
MUTUAL IMPACT OF HEDGE ACCOUNTING AND THE ACCOUNTING PRACTICES ON MEDIUM ENTERPRISES PERFORMANCE

Assistant Professor, Emad Al-Harash,

Accounting Department, Madenat Alelem University College, Baghdad, Iraq

E-mail: emadharesh@yahoo.com

Abstract

This research assesses the impact of the application of requirement of application of hedge accounting and accounting practices together on Iraq medium enterprises performance by studying the impact of requirements application of hedge accounting on Iraq medium enterprises performance firstly, then study the impact of accounting practices on medium enterprises performance secondly, then study the impact of hedge accounting on accounting practices in medium enterprises thirdly, then study the impact of accounting practices on requirements application of hedge accounting in medium enterprises fourthly and then study the impact of mutual influence for the application of requirement of application of hedge accounting and the accounting practices together on Iraq medium enterprises performance finally, by study the mutual influence for the application of hedge accounting and the accounting practices on Iraq medium enterprises performance. Overall, the study supported the hypothesis that there is a mutual influence between the application of hedge accounting and accounting practices on medium enterprises' performance in Iraq. The results of the research show that the requirements of hedge accounting and the accounting practices together can affect the choice of the medium enterprises in Iraq to adopt the best method of hedge accounting and the accounting practices adoption, and the statistical analysis results show that there is a very good level of agreement for the employees who are currently working in medium enterprises about the effect of mutual influence for the application of hedge accounting and the accounting practices on Iraq medium enterprises performance.

Keywords: hedge accounting, accounting practices, medium enterprises, and performance.

Introduction

Medium enterprises are typically held directly or indirectly by the private sector. The medium enterprises sector is one of the leading sectors in modern economies; it has become the criteria for measuring the safety of the national economy of any country since it receives massive attention. In Iraq, Medium enterprises, and micro - small and enterprises accounts for close to 65% of employment. It's promoted the creation of more productive and decent jobs for private sector development and then to diversify the Iraq economy (**Harash, 2015 & Harash, 2017**). International financial reporting standards can be a powerful tool for development and has the potential to bring about security and future prosperity to medium enterprises. Medium enterprises are considered effective approach to risk management by to open opportunities to

achieve better results for economic development in Iraq (**Khudir, 2021**). Overall, Medium enterprises are exposed to a variety of risks such as commodity changes, foreign exchange, interest rate risk, foreign exchange risk, political risk, market risk, liquidity risk, operational risk, and credit risk. Managing risk, therefore, has become of fundamental concern particularly in institutions such as medium enterprises; therefore, medium enterprises have practicing different technique of risk management in order to survive in the markets environment that is experiencing rapid velocity of change (**Watkins, 2012**). Therefore, medium enterprises in Iraq operating to practices the avoidance of risks that could threaten the collapse its. Accounting practices have the potential to contribute to economic prosperity through minimization of losses to property (**Harash, 2015 & Harash, 2017**). Studies **Hoyt & Liebenberg, (2011)**, **Mekasha, (2011) & Moeller (2011)** shows good risk management is highly relevant in providing better returns to medium enterprises as a result of reduce the losses. Also, they shows that the major cause of serious medium enterprises problems continues to be directly related to lack of accounting practices and lack of attention to assessment and the balance between treated risks and cost due to misinterpretation of how to estimate risks, which consequently effect of medium enterprises performance. In addition, there was no prior understanding of requirements of international financial reporting standards and accounting practices and there was failure to monitor risks (**Novotny-Farkas, 2016**). The combination of these factors has a negative impact on the efficiency and performance of Iraqi medium enterprises. This problem in all developing countries and it is expected not in Iraq only, accounting practices are vital in today's fast change environment. Moreover, stakeholders in medium enterprises now demand that their long-term interests are protected in a changing environment with the installation of an appropriate system to handle a worst cases situation and provide returns (**Harash, 2015 & Harash, 2017**). The accounting practices are not new. The application of risk management needs a new approach and structure to these ancient practices. Modern accounting practices would have individual commercial and industrial enterprises and governments play a forward-looking role in loss assessment, integrated, systemic approach to accounting practices (**Huber & Scheytt, 2013**). Accounting practices process will not become an integral part of management unless the relevant medium enterprises are willing to allow this to occur. So, the main objective of this research can be the evaluation of the role of requirements of international financial reporting standards (IFRS) in selecting the best method to adopt accounting practices in medium enterprises in Iraq. Do hedge accounting and the accounting practices and Requirements their have impact on Iraq medium enterprises performance?

2. Requirements of hedge accounting

The international financial reporting standards (IFRS) include requirements for general hedge accounting for the treatment of fair value changes through profit or loss subject to local endorsement requirements. Financial asset classification and measurement is an area where many changes have been introduced by (IFRS) (**Bischof & Daske, 2016**). Consistent with (IAS 39), (IFRS 9) and (IFRS 13) the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be

reclassified. Subsequent to initial recognition, all assets within the scope of (IFRS) are measured at **(Gehrer, et al., 2014, Huian, 2012, Johannes et al., 2018 & Sultanoğlu, 2018)**:

- Amortised cost.
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

The FVTOCI classification is mandatory for certain debt instrument assets unless the option to FVTPL ('the fair value option') is taken. Whilst for equity investments, the FVTOCI classification is an election **(Gehrer, et al., 2014, Huian, 2012, Johannes et al., 2018)**. The requirements for reclassifying gains or losses recognised in other comprehensive income (OCI) differ for debt and equity investments. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method); foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The difference between cumulative fair value gains or losses and the cumulative amounts recognised in profit or loss is recognised in OCI until derecognition, when the amounts in OCI are reclassified to profit or loss **(Gehrer, et al., 2014, Huian, 2012, Johannes et al., 2018 & Sultanoğlu, 2018)**. This contrasts with the accounting treatment for investments in equity instruments designated at FVTOCI under which only dividend income is recognised in profit or loss with all other gains and losses recognised in OCI and there is no reclassification on derecognition **(Gehrer, et al., 2014, Huian, 2012, Johannes et al., 2018)**. A debt instrument that meets the following two conditions must be measured at amortised cost unless the asset is designated at FVTPL under the fair value option Business model test **(Huian, 2012, Johannes et al., 2018 & Sultanoğlu, 2018)**: The financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value). Cash flow characteristics test **(Gehrer, et al., 2014, Huian, 2012, Johannes et al., 2018 & Sultanoğlu, 2018)**: The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt instrument that meets the cash flow characteristics test and is not designated at FVTPL under the fair value option must be measured at FVTOCI if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets. All other debt instrument assets are measured at fair value through profit or loss (FVTPL) **(Deloitte & Touche, 2016)**.

3. Accounting practices

The concept of accounting practices has become important and is a central core of the medium enterprises management. So "medium enterprises should be aware of how to manage business risks, which methods to choose, and what impact these risks have on the sustainability of these methods and on the whole system **(Virglerova, et al., 2020)**. Moreover, it has become an essential component for bringing success in complex settings. Accounting practices as integral part of management aims to increase the probability and the impact of positive events, while decreasing the probability and impact of negative events in the medium enterprises **(COSO, 2018, Mahmood, 2015)**. This is one of the key preliminaries to cope with the challenges of new services. Risk is associated with the probability of losses due to investment or the activity

is under-taken either by individual, institution, organization, or government. accounting practices identification need to describe risks and be recognized through Comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives as well as the need to identify risks associated with not pursuing an opportunity (Ariff, et al., 2014, COSO, 2018, Mahmood, 2015).

Risk is the likelihood of the medium enterprises sector exposure to unexpected and unplanned or the fluctuation of the expected returns of a particular investment loss and expresses concern about the negative effects of a possible fall in the influence and the ability to achieve the objectives of the medium enterprises sector and its successful implementation of future events. Accounting practices exists to provide value for its stakeholders. Also accounting practices enables management to effectively deal with uncertainties and is associated with risk and opportunities, mechanisms to minimize risks, and continuously monitor them, thus, enhancing the capacity to build value and guarantee medium enterprises' survival and create sustainable value them (Verbano & Venturini, 2013). In this research, accounting practices is the process by which medium enterprises methodically address the risks attaching to their activities for the purpose of achieving their objectives across the portfolio of all their activities. It is required to identifying potential risks in advance, analyzing them, and taking preventive steps to reduce and mitigate the risk. accounting practices Identification need to describe practices and be recognized through Comprehensive list of accounting practices based on those events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of objectives as well as the need to identify accounting practices associated with not pursuing an opportunity (Durst, et al., 2019).

Identification should include accounting practices whether or not the source is under the control of the medium enterprises. In accounting practices Analysis, the process is to comprehend the nature of accounting practices and to determine the level of risk “Risk analysis involves consideration of the causes and sources of risk, the positive and negative consequences, and the likelihood that those consequences can occur.” and this provides the basis for risk evaluation and decisions about risk treatment. Identification should include risks whether or not the source is under the control of the medium enterprises (Durst, et al., 2019, Verbano & Venturini, 2013). In accounting practices analysis, the process is to comprehend the nature of accounting practices and to determine the level of risk. Accounting practices analysis involves consideration of the positive and negative consequences and the likelihood that those consequences can occur, and this provides the basis for accounting practices evaluation and decisions about risk treatment. the purpose of accounting practices evaluation is to assist in making decisions based on the outcomes of accounting practices analysis about which risks need treatment and the priority for treatment implementation, Decisions should take into account the wider context of the risk and include consideration for the tolerance of the risks borne by parties other than the medium enterprises that benefit from the risk.

4. The application of hedge accounting and accounting practices

The application of hedge accounting and accounting practices together is from the strategies of the company's employees to achieve market-oriented goals (Harash et al. 2014; Harash et al. 2013). Theoretically, despite medium enterprises' crucial role in the economic growth and

development of a country, it is still scarce studies have been conducted on accounting practices in the Iraqi medium enterprises sector. None of the previous studies has argued on the missing link between the application of hedge accounting and the accounting practices together and medium enterprises performance. Previous studies ignored how the application of hedge accounting and accounting practices together affect accounting practices in medium enterprises' performance. Few studies in the literature examine the relationships between applications of hedge accounting and accounting practices together affecting accounting practices in the medium enterprises sector, and this deficiency is serious because of the increasing importance of the application of hedge accounting and accounting practices (Fielding et al. 2005). Many professionals **Fielding, et al. (2005), Durst, et al., 2019, and Verbano & Venturini, (2013)** reported that risks are uncertainties and undesirable features or occurrences that could arise sometimes in the future. In the medium enterprises sector, there are different types of risks. As with any other commercial sector, the management main goal is to maximize its enterprises' value.

The medium enterprises are seeking to provide services and striving to maximize profits and minimize risks that are associated with the stability it. It's one of the leading sectors in modern economies as it considers as an important source of financing for most businesses (**Harash, 2015 & Harash, 2017**). This study examined the Mutual Influence for the application of hedge accounting and the accounting practices in medium enterprises in Iraq. In determining the mutual influence for the application of hedge accounting and the accounting practices on performance of some selected medium enterprises that are on the Iraqi markets, of model in the mutual influence for the application of hedge accounting and the accounting practices on performance was developed. The study's results **Barnoussi, et al. (2020), Groff & Mörec, (2021) and Loew et al. (2019)** The study's results found that the understanding application of requirement of (IFRS) had positive effect on accounting practices also accounting practices found that effect on Requirement of (IFRS). The new and advanced services offered lead to increase the competition between medium enterprises as well as crises leads to increase risk. As well as the elements of risk management, risk assessment, risk control and risk financing are old. accounting practices still in its infancy it is potential to contribute to economic prosperity through minimization of losses to property where the accounting practices management process is understood it is really in an organized and professional manner (**Aven, 2016**). Application of requirement of hedge accounting and the accounting practices potential to contribute to economic prosperity through minimization of losses and risks to a significant and sustainable degree by increasing efficiency and transparency so that medium enterprises can operate even more successfully in the marketplace and medium enterprises thus benefit from clear planning, quick wins, and manageable costs. For many years ago, most of medium enterprises in Iraq were affected by a number of factors such as robbing, sabotage, economic blockade etcetera. All these reasons made the Iraqi medium enterprises incompatible with the technological growth seen in other counties. In addition, the absence of skilled personnel (staffs and managers) absents of new systems in risk management and the lack of funding to renovate the damages have also contributed to the deterioration of the situation (**Barnoussi et al. 2020, Gehrler, et al., 2014**). Generally, there have been number of studies conducted on accounting practices. In the same context, also there have been number of studies conducted

on application of hedge accounting. However, the number of the studies on the mutual influence for the application of hedge accounting and the accounting practices on medium enterprises was shown to be relatively a few especially the Iraqi ones. In addition, most research in the area of risk management practices has been conducted among populations from developed countries namely the U.S. and Europe, compared to studies on accounting practices in developing countries are limited especially in the Middle Eastern countries primarily because they do not keep pace with the new global variables and the application of the self-assessment of risk and control procedures in addition to sound practices for the accounting practices in accordance with their requirements of IFRSs, Especially in relation to the requirements of hedge accounting. Also, in the developing world it has received less attention, such as Iraq (**Harash et al. 2013**). Conducting such research is timely and pertinent since the existing limited studies showed that application of hedge accounting and the accounting practices was the weakest area in most Iraqi medium enterprises. Application of hedge accounting and the accounting practices is still at rudimentary stage in Iraq medium enterprises. Another critical problem faced by Iraqi medium enterprises is that most medium enterprises do not implement sound application of hedge accounting and the accounting practices due to a lack of organizational and new technological resources. In this study hedge accounting Components according to IFRSs are (requirement of financial instruments measured at expired cost or fair value, requirement of classification of financial instruments measured fair value, requirement of measuring the embedded derivative with a financial instrument and a financial instrument at fair value, requirement of canceling the classification of available-for-sale investments, requirement of treating the gains or losses of unclassified equity instruments for trading in comprehensive income and continuing from year to year, requirement of linking the classification of financial assets and financial liabilities to the company's business model instead of the management decision, and requirement of the initial measurement is at fair value, even if the execution price is different from the fair value). The new rules introduced under IFRSs were aimed at ensuring entities could, if they chose to, manage their risk exposure in the most efficient manner available. The intention of allowing corporates to identify the individual risk components within both financial and non-financial host contracts was to ensure that if there was a derivative that could be acquired to match the dominant variable component within these contracts then the accounting should follow this matched relationship and strategy. As a result, entities across infrastructure, utilities, retail, and various other corporate sectors have undertaken wide scale reviews of their existing commodity and interest rate accounting practices strategies in order to identify the dominant components they are exposed to variability in. For companies exposed to commodity risks IFRSs has resulted in easier application of the hedge accounting requirements with many entities now able to achieve critical terms matching with their hedge strategies as a result of aligning the terms of instruments traded with the exact terms of the contract they are exposed to. This has been achieved through in-depth analysis of contracts to identify the exact variable pricing and ensuring that the traded instruments align in order to remove the possibility of ineffectiveness in the strategy and ultimately the accounting at the outset. Inflation - Hedge accounting solutions for inflation linked derivatives as a component of nominal interest rates exist and have been implemented. However, this has become an area

where the rules around a component being separately identifiable and measurable have meant. In general, the application of hedge accounting and accounting practices together is from the strategies the medium enterprises performance employees to achieve market-oriented and goals (Harash et al. 2014; Harash et al. 2013).

Study model

By previous studies, the study variables were determined, and identifying the most important variables that they dealt with, the study model was formulated in light of the study problem and its components, and in light of the relevant previous studies, and the model reflects the independent study variable represented by the application of hedge accounting and the application of accounting practices together and the dependent variable Approved represented by medium enterprises performance, as well as the partial variables for each of them. As shown in figure (1) below.

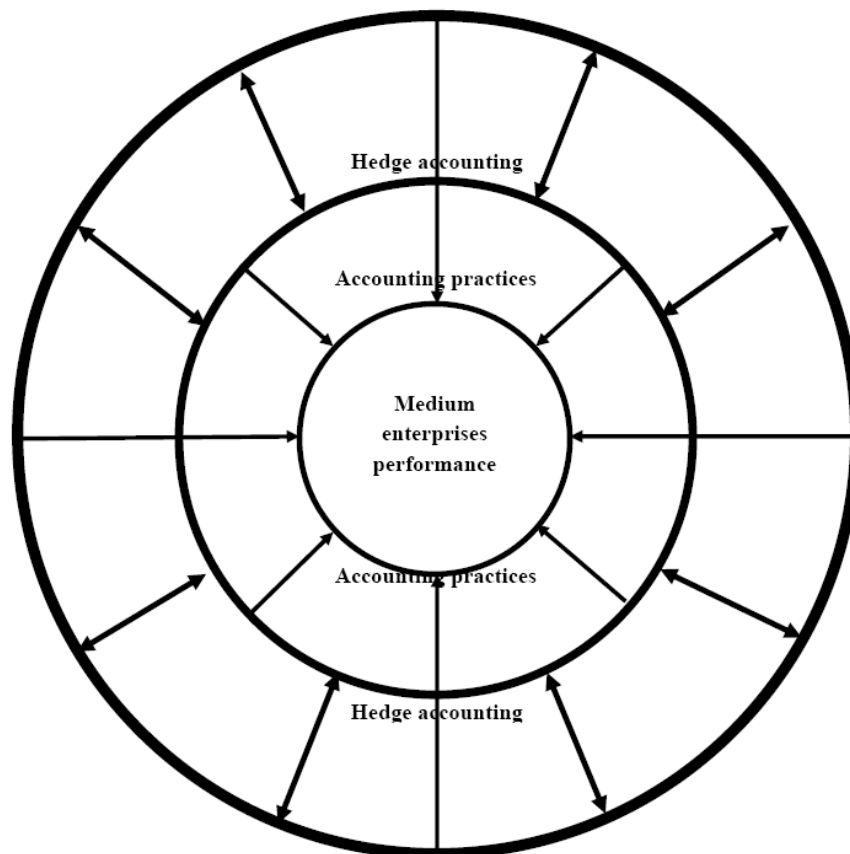


Figure No. (1) The study model

Analyzing and interpreting results:

This section presents the analysis and interpretation of the findings of the study related to the study sample responses on the impact of the application of hedge accounting as (independent variable) on the medium enterprises performance as (dependent variable), which was a measured based on (8) paragraph, the application of accounting practices as (independent

variable) on the medium enterprises performance as (dependent variable), which was a measured based on (11) paragraph, the application of hedge accounting and the accounting practices together as (independent variables), which was a measured based on (10) paragraph on the medium enterprises performance as (dependent variable).

First: Results analyzing

1. Analyzing effect of mutual impact on application of hedge accounting on accounting practices together as the independent variable

And for the analysis and interpretation of the results of the study, related to the responses of the study sample on the effect of mutual influence on hedge accounting and accounting practices together as the independent variable for the performance medium enterprises as dependent variable, as shown in Table No. (5), the arithmetic mean, standard deviation, and arrangement of the respondents' answers to the paragraphs related to mutual influence on hedge accounting and accounting practices together as the independent variable for the performance medium enterprises as independent variable, represented by the mutual influence for hedge accounting and accounting practices together on performance medium enterprises, the mutual influence for hedge accounting with application of accounting practices on return on assets for medium enterprises, the mutual influence for hedge accounting and accounting practices together on equity for medium enterprises, The mutual influence for hedge accounting and accounting practices together on sales growth for medium enterprises, the mutual influence for hedge accounting and accounting practices together on profitability growth for medium enterprises, the mutual influence for hedge accounting and accounting practices together on non-financial measures for performance of medium enterprises, the mutual influence for hedge accounting and accounting practices together on non-financial measures for performance of medium enterprises, the mutual influence for hedge accounting and accounting practices together on non-financial measures for performance of medium enterprises, the mutual influence for hedge accounting and accounting practices together on employee growth for medium enterprises, the mutual influence for hedge accounting and accounting practices together on customer satisfaction for medium enterprises, the mutual influence for hedge accounting and accounting practices together on satisfaction with performance compared to competitors for medium enterprises, and the mutual influence for hedge accounting and accounting practices together on overall satisfaction for medium enterprises, with application of accounting practices, which was measured based on (10) items.

Table (1) the arithmetic means and standard deviation of the response of the study sample for the mutual impact on hedge accounting and accounting practices together on medium enterprises performance.

No.	Se.	Description	Arithmetic average	Standard deviation	Priority level
1	8	The mutual impact for application of hedge accounting and accounting practices together on performance medium enterprises.	4.16	0.725	High
2	9	The mutual impact for hedge accounting with application of accounting practices on return on assets for medium enterprises.	.368	0.965	High
3	10	The mutual impact for hedge accounting and accounting practices together on equity for medium enterprises.	4.39	0.831	High
4	7	The mutual impact for hedge accounting and accounting practices together on sales growth for medium enterprises.	4.00	0.821	High
5	5	The mutual impact for hedge accounting and accounting practices together on profitability growth for medium enterprises.	3.77	0.820	High
6	6	The mutual influence for hedge accounting and accounting practices together on non-financial measures for performance of medium enterprises.	.428	0.832	High
7	1	The mutual impact for hedge accounting and accounting practices together on employee growth for medium enterprises.	4.07	0.827	High
8	2	The mutual impact for hedge accounting and accounting practices together on customer satisfaction for medium enterprises.	4.11	0.939	High
9	4	The mutual impact for hedge accounting and accounting practices together on satisfaction with performance compared to competitors for medium enterprises.	.427	0.833	High
10	3	The mutual impact for hedge accounting and accounting practices together on overall satisfaction for medium enterprises.	.420	0.832	High
The overall Indicator			4.156	0.8425	High

Our results reveal that in the table No. (1), that mutual impact on hedge accounting and accounting practices together as dependent variable on the medium enterprises performance as independent variable achieved an arithmetic mean (4.1536), a percentage (76%) of the total scale area of (5), and a standard deviation of (0.8425), which indicates that the level of mutual impact on hedge accounting and accounting practices together as dependent variable on the medium enterprises performance is high, from the viewpoint of the sample members. It also emerged from the results listed in Table No. (5) That the highest average arithmetic was for Paragraph No. (3), which refers to “The mutual impact for hedge accounting and accounting practices together on equity for medium enterprises,” as it reached (4.39) with a standard deviation of (0.831) with a high level of importance, while the lowest arithmetic average was for Paragraph No. (2), which refers to “The mutual impact for hedge accounting together application of accounting practices on return on assets for medium enterprises” as it reached (3.68) with a standard deviation of (0.965) and with a high level of importance.

2. Analyzing impact of the hedge accounting as the independent variable for the medium enterprises performance as dependent variable

For the analysis and interpretation of the results of the study, related to the responses of the study sample on the effect of the hedge accounting as the independent variable, the arithmetic mean, standard deviation, and arrangement of the respondents' answers to the paragraphs related to the hedge accounting, which was measured based on (8) items as shown in Table No. (1).

Table (1) the arithmetic means and standard deviation of the response of the study sample on the impact of hedge accounting on performance medium enterprises.

No.	Se.	Description	Arithmetic average	Standard deviation	Priority level
1	5	The application of hedge accounting in medium enterprises.	4.10	0.827	High
2	8	The application of requirement of financial instruments measured at expired cost or fair value in medium enterprises.	.399	0.939	High
3	7	The application of requirement of classification of financial instruments measured affair value in medium enterprises.	.397	0.965	High
4	1	The application of requirement of measuring the embedded derivative with a financial instrument and a financial instrument at fair value in medium enterprises.	.451	0.725	High
5	3	The application of requirement of canceling the classification of available-for-sale investments in medium enterprises.	.427	0.832	High
6	6	The application of requirement of treating the gains or losses of unclassified equity instruments for trading in comprehensive income and continuing from year to year in medium enterprises.	3.71	0.820	High
7	2	The application of requirement of Linking the classification of financial assets and financial liabilities to the company's business model instead of the management decision in medium enterprises.	4.35	0.831	High
8		The application of requirement of the initial measurement is at fair value, even if the execution price is different from the fair value in medium enterprises.	4.33	0.821	High
The overall Indicator			4.1425	0.845	High

We've found from the results in the table No. (2), that hedge accounting as dependent variable for the medium enterprises performance as independent variable achieved an arithmetic mean (4.1425), a percentage (77%) of the total scale area of (5), and a standard deviation of (0.845), which indicates that the level of application of hedge accounting in Iraq medium enterprises is high, from the viewpoint of the sample members. It also emerged from the results listed in Table No. (1) That the highest average arithmetic was for Paragraph No. (4), which refers to "The application of requirement of measuring the embedded derivative with a financial instrument and a financial instrument at fair value in medium enterprises," as it reached (4.51) with a standard deviation of (0.725) with a high level of importance, while the lowest arithmetic average was for Paragraph No. (3), which refers to "The application of requirement of treating the gains or losses of unclassified equity instruments for trading in comprehensive income and continuing from year to year in medium enterprises," as it reached (3.71) with a standard deviation of (0.820) and with a high level of importance.

3. Analyzing impact of accounting practices as the independent variable for the medium enterprises performance as dependent variable

As for the analysis and interpretation of the results of the study, related to the responses of the study sample on the impact of accounting practices as the independent variable, the arithmetic mean, standard deviation, and arrangement of the respondents' answers to the paragraphs related to accounting practices, which was measured based on (11) items, as shown in Table No. (3).

Table (2) the arithmetic means and standard deviation of the response of the study sample on the impact of accounting practices on performance medium enterprises.

No.	Se.	Description	Arithmetic average	Standard deviation	Priority level
1	8	The accounting practices on medium enterprises performance.	4.01	0.872	High
2	9	The medium enterprises management regularly reviews their performance in managing its accounting practices.	.387	0.995	High
3	10	The medium enterprises have effective continuous review/feedback on accounting practices strategies and performance.	.380	0.965	High
4	7	The medium enterprises accounting practices procedures and processes are documented and provide guidance to staff about accounting practices.	.415	0.725	High
5	5	The medium enterprises policy encourages training programs in the area of accounting practices.	.422	0.842	High
6	6	The medium enterprises emphasize on the recruitment of highly qualified people in accounting practices management.	4.17	0.802	High
7	1	The efficient risk management is one of medium enterprises objectives.	.480	0.813	High
8	2	It is too dangerous to concentrate on medium enterprises accounting practices in one specific sector of the economy.	4.33	0.812	High
9	4	The application of Requirement of (IFRS 9) accord by medium enterprises would improve the efficiency of the application of accounting practices accord by medium enterprises would improve the efficiency of performance medium enterprises.	.425	0.833	High
10	11	The medium enterprises capital is adequate if the ratio of capital to total risk-weighted assets is equal to 8 percent.	3.79	0.825	High
11	3	The special rules apply to embedded derivatives and hedging instruments (typically amortised cost or fair value).	4.30	0.832	High
The overall Indicator			4.1536	0.8469	High

We notice from Table No. (2) That accounting practices as dependent variable for the medium enterprises performance as independent variable achieved an arithmetic mean (4.1536), a percentage (76%) of the total scale area of (5), and a standard deviation of (0.8469), which indicates that the level of accounting practices in medium enterprises is high, from the viewpoint of the sample members. It also emerged from the results listed in Table No. (2) That the highest average arithmetic was for Paragraph No. (7), which refers to “The efficient accounting practices is one of medium enterprises objectives,” as it reached (4.80) with a standard deviation of (0.813) with a high level of importance, while the lowest arithmetic average was for Paragraph No. (11), which refers to “The medium enterprises capital is adequate if the ratio of capital to total risk-weighted assets is equal to 8 percent,” as it reached (3.79) with a standard deviation of (0.825) and with a high level of importance.

4. Analyzing effect of hedge accounting as the independent variable for the accounting practices as dependent variable

And for the analysis and interpretation of the results of the study, related to the responses of the study sample on the effect of hedge accounting as the independent variable for the accounting practices as dependent variable, the arithmetic mean, standard deviation, and arrangement of the respondents' answers to the paragraphs related to hedge accounting, which was measured based on (8) items, as shown in Table No. (3).

Table (3) the arithmetic means and standard deviation of the response of the study sample on the impact of hedge accounting on accounting practices.

No.	Se.	Description	Arithmetic average	Standard deviation	Priority level
1	5	The hedge accounting on accounting practices in medium enterprises.	4.09	0.827	High
2	4	The application of requirement of financial instruments measured at expired cost or fair value on accounting practices in medium enterprises.	4.11	0.939	High
3	8	The application of requirement of classification of financial instruments measured affair value on accounting practices in medium enterprises.	.367	0.965	High
4	3	The application of requirement of measuring the embedded derivative with a financial instrument and a financial instrument at fair value on accounting practices in medium enterprises.	4.15	0.725	High
5	2	The application of requirement of canceling the classification of available-for-sale investments on accounting practices in medium enterprises.	.428	0.832	High
6	7	The application of requirement of treating the gains or losses of unclassified equity instruments for trading in comprehensive income and continuing from year to year on accounting practices in medium enterprises.	3.76	0.820	High
7	1	The application of requirement of Linking the classification of financial assets and financial liabilities to the company's business model instead of the management decision on accounting practices in medium enterprises.	4.36	0.831	High
8	6	The application of requirement of the initial measurement is at fair value, even if the execution price is different from the fair value on accounting practices in medium enterprises.	4.00	0.821	High
The overall Indicator			4.01425	0.845	High

It was found from the results in table No. (3), that hedge accounting as dependent variable for the accounting practices as dependent variable achieved an arithmetic mean (4.01425), a percentage (79%) of the total scale area of (5), and a standard deviation of (0.8469), which indicates that the level of accounting practices in medium enterprises is high, from the viewpoint of the sample members. It also emerged from the results listed in Table No. (3) That the highest average arithmetic was for Paragraph No. (7), which refers to “The application of requirement of Linking the classification of financial assets and financial liabilities to the company's business model instead of the management decision on accounting practices in medium enterprises,” as it reached (4.36) with a standard deviation of (0.813) with a high level of importance, while the lowest arithmetic average was for Paragraph No. (3), which refers to “The application of requirement of classification of financial instruments measured affair

value on accounting practices in medium enterprises,” as it reached (3.67) with a standard deviation of (0.965) and with a high level of importance.

5. Analyzing effect of application of accounting practices as the independent variable for the hedge accounting as dependent variable

Finally, and for the analysis and interpretation of the results of the study, related to the responses of the study sample on the effect of accounting practices as the independent variable for the hedge accounting as dependent variable, the arithmetic mean, standard deviation and arrangement of the respondents' answers to the paragraphs related to accounting practices as the independent variable for the application of hedge accounting as independent variable, with application of accounting practices, which was measured based on (10) items, as shown in table No. (5).

Table (5) the arithmetic means and standard deviation of the response of the study sample on the impact of accounting practices on hedge accounting.

No.	Se.	Description	Arithmetic average	Standard deviation	Priority level
1	8	The application of accounting practices on hedge accounting in medium enterprises performance.	4.01	0.872	High
2	9	The enterprises management regularly reviews their performance in managing its accounting practices on hedge accounting.	.387	0.995	High
3	10	The enterprises have effective continuous review/feedback on accounting practices strategies and performance on hedge accounting.	.380	0.965	High
4	7	The enterprises accounting practices procedures and processes are documented and provide guidance to staff about managing accounting practices on application of hedge accounting.	.415	0.725	High
5	5	The enterprises policy encourages training programs in the area of accounting practices on a hedge accounting.	.422	0.842	High
6	6	The enterprises emphasizes on the recruitment of highly qualified people in accounting practices management on application of hedge accounting.	4.17	0.802	High
7	1	The efficient accounting practices management is one of medium enterprises objectives hedge accounting.	.480	0.813	High
8	2	It is too dangerous to concentrate on medium enterprises funds in one specific sector of the economy with hedge accounting.	4.33	0.812	High
9	4	The application of risk management practices with application of Requirement of IFRS 9 accord by medium enterprises would improve the efficiency accounting practices.	.425	0.833	High
10	3	The special rules apply to embedded derivatives and hedging instruments (typically amortised cost or fair value) with accounting practices.	4.30	0.832	High
The overall Indicator			4.1536	0.8469	High

We notice from table No. (4), that application of accounting practices as dependent variable for the hedge accounting as independent variable achieved an arithmetic mean (4.1536), a percentage (76%) of the total scale area of (5), and a standard deviation of (0.8469), which indicates that the level of accounting practices in medium enterprises is high, from the viewpoint of the sample members. It also emerged from the results listed in Table No. (4) That the highest average arithmetic was for Paragraph No. (7), which refers to “The efficient accounting practices management is one of medium enterprises objectives hedge accounting,” as it reached (4.80) with a standard deviation of (0.813) with a high level of importance, while the lowest arithmetic average was for Paragraph No. (3), which refers to “The enterprises have an effective continuous review/feedback on accounting practices strategies and performance

on hedge accounting” as it reached (3.80) with a standard deviation of (0.965) and with a high level of importance.

Second: Interpreting of results

1. Main hypothesis and test results:

Attempting to clarify the behavior of the relationships between the study variables, by testing (two hypotheses) the hypothesis of the main study and the sub-hypotheses branching from it (H0: the null hypothesis and H1: the alternate hypothesis), the level of significance ($0.05 \alpha \leq$) was adopted as a basis for rejecting or accepting the hypotheses, meaning if the value of (α) is equal to or less than (5%). We reject the null hypothesis (HO), if it is greater than (5%), then we accept the null hypothesis (HO), in addition to the fact that the computed value and the tabular value have also been relied upon. If the computed value is greater than the tabular value, we reject the null hypothesis (HO), and we accept the alternative hypothesis (H1).

HO: There is no statistically significant impact of the mutual influence for the hedge accounting and accounting practices together on Iraq medium enterprises performance.

H1: The presence of a statistically significant impact of the mutual impact for the hedge accounting and the accounting practices together on Iraq medium enterprises performance.

Table (6) results of the main hypothesis test

Computed T value	Tabular T value	The degree of freedom DF	T Sig value	Simple Mean	Standard deviation	Result of the null hypothesis HO
23.070	1.96	176	0.00*	3.9000	0.55017	Refusal

* Significance at ≤ 0.05

We note from the results shown in Table No. (6) For testing the main hypothesis by means of the One Sample T-Test that the significant Sig value is less than (0.05), which is (0.00), and the calculated (T) value of (23.070) is greater than its value. Tabular at the degree of freedom (N-1), which is (1.96), which means rejecting the null hypothesis (HO), and then accepting the alternative hypothesis (H1), and this means that there is a statistically significant impact at a level of significance ($0.05 \geq \alpha$) for the mutual impact for the hedge accounting and the accounting practices together on Iraq medium enterprises performance.

2. Sub hypothesis and its test results:

HO.1: There is no statistically significant effect of the hedge accounting on Iraq medium enterprises performance.

H1.1: The presence of a statistically significant impact of the hedge accounting on Iraq medium enterprises performance.

Table (7) Results of the first sub-hypothesis test

Computed T value	Tabular T value	The degree of freedom DF	T Sig value	Simple Mean	Standard deviation	Result of the null hypothesis HO
24.555	1.97	176	0.00*	3.8989	0.54153	Refusal

* Significance at ≤ 0.05

We also note that the results of Table (7), which relate to the first sub-hypothesis test, show that through the One Sample T-Test that the significant value of Sig is less than (**0.05**), which is (**0.00**) and the calculated (T) value of (24.555) is greater than its value. Tabular at the degree of freedom (N-1), which is (**1.97**), which requires the rejection of the null hypothesis (**HO.1**), and then that means acceptance of the alternative hypothesis (**H1.1**), which indicates the existence of a statistically significant effect at a level of significance (**0.05 $\geq\alpha$**) of the hedge accounting on Iraq medium enterprises performance.

HO.2: There is no statistically significant impact of the accounting practices on Iraq medium enterprises performance.

H1.2: The presence of a statistically significant impact of the accounting practices on Iraq medium enterprises performance.

Table (8) Results of the first sub-hypothesis test

Computed T value	Tabular T value	The degree of freedom DF	T Sig value	Simple Mean	Standard deviation	Result of the null hypothesis HO
21.017	1.94	176	*0.00	.38231	0.59000	Refusal

* Significance at ≤ 0.05

We also note that the results of **Table No. (8)**, related to the second sub-hypothesis test, are shown by the One Sample T-Test that the significant Sig value is less than (**0.05**), which is (**0.00**), and the calculated (T) value of (**21.017**) is greater than Its tabular value is at the degree of freedom (N-1) of (**1.94**), and this consequently leads to the rejection of the null hypothesis (**HO.2**), and then acceptance of the alternative hypothesis (**H1.2**), which indicates the existence of a statistically significant impact at the level of significance (**0.05 $\geq\alpha$**) for the requirements of (IFRS) on the accounting practices on Iraq medium enterprises performance.

HO.3: There is no statistically significant impact of the hedge accounting on accounting practices in Iraq medium enterprises.

H1.3: The presence of a statistically significant impact of the hedge accounting on accounting practices in Iraq medium enterprises.

Table (9) the results of the third sub-hypothesis test

Computed T value	Tabular T value	The degree of freedom DF	T Sig value	Simple Mean	Standard deviation	Result of the null hypothesis HO
.20878	1.93	176	*0.00	.39333	0.58888	Refusal

* Significance at ≤ 0.05

The results of **Table No. (9)** for testing the third sub-hypothesis through the One Sample T-Test show that the significant Sig value is less than (**0.05**), which is (**0.00**), while the calculated value of (T) is (**20.878**) It is greater than its tabular value at the degree of freedom (N-1), which is (**1.93**), and as a result, it is necessary to reject the null hypothesis (**HO.3**), and then accept the alternative hypothesis (**H1.3**), which indicates the existence of a statistically significant effect At a level of significance (**$0.05 \geq \alpha$**) for the effect of the hedge accounting on accounting practices in medium enterprises.

HO.4: There is no statistically significant impact of the accounting practices on hedge accounting in Iraq medium enterprises.

H1.4: The presence of a statistically significant impact of the accounting practices on hedge accounting in Iraq medium enterprises.

Table (10) the results of the third sub-hypothesis test

Computed T value	Tabular T value	The degree of freedom DF	T Sig value	Simple Mean	Standard deviation	Result of the null hypothesis HO
.20777	1.94	176	*0.00	.38955	0.58888	Refusal

* Significance at ≤ 0.05

Finally, the results of **table No. (10)** for testing the third sub-hypothesis through the One Sample T-Test show that the significant Sig value is less than (**0.05**), which is (**0.00**), while the calculated value of (T) is (**20.777**) It is greater than its tabular value at the degree of freedom (N-1), which is (**1.94**), and as a result, it is necessary to reject the null hypothesis (**HO.3**), and then accept the alternative hypothesis (**H1.3**), which indicates the existence of a statistically significant effect At a level of significance (**$0.05 \geq \alpha$**) for the effect of the accounting practices on hedge accounting on in medium enterprises.

2. Results and recommendations:

By relying on the results of testing the main hypothesis of the study and its four sub-hypotheses, these results showed that there is a relatively high level of desire of the study sample, which consisted of financial managers for the Iraq medium enterprises. These Iraq medium enterprises apply the requirements of hedge accounting and accounting practices

together because of their impact on the medium enterprises performance in the sample enterprises of the study, through it's on the mutual influence for hedge accounting and accounting practices together on performance medium enterprises. The results of this study are consistent with the results of some previous studies that medium enterprises must apply the requirements of hedge accounting on the one hand and the results of some other previous studies that medium enterprises must apply the requirements of accounting practices on the other hand. In view of the results of the study, the recommendations of the enterprises operating in the Iraq medium enterprises became binding on working to requirements the hedge accounting and accounting practices together that is the subject of the study because of its impact the performance medium enterprises, and finally work to encourage researchers and those interested in conducting more research and studies related to the application of the requirements of hedge accounting and accounting practices together on Iraq performance medium enterprises and other companies.

References:

1. Ariff, M. S. B. M., Zakuan, N., Tajudin, M. N. M., Ahmad, A., Ishak, N., & Ismail, K. (2014). A framework for risk management practices and organizational performance in higher education. *Review of Integrative Business and Economics Research*, 3(2), 422.
2. Barnoussi, A. E., Howieson, B., & van Beest, F. (2020). Prudential Application of IFRS 9:(Un) Fair Reporting in COVID-19 Crisis for Banks Worldwide? *Australian Accounting Review*, 30(3), 178-192.
3. Bischof, J., & Daske, H. (2016). Interpreting the European Union's IFRS endorsement criteria: The case of IFRS 9. *Accounting in Europe*, 13(2), 129-168.
4. COSO, W. (2018). Enterprise risk management: Applying enterprise risk management to environmental, social, and governance-related risks by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD). World Business Council for Sustainable Development (WBCSD), oO.
5. Deloitte, Z. A. O., & Touche, C. I. S. (2016). IFRS 9: Financial Instruments—high level summary. United Kingdom Company.
6. Durst, S., Hinteregger, C., & Zieba, M. (2019). The linkage between knowledge risk management and organizational performance. *Journal of Business Research*, 105, 1-10.
7. Fielding, L. M., Ellis, L., Beveridge, C., & Peters, A. C. (2005). An evaluation of HACCP implementation status in UK small and medium enterprises in food manufacturing. *International Journal of Environmental Health Research*, 15(2), 117-126.
8. Gehrer, J., Krakuhn, J., & Schüz, P. (2014). IFRS 9 Financial Instruments—die finale Fassung im Überblick. *Zeitschrift für internationale Rechnungslegung*, 9, 385-394.
9. Groff, M. Z., & Mörec, B. (2021). IFRS 9 transition effect on equity in a post bank recovery environment: the case of Slovenia. *Economic Research-Ekonomska Istraživanja*, 34(1), 670-686.
10. Harash, E. (2015). The role of environmental uncertainty in the link between accounting information system and performance small and medium enterprises in Iraq. *Global Journal of Management and Business Research*.

11. Harash, E. (2017). Accounting performance of SMEs and effect of accounting information system: a conceptual model. *Global Journal of Management and Business Research*
12. Harash, E., Al-Timimi, S., & Alsaadi, J. (2014). The influence of finance on performance of small and medium enterprises (SMES). *technology*, 4(3), 161-167.
13. Harash, E., Bin Yahya, S., Ries Ahmed, E., & Jasem Alsaad, F. (2013). Impact of Government policies in the Influence of Market practices on Financial Performance of small and medium enterprises (SMEs) in Iraq. *Journal of Accounting and Business (JAB)*, 13(2).
14. Hoyt, R. E., & Liebenberg, A. P. (2011). The value of enterprise risk management. *Journal of risk and insurance*, 78(4), 795-822.
15. Huber, C., & Scheytt, T. (2013). The dispositif of risk management: Reconstructing risk management after the financial crisis. *Management Accounting Research*, 24(2), 88-99.
16. Huian, M. C. (2012). Accounting for financial assets and financial liabilities according to IFRS 9. *Analele Științifice ale Universității Alexandru Ioan Cuza «din Iași. Științe economice*, 59(1), 27-47.
17. Johannes, R., Dedy, D., & Muksin, A. (2018). The Preparation of Banking Industry in Implementing IFRS 9 Financial Instruments (A Case Study of HSBC Holdings Plc Listed on London Stock Exchange of Year 2015–2017). *International Journal of Economics and Financial Issues*, 8(6), 124-136.
18. Khudir, I. (2021). Challenges in Transitioning from a Unified Accounting System to International Financial Reporting Standards: The Case of Kurdistan, Iraq (Doctoral dissertation, Auckland University of Technology).
19. Loew, E., Schmidt, L. E., & Thiel, L. F. (2019). Accounting for financial instruments under IFRS 9—First-time application effects on European banks' balance sheets.
20. Mahmood, N. S. (2015). Empirical Investigation of Implementation of Credit Risk Management Among Iraqi Banks. *Journal of Baghdad College of Economic sciences University*, (45).
21. Mekasha, G. (2011). Credit risk management and its impact on performance on Ethiopian commercial Banks. unpublished thesis (Msc), Addis Abeba University.
22. Moeller, R. R. (2011). COSO enterprise risk management: establishing effective governance, risk, and compliance processes (Vol. 560). John Wiley & Sons.
23. Novotny-Farkas, Z. (2016). The interaction of the IFRS9 expected loss approach with supervisory rules and implications for financial stability. *accounting in Europe*, 13(2), 197-227.
24. Sultanoğlu, B. (2018). Expected credit loss model by IFRS 9 and its possible early impacts on European and Turkish banking sector. *Muhasebe Bilim Dünyası Dergisi*, 20(3), 476-506.
25. Verbano, C., & Venturini, K. (2013). Managing risks in SMEs: A literature review and research agenda. *Journal of technology management & innovation*, 8(3), 186-197.
26. Virglerova, Z., Khan, M. A., Martinkute-Kauliene, R., & Kovács, S. (2020). The internationalization of SMEs in Central Europe and its impact on their methods of risk management. *Amfiteatru Economic*.
- Watkins, J. A. (2012). A literature review of small and medium enterprises (SME) risk management practices in South Africa. *African journal of business management*, 6(21), 6324-6330.