Evaluating the extent of compatibility of the basic concepts of financial accounting between the updated unified accounting system(2024) and international accounting and financial reporting standards

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Abstract

The research aims to evaluate the extent of compatibility achieved in the Iraqi Unified Accounting System Modernization Project (2024), with international accounting and financial reporting standards, especially with regard to the conceptual aspects on which accounting and financial reporting are based. The topic was discussed by comparing the basic concepts mentioned by the committee in the updated system (users of the financial report, ,objectives of the financial report and concepts of elements of the financial report) with the concepts contained in the accounting literature published by the IASB & FASB, as the bodies that lead accounting practices almost in all parts of the world.

The research concluded that the difference between the two systems at the level of basic concepts still exists, as the definition of the parties used for the financial report was very expanded in the project to modernize the unified accounting system, and it is completely the opposite of the modern trends of international professional bodies. The same thing can be said about the basic objectives of the financial report, as they were stated in an incorrect manner, because the first basic objective must be supported or supported by subsequent objectives, but the opposite was stated. All of this was reflected in the formulation of unclear concepts for the elements of the financial report and the basis for their measurement and presentation. This research recommends that achieving compatibility with international accounting and financial reporting standards must be achieved first by unifying the basic concepts and not the accounting treatments.

Keywords: accounting objectives, basic concepts in accounting ,compatibility with IFRS & IAS ,Accounting Regulation

Introduction

The dominant nature of accounting is that it is a system for communicating information. It is a general application of information theory to effective economic transactions. The importance of information theory in accounting lies in that it is part of the decision-making process. It (i.e., accounting) works to reduce uncertainty, and therefore provides a means to improve the quality of decisions. Defining the general goal of accounting in this form (providing useful information in the decision-making process) is accepted in all countries of the world. But in reality, accounting systems are often different and to varying degrees between countries due to different environmental variables and different priorities for users of financial reports. The accounting profession, like other professions, has many ways to blend self-regulation with government regulation for the purpose of creating a combination of more efficient regulation through which useful information is provided for users' decisions. This blending process depends on a set of factors: the self-regulatory performance of professional bodies, the regulatory performance of the government, the general policy trends of regulation as an instrument of economic management, the development path of the economy, the nature and characteristics of market failure that regulation addresses, in addition to the historical experience of the profession. (IFAC,2007: 5)

In the updated Iraqi unified accounting system (2024), it is intended to achieve greater coexistence than before (with the Iraqi accounting rules) between two accounting systems that differ in the values on which they are based. Between an accounting system based on the rules of recognition, measurement and disclosure according to a fixed chart of accounts and with full government intervention through the Federal Board of Supreme Audit (FBSA) and a system based on principles (more flexible) that was organized and formulated through a standard approach and without any government intervention. Therefore, the work of the committee charged with accomplishing the development task will not be easy in light of the differences in the basic concepts and issues of accounting and financial reporting.

The first axis: research methodology

First: the research problem

The positions of accountants and auditors who have served for long periods of time under the application of an accounting model, as is the case in Iraq, are not prepared to provide information that could contribute to improving future expectations, so external users in particular must remain satisfied with the information currently provided in making their predictions. The Iraqi national accounting tradition, which includes identifying users of accounting information, developing aspects related to basic accounting concepts, and defining the objectives of financial reporting, may constitute the main obstacle to progress at the present time. This obstacle became clearly evident in the new project to develop the unified accounting system (2024), through three basic aspects of the project**:**

1 - Expanding the definition of users of financial reports is not consistent with the international accounting trends that are intended to be compatible with through the new modernization project.

2- The financial reporting objectives stated in the new project were stated in an incorrect manner, as they exceeded the logical sequence of presenting accounting objectives applicable in international statements and publications.

3 **-** Weak interest in the basic concepts of accounting in the modernization project, especially with regard to the concepts of the elements of financial statements, so that reference to the subject and what the updated system adopts was ignored, before presenting the components of the conceptual framework for accounting and financial reporting in accordance with the IASB.

Second: Research hypothesis

In light of the research problem referred to above, which is related to achieving compatibility between the updated unified accounting system (2024) and international accounting and financial reporting standards, the research hypothesis can be formulated as follows: “There is no real compatibility within the framework of the accounting function between the unified accounting system and international accounting and financial reporting standards.” The above hypothesis can be divided into the following sub-hypotheses**:**

1 - There is no real compatibility within the framework of the accounting function between the unified accounting system and international accounting standards for financial reporting in terms of identifying users of financial reports .

2 - There is no real compatibility within the framework of the accounting function between the unified accounting system and international accounting and financial reporting standards in terms of defining the objectives of accounting and financial reporting.

3- There is no real compatibility within the framework of the accounting function between the unified accounting system and international accounting and financial reporting standards in terms of defining the basic concepts of the elements of financial reports.

Third: The importance of research

Over the past five decades, accounting literature has focused largely on the concept of decision-usefulness , so that it has become a guide in judging the effectiveness of accounting and financial reports and has produced a strong connection between users of financial reports and information useful for their decisions and the process of setting accounting standards and working according to them in application. This research derives its importance from emphasizing the necessity of exercising special care in formulating the basic concepts of accounting by any committee that assumes the responsibility of developing any accounting system. It is true that defining the basic objectives and concepts does not solve all problems of accounting and financial reporting directly, but it gives direction to the concepts becoming tools for solving problems associated with measurement and presentation of accounting information.

Fourth: Research objective

The research aims to evaluate the extent of compatibility that has been achieved through the project to develop the updated unified accounting system (2024) within the framework of compatibility with international accounting standards and financial reporting, especially with regard to the following conceptual aspects:

1- Identify the parties to whom the financial report is directed in light of previous experiences and indicate how close and distant they are to the formula contained in the modernization project.

2- Formulating accounting objectives and their impact on defining the basic concepts of accounting and financial reports.

3- Defining the basic concepts on which the financial report is based, especially those related to the elements of the financial statements and their impact in determining the foundations of accounting measurement.

The remainder of this research is organized as follows: The second axis discusses the importance of identifying the parties to whom the financial report is directed in light of previous experiences at the international level and showing the extent of their proximity and distance from the formula contained in the draft update of the Iraqi unified accounting system. The third axis deals with how to formulate accounting objectives and their impact on defining the basic concepts of accounting and financial reports, while the fourth axis deals with the importance of defining the basic concepts on which the financial report is based, especially those related to the elements of the financial report and their impact on determining the basis of measurement. The fifth axis summarizes the conclusions reached by the research.

The second axis: Evaluation of the updated unified accounting system project (2024)In terms of identifying users of financial reports

The committee charged with establishing the basic theory of accounting defined accounting as “the process of identifying, measuring, and communicating economic information to permit its users to make informed judgments and decisions” (AAA, 1966:1). The committee went on to say that “the objectives of accounting are to provide information to the public,” for multiple purposes, the first of which is In: “Making decisions regarding the use of limited resources, including identifying critical decision areas, and setting goals and objectives” (AAA, 1966:4), which was followed by the Committee presenting an expanded list of external users of the information contained in financial reports: “current and potential investors, Creditors, employees, markets, government units, customers, and their representatives are those users, “such as financial analysts, trade associations, credit rating offices, and labor union employees" (AAA, 1966:20). The issuance of the statement represents the first sign of institutional acceptance of the concept of "decision-benefit." "usefulness" perspective and "A user orientation"" This represents a radical development that moved accounting from being a non-directed activity to being an activity that aims to serve users by providing information as input into their decision models.

Accounting Principle Board (APB) Statement No. 4 (1970), "Basic Concepts and Accounting Principles Underpinning the Financial Statements of Business Enterprises," also adopted the "decision-usefulness" approach, and defined the basic purpose of accounting and data. "Finance is the provision of quantitative financial information about a business enterprise that is useful to data users, especially owners and creditors, in making economic decisions" (para-73), without advocating the goal of enabling investors and creditors to estimate future cash receipts and instead focusing their analysis on users' decisions Or economic decisions.

At the beginning of the seventies of the last century, and with increasing criticism about the performance of the APB from inside and outside the profession, the leadership of the American Institute of Certified Public Accountants (AICPA) worked in the year 1970 to call for an urgent meeting on January 7 and 8, and after nearly ten After hours of discussion, attendees recommended that the President appoint two independent study groups. The first had a specific mission to "explore ways to improve the Institute's function in setting financial reporting standards," and the other was to "seek to improve the objectives of financial statements.", (Conference on accounting principles,1971:2)

As for the tasks of the second committee, known as the Chairman of the Committee, Robert Trueblood, part of whose tasks are related to the topic of our research and related to the importance of determining the parties to whom financial reports are directed. The committee had to answer at least the following questions (71 - p): Who needs the financial statements? What information do they need? How much required information can be provided by accounting? What is the framework required to provide the required information? . (Objectives of Accounting Study Groups, 1971: 71).

The study group report presented a series of 12 objectives, which were later classified by Sorter and Gans into five levels: the first level - the basic objective, the second level - users and their needs (four objectives), the third level - the needs of users in relation to the entity's issuance of financial statements. (Two goals), the fourth level - the organization's information that meets these needs (one goal), and finally the fifth level - the financial statements that convey this information (four goals). (Sorter & Gans, 1974: pp. 3–4)

In its subsequent statement of Objective 1, the Study Group "emphasized that financial statements are intended primarily to serve those users who have the authority, capacity, or resources to obtain the information and who rely on financial statements as a primary source of information about the economic activities of the enterprise" (17 p) . This formula cited by the study group has been supported by many accounting thinkers because it largely recognizes the public interest in expanding capital markets and the related desire to avoid expanding the inherent advantage of the professional investor over the non-professional investor, and it appears to be a formula that represents fairness to all users. (Gellein,1973:31)

In 1978, the US Financial Accounting Standards Board (FASB) issued SFAC.NO.1, entitled "Objectives of Financial Reporting by Business Enterprises," specifying the users of financial reports by saying:

"Financial reports should provide information that is useful to current and potential investors, creditors, and other users in making rational investment, credit, and other similar decisions." FASB, 1978: 5. What is noted in this definition of users of financial reports did not address the broad role of reports in relation to elements such as social reports, as mentioned in the statement of the Trueblood Committee, 1973. The prevailing belief at the time was that social issues go behind the economic transactions of the entity, and the list of concepts SFAC.NO.1 also differs with The corporate report, 1975, issued by the Accounting Standards Steering Committee of the Institute of Chartered Accountants in England and Wales (ICAEW), because the latter brings attention to the concept of social accounting through its focus on the economic accountability of entities, on the basis that accountability is from the social role of the entity. It is not a legal requirement that defines users of financial reports as “those who have a reasonable right to information. Their information needs must be recognized through the financial statements (p-10)” .

David Mosso, 2009 FASB Board Member, says that the objectives contained in SFAC.NO.1 are pioneering and forward-looking, as they have shifted the generally accepted accounting principles model away from the ideas of management (custodial care) prevalent in accounting and redirected it towards the formulation of economic decisions. (Stewart, 2015:50), which is a confirmation of what was stated in the list of concepts (Para-53) “The financial report provides information about the institution during the period that it was under a certain management, but it does not provide direct information about the performance of that management. Therefore, the information is for the purposes of evaluating the management’s performance Regardless of the performance of the institution, it is limited.” (SFAC.NO.1,1978:para-53).

In September 2010, SFAC No.8 was issued as a replacement for SFAC No.1. This document began as a joint project with the International Accounting Standards Board (IASB) with the aim of converging the relevant frameworks of the two bodies. According to the list of concepts No. 8 The objective of preparing general purpose financial statements is “to provide financial information about a reporting entity that is useful to current and potential investors, lenders and other creditors in making decisions about providing resources to the entity.” (SFAC NO.8, para- OB2), through the above text, the Board has identified beneficiaries as current and potential investors, lenders and other creditors for reasons related to the following:(SFAC NO.8, para- BC1-16).

a . Current and potential investors, lenders and other creditors have a strong and immediate need for information in financial reports and many cannot demand that the entity provide the information directly to them.

b. The responsibilities of the Council and the IASB require it to focus on the needs of capital market participants, which includes not only investors, but also potential investors, existing and potential lenders and other creditors.

c. Information that meets the needs of identified primary users is likely to serve to satisfy the needs of other users.

This text is consistent with what was stated in SFAC No.1. However, SFAC No.1 views potential investors and creditors as primary user groups, while SFAC No.8 considers this group to be providers of funds and not necessarily the primary user group. This opinion indicates that there is a wide separation between commercial entities and the owners of those businesses. From a conceptual point of view, SFAC No.8 is based on the theory of independent entity, while SFAC No.1 is based on the theory of ownership (the owner). If what was stated in this definition in terms of specifying the entities used was compared to what was stated in the IASB statement for the year 1989, it would be clear that the latter included all investors, employees, lenders, suppliers, customers, the government and their agencies, and the public. This definition is therefore much broader than the definition used in SFAC No.8. That is, the most recent trend, whether by the IASB or FASB, is to maintain a restricted view of users of financial statements for general purposes and tends to ignore the rights and information needs of users who do not have a direct financial interest in the economic entity . The basic idea of the two councils on this issue is the belief that there is some inconsistency between the general purpose of preparing financial reports (providing financial reports to users for the purpose of making economic decisions in accordance with the decision usefulness approach) and the needs of management, as the IASB and FASB state that some information directed to users The basics are likely to meet some management needs but not all. However, management has access to additional financial information, and therefore general purpose financial reports do not have to be explicitly addressed to management (SAFC.NO.8, para 1-19).

The issue of which groups should be considered legitimate users of financial information about an economic entity is one that has attracted a great deal of discussion in the accounting literature. However, it is important for us as we want to formulate clear objectives for the updated accounting system compatible with international financial reporting standards that once we move Toward the idea of decision usefulness, we might ask whether historical cost information (which is arguably useful for evaluating stewardship) is useful to the decisions of users of financial reports, such as whether to invest in or lend to an entity? Such decisions are arguably more effective if information about current market values is provided. Within Chambers' model of accounting, Continuously Contemporary Accounting, one of the goals of financial accounting is to provide information about the adaptive capacity of the facility. Historical cost information does not help in achieving this goal at all.

From the above, it is clear that there is an actual incompatibility between the updated unified accounting system (2024) and international accounting and financial reporting standards regarding identifying the parties that benefit from financial reports, as international trends at the present time tend to narrow the scope of parties that benefit from financial reports, while the unified accounting system has remained the same(P-1). The old formula, where the definition of the parties benefiting from financial reports is expanded (regardless of the costs of preparing financial reports, which represent a basic determinant in determining the scope and function of the accounting model).

The third axis: Evaluation of the updated unified accounting system project (2024) in term of financial reporting objectives

Financial reports are a complete communication system that involves the economic entity as the preparer (the issuer) and investors and creditors as primary users with other external users. It is a means to achieve certain goals. Although the issue of goals has been discussed for a long time, there is no final list of goals that are agreed upon by all parties interested in setting them. Talking clearly about the objectives of general-purpose financial reports issued by businesses in accounting literature according to the Decision-Usefulness Approach, especially in the United States of America, began at the end of the fifties of the last century. (Zeff, 2013:1-2) When there is a reference to functions, it is often meant by the users and their needs and not what the developers seek to achieve, so that those stipulated functions were developed from a scientific standpoint and were not presented as they should be in the context of normative proposals. . (Zeff,2013:4)

There are clear indications from writers in accounting about the necessity of clearly defining accounting objectives, which were accompanied by the emergence of a framework of accounting concepts and financial reports. For example, Donald Krik (former Chairman of the Board of Directors of the FASB) said, “If financial reporting objectives and definitions for other elements and concepts are established, it will help to see the way through sound logical reasoning and consistent standards.” (Krik, 1988:12) as well. In Trueblood's words at an AAA conference in 1969, "The lack of a consistent set of objectives and the lack of a basic list of financial reporting objectives are, in my view, the main reason for the APB's piecemeal approach to the work of the APB...and the formulation of accepted practices." On the basis of that approach, without a comprehensive framework of goals... in my opinion, it is putting the cart before the horse.” (Trueblood ,1970:61-64)

Specifying the objectives of financial reporting in the unified accounting system updated for the year 2024, in the form stated on page (5) of the system, is a formula that is inconsistent with the objectives of international financial reporting, with which it is intended to be compatible, especially in two basic aspects:

The first aspect: What is related to the order of goals, as the exact opposite of the order of goals was stated in the statements of both FASB & IASB and my agencies:

- Providing information about the unit’s resources, the claims resulting from these resources, and the changes in each of them.

- Providing information on estimating expected and current cash expenditures.

- Providing useful information for investment and credit decisions.

Note that in all statements issued by professional bodies and committees on the objectives of accounting and financial reporting in the last fifty years, the first goal is always focused on the basic decisions that accounting information serves and identifying the entities that make those decisions since the issuance of the Trueblood Committee report, 1973, and passing through the list of concepts NO. 1,1978 and Statement of Concepts No.8,2010 up to the Structure of Accounting and Financial Reporting Concepts for the year 2018 by the IASB. The second and third objectives are set to serve the first objective, for example, what is stated in SFAC No.8, which is the same published in the latest edition of IFRS 2018, as follows:

“The purpose of a general purpose financial report is to provide financial information about the reporting entity that is useful to investors, lenders and other creditors, both current and potential. Those decisions involve buying or selling or holding equity and debt instruments, and making or settling loans and other forms of credit.” "(OB2), then the list of concepts defines the following objective, which explains what information is required and presented in the financial report by saying:

“The decisions made by current and potential investors about buying or selling or holding equity and debt instruments depend on the returns they expect from investing in those instruments. The expectations of investors, lenders and other creditors about the returns depend on their estimate of the amount and timing of future net cash flows entering the entity. And the degree of uncertainty (expectations) around it. (OB3)

“In order to estimate an entity’s expectations about future net cash inflows, investors, lenders, and other creditors, both current and potential, need information about the entity’s resources, claims on the entity, as well as changes therein during the financial period.” (OB4)

This means that there is a logical and acceptable sequence for presenting objectives, such that each subsequent detailed objective is presented to serve the basic objective of accounting and financial reporting.

The second aspect: Regarding the wording of the second goal, “Providing information about estimating expected and current cash expenditures.” It is reasonable to ask why this goal was formulated in this way? Is estimating outgoing expenses more important than estimating cash flow into the entity?

From a review of accounting literature regarding objectives, it indicates a focus on both receipts and expenditures in both operational, investment and financing activities alike, and perhaps we can say that the priority in determining the facility’s ability to generate net cash inflows, because this information is of particular importance as it shows How the reporting entity obtains cash and cash equivalents, as stated in SFAC, No.8:

"Information about the reporting entity's cash flows during the period also helps users evaluate the entity's ability to generate future net cash flows. It indicates how the reporting entity obtains and spends cash. 00000 Information about cash flows helps users understand the reporting entity's operations, and evaluate its financing and investment activities, assessing its liquidity or solvency, and interpreting other information about financial performance". (OB20), Also reviewing International Accounting Standard (7) "Cash Flow Statement", there is some relative priority for inflows. In the objective paragraph, he indicates:

"Information about an entity's cash flows is useful in providing users of financial statements with a basis for estimating the entity's ability to generate cash and cash equivalents, and the entity's needs to exploit those cash flows. Economic decisions made by users require an evaluation of the entity's ability to generate cash and cash equivalents and the timing and degree of certainty of that".

The standard also indicates the importance of incoming cash flows for users in the section discussing the benefits of cash flow information as follows:

"The statement of cash flows, when used with the rest of the financial statements, provides information that enables users to evaluate changes in an entity's net assets, its financial structure (including its liquidity and solvency), and its ability to affect the amounts and timing of cash flows, in order to adapt to changing circumstances and opportunities. Cash flow information is useful in estimating an entity's ability to generate cash and cash equivalents." (IFRS, 2018:para-4)

The researcher believes that there are some basic aspects related to the basic concepts of accounting and financial reports that the committee charged with modernization should have paid attention to and studied carefully, especially those related to goals and the basic concepts that follow, including the following:

1 - The general goal of accounting and financial statements is to provide useful information in the decision-making process, and this expression within the general context is accepted in all countries of the world, but once we get into the details of this goal, differences will inevitably appear. In Iraq, financial reports are intended to meet the needs of the economic unit, the users of the reports, the national accountant, and the tax system, according to the formula contained in the updated unified accounting system (2024). This means that the need for information for central planning purposes still has priority over other objectives and that the Iraqi business operates under the regulations of

multiple government agencies. Accordingly, the objectives of financial reporting differ to some extent from what is stated in the conceptual frameworks in Western countries that apply international financial reporting standards (IFRS). However, we must acknowledge some change in the hierarchy of users in Iraq due to the following factors: the entry of foreign investors, the increase in the volume of commercial transactions with the outside world, and the increase in the role of the private sector in banking activity, which contributed to increasing investment and financing activities alongside government investment and financing.

2 - One of the issues that deserves discussion in this place is the importance given to stewardship of management when setting accounting objectives. Traditionally the goal cited has been to enable outsiders to make an assessment of management – that is, whether the resources entrusted to management have been used to achieve the purpose for which they were intended. This focus on supervision is also referred to as a focus on accountability. However, another goal of financial reporting, which has become a generally accepted goal of financial reporting at the international level, is to assist in providing financial reports to users for the purpose of making economic decisions (decision usefulness). Both the IASB and FASB believe that there is some mismatch between the general purpose of financial reporting and the needs of management, and both boards state that some information directed to primary users is likely to meet some of management's needs, but not all of them. However, management has access to additional financial information, and therefore general purpose financial reports do not have to be explicitly addressed to management. (SFAC.NO.8: para-BC1-19)

3- There is a main argument for accounting standards and policies that are based on unified rules, which is that "in the absence of them, there will be a lack of comparison." This contradicts the position of the IASB, which believes that the concept of unification and comparison are not the same, even though they are related. The need for comparison does not mean uniformity. It is inappropriate for a business to continue accounting in the same way for transactions and events if the adopted accounting policy does not preserve the qualitative characteristics of the accounting information. It is inappropriate for any company to leave a particular accounting policy unchanged when more appropriate and more reliable alternatives exist. (IASB, 1989: par-41)

There is a different view of comparability in international accounting from the local point of view. To obtain information that is comparable, things must appear similar and different things must appear different. Comparability between financial information is not enhanced by making different things appear similar.(IASB, 2010: Par-Qc23). Therefore, the Council believes that some degrees of comparison can be achieved by meeting the basic qualitative characteristics. Honesty in presenting the appropriate economic phenomenon should naturally enjoy a degree of comparability in the presence of honesty in presenting the economic phenomenon Similar to the other entity.

Fourth axis: Evaluation of the updated unified accounting system project (2024) in terms of defining the elements of financial reports

Financial statement elements are the building blocks that make up financial statements - the categories of elements that financial statements include. The items in the financial statements represent (in words and numbers) the resources of a particular entity, the claims on those resources, the effects of transactions and other events, and the circumstances that lead to changes in those resources and claims. (SFAC.,NO.6,P-9), What is striking is that the draft unified accounting system Updated for the year (2024), it did not address a special vision or adopt a specific vision related to the concepts of financial reporting elements, noting that the topic is fundamental as it refers to the characteristics or attributes required before the item is considered to belong to a category of a specific item (that is, before it is considered an asset, liability, or property rights, income or expense).

On the one hand, the conceptual framework for accounting and financial reporting represents a standard theory (a deductive approach was adopted in its formulation), so that the components at the first level represent the basis for deriving concepts at the lower level, and so on, leading to applied accounting standards. Determining the objectives of the financial report represents the basis for arriving at the basic concepts represented by the qualitative characteristics of useful accounting information and definitions of the elements of financial reports in terms of the method of measurement and presentation. Therefore, the absence of clear concepts for the elements of the financial report means that the decisions for which information is intended to be provided will not be served, because the link that connects the lower level (applied accounting standards) to the higher level (financial report objectives) is missing.

On the other hand, most conceptual framework projects, including the FASB&IASB framework, adopt the assets/liabilities approach. Within these frameworks, the definitions of the elements of financial statements must begin with the definitions of assets and liabilities, as the definitions of all other elements flow from these definitions. Regarding the “presentation of assets and liabilities ” for determining profits, both councils state the following: (IASB&FASB, 2005: pp.7-8)

In both the FASB and IASB conceptual frameworks, the definitions of the elements are consistent with the 'presentation of assets and liabilities', where income is a measure of the increase in an entity's net resources over a specified period primarily in terms of increases in assets and decreases in liabilities. This definition of income is based on the prevailing theory in economics (that an entity's income can be determined objectively from the change in its wealth in addition to what is consumed during a period). This view is implemented in the definitions of liabilities, equity and income which are based on the definition of assets, i.e. giving “conceptual priority” to assets. This is in contrast to the "revenue and expense presentation" approach, where income is the difference between the outputs and inputs of an entity's activities during a period, defined primarily in terms of revenues (appropriately recognized) and expenditures (either appropriately matched or systematically and rationally allocated to periods of preparation). Reports in a way that avoids distortion of income (FASB, SFAC No.6, p-23).

The topic of determining the definition of assets has received great importance in accounting literature since the 1950s, because the definition of assets will determine the elements that are measured and reported in the financial position report. It is said that assets “represent debit balances that are carried over to the next accounting period when the books of accounts are closed according to Accounting rules and principles” (Committee on terminology, 1953: para- 26)

According to this definition, there is a distinction between assets and deferred expenses, but both are considered assets. The justification for this behavior is that the deferred costs relate to the income statements for the subsequent period, and are included with the assets only due to the rules for preparing the income statement that postpone the recognition of these costs as expenses until future periods. This definition clearly represents the expense/revenue method in preparing basic financial reports.

Another definition shows that assets are “economic resources of an entity that are recognized and measured in accordance with generally accepted accounting principles. Assets also include some deferred costs that are not considered resources but are recognized and measured in accordance with accounting principles.” (APB,1970:para – 132). This definition shows that assets are tools available to carry out economic activities. Everything that has future economic value is considered an asset. For example, a lease agreement that gives the tenant the right to use the property (but not the right to ownership) meets this broader definition, and it is also defined Deferred expenses separately, but they are still grouped with assets, taking into account the adoption of the expense/revenue rule in preparing financial reports.

A more recent definition of assets is that they are “potential future economic benefits that an entity obtains or controls, as a result of past transactions or events” (SAFC.NO.6, para -25) . This definition focuses on the concept of valuing assets as economic resources, which is A broader concept than the concept of legal ownership on which previous definitions were based and is consistent with the economic idea that the asset has value because of future net positive cash flow. The definition also focuses on the concept of control more than on legal ownership, because the concept of economic resources is a broad concept, and therefore it includes Wide differences in:

(a) Ways to achieve economic benefits and (b) Determine the likelihood of achieving benefits in the future.(Wolk & others,2013:408)

The most recent definition of assets is the definition in IFRS 2018 at (para, 4.4) “An asset is a resource that is controlled by the entity as a result of past events, and from which future economic benefits are expected to flow to the entity.” Which emphasizes the set of characteristics that the item has in order to be classified as an asset, which are: (a) The future economic benefit inherent in an asset is the possibility that it contributes - directly or indirectly - to the flow of cash and cash equivalents to the facility. (Para, 8-4), (b) The entity's assets result from past transactions, or other past events (Para, 4-13). (C) If the entity controls the benefits expected to flow from the asset even when there is no legal control . (Para, 4-12)

The most important issue in this aspect, which is related to defining a concept for assets and, accordingly, for other elements of the report, is the urgent need for a concept that enables us to depict economic things and events in numbers in an appropriate and reliable manner by choosing a basis or rule for appropriate measurement. For example, according to newer concepts of assets, fair value measurements will be more consistent with the objective of financial reporting (serving investment and lending decisions) from historical cost to adjusted historical cost (because there are countless methods used in adjusting historical cost) in the standards Accounting today.

It was mentioned in the updated accounting system for the year (2024) regarding one of the main items in the financial report represented by Revenues, where it was mentioned as "resources", without specifying a clear reason for adopting this concept. Regarding revenues, there are two approaches to its concept in accounting literature. One of them focuses on the fact that revenue is an inflow in the form of assets as a result of the operational activities of the accounting entity, while the second focuses on the production of goods and services that are transferred to consumers or other producers. This means that revenue is considered an inflow of the accounting entity, or an outflow of goods and services.(Hendriksen, 1990: 309). Revenues differ in one important respect from assets, liabilities, and equity. Revenue is flow, while other elements are stock, Because revenue is a flow, its definition is supposed to include the word inflows.

Assets, liabilities, and property rights, which serve as stock at a point in time. Inflow is added to stock and outflow is subtracted from storage, but inflow and storage are different concepts. Revenues, according to historical sequence, were defined in the following formulas:

(1) Revenues resulting from the sale of goods and services provided, which are measured through the fees imposed on customers and tenants in exchange for the goods and services provided to them (Committee of Terminology, 1955:para- 5).

(2) Revenues are represented by the total increase in assets or the total decrease in liabilities, measured according to generally accepted accounting principles, which result from these types of profit-oriented activities (APB, 1970, Statement No.4:para-198).)

(3) Revenues represent inflows or other enhancements of an entity's assets or the settlement of its liabilities (or a combination of both) during the period of delivery or production of goods, provision of services, or other activities that constitute the main or central continuing operations of the entity (FASB, 1985, SFAC. No. 6, para-78)

(4) Revenue is increases in economic benefits during the accounting period in the form of inflows, increases in assets, or decreases in liabilities, resulting in increases in property rights, other than those related to contributions from property rights holders .(IFRS, 2018, para- 4-25)

It is noted that the first definition presented by the Accounting Terminology Committee reflects the revenue-expense approach and emphasizes the direct identification of income-generating activities. The difference can be detected in the second definition provided by the Accounting Principles Board in Statement No. 4 , which defined revenues as an increase in net assets arising from productive activities. At first glance, this appears to be a shift towards the asset-liability approach. However, it is said that the measurement depends on generally accepted accounting principles, which still refer to the revenue-expense approach. The third definition, contained in List of Concepts No. (6) of the US Financial Accounting Standards Board (FASB), clearly defines revenues as an increase in net assets. This represents the asset-liability approach and is consistent with the definition of comprehensive income. This definition sees that revenue comes from the main or central ongoing operational activities, and the intention is clear from this phrase, which is that revenues arise only from normal operations. The issue of determining whether a deal or operation is part of the main or central operations is a matter of judgment and leaves room for difference of opinion. Transactions that do not form part of the main or central ongoing operations do not produce revenue, but lead to gains or losses. FASB defines gains as “an increase in equity (net assets) resulting from incidental and secondary transactions of the accounting entity and from all other transactions and events affecting the entity except those resulting from revenues and investments by owners.

The truth is that the fourth definition is the broader definition that focuses more on the nature of revenue, avoids the problems of recognition and measurement, and is consistent with what (Hendrickson, 1990) says: “The concept of revenue is difficult to define because it is linked to specific accounting procedures and certain types of value changes .... Revenue must be known, Separately from the problems of evaluation and timing” (p. 308). Which did not even distinguish between ordinary revenue and gains (as a non-narrow concept of revenue), on the basis that the latter (gains) express items that meet the definition of revenue and may or may not arise in the context of the entity’s normal activities, as they express increases in economic benefits, As such, they are no different in nature from revenues. Therefore, it is not viewed as a separate element in the IASB’s “Conceptual Framework” revised in 2018 (para, 4-30).

Not specifying concepts for the elements of financial reporting in the project to modernize the unified accounting system means losing an essential component in the disciplinary matrix of accounting science, as it represents part of the symbolic generalizations that enter into the formation of all accounting systems, and thus losing an essential link between the financial reporting objectives and the other components of the framework. Concepts. In this form in which the modernization project was carried out, it can be said that there is no real compatibility with international accounting and financial reporting standards in terms of the concepts of financial reporting elements, which confirms the validity of the third hypothesis.

One of the notes worthy of attention, which the researcher believes has affected the performance of the Modernization Committee, with regard to the issue of interest in the basic concepts of accounting, is the way the committee is formed. It is formed by a group of workers in the Financial Supervision Bureau and does not include any academics . If we examine the formation of some committees whose data had a significant impact on the literature and accounting application at the international level, we will reach a simple conclusion, which is that in all of those committees there was an element or group of elements representing the academic point of view among its members. For example: Robert Trueblood Committee (1971) . Formed by the leadership of the AICPA for the purpose of defining "the objectives of financial reporting," it was composed of practitioners, academics, and users of financial reports, including George H. Sorter, a professor at the University of Chicago, who was appointed as the research director of the committee. He is a member of the American Accounting Association, and his role was influential in directing the committee. Towards the concept of interest - decision. Likewise, academic bodies have always been a contributor to every study related to the formulation of accounting principles and, consequently, to the formulation of accounting policies based on those principles. For example, a special committee headed by J.S. Seidman, the problem for the purpose of reviewing the opinions of the APB and evaluating the development of accounting principles. (Stewart, 2015:50), and the committee known as "Committee 42", to study the feasibility and desire to investigate the process of formulating accounting principles formed by the American Accounting Association. (Zeff, 2015: 3)

The fifth axis: conclusions

There is no doubt that the volume of work accomplished by the committee charged with updating the Iraqi unified accounting system (2024) was very large, and it came at an appropriate time, especially with the changes in the Iraqi political, economic, social, and cultural environment. These changes actually contributed to a change in the hierarchy of users of accounting information in Iraq for reasons related to improving the investment law, the entry of foreign investors, and the expansion of private sector activities, according to which is reflected in amending the objectives of the accounting system and, consequently, the quality of accounting information produced and methods of measurement and disclosure about the transactions completed by Iraqi Companies .

However, some failure can be noted in achieving harmony and compatibility between the basic concepts on which accounting and financial reports are based in light of the updated accounting system and the international financial reporting system. At the level of goals, in the first place, it was the opposite of recent international trends, whereby working to narrow the circle of users and restricting it to users who provide financing to current and potential business establishments, on the grounds that the information that serves the decisions of these users can serve other users (is a confirmation of the validity of the hypothesis The first research), also, international financial reporting standards do not prevent business establishments from providing any information that could be useful to any government agency. Secondly, there is an improper formulation of the objectives because it did not give priority to the basic objectives as stated in the structure of the IASB concepts, where the focus is on each Among the investment and lending decisions, as well as not giving priority to cash inflows to reflect the facility’s ability to generate them and how to dispose of them, as stated on page (5) of the updated system (is a confirmation of the validity of the second research hypothesis.

Regarding the qualitative characteristics of accounting information, focusing on the comparative characteristic and going beyond the basic qualitative characteristics will not provide useful information (a lot of comparable information can be unhelpful). Improving comparability does not occur through unifying accounting procedures alone, nor through literal adherence to implementing the rules of the accounting system, as it can distort the financial statements, especially when there is a difference in the business model of establishments operating in the same industry. Each entity uses its assets in a different way to generate cash flows. The comparative property can only be achieved in accounting information when there is honesty in representing the transaction or economic phenomenon.

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