THE ROLE OF ACCOUNTING INFORMATION IN FINANCIAL RISK ASSESSMENT (Practical Study)

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ABSTRACT: *The information refers to the data that is organized and processed in order to become meaningful and add knowledge and become a basis in the decision-making process by the administration, where the current research aims to achieve the following objectives:*
1- To know what accounting information and the elements that make it quality.
2. Identify the types of financial risks that financial institutions may face.
3- Evaluating the financial risks of the business in light of the actual published accounting information and developing appropriate solutions for financial risks.
The importance of the research by clarifying the role of accounting information in the assessment of financial risks and the development of appropriate solutions to them, as well as contribute to the identification, measurement and analysis of the types of risks facing Iraqi business enterprises, and the most important conclusions reached by the research:
1. Financial analysis is a method of dealing with available financial data using means, tools and financial ratios to analyze financial elements.
2. Measuring financial risks using the financial ratio method is an important means of decision making.
3- The accounting information represented by the balance sheet affects the most important means of decision making by the administration based on the information it provides.
The most important recommendations made by the researcher include the following:
1. The researcher recommends that the institutions analyze their lists to identify the assets and liabilities and the progress achieved in achieving the objectives.
4- The researcher recommends that the companies of the research sample compare the financial statements for previous years with the current year and measure the risks and compare them with each other to determine the performance of the company and the extent of its financial risks.

INTRODUCTION

The concept of information is one of the most modern and controversial concepts in our daily use. The term refers to the data being processed and organized to become meaningful and become a basis for decision making. The most important conditions that must be met in information are:
1. Reduces the uncertainty of the decision maker.
2. Must increase the knowledge of the decision maker.

Information is considered crucial to economic units and individuals, as economic units that use accounting information can efficiently take advantage of opportunities by exploiting good information so that they can keep up with their competitors.

Information is mainly intended to provide decision-makers with useful information and to provide various internal users (administration), and external users (customers), with different and useful information.

The majority of financial institutions and companies are exposed to different risks. That risk arises when there is a possibility of more than one outcome and the final outcome is unknown. This risk is usually measured by calculating the standard deviation from previous results. Although all businesses face uncertainty about results of their activities, the purpose of the financial institutions is to maximize profit and value added to shareholders by managing and evaluating risks in the framework of their provision of financial services.

Accounting information plays an important role in assessing financial risk in institutions and companies. It provides the necessary information to decision makers such as management and upper classes as well as shareholders and customers.

First Subject

Methodology of Research and Previous Studies

1. Research Methodology

1.1 Research problem

Based on an intuitive contribution to the quality of accounting information in monitoring the ability of business enterprises continuation and facing different risks as a prime part of its role in helping to predict and make rational economic decisions taken by business enterprises.

The question arises about the role of accounting information in contributing to monitoring the cases of the inability of the institution and its ability to face the risks by influencing the level and size of the risks to the Iraqi business enterprises through the information presented and the degree of their contribution in alerting to those sources and their different types and forms through the quality of this information and its ability to detect and report errors and fundamental manipulations. Quality reflects the proper and fair expression of financial statements on all events and economic actions of the business.

Accordingly, the following questions can be raised:
1- Does accounting information play a role in financial risk assessment?
2- What is the role of accounting information in developing appropriate solutions to financial risks?

1.2 Research importance

The importance of research is based on contributing to the following areas:
1- Clarifying the role of accounting information in assessing financial risks and developing appropriate solutions.
2- Contributing to the identification, measurement and analysis of the types of risks faced by Iraqi business enterprises.

3- Measuring the relationship and impact of the quality of accounting information on the types of financial risks of businesses in the local environment.

1.3 Research goals

Research objectives are based on the pursuit of the following objectives:

1- Identifying the accounting information and the elements that make it of high quality.

2- Identifying the role of accounting information in the decision making process regarding financial risks.

3- Identifying the types of financial risks that financial institutions may face.

4- Assessing the financial risks of businesses in light of actual published accounting information.

5- Developing appropriate financial risk solutions.

1.4 Research hypothesis

This research is based on two main hypothesis:

1- Ability to assess financial risks using accounting information.

2- Financial risk can be predicted through accounting information.

1.5 Research methodology and data collection tools

The research aims at using the following research methods:

1- Theoretical-descriptive-analytical approach: The theoretical-descriptive-analytical approach was adopted to study and analyze theoretical research variables. In this context, various theoretical sources were adopted from books, periodicals, bulletins and letters.

2- Analytical-experimental approach: The experimental applied approach was adopted in the field of the practical aspect of the study in evaluating and testing the relationships between the variables of research. In this context, multiple tools were used to collect the necessary data:

a- Published financial statements of a sample of Iraqi companies listed in the Iraqi Stock Exchange.

b- Market indicators for a sample of listed companies in the Iraqi Stock Exchange.

1.6 Research community and sample

1- Research Community: In light of the nature of the research and its problem, the business facilities operating in the Iraqi environment are the main research field.

2- Research Sample: A sample of three Iraqi business establishments was selected for the purpose of testing the hypotheses of the research being carried out and listed in the Iraqi Stock Exchange for the fiscal year 2016.

2. Previous Studies

1- The study of [3] under the title (The Role of Integrated Accounting Information Systems in Combating the Phenomenon of Financial Corruption - An Applied Study in the General Company for Iraqi Vegetable Oil Industry)

The aim of this study is to enhance the role of integrated accounting information systems to cope with the circumstances and variables in the current business environment in which the integrated system operates so as to be able to combat the phenomenon of financial corruption, which represents one of the features of those variables.

To achieve the objective of the study and test the hypothesis, the General Company for vegetable oil industry was chosen as a sample for research.

The study reached a number of conclusions, the most prominent of which are:

1- The weakness of the current accounting information systems, where there are many gaps that allow financial corruption to penetrate the elements.

2- The current accounting information systems are not kept abreast of developments and environmental variables (the phenomenon of financial corruption is one of its features).

Accordingly, the study recommends adoption of the proposed integrated accounting information systems to combat the phenomenon of financial corruption in view of the significant advantages offered by the proposed integrated system in addressing gaps and weaknesses in existing accounting information systems.

2- The study of [4] under the title (Risk Management Strategies in Financial Transactions)

Financial risks are an integral part of human activity, whatever their nature, and they are more clearly prominent in economic activity. Financial risks have continued to increase with the diversity of economic activities and have become a characteristic of contemporary economies. This correlation between economic activity and risk ultimately makes dealing with risks a non-possibility, but it does not necessarily mean that it is not possible to deal with it in accordance with a set of policies and strategies whose effects and consequences are largely controlled.

Second Subject

Accounting Information (Theoretical Introduction)

2.1 Concept of accounting information system

A system is a set of two or more components that interact with each other to achieve a goal. In general, most systems are made up of smaller subsystems. Each one of these subsystems has a specific, important and auxiliary function for this larger system, the subsystem being a part of it [6].

The concept of the accounting information system is related to the manner in which the data are handled in terms of the possibility of obtaining it from different sources and to save, transfer, and retrieve it in order to carry out the operational processes that are required in order to reach their configuration in the form of outputs that benefit the users.

There is no doubt that today's information is an important resource, since control and optimization of it makes profits and contributes to success of future plans and ensures the continuity and development of economic unity. The good economic unit is produced by a modern and sophisticated accounting information system. The system plays an important and effective role in providing the various levels of decision-making with timely, useful and accurate information that helps in the administrative decision-making process. This information is provided through lists and reports prepared by actual daily data (Moussa, 2010: 58).

According to [8]. The accounting information system is one of the components of the administrative organization which deals with data collection, classification, processing and delivery of appropriate financial data that assist in the decision making process of the external parties and management. The accounting system is one of the basic components of the administrative information system.

In the opinion of the researcher that the accounting information is a person who collect data and figures inspired by the financial statements of the economic unit and converted to outputs that help the senior management and all beneficiaries from internal and external parties in rationalizing the process of taking the decision.

2.2 Components of accounting information system

The accounting system consists of a set of activities that must be carried out in order to communicate the information accurately and appropriately, and to provide it to the beneficiaries in a timely manner. These activities can be illustrated by the following:

1- Inputs: They are the raw data that have not yet been processed. These inputs are the fuel or energy required to operate the system. They are raw materials, labor, capital or information, and anything the system can obtain from the surrounding environment or from other systems [7].

2- Processes: Processes are the technical side of this system. They consist of a set of calculations and logical operations that are applied to eliminate sorting. They are applied on the data to be converted into useful information. Which result in output data and a final result that helps in integration of the information system [5].

3- Outputs: Are results from processing. The information is communicated to the beneficiaries according to various forms, such as reports, tables, lists and graphs. All systems are small, large, complex, simple, manual or electronic, having the same characteristics [3].

4- Supervision: In order to obtain accurate and correct information, there is a need to monitor the process of input, processes and outputs in order to ensure that the system produces the information and presents it according to the standards assumed for its design, and Supervision is a set of rules and procedures aimed at verifying that the operation of that system is in accordance The scheme that was developed at design [6].

2.3 The qualitative characteristics of good information

1- Appropriation:

Accounting information is appropriate if it reduces uncertainty, improves decision makers' ability to predict, or confirms or corrects their prior expectations [9].

Accounting information should be appropriate to be useful for the purpose for which it was prepared. The information is important if its disclosure or non-disclosure affects the decision-making process by the users of this information, where it is appropriate that the system has an appropriate economic cost commensurate with The desired cost of the system, in addition to the adequacy of information that can be obtained from the system with the objective for which it was prepared [5].

2- Credibility

Information is credible if it is free from errors or bias and accurately reflects events or activities of the economic unit [9].

For accounting information to be credible, consistent accounting principles should be established with regard to the accounting principles and standards governing accounting work, as well as the development of standardized, acceptable and practical measurement bases [6].

3- Comparability

It means that the information contained in the financial statements and reports can be compared with similar establishments and with the different financial periods of the entity itself. The principle of consistency in the use of accounting policies and procedures from one session to another has a significant impact on the efficiency of the comparability feature [9].

4- Predictability

This means that for information to have an impact in the decision-making process, this information should improve the ability of decision-makers to predict future results, and this information will correct and enhance its current expectations [5].

5- Understandability

This feature indicates that the information provided to its users must be understood by them, which sometimes requires writing reports in simplified language and avoiding technical terms that may be difficult to understand by some of them [7].

6- Speed and flexibility

Speed is the ability of the system to provide information to the beneficiaries in a timely manner so as to be useful and effective in making the appropriate decision in a timely manner. The flexibility is the ability of the system to cope with any change in the system and the possibility of modifying the procedures commensurate with the working conditions of the establishment [8].

Third Subject

Financial Risks for Businesses

3.1 Concept of risk

The word (risk) is defined as the possibility of something dangerous or undesirable, which at the same time means something that can cause the same danger, as seen as predicting differences in the return between the scheme and what is required and expected to occur, The concept of risk in the economic sphere revolves around the idea of uncertainty and the probability of obtaining the planned return [6].

The term risk is derived from the Italian word (Rescaare), which means boldness. In this sense, risk is a choice rather than an inevitability. Many things can be controlled if we have the time and inclination to do so. The risk is also that the results of prediction If the probability is high that the predictions are wrong then the risk will be very high, also if the probability is low, the risk will be low too [4].

Risk can also be defined as an opportunity to achieve financial loss or the probability of a difference between the expected yield and what is expected. According to this definition, the risk has a quantifiable financial concept [9].

In the opinion of the researcher that the risks are the possibility of unexpected loss by the economic unit, and is the mismatch of the planned return on the actual yield.

3.2 Financial risk (concept - kinds)

In the financial sector, decision-making on topics such as investment, credit, and selling and buying shares comes in conjunction with risks in general. But financial risk is increasingly seen on a broader basis not as a risk to the same decisions in any organization, but as a risk associated with structures, processes, management procedures, human resources, and culture that all affect decision-making processes as well [15]

Financial risks can be divided into:

1- Systemic risk

Systematic risk arises from fluctuations in returns resulting from the factors affecting the economic system in general, as they are non-diversifiable risks arising from economic conditions generally and cannot be controlled or avoided such as interest rate fluctuations or foreign exchange risk. But it can be minimized or mitigated by using a financial hedge approach that means using financial instruments derived from balance sheet items [11].

2- Non-systemic risk

It is the risk that is unique to a particular enterprise but not to other facilities. The volatility in its returns is due to related reasons. This risk is independent of the market portfolio, i.e., its coefficient of correlation with the portfolio is zero [18].

The degree of non-systemic risks of a particular economic unit is affected by the nature or components of the assets of this unit or by the extent of the use of borrowing as a source of finance, as well as by increased competition in its area of activity or by the end of certain contracts or by a fundamental change in the higher management of the economic unit[17].

3.3 Measuring financial risk using the financial ratios method

The financial analysis using the financial ratios method is considered one of the main types in the analysis of the final accounts. The financial ratios are intended to create a mathematical relation between two variables, one of which is numerator and the other a denominator, each representing a paragraph or group of final accounts. The absolute numbers appearing in the final accounts may mean nothing and doesn't discloses the financial position and performance of the entity, which necessitates linking them to each other in a relative manner to obtain results of specific content that can be used in the performance evaluation process and may explain the status of the decisions made at the establishment [16]. A financial ratios analysis is a standardization of standard financial statements by converting the figures in the balance sheet and income statement into ratios. Financial ratios are a mathematical relationship between the figures, usually in the form of ratios or repetitions. These ratios are easy to measure and are used as a measure of an enterprise's performance. In most cases, the analyst cannot judge the performance of an entity unless it is compared to industry standard and to trend standard [18]. The financial ratios can be divided into the following: [19].

1- Liquidity Group

The liquidity of an entity can be measured by its ability to meet its short-term liabilities as they mature. The main liquidity measures are:

a- Trade ratio

It is the most common financial ratios to measure the liquidity of an enterprise. It measures the ability of an entity to meet its short-term liabilities and is calculated as follows: [18]

Trading Ratio = Total Current Assets / Total Current Liabilities

b- Liquidity ratio

This ratio is measured by dividing the value of current assets minus inventory on current liabilities and the following:

Liquidity Ratio = Total Current Assets - Inventory / Total Current Liabilities

c- Net working capital

Networking capital can be measured using the following equation:

Net Working Capital = Total Current Assets - Total Current Liabilities

Fourth Subject

Financial Risk Assessment under Accounting Information

4.1 Nature of accounting information

Accounting plays its role as an information system in a continuous and integrated process through a coherent and coherent set of material and human resources in the organization responsible for preparing accounting and financial information and communicating it to management levels for risk assessment, planning and supervising activities. Accounting data and information are considered to be essential components of accounting information systems. They are often used in the working life as synonymous terms and in order to indicate one meaning, although there are substantial differences. It should be noted that the two concepts must be distinguished. Accounting data are unclassified and unorganized. They are of simple economic value, and the data are in the form of values, facts and estimates independent of each other, and are prepared in many cases for direct use and can be defined on the numbers and alphabetical characters that represent the facts and Hem can be properly delivered, translated and manipulated by humans to become results [16].

Accounting information consists of data retrieved and processed for opinion purposes or as a basis for risk prediction or decision making. Accounting information is digital such as financial statements. Therefore, accounting information is the data processed to obtain meaningful indicators that serve as a basis for decision making and predicting the future, and contributes to decision making. Its role is to reduce alternatives and reduce the uncertainty involved in the alternatives. Accounting information represents a set of finite and categorized values and facts that are quantitative and descriptive, and they relate to each other and have a direct effect on the behavior of individuals and management, and its value increases with accordance to its benefits. The role of accounting information is to increase the knowledge of decision-makers to reduce the uncertainty they encounter in the performance of their jobs [14].

4.2 Accounting information that benefits risk measuring

1- Balance sheet

The balance sheet is one of the most important financial statements at all. It is a summary of the scientific application of accounting principles. It reflects the financial position of the entity at any given moment through its assets, liabilities and equity. In other words, the balance sheet is only a representation of the financial position of the entity at the moment of preparation, it is a static description of the entity's financial position consisting of two aspects, one in which all assets of the enterprise are called assets and the other is called liabilities and property rights. All liabilities of the enterprise are included in the other's liabilities, and liabilities to its owners and is called ownership rights [15]. The balance sheet represents the financial position of the company at a certain point in time, usually one year. The summary of the accounting procedures and their applications is represented by the management of the company. The balance sheet includes the assets and liabilities. Long-term liabilities either reflect the financing decisions either through creditors (current and long-term liabilities) or financing through equity, through the examination and analysis of financial statements In the balance sheet we can determine the soundness of the financial position of the Company [15].

2- Income statement

The statement of income is the report that measures the success of operations in an enterprise in a certain period of time. The business world uses this disclosure to determine the profitability of the establishment, its investment value and its credit capacity. This list cannot be trusted completely because the results are an approximation. The best approximation and accounting income can be defined as a reflection of many of the assumptions, principles and standards developed by accountants over the past decades such as the assumption of periodicity, the principle of recognition of revenue and the principle of interviewing and others [17].

An income statement is a financial report that summarizes the income and expenses of an enterprise and the difference between income and expenditure from net income or loss. The cash flows are recognized for income and costs over a period of time that is usually one year. Details of this disclosure and its results are important for financial management. Arising from the sale of goods and services, and expenditures are costs resulting from the production of revenue [17].

3- Statement of cash flow

The main purpose of the statement of cash flows is to provide appropriate accounting information about the cash receipts and payments of the entity over a given period that predicts potential financial risks [13].

4.3 Financial risk assessment using accounting information

The financial statements used in the financial risk assessment (balance sheet - cash flow statement - income statement) are prepared in a certain format in accordance with generally accepted accounting and financial principles. These financial statements can be used to assess financial risks that the entity may encounter, which are subject to the necessary procedures based on the aforementioned financial statements and statements [11].

Prediction and financial risk assessment is the set of plans required to obtain the information necessary to know and use the risks well. Therefore, the assessment refers to the determination of financial requirements, investments and growth over a specified period of time. The financial risk assessment is also determined for the success of the entity and its financial legend in the future. The entity shall determine the possibility of obtaining the money and how to use it.

Prediction of financial risk can be defined as the expectation of what will happen in the future, which is the estimation of the variables against which the plans are being prepared. Among the variables that depend on the risk assessment is the prediction of sales. Sales prediction is the main input for most of the activities of the establishment, it is a fundamental pillar of planning and risk assessment [9]

The financial risk in the business world is a function of the uncertainty that lies in the expectations of the future returns of the establishment, which is expected to result from the investment of capital in different assets [13].

Fifth Subject

Applied Side

5.1 Sample company profile

1- Baghdad-Iraq Company for public transport and real estate investments (joint stock)

The company was established in 1990 in Baghdad with a capital of 20 million Iraqi dinars. It is registered with the Corporate Registration Department. It is governed by the Companies Law No. 21 of 1997 and its amendments. The company's activity is general transfer and real estate investments. The company's headquarters is in Baghdad - Ameriya / Abu Ghraib Road and has two branches, the first branch in the city of Basrah, where one employee is responsible for following up the work of trucks, the second branch is in Erbil city, where one employee is also responsible for following up the company's work in the Northern Branch. The company aims to expand the field of transporting oil products through the exploitation of surplus financial resources to increase the company's fleet by truck, as well as the exploitation of land owned by leasing, and expansion in the field of real estate investments. In 2015, the capital was increased by 500 million five hundred million Iraqi Dinars, according to the approval of the General Assembly and the approval of the registration of companies, to become the capital of the company as of 31/12/2015 at (1 billion) billion Iraqi dinars, which is paid in full, and has two parts:

38% of the public sector	380 million
62% Private sector	6.2 million

2- Al-Mamoura Real Estate Company

Al-Mamoura Real Estate Investment Company (Private Shareholding) was established under the incorporation certificate No. 4995 dated 19/1/1993. It is located in the city of Baghdad / Showings area with a capital of 75 million Dinar. Due to the economic conditions in Iraq and the expansion of business The company has become the capital is not enough to implement the plans and programs of the company and the ambitious implementation of its activities, which called for the need to increase the capital of the company for more than once until it reached 19200000000 nineteen billion and two hundred million dinars through capitalization of profits and the other section by subscription.

The main objective of the establishment of the company is to enhance the role of the private sector and its effective contribution to the construction and reconstruction sector in Iraq by buying land and real estate and establishing homes and residential, commercial, industrial and tourist buildings in the areas prepared for them and developed and then leased or sold.

One of the main activities accomplished by the company is to complete the project Kahramana building in Alaptowin, an area of 1290 square kilometers, and consists of the building of eight floors with a basement, which is allocated as a position of cars. The building has 49 apartments with areas ranging from 110-170 square meters, and it has good specifications with a couple of apartments have already been sold on the first and second floors.

3- Asia Communications Company

Asia Cell was established in 1999 by Iraqi businessman Farouk Mustafa Rasool, making it the first Iraqi mobile telecommunications company in Iraq. In 2012, Altai, the French marketing research firm, announced that Asia Cell is the first brand in Iraq not only in mobile communications, but in all sectors, reflecting the strong presence of the Asia Cell brand.

As the first provider of high-quality mobile telecommunications services in Iraq, it has more than 10 million subscribers. Asia Cell is the first network in Iraq considering it is the first mobile telecommunications service provider in Iraq and has achieved coverage for all its parts. Including the capital Baghdad and all major Iraqi cities. Asia Cell's network covers 99.09% of Iraq's population, making it the largest coverage among mobile operators in Iraq. The strategic objectives of the company are an extension of its management vision to be the first company in the field of services Communications in Iraq, and those goals are:

- Offering innovative offerings for data services and applications to subscribers in all regions in order to increase the number of subscribers and maintain the company's leadership.
- Focusing on corporate and institutional sales, and excellence in providing high quality services.
- Raising the network efficiency by optimizing spending control to achieve balance in the company's budget.

5.2 Financial analysis of sample companies

Liquidity ratios were used as a financial analysis tool to analyze the financial statements of the two companies:

1- Baghdad-Iraq Company for public transport and real estate investments (joint stock)

Financial Statements for the year 2014

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{1247230995}{785063970} = 1.588 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{1247230995 - 0}{785063970} = 1.588 \text{ Times}$$

(Note that the company has no stock because of the nature of its activity of transport and real estate investments)

Financial Statements for the year 2015

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{2652665891}{1659932177} = 1.598 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{2652665891 - 0}{1659932177} = 1.598 \text{ Times}$$

(Note that the company has no stock because of the nature of its activity of transport and real estate investments)

Financial Statements for the year 2016

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{4225886326}{1800439270} = 2.347 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{4225886326 - 0}{1800439270} = 2.347 \text{ Times}$$

(Note that the company has no stock because of the nature of its activity of transport and real estate investments)

2- Al-Mamoura Real Estate Company

Financial Statements for the year 2014

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{21142612885}{2682661743} = 7.881 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{211426128856 - 0}{2682661743} = 7.881 \text{ Times}$$

(Note that the company does not have stock because of the nature of its activity of real estate investments so it does not need stock)

Financial Statements for the year 2015

a- Trading ratio

Table (1)

Baghdad Company - Iraq 's public transport and real estate investments (parent company contribution)				
the year	Liquidity ratios		Rapid ratios	
2014	Liquidity Ratio = Total m. Trading / Total m. Circulated	1247230995/785063970 = 1.588 times	Total m. Traded - Stock / Total m. Circulated	(1247230995 – 0)/785063970 = 1.5 8 8 times
2015	Liquidity Ratio = Total m. Trading / Total m. Circulated	2652665891/1659932177 = 1.598 times	Total m. Traded - Stock / Total m. Circulated	(2652665891 – 0)/1659932177 = 1.598 times
2016	Liquidity Ratio = Total m. Trading / Total m. Circulated	2.425886326 / 1800439270 = 2.347 times	Total m. Traded - Stock / Total m. Circulated	(4225886326 – 0)/1800439270 = 2.347 times
Al Mamoura Real Estate Company				
the year	Liquidity ratios		Rapid ratios	
2014	Liquidity Ratio = Total m. Trading / Total m. Circulated	21142612885/2682661743 = 7.881 times	Total m. Traded - Stock / Total m. Circulated	(21142612885 – 0)/2682661743 = 7.881 times
2015	Liquidity Ratio = Total m. Trading / Total m. Circulated	22243788314/2240093195 = 9.929 times	Total m. Traded - Stock / Total m. Circulated	(22243788314 – 0)/2240093195 = 9.929 times
2016	Liquidity Ratio = Total m. Trading / Total m. Circulated	20818345161/459187705 = 45.337 times	Total m. Traded - Stock / Total m. Circulated	(20818345161 – 0)/459187705 = 45.337 times
Asia Cell Communications Company				
the year	Liquidity ratios		Rapid ratios	
2014	Liquidity Ratio = Total m. Trading / Total m. Circulated	7400000/1419598 = 5.212 times	Total m. Traded - Stock / Total m. Circulated	(7400000 - 180 462)/1419598 = 5.085 times
2015	Liquidity Ratio = Total m. Trading / Total m. Circulated	6430144/1186482 = 5.419 times	Total m. Traded - Stock / Total m. Circulated	(6430144 – 180941)/1186482 = 5.267 times
2016	Liquidity Ratio = Total m. Trading / Total m. Circulated	8777078/1266147 = 6.932 times	Total m. Traded - Stock / Total m. Circulated	(8777078 – 180552)/1266147 = 6.789 times

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}}$$
$$= \frac{22243788314}{2240093195} = 9.929 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}}$$
$$= \frac{22243788314 - 0}{2240093195} = 9.929 \text{ Times}$$

(Note that the company does not have stock because of the nature of its activity of real estate investments so it does not need stock)

Financial Statements for the year 2016

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}}$$
$$= \frac{20818345161}{459187705} = 45.337 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}}$$
$$= \frac{20818345161 - 0}{459187705} = 45.337 \text{ Times}$$

(Note that the company does not have stock because of the nature of its activity of real estate investments so it does not need stock)

3- Asia Communications Company

Financial Statements for the year 2014

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{7400000}{1419598}$$
$$= 5.212 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}}$$
$$= \frac{7400000 - 180462}{1419598} = 5.085 \text{ Times}$$

Financial Statements for the year 2015

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{6430144}{1186482} = 5.419 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{6430144 - 180941}{1186482} = 5.267 \text{ Times}$$

Financial Statements for the year 2016

a- Trading ratio

$$\text{Trading ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}} = \frac{8777078}{1266147} = 6.932 \text{ Times}$$

b- Rapid liquidity ratios

$$\text{Rapid liquidity ratios} = \frac{\text{Total current assets} - \text{Stock}}{\text{Total current liabilities}} = \frac{8777078 - 180552}{1266147} = 6.789 \text{ Times}$$

financial analysis of companies' financial statements
Source: Prepared by the researcher based on the financial statements of the sample companies

The balance sheet is used in the financial analysis, and the balance sheet represents one of the important pillars that show the company's image to its clients. It translates the assets owned by the institution as an expression of the accounting standard in order to produce results about its financial reality In relation to their rights towards others in comparison to the rights of others.

The following table shows:

1- The financial ratios of Iraq - Baghdad for the three years was an escalation, noting that the company's trading ratios were in 2016 (2.34 times) and this indicates the possibility of the company to pay its obligations more than previous years.

2- Also note from the table above that the world real estate company was escalating between the years 2014-2016, and it reached in 2014 (7.88 times), while it was in 2016 (45.33 times), this refers to the increased potential of the company to repay its obligations in Faster.

3- Asia Cell has been able to demonstrate its ability to meet its obligations to others in an increasing manner. Liquidity ratios reached (5.21 times) in 2014, while the rapid ratio was (5.08 times). Liquidity ratios in 2016 were (6.9 times), and the rapid rate (6.7 times), and this indicates the possibility of the company to pay its obligations

By analyzing the final financial statements for the three years of the companies, the research sample reached the following:

1- That Baghdad-Iraq for public transport and real estate investments have increased liquidity ratios in the three years, as well as rapid ratios are characterized by an upward trend and this indicates that the company is not at risk.

2- Al-Mamoura Real Estate Company also achieved progressive liquidity ratios, as well as rapid ratios, it was clear from the analysis that the company is not in danger.

3- Asia Cell had a high liquidity rate in the last three years, as evidenced by the results of the analysis, which indicates that the company is not at risk.

Sixth Subject

Conclusions and Recommendations

6.1 Conclusions

The researcher reached the following conclusions, which are summarized as follows:

1- Financial analysis is a method of dealing with available financial data using tools and financial ratios to analyze financial elements.

2- Accounting information assists the management of the organization in the appropriate decision-making process that leads to the institution's effectiveness.

3- There is a set of indicators that help detect risks and help manage and control them.

4- Measuring financial risk using the financial ratio method is an important decision-making tool.

5- The accounting information of the balance sheet affects the most important means of decision making by the administration based on the information it provides.

6- The balance sheet is the summary of the scientific application of accounting principles.

7- The balance sheet translates the assets and liabilities of the Corporation as an expression of its accounting standard in order to produce results on its financial position.

6.2 Recommendations

Through the study the researcher reached the following:

1- The researcher recommends that institutions analyze their lists to identify the assets and liabilities and the progress of achieving objectives.

2- The researcher recommends that the companies to develop a team specialized in financial risk management, which contributes to reducing risks and reducing the size of losses.

3- The researcher recommends that the companies pay attention to the financial statements and prepare them in a timely manner regularly to know the ratios of financial risks.

4- The researcher recommends that the companies of the research sample compare the financial statements for previous years with the current year and measure the risks and compare them with each other to determine the company's performance and the extent of its financial risks.

5- The researcher recommends that the managers of the institutions of the research sample should rely on the results of the financial analysis of the lists in their decisions in order to ascertain the validity of their decisions.

6- The researcher recommends using the method of financial ratios in the analysis of lists for the ease of this method and the accuracy of its results.

7- The research sample companies need to find defensive lines against the financial risks that are exposed to them according to their impact on the company.

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