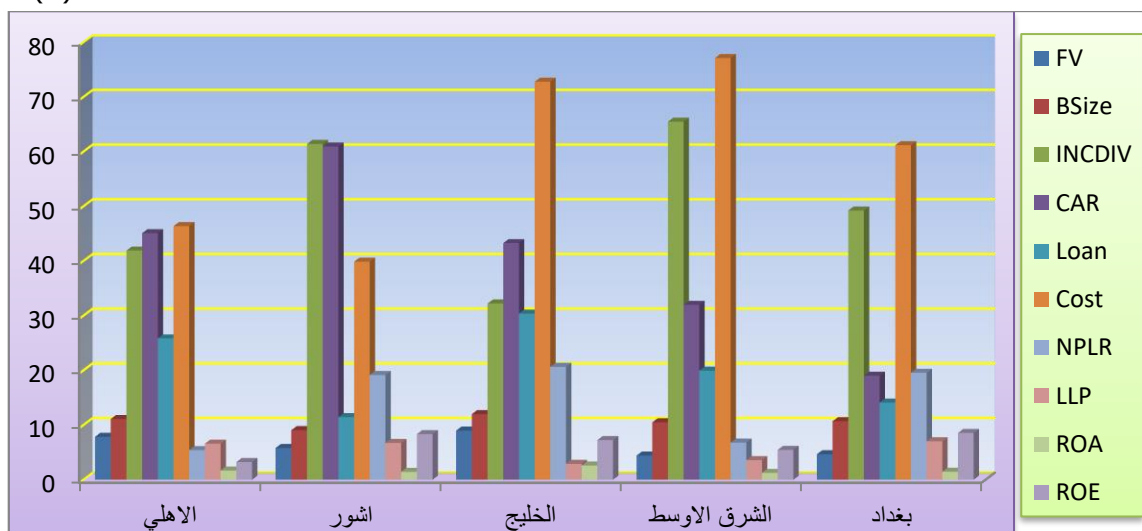


Figure (1): Accounting indicators in the banks included in the research

We note from Table (6) and Figure (1), that the Gulf Bank had the highest indicator of fair value, and four other indicators of financial failure, which makes it far from the levels of financial failure, followed by the Bank of Baghdad and the Middle East Bank with two indicators, followed by the Ashur Bank.

The fourth topic: conclusions and recommendations

First: conclusions

1. The Gulf Bank had the highest fair value index, and four other indicators of financial failure indicators, which makes it far from the levels of financial failure, followed by the Bank of Baghdad and the Middle East Bank with two indicators, followed by the Ashur Bank.
2. Acceptance of the main hypothesis of the research, which states (fair value accounting has a role in reducing financial failure), and this is consistent with previous reference studies on raising the value of the share, leading to an increase in return and risk for the share in general, and then reducing financial failure, and differs from the results of the studies Others disagree with this view.
3. The banks included in the research shall immediately disclose to investors their financial statements and any decisions taken by their boards of directors, including positive and negative decisions, in order to give an approximate picture of the extent of financial failure or success.
4. The banks included in the research work to maintain market stability through a policy of price ceilings that prevent prices from fluctuating at a predetermined percentage from their previous price in order to avoid the so-called market bubble that could cause financial crises due to rumors and false information, in addition to providing some protection for investors and speculators. .
5. The management of companies' works out how much of their profits to keep and to get a minimum return on those profits, which is represented by the expected rate of return by the investors which takes opportunity cost into account. If not, it causes harm to fair value accounting, preventing it from achieving its primary objective of enhancing shareholder wealth and preventing financial failure.

Second: Recommendations

Through the applied side of the study and the conclusions reached, the research and scientific necessity requires that these conclusions be supplemented with a set of recommendations, which can be summarized as follows:

1. Since the income statement discloses the money contributed by the shareholders or that they received as dividends, and here it is necessary to include a paragraph in the income statement entitled "Remaining Income" detailing the remaining profits that the companies made to their shareholders after deducting the cost of ordinary shares calculated using the book value (Cost of ordinary shares x book value) Since there are many companies that, despite their profits, dilute the value of their shareholders, so the profits declared by banks in their income statements do not take into account the cost of ordinary shares, which improves disclosure of the extent to which they can add Banks provide value to their shareholders.
2. In order to benefit from the favorable prices that characterize efficient markets, investors and managers of banks whose shares are traded there must use the residual income model, which uses the growth rate of residual income to determine the terminal value in order to justify their investment and financing decisions.
3. By implementing a strategy that adds value to shareholders, that is, increasing future economic benefits, the management of banks must devote most of their efforts to preserving the real value of their shares through choosing the capital structure, reducing the cost of capital to reduce risks, and then preventing financial failure. and focus on investing in initiatives that result in a positive net present value.
4. Implementing a strategy that adds value to shareholders by increasing future economic benefits.
5. The research recommends that companies' management devote most of their efforts to preserving the fair value of their shares through choosing the capital structure, reducing the cost of capital to reduce risks, and focusing on investing in initiatives that result in a positive net present value. Because the actual value depends on the cost of capital and the expected future economic gain, which is called optimal money.
6. The residual income model and windfall growth model should be used to determine the implicit cost of capital.

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