The effect of using fair value accounting in activating the Iraqi stock market (A field study on companies registered in the Iraqi market for financial markets)

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Abstract, The study aims to know the reflection of the application of fair value accounting on revitalizing the market and increasing its efficiency through the opinions of preparers, analysts, and users of financial information for companies listed on the Iraqi Stock Exchange. The research provided a framework of knowledge for the concept of fair value and its importance in the stock market based on the descriptive analytical approach by preparing a questionnaire prepared for this matter. Furthermore, A random sample was selected that includes a group of specialists in the aspects of financial analysis and investment, and the conclusion that was reached is the existence of a relationship of using fair value accounting by companies registered in the Iraqi Stock Exchange and increasing the market capitalization of the market.

Keywords: Fair value, Iraq stock market, Indicators of active markets

1 - Introduction

The principle of historical cost is one of the accounting principles that the accounting theory still adheres to in the accounting measurement, and it is considered one of the most important principles on which the contemporary accounting model relies as a basis for evaluating each of the assets and liabilities (Yang, 2021), and (Galassi, 2020) believes that the principle of historical cost is based on several justifications, as it provides a large degree of objectivity in the measurement and the figures are comparable and facilitate the process of accurate verification of historical cost data and thus give a high degree of confidence in the accounting information. (Alexander & Fasiello, 2020) indicates that historical cost has continued to be used as a basis for measurement and recording due to its dependence on facts that have already occurred and are supported by documents and are not subject to differences in personal judgment and judgment, and are easy to verify, and are measured by the amount paid for them in cash or its equivalent at the time their occurrence. (Freeman, 2020) confirms (Gardi, 2021) despite those justifications on which the principle of historical cost is based and its consistency with the generally accepted accounting assumptions and principles, but it raised many criticisms

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about the limited usefulness of using the resulting financial statements and reports, especially "Criticism about the inadequacy of accounting information for decision-making, and this means that in cases of inflation, historical values become unrealistic and therefore the financial statements do not represent the true financial position of economic enterprises, as well as" the difficulty of comparing financial positions during several successive accounting periods, especially with the change in economic conditions that it is characterized by a constantly changing and volatile dynamic movement and a change in the purchasing power of the monetary unit. (Hajiyev, 2021) believes that after the increasing criticism of data and financial information users of the historical cost principle and their low confidence in the financial information prepared on its basis, the trend towards fair value accounting began, and the replacement of traditional historical cost accounting measurement with fair value measurement was considered an important issue in light of Prioritize the characteristics that must be available in the information, especially reliability, suitability, caution, and caution. furthermore, (Smith, 2021) indicates at the end of the eighties and the beginning of the nineties of the second millennium and as a result of the criticisms that faced the application of the principle of historical cost in accounting, the opinions in favor of the direction of accounting on the basis of fair values began to increase, especially for the items of assets and financial investments, which are usually called "market value." However, With the end of the twentieth century and the world's tendency towards the new world order (globalization), the emergence of major multinational companies and the economic openness between countries, and the interconnection of their economies with each other, especially in the areas of global trade and freedom of commercial and financial dealings, all of this led to pressures on the accounting profession and affecting some of the principles on which it is based, including the historical cost principle, which is facing severe criticism in the direction of the transition to the application of fair value (Nordlund, 2021). And (Pandya, 2021) indicates that as a result of these pressures, the trend towards applying fair value accounting as a basic requirement in proving the treatment of financial events and operations began to be more accurate and closer to the actual reality in accordance with the prevailing conditions in order to achieve the efficiency and reliability of the published financial statements, which prompted the specialized professional bodies to issue Accounting standards that meet the continuing needs that coincide with the great development on the international financial level, especially with regard to the application of fair value. (He et al, 2018) confirms that many specialized professional bodies issued the foundations that require recognition of some changes that occur in financial instruments and the impact of many Items with those changes such as items (income statement, change in shareholders' equity and cash flow (including the Financial Accounting Standards Board and the International Accounting Standards Board).

2- Literary survey:

The researchers reviewed a number of literature and studies that discussed the topic of fair value, including a study (Al-Khadash & Abdullatif, 2009), which aims to analyze the impact of applying fair value accounting for financial instruments on the financial performance of companies registered in the Jordanian stock market and the return on earnings per share. The study included the financial statements of a selected sample of Jordanian banks registered in the Jordanian stock market for a period of 4 years, and the published results were compared using the fair value and those calculated using the historical cost for the same years. The study found that the financial performance of banks is greatly affected by the evaluation of financial instruments at fair value, as there was a very high positive value of the earnings per share when applying the fair value compared to the return when deleting the gains or losses of financial instruments according to the historical value basis. As for the study (Christensen & Nikolaev, 2013), it aims to clarify the circumstances of the application of fair value accounting as an alternative to the historical cost model. The study found a set of results, including that the application of fair value to non-financial assets such as buildings and equipment is less efficient for decision-makers if compared to historical cost, and that the Financial Reporting Standards (IFRS) provided an advantage that was not provided by the previous standards, as it allowed companies to choose between the historical cost and the fair value for non-financial assets, with an obligation to remain consistent in the disclosure of the accounting policy used. While the study (Elfaki & Hammad, 2015) aims to identify the impact of the application of fair value on accounting information and its quality, and this study was applied to a group of companies listed on the Sudanese stock market, and the researchers relied on the questionnaire to achieve the objectives of the study, and the data were analyzed using the statistician program SPSS, and the study concluded that there is a relationship and an impact between the application of fair value and the appropriateness and reliability of accounting information and its quality. A study (Flayyih, 2015), which aimed to identify the method of fraud under the fair value approach. The study reached conclusions, the most important of which is that there are many doubts about the reliability of the prepared statements in light of the fair value. Also, the use of the fair value of companies listed in the Iraqi market may lead to delaying the issuance of financial statements in a timely manner, which will lose the benefit of those statements, as companies with the application of historical costs delay the issuance of financial statements.

The study (Fontes et al, 2018) indicates the extent to which the measurement of banking assets at fair value contributes to reducing information asymmetry between users of financial statements and investors in shares in the stock market, and the extent of the impact of recognizing credit risk gains and losses when adopting fair value in financial statements. The study indicates that the information asymmetry is less for banks that enjoy measuring their banking assets at fair value and that the recognition of credit risk gains and losses has a significant impact when presenting financial statements at their fair value. As for the study (Hsu et al, 2019), it aims to identify the extent to which the recognition of the fair value of investment properties is related to the risks of a collapse in stock prices. This study was conducted in China, and the study sample was represented by a number of Chinese companies that own investment properties in the Chinese stock market for the period from 2007 to 2011, and the study reached several conclusions, the most important of which was that companies registered in the Chinese stock market that recognize and register their investment properties at their fair value face greater risks in their stock prices compared to companies that present their financial statements at historical cost, and that the risks of the collapse of the shares of Chinese companies It has been reduced and mitigated in companies that apply a strict corporate governance system.

The study (Chirkova et al, 2018) aims to identify the problems and difficulties in determining the fair value of intellectual property in the structure of financial market assets and to provide a model that determines the intellectual property of a trademark in accordance with the "fair value to protect the interest between the licensee and the owner of the right to the trademark because the elements of intellectual property and other intangible assets are either undervalued or overvalued, and this study was conducted in the Russian financial markets, and the study concluded that the adoption of a mathematical model allows an alternative assessment of intangible intellectual assets in the ownership structure of financial markets, the model was used to analyze the activities of individual financial markets operating within the Russian national economic system.

The study (Queku, 2020) indicates the importance of adopting fair value as a criterion for the stock prices of banks listed on the Ghana Stock Exchange, and the financial statements for the period from 2008-2018 were adopted in this study, and the study found that there is a difference in profits between financial statements prepared according to "historical cost" and prepared according to fair value. And that the fair value makes the profits and the book value close to the economic reality, and there is a weak correlation in the average difference between the book value of property rights at the historical cost and the fair value. In Panama, the study (Adegboyegun et al., 2020) aims to identify the impact of fair value dependence on the reports of companies listed on the Nigerian Stock Exchange. In their study, the researchers relied on a questionnaire to achieve the objectives of the study, the data collected was analyzed by relying on the SPSS statistical program. The study concluded that there is a strong correlation between the fair value and reporting of Nigerian companies and that the fair value contributed to the assessment of amounts and prediction of corporate profits and the uncertainty of future cash flows in the reports of companies that depend on their reliability.

3- Theoretical framework for research / fair value

3.1 The concept of fair value

The introduction of the principle of fair value came to address the shortcomings in the historical cost that could not express the financial position of the unit in a reliable manner and in view of what the large expansions in investments imposed on the accounting function about the need for investors and shareholders to stand up to the reality of the real financial position of the economic unit and what is happening to their money from changes, the traditional accounting based on historical cost has become unable to meet these requirements, which promotes the shift towards fair value (Guo et al, 2021 Guo,). Nevertheless, the traditional accounting based on historical cost has become unable to meet the requirements of investors and shareholders to help them identify the reality of the financial position of the economic unit and the changes taking place in their money, so it was necessary to take another approach and shift towards the fair value approach (Ahn et al, 2020). (Kulish et al, 2018) indicates that there is no specific agreement for the concept of fair value by accountants, professionals, professional organizations, and researchers, but there are several concepts of fair value issued by the organization, and some of them are issued within international and American accounting standards.

(Adegboyegun et al, 2020) defined the fair value since its inception as an input to the accounting measurement, which is "the value of the cash expected to be obtained if the asset is sold on the date of preparing the financial statements." While (Filip, 2021) considers that the International Accounting Standards Board (IASB) defined it as "the amount with which an asset can be exchanged or a liability paid between knowledgeable and willing parties to deal on a purely commercial basis or in a balanced framework or under normal conditions or between two independent parties, where the transaction takes place in a balanced framework." (Filip) adds that the balanced transaction in this framework is defined as any transaction that takes place between unrelated or dependent parties and takes place between a willing buyer and a willing seller, and both of them work to obtain the greatest benefit for themselves, and pricing is based on such transactions are based on fair market values.

(Sangchan, 2020) indicates that the US Internal Revenue Service in March 1959 defined it as the amount that makes ownership change between a willing buyer and a seller willing to sell when the first is not compelled to buy and the second is not forced to sell and that both parties have knowledge reasonable facts relating to the transaction. (Falkenheim, 2021) confirms that the Financial Accounting Standards Board "FASB" defined it as the amount accepted by knowledgeable parties who have a desire to exchange an asset or settle a liability in operations that do not include related parties.

(Adwan, 2020) considers that fair value has been addressed in its concept in International Accounting Standard No. (39) As “the value by which an asset is exchanged or a liability is settled between knowledgeable and willing parties, which operate under normal market conditions.” As for (Nordlund, 2021) it indicated that the International Valuation Standards Committee (IVSC) defined the fair value in the third criterion for valuing assets for the purposes of preparing financial statements and related accounts as “an estimated amount in exchange for an asset exchange on the valuation date between a buyer and seller, and both are willing to conclude a deal in the light of a neutral market, as each of them has sufficient information and has complete freedom and without coercion to complete the deal.

However, (Pandya, 2021) indicates that the Accounting Standards Committee in England and Wales has defined the fair value of assets as “the price at which the asset can be sold in free transactions away from the parties involved in the buying and selling process.” Furthermore, in Iraq, Accounting and Regulatory Standards Board (2001) defined the fair value within accounting rule no. (14) Accounting for investments as "the acceptable value that can be exchanged for an existing by a buyer and seller who are knowledgeable and willing to deal with the same policy of dealing with third parties."

3.2 Reasons for interest in fair value

Some many reasons and motives led to the interest in fair value, including the following: (Nigro & Stahl, 2021) (McInnis & Yust, 2018).

1- The shortcomings of traditional accounting and its inability to show the true fair value of companies in order to provide appropriate information to decision-makers.

2 - The need for accounting disclosure of intangible assets, which are usually not recognized under traditional accounting when a company is offered for sale or merger, (for the goodwill of the store).

3 - It is considered an efficient measurement tool, especially when it comes to stock prices in general.

4 - The fair value is linked to the concept of preserving the in-kind capital, which gives the actual picture of the institution's performance.

5 - The fair value is linked as a whole to the concept of comprehensive income, which is considered as one of the new measures of income, which gives more benefit to users of financial statements, especially in financial institutions.

6- It helps in improving the financial analysis process because it shows the actual reality of the institution's performance.

3.3 Objectives of the fair value approach:

The fair value approach aims to show the items of the financial statements at the value closest to reality at the date of preparing the budget. Companies in general and banks, in particular, apply the fair value approach in order to achieve the following objectives (Menicucci, 2020) (Dakheel et al, 2021):

1 - Making rational investment and commercial decisions related to the sale or purchase of investments, merger decisions that take place between units, or decisions of acquisition (purchase) of a unit, as these decisions are based on highly reliable financial information.

2 - Corporate business planning.

3 - Show the current value of each of the shareholders, investors and lenders.

4 - Managing and measuring the risks surrounding the economic unit, taking into consideration the expected financial risks inherent in investment decisions that may result from changes of an economic dimension in market values, currency rates, interest and the situation of debtors.
5- Determining the amount of capital that should be devoted to various business lines.

3.4 Advantages and Criticisms of Fair Value:

3.4.1 Advantages of fair value:

The use of the fair value approach is the best alternative to address the shortcomings witnessed by the historical cost principle, and this approach has several advantages, represented by the following (Flayyih, 2015) (Dakheel et al, 2021) (Beigman et al, 2021):
1 - The fair value reflects the economic reality of the company and is closer to the fair expression of the financial statements about the financial position, business result, cash flows, and changes in property rights.
2 - If the assets and liabilities are valued on the basis of fair value, they represent economic income, as market prices are taken into consideration.
3- The application of fair value is consistent with the concept of capital preservation.
4 - This entry provides an accurate measure of the concept of the value and economic profit for the company.
5- The fair value approach takes into account the changes in the purchasing power of the monetary unit.
6- The use of the fair value approach is more suitable for making decisions and performing financial analyzes and a better basis for forecasting business results and cash flows.
7- Information based on fair value helps in making comparisons between similar companies that use fair value.
8 - Using the fair value approach provides investors with awareness and a predictive outlook for the value of the company.
9- The fair value approach is an efficient and effective measurement tool, as fair value information is widely used for commercial purposes, especially in making decisions about financial instruments, and in determining the company's general financial position.
10 - The fair value approach helps in improving the financial analysis because it shows the actual reality of companies' performance.

3.4.2 Criticisms of fair value:

Despite the advantages that the fair value approach possesses, there are many criticisms directed at this approach, including the following (Sellhorn & Stier, 2019) (Ahn et al, 2020):
A- Lack of impartiality and accuracy of the accounting measurement of the fair value approach, due to bias and differing personal opinions and judgments, due to its partial dependence on arbitrary measurement methods.
B - This approach requires additional costs, which leads to an increase in the cost over the benefit achieved.
C- It is difficult to determine the fair value according to this approach for a number of the company's assets when there are no active or regular markets.
D - The preparation and presentation of financial statements and statements according to this approach require a longer period of time, which may lead to the loss of the information contained in these data on the timing feature.
e- Multiple accounting measurement approaches to the fair value approach lead to results that differ according to the measurement outputs of each of the accounting measurement inputs.

F- The values calculated according to this approach are fluctuating at each re-evaluation and treatment of evaluation differences in different ways, which makes the expression of values in the records less stable.
G - The use of this approach when preparing the financial statements provides accountants with a wide scope to manipulate the results of the company's business, as well as to respond to the interests and desires of the company's board of directors and to manipulate revenues.

4 - The approaches to determining the fair value:

There are several approaches to determining fair value. The American Standard No. (157) for measuring fair value, issued in September 2006 and effective in November 2007, identified three approaches, represented by the market entrance and the present value entrance, as well as the "cost entrance, as follows: 2021) (DeFond et al, 2020).

A- Market Entrance: The market entry depends on the market value of the item or item being evaluated, provided that this item has an active and efficient financial market. Market entry is used when evaluating observable prices available from appropriate information, including similar market operations. Comparing Market Entry applications requires information on comparable transactions.
Furthermore, the market is active when the following conditions are present (Spulbar & Birau, 2019):
1. Mutual assets shall be uniform and homogeneous.
2. The buyer and seller are willing to exchange existing assets most of the time.
3. The prices are general and common and known to all.

b- Present value entry:

This approach depends on finding the present value of the expected cash inflows and outflows from the items under evaluation during their lifetime by transferring future interests such as cash flows or profits to a single amount allocated (Siriop, 2021). One of the valuation methods according to this approach is options pricing models, and the income approach is used when evaluating to convert future amounts to a single discounted present value (present value methods) depending on the assumption that market partners are the reason for those future amounts, the income approach is the most common for valuing long assets term, which is directly applicable because most long-term assets result from an economic benefit accruing to the owner of the asset (Louche e called the modified cost, or the replacement cost entrance, and t al, 2019).
c- Cost entry: This entry is called the modified cost, or the replacement cost entry, and this approach depends on determining the current cost of replacing the asset after settling it due to obsolescence factors (Wermers, 2020).

3.5 The concept of active/efficient financial markets:

Financial markets are the widest and most comprehensive system of markets whose activity is centered on securities, so in most cases, the financial market is classified according to the purposes of financing, some of which are allocated to financing economic projects, and some of them finance operations (Yliheljo, 2021). However, (Mamais, 2021) defines financial markets as "the framework that ensures the meeting between money offerors and money seekers, regardless of the means by which this meeting is achieved or the place in which it takes place, but provided that there are channels of communication between dealers in the market". (Runtev, 2020) believes that the financial market is a "mechanism through which financial assets are traded in buying and selling, and it enables the efficient transfer of financial resources from economic sectors with financial surplus to economic sectors that suffer from financial deficit". (Dakila, 2020) indicates that the financial market is described as efficient or active when the prices of securities, such as stocks, "reflect all the information made available to investors, and thus the financial market has played the desired role, in which no investor can exploit information or spread rumors with the aim achieving an additional return over the accepted average, and according to (Schär, 2021) there are some conditions that must be met in active or efficient markets, including the following:

-Availability of fully competitive conditions between investors or those who enter this market.

- The available information or data must be correct, whether it is financial or non-financial, and that this information is issued by companies through financial statements, budgets, and others.

-Disclosure of information and its availability in a timely manner, that is, as quickly as possible and at the lowest cost of obtaining it, and it must be available to all market entrants without exception.

However, (Heaton, 2019) defined the active or efficient financial market as "the market that contains a sufficient and increasing number over time of: the number of traded securities and the value of these securities, buy and sell orders for securities, the number of companies registered in the market, in addition to the total market capital, in addition to the presence of a large number of investors, whether individuals and institutions or their representatives in the trading process, such as brokerage and financial brokerage companies. (Steriotis et al, 2018) indicates that active or efficient financial markets are defined as "the markets in which a large number of knowledgeable participants trade on rational judgment, aiming to maximize profits, competitors, free and active competition, and who seek to come up with expectations about future stock prices, So that all information is available and available to everyone equally and without any costs". (Malceniece, 2019) defines active or efficient financial markets as "those markets that enjoy a high degree of flexibility, and allow a quick response in stock prices, as a result of changes in the results of the analysis of information and data flowing to the market, which ultimately leads to the achievement of parity between the market value and the real value of the security". (Mamaysky, 2020) defines active or efficient financial markets as "those markets that determine the correct price of securities, i.e. the price that reflects the true value of these securities, and the real value of the security is the amount that he obtains or pays for this paper in view of the return that can check it out."

3.6 Characteristics of Active or Efficient Financial Markets:

There are characteristics of the financial markets that are characterized by the highest levels of efficiency, which distinguish them from other financial markets that lack efficiency, and they are as follows: (Kubic, 2021) (Filip et al, 2019) (De Santis et al, 2018)

a - The efficient financial market includes investors who make rational and rational decisions in their investment directions, which motivates them to always increase their wealth.

b - An active/efficient financial market in which information is available without any additional costs to obtain it, whether it is information for lenders or investors, or administrative authorities in the market, or government regulatory authorities.

c - An active/efficient financial market is free from tax fees for the trading of securities, and no costs imposed on the trading process itself.

d - The efficient financial market includes a large number of investors, in order to ensure that none of them is able to influence prices.

e - The active/efficient financial market does not allow the investor to achieve a large return, but the return will be within the accepted rate.

f - The active/efficient financial market must have information based on informational elements that disclose the real data that would direct the investor to compare between the various investment opportunities, as it will reflect the real value of the securities.

3.7 Indicators of active markets as a measure of their efficiency:

The market index is a numerical value that measures the changes taking place in the stock market. The index is configured and its value is determined at the starting stage or period, and then its value is compared at any point in time, thus it is possible to identify market movements, whether up or down so that the index reflects the prices of the market and its trend (Wang, 2021). (Tan et al, 2020) believes that a market index is a tool for measuring the evolution of the prices of the securities registered in it in a continuous and regular manner. While (Klaus & Koser, 2021) confirms that stock market indicators are a technique that allows giving a numerical result by means of a relationship showing the evolution of quantities and prices over time in order to identify the performance of the market, a particular economic sector, or a financial portfolio with the possibility of comparing it with its counterpart in the same market or other financial markets. nevertheless, there are a number of very important metrics and indicators that can be invoked to measure the activity of the stock market, and these indicators are as follows (Pervaiz, 2021) (Mutize et al, 2020):

1 - The general index of stock prices: with the presence of a number of shares in each stock market, and due to the difficulty of measuring the general trend of market activity, it was necessary to reach a special index for each financial market, which represents the average stock prices (for companies listed in the market) per day. It is based on daily trading operations, and therefore it is noted that each market has its own indicator.

2 - Market size: The market size is measured by two main indicators (Biondi & Olla, 2020):

a- Market capitalization index (market capitalization rate): the market capitalization means the total shares listed in the market multiplied by their average prices at the end of the period. It also refers to the total value of the securities listed in the market. The market capitalization rate is measured by dividing the market value of the registered shares. This indicator is a mirror that reflects the level of market activity, as the higher the value of this indicator, the higher the volume of the market.

b - Number of companies index: This indicator refers to the number of companies listed in the stock market, as the increase in the number of companies reflects the development in the financial market in general, but this indicator may lose its value if it is not accompanied by the use of the market value indicator, the number of listed companies may be large, but the total market value of the shares of those companies is small.

3 - Market liquidity: Market liquidity means the ability to buy and sell securities easily in the secondary market, and there are two indicators to measure it: (Benton & Philips, 2020)

a - Trading volume index: Trading volume means the value of what is traded in shares and bonds at various prices during a period of time. This rate is measured by dividing the total shares traded in the market by the gross domestic product.

b - Turnover Index: This indicator indicates the percentage of the shares of a particular company or the shares of a group of companies within one sector during a certain period of time. The turnover rate can be extracted by dividing the total shares traded by the market capitalization during the year or during any period of time.

4- The degree of concentration indicator: It means the degree of trading concentration, whether the trading volume is concentrated in a specific number of listed companies or distributed over a large number of them. Nevertheless, the degree of concentration can be measured by calculating the share of the top ten companies in the total market capital and the total trading value, that is, it is calculated by measuring the market capitalization of the ten largest companies in the market in proportion to the total market capitalization.

4 - Hypotheses

Despite the positives and economic and financial achievements witnessed by business organizations in the last three decades that may be achieved by the application of the principle of historical cost, which cast a negative shadow on the reality and safety of accounting measurement in accordance with this principle (historical cost), which led to a deficiency in the usefulness of the information provided by the financial reports which is unable to provide financial indicators that express the financial position and business results of these institutions, which strongly supported the tendency to apply other alternative measurement bases (Samih, 2020). However, many professional organizations interested in formulating financial accounting standards have called for the use of the “fair value” method as a main entry point for measurement, which sparked controversy when differentiating between the fair value method and other alternative measurement methods, and that the changes resulting from the application of historical cost made those bodies turn to the concept of fair value, which has become an important basis and measure for recognition and measurement when accounting for transactions, and then disclosed (Bryan, 2021). Furthermore, the application of fair value in the Iraqi stock market achieves high efficiency in directing resources as centers for attracting and accumulating capital from savers to employ them in various and appropriate investment activities, which is positively reflected on the economy of the state as a whole.

Accordingly, the research problem can be posed through the following question: Is the adoption of the use of fair value accounting as a basis for accounting measurement by companies registered in the Iraqi market for securities would have a direct positive impact on the activation of the market and thus its efficiency. In order to answer this question and accurately treat the research variables, the following hypotheses were formulated.

H1: There is no significant correlation between the use of fair value accounting by companies registered in the Iraq Stock Exchange and the increase in the market capital of the market.

H2: There is no significant correlation between the use of fair value by companies registered in the Iraq Stock Exchange and the increase in the number and value of buy and sell orders.

5- Methodology:

5.1 Sample:

The research population consists of the number of financial analysts and investors in the Iraq Stock Exchange, and the number of distributed questionnaires reached (105) questionnaires and distributed equally to the research sample. It was distributed by hand and with the help of a number of researcher assistants, and (86) questionnaires were returned from them, thus the response rate is approximately (81.90%), and this percentage is considered acceptable to generalize its results to the research population.

2.5 Data collection methods:

The researcher adopted the questionnaire as a method of research, which is one of the main means of collecting the necessary data necessary to achieve the objectives of the research and test its hypotheses using the SPSS statistical program. The questionnaire was prepared by the researcher depending on the theoretical aspect that was put forward in the research, and the questionnaire included (14) questions, and the strength of the answer was determined through the use of the five-point Likert scale to express the opinions of each member of the sample. Each of the cases has a weight consistent with its importance, as it was assigned to the answer strongly agree (5) points, agree (4) points, neutral (3) points, disagree (2), and strongly disagree (1) point, and then test and analyze the results according to Appropriate statistical methods to prove the two hypotheses of the research.

6- Statistical methods used:

A number of statistical methods will be used and employed for the purpose of describing and analyzing the data of the study variables and testing its hypotheses through the help of the computer to extract the results and based on the ready-made application software package (20) SPSS V. The arithmetic mean and standard deviation were also used to describe the variables.

7- Descriptive results and hypothesis testing:

7.1 Descriptive results:

This group includes a description of the results of the answers of all respondents to the research questionnaire, using the arithmetic mean and standard deviation. The research included (14) factors that could have an impact on the fair value and these factors were selected through the theoretical side of the research. The respondents were asked to determine the importance of each factor using a Likert scale from 1 to 5 where (5) indicates (strongly agree) and (1) to (strongly disagree).

A - Results related to the first hypothesis: There is no significant correlation between the use of fair value accounting by companies registered in the Iraqi Stock Exchange and the increase in the market capital of the market. After analyzing the answers of the research sample individuals on the questionnaire, the arithmetic averages and standard deviations of these hypotheses, and the results were as in Table (1) below:

Table (1)
Descriptive statistical analysis of the axis of the extent to which fair value accounting is used and the increase in market capitalization of the market

Influencing factors	**Arithmetic mean**	**standard deviation**	**ranking**	**Importance**
1 - The International Accounting Standards Implementation Guide and its annexes provide a full explanation of the requirements for applying fair value.	**4,80**	**0,96**	**1**	High
2 - The advantages of using fair value outweigh the disadvantages.	**4,17**	**0,83**	**4**	High
3- The companies registered in the Iraq Stock Exchange have qualified cadres capable of understanding the requirements of applying fair value.	**3,97**	**0,90**	**6**	High
4 - There are experts and appraisers available in the Iraq Stock Exchange that	**3,90**			

can be used to determine the values of some assets and liabilities for which it is difficult to find a fair value.		**0,75**	**7**	High
5- Adopting the application of fair value helps in providing financial reports that are characterized by reliability, honesty of expression and comparability.	**4,42**	**0,65**	**3**	High
6- Preparing financial statements according to the fair value approach is more beneficial than those prepared according to historical cost.	**4.49**	**0.64**	**2**	High
7- The accounting information published in the financial statements according to the fair value approach affects the decisions of investors in joint stock companies.	**4.15**	**0.86**	**5**	High
all paragraphs	**4.27**	**0.84**		

Table (1) above indicates that the answers of the research sample ranged between (4.80 - 3.90) arithmetic averages, and respondents believe that the guide to applying international accounting standards and its annexes provide a full explanation of the requirements for applying fair value and preparing financial statements according to the fair value approach is more benefit of that prepared according to the "historical cost", and the adoption of the application of the fair value helps in providing financial reports characterized by reliability, honesty of expression and comparability. These paragraphs are of high importance because the arithmetic means of the answers of the individuals of the research sample for each of them is more than (3.5), and these items were occupied the three rank paragraphs are as shown in Table (1) above, and the arithmetic mean of the general sum was (4.27), either the standard deviation was (0.84), and this deviation indicates the extent to which the values of this axis are dispersed from the arithmetic mean of all paragraphs.

B - **Results related to the second hypothesis**: there is no significant correlation between the use of fair value by companies registered in the Iraqi Stock Exchange and the increase in the number and value of buying and selling orders.

After analyzing the answers of the research sample individuals on the questionnaires, the arithmetic averages and standard deviations of this hypothesis were found, and the results were as in Table (2) below:

Table (2)

Descriptive statistical analysis of the axis of using fair value and increasing the number and value of buying and selling orders

Influencing factors	Influencing factors	Influencing factors	Influencing factors	**Influencing factors**
1 - The adoption of fair value accounting would make the Iraqi market for financial markets	3,48	1,03	6	medium

more integrated with financially efficient markets.				
2 - The adoption of fair value by companies registered in the Iraq Stock Exchange had a clear role in increasing the number of investors, individuals or institutions.	4,42	0,65	1	High
3 - It is expected that in the future, many foreign companies will offer their securities through the Iraqi market for the financial markets after the spread and succession of applying the fair value approach.	3,83	0,81	5	High
4 - Reliance on fair value is a strong incentive for foreign indirect investments to enter the Iraqi financial market.	4,00	0,88	3	High
5 - The use of fair value has a positive effect on information users in rationalizing them in making their decisions, which increases the confidence of dealers in the market.	4,17	0,83	2	High
6- Dependence on fair value is a decisive factor in the increase and development of market response speed indicators, such as the ratio of trading value to GDP and market capital.	3,85	0,75	4	High
7 - The increase in the number of investors, whether local or foreign, individuals and institutions has a direct positive impact on the increase in the number of brokerage and financial brokerage companies.	3,40	0,89	7	medium
all paragraphs	3.88	0.83		

Table (2) above indicates that the answers of the research sample ranged between (4,42 - 3.40) arithmetic averages, and the respondents believe that the adoption of fair value by companies registered in the Iraq Stock Exchange had a clear role in increasing the number of investors, individuals or institutions, that the use of fair value has a positive impact on information users in rationalizing them in making their decisions, which increases the confidence of dealers in the market, and the reliance on fair value is a strong incentive for the entry of indirect foreign investments into the Iraqi market for financial markets. These paragraphs are of high importance because the arithmetic means of the answers of the individuals of the research sample for each of them is more than (3.5), and these paragraphs occupied the three ranks as shown in Table (2) above, and the arithmetic mean of the general total reached (3.88), either the standard deviation has been It reached (0.83), and this deviation indicates the dispersion of the values of this axis from the arithmetic mean of all paragraphs.

Second: Hypothesis testing:

The research hypotheses were tested through the data of the actual responses to the survey of the research group, which is represented by a number of financial analysts and investors in the Iraqi Stock Exchange, using the (Z) test and at a level of significance (0.05), and the two hypotheses of the research will be verified according to the sequence that was mentioned in the chapter The first search is as follows:

(a) The test of the first hypothesis, which states the following:

There is no significant correlation between the use of fair value accounting by companies registered in the Iraqi Stock Exchange and the increase in the market capitalization of the market, and to prove the validity of error of this hypothesis in the framework of the results of the statistical analysis, a (Z) test was conducted on the arithmetic mean, which shows Its results are data in Table No. (3).

Table (3) Results of the (Z) test

Arithmetic mean	Sample volume	Z		test results
		calculated	tabular	The first hypothesis
4.27	81	13.523	1,979	reject the hypothesis

It was found through statistical analysis that the calculated (Z) value is (13.523), which is greater than its tabular value of (1,979). Therefore, it rejects the null hypothesis and accepts the alternative hypothesis that there is a significant correlation between the use of fair value accounting by companies registered in the Iraqi market Securities and increase the market capitalization of the market

b- The test of the second hypothesis, which states the following:

There is no significant relationship between the use of fair value by companies registered in the Iraqi Stock Exchange and the increase in the number and value of buy and sell orders. In order to prove the validity of this hypothesis or its error within the framework of the results of the statistical analysis, a (Z) test was conducted on the arithmetic mean, the results of which show the data of Table No. (4).

Table (4) Results of the (Z) Test

Arithmetic mean	Sample volume	Z		test results
		calculated	tabular	The first hypothesis
3.88	81	3.514	1,979	reject the hypothesis

It was found through statistical analysis that the calculated (Z) value is (3.514), which is greater than its tabular value of (1,979). Therefore, it rejects the null hypothesis and accepts the alternative hypothesis that there is a significant relationship between the uses of fair value by companies registered in the Iraqi Stock Exchange. Finance and increase the number and value of buying and selling orders.

Conclusions and Recommendations:

First, the conclusions:

1 - The information published at fair value in the financial statements of companies registered in the Iraq Stock Exchange is important to the decisions of investors and the activation of the market.
2 - The use of fair value accounting requires the availability of laws and legislation that contribute to controlling the ethics of the management of companies applicable to them, as well as the availability of qualified technical personnel to deal with fair value.
3 - The use of fair value accounting in accounting measurement helps users of financial information to make better decisions.
4 - There is a relationship between the use of fair value accounting by companies registered in the Iraq Stock Exchange and the increase in the market capital.
5 - There is a significant correlation between the use of fair value by companies registered in the Iraq Stock Exchange and the increase in the number and value of buying and selling orders.

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