

THE IMPACT OF AUDIT QUALITY ON THE RELEVANCE OF ACCOUNTING INFORMATION'S VALUE THROUGH MEDIATING ROLE OF EARNINGS MANAGEMENT PRACTICE

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Abstract

This study aims to measure the impact of changing the auditor and the quality of the audit on the appropriateness of the value of accounting information in Iraqi banks listed on the Iraq Stock Exchange. The research sample included 19 Iraqi banks listed on the Iraq Stock Exchange from (2014 to 2022) with 171 annual observations obtained from the financial reports of these banks published on the Iraq Stock Exchange website. In analyzing the data, the researcher relied on the statistical packages (SPSS 28) and the statistical package (STATA 17), and the researcher concluded that audit fees have a direct negative impact on earnings management. At a level of statistical significance (1%), on the other hand, the size of the auditing firm had a positive effect on earnings management. There is a direct negative effect of earnings management on the suitability of the value to earnings per share and the suitability of the value to the book values of Iraqi banks listed on the Iraq Stock Exchange. There is a direct positive effect of audit quality represented by the two variables (audit fees and size of the audit firm) on the relevance of accounting information's value.

Keywords: Audit Quality; Relevance of Accounting Information; Earnings Management.

Introduction

The concept of quality is one of the modern concepts that appeared in the last quarter of the twentieth century, and its concept changed after the development of management science, the emergence of large companies, and the increase in competition as the concept of quality became complex and new dimensions (Flayyih et al., 2019). The audit is considered a systematic process that ensures that the information in the financial statements related to the company's operational activities is genuinely objective, reliable, and trustworthy (Salih, 2021). The audit report is presented at the end of the audit process to those interested in the company from management and external users, and it includes the auditor's report that provides for the interests of the three parties. It is represented by the director of the company

subject to the audit, the company's shareholders, and third parties or external parties such as investors, creditors, suppliers, and others, and the auditor's report plays an "important" role for each of these parties, especially in the decision-making process (Ayem & Menge, 2022; Al-Saedi & Sharqi, 2023). Auditors should pay attention to the quality of the audit because, with high audit quality, they are expected to provide financial reports that users of financial information can trust. Based on the professional standards of accountants, the audit carried out by the auditor can be of high quality if they adhere to the provisions or standards of auditing (Al-Janabi et al., 2024). In 2001, material deviation from regulations, laws, or standards indicates poor audit quality.

In 2004, Francis suggested that audit quality is inversely related to the audit failure rate, which can be inferred from the failure of the auditor's audit work (Zhan, 2021). Awuye, (2022) points out that the number of significant audit companies distinguished by the quality of their audit operations has varied, as some audit companies lost their position to others. For example, before 2002, five major audit companies were known as the Big5, each From Ernst and Young, PWC, KPMG, Deloitte, and Arthur Andersen LLP (AA). Because of the Enron scandal and the role played by Arthur Andersen (AA), its reputation was significantly declined. Thus, the company lost its position as a major auditing firm; therefore, there were four companies. Major audits know the Big4. Big4 audit companies produce their audit operations with high audit quality because they try to isolate themselves from other audit companies by investing more in their brand. They spend more resources on hiring and training employees and keeping up with the latest technologies necessary for audit operations (Abass et al., 2023). The quality of the auditor's audit is crucial because it evaluates the auditor's professional competence, especially in disclosing, analyzing, and reporting the audit results of the company's financial statements subject to the audit (Yusmaniarti et al., 2020). The information in the financial statements is the basis for external users (investors, creditors, and lenders) to evaluate the company's financial performance, assist in the decision-making process, and assess the company's financial events. When this accounting information is appropriate, it can be used to determine the future of the company's accounting reports (Hadi et al ., 2023). The suitability of accounting information is one of the fundamental qualitative characteristics of accounting information, which makes it worthwhile to various stakeholders. Therefore, financial reports must provide information that helps its users, including current and prospective investors and creditors, predict the amount, timing, and degree of certainty of expected cash receipts (Hendrawan et al., 2023). The International Accounting Standards Board (Hussain et al., 2023) defined suitability as the primary qualitative characteristic of financial statements that must be useful in decision-making.

Additionally, "accounting information is considered relevant when it can influence the economic decision." For users helping them evaluate past, present, and future events and correct their previous assessment, interest has increased in the issue of the relevance of the value of accounting information, especially after the increasing cases of collapse and financial bankruptcy of major companies in various countries of the world, which in turn led to investors and other stakeholders losing confidence in what the reports provide. Financial accounting information, and thus determining the appropriateness of the value of accounting information, has become a "major" requirement to strengthen confidence in the outputs of the

accounting information system and to confirm the suitability and effectiveness of the rules and standards that govern the work of the accounting information system (Salman et al., 2023).

The main task of accounting is to provide the information required to evaluate the company's previous decisions, which includes the current operating profit and cost savings that can be achieved. The value of accounting information is indicated by the extent to which it suits users' requirements, which is determined by various variables, and the importance of accounting in a company cannot be overstated (Al-Saedi et al., 2020; Nehme et al., 2023). Because it involves measuring and providing financial information to company managers, investors, tax authorities, and other stakeholders to help them make informed choices about allocating a company's assets (Wali, 2021). Financial statements are one of the sources of information used in the decision-making process because they depict the financial position and performance of the company in a certain period. The goal of financial statements is to provide information related to the financial position, performance, and changes in the financial position of the company, and this is useful to the majority of users of financial statements in making economic decisions. Financial statements often become tools in the fundamental analysis that investors carry out to make economic decisions. Additionally, financial statements are prepared to evaluate management's performance in achieving the company's goals during a certain period (Nelwan et al., 2020). Researchers have presented various explanations defining earnings management as manipulating financial reports to achieve specific goals. The beginning of the practice of earnings management by management dates back to the 1980s, when many global companies witnessed a state of economic recession; as management became needed to maximize profits and show unreal profits, management exploited the loopholes and flexibility allowed by accounting standards to show fake profits. Still, such companies did not last long because they collapsed due to their bankruptcy, and this represents a source of great concern to stakeholders, especially Investors (Linhares et al., 2018). Professional and academic accounting thought has recently paid increasing attention to earnings management (EM) due to the importance represented by the net profit figure prepared on an accrual basis, as it is one of the most important variables many depend on. Users of accounting information from inside or outside the company in the process of making operational, investment, and financing financial decisions, in addition to that, as it represents the best measure in evaluating the company's current performance and in preparing predictive studies on its future performance and one of the important indicators for determining the company's share price in the stock market., and thus the possibility of judging the extent of management's efficiency in using available resources (Sellami & Slimi, 2017). Negative practices by corporate executives increased in the early first decade of the twenty-first century, which in turn led to the failure of those companies and the emergence of a term called earnings management as a result of deliberate manipulation and distortion in accounting data to influence the financial results desired to be reported for those companies. Financial failures, collapses, and scandals led to major companies contributing to global markets, such as the energy company Enron in 2001, World Com Communications in 2003, the American Zxerox, which specializes in selling printed and digital document products and services, and American Motors General, which specializes in manufacturing cars, and the

Italian food company Parmalat in 2003. Other companies have led to a loss of confidence in the financial markets on the one hand, and in the auditing profession, the auditor, and audit offices on the other hand, as well as a decline in the quality of accounting information contained in companies' financial reports (Al Shanti, A.M., & Elessa, 2023). The most prominent financial scandal in the United States of America was the approval in July 2002 to pass the Sarbanes-Oxley Act, which brought about radical changes to the corporate environment and auditing firms operating in the United States. Among the main provisions introduced by the Sarbanes Act were: Oxley (known as SOX) of 2002 prohibits many non-audit services that the current auditor can provide to a public company and emphasizes the change of auditor after five years. The presence of the auditor for a long period in auditing the accounts of a particular company will weaken and reduce the importance of the independence and impartiality of the auditor and create intimate relationships with the company's management. This long relationship between the auditor and the auditing company may prevent the auditor from providing high-quality audit work. High-quality auditors will limit the practice of earnings management in companies and give credibility to the financial statements, one of the indicators of high-quality auditing. This certainly leads to enhancing the audit and auditor quality simultaneously. The practice of earnings management by companies will affect the appropriateness of the value of accounting information, as financial statements play an essential role as a form of management accountability for the resources it manages. The information received from financial statements is necessary for investors to make their investment decisions and for the information to be useful to makers. Decision: One of the features that must be present in financial statements is the suitability of the information to users. The value of financial information is important because of the ability of accounting numbers to summarize the company's financial performance and influence the change in companies' stock prices. Accordingly, the research problem can be formulated with the following question: "Does the quality of auditing affect the suitability of the value of accounting information in light of the mediating role of earnings management practices?" The following sub-questions branch out from the above question: Does audit quality impact the practice of earnings management by Iraqi banks listed on the Iraq Stock Exchange? 2. Does the practice of earnings management by Iraqi banks listed on the Iraq Stock Exchange have an impact on the relevance of the value of accounting information? Does the quality of auditing impact the relevance and value of accounting information? Is the audit quality relationship affected by the relevance of the value of accounting information under the mediation of earnings management? The research seeks to achieve a set of objectives that are directly linked to the importance of the variables studied, through which the researcher aims to verify the nature of the relationships between the variables within the framework of an independent and mediating relationship and the extent of their relationship to the nature of accounting information for decision-makers to ascertain the extent of its suitability by verifying the nature of the relationship between The variables studied to arrive at results that contribute significantly to achieving benefit for users of accounting information, confirming the extent to which audit quality affects earnings management. It also verifies the extent to which the practice of earnings management by Iraqi banks listed on the Iraqi Stock Exchange

affects the appropriateness of accounting information and how the quality of auditing affects the appropriateness of accounting information's value.

1. LITERATURE REVIEW

The study (Liemmuel & Eriandani, 2022) aims to investigate whether audit quality and earnings management reduce the impact of accounting information on market prices. In their study, the researchers relied on the modified Jones model (Jonse 1995) to measure discretionary accruals for earnings management. They relied on the type of auditor and the audit opinion to measure audit quality. To measure the variable of suitability to the value of accounting information, the researchers relied on the price model and Multiple regression models in data analysis, and the study population was represented by companies listed on the Indonesia Stock Exchange. In contrast, the study sample was represented by several public companies listed on the Indonesia Stock Exchange, amounting to 1,525 companies from 2016 to 2020. The study concluded that the suitability of accounting information represented by each of the profits, book value, and operating cash flows positively impacts stock market prices. The type of auditor and the auditor's opinion strengthen the relationship between profits and stock prices. In addition, earnings management reduces the impact of profits on stock prices. However, earnings management does not reduce the correlation of the book value of equity and operating cash flows with stock prices. While the study (Yasser & Soliman, 2018) aims to examine the effect of audit quality on earnings management in companies listed on the Egyptian Stock Exchange during the period 2012-2016, the researchers relied in their study on using the Jones model modified by (Dechow et al. 1995) to calculate accruals. Non-discretionary, the OLS model was used for regression analysis to explore the relationship between the variables controlling audit quality, which are (the size of the audit firm, the auditor's industry specialization, the auditor's tenure, and financial leverage) and earnings management in companies listed on the Egyptian Stock Exchange during the period 2012- 2016, and the study concluded that the auditor cannot play a role in limiting the practice of earnings management, in addition to the inability of the auditor's specialization in the industry to influence the level of discretionary accruals in the Egyptian Stock Exchange, and finally that the audit period has a significant impact on Earnings management. The study (2022, Kalbuana et al.) aimed to investigate the impact of audit quality on earnings management in companies listed on the Indonesian Stock Exchange from 2016 to 2020. In measuring earnings management, the researchers relied on the modified Jones model (Jones 1995) to determine maturity. The study sample represented companies operating in the trade sector and listed on the Indonesian Stock Exchange, numbered 18 companies from 2016-2020. The data was analyzed using the statistical program SPSS, and the coefficient of determination, simultaneous testing, and partial testing were adopted to test the hypotheses. The study concluded that Audit quality significantly negatively impacts earnings management. The study (Thomas, 2022) aims to verify the extent to which there is a relationship between audit quality as one of the important features of good corporate governance and earnings management in consumer goods companies listed on the Nigerian Stock Exchange. In measuring earnings management, the researcher relied on accounting estimates, and the data for the sample companies was analyzed. The study uses multiple

regression analysis technology to analyze the data. The study population is represented by companies operating in the consumer goods sector listed on the Nigerian Stock Exchange, which number 21 companies. The study sample was represented by 17 companies operating in the consumer goods sector and listed on the Nigerian Stock Exchange for the period from 2011. – 2020, and through his study, the researcher found that there is a significant positive correlation between audit quality and earnings management and that the size of the audit company significantly and positively affects earnings management, while audit fees and the specialization of the auditors' industry have an important impact on earnings management, while it was found that the period of work The auditor has no significant influence on earnings management in consumer goods companies listed on the Nigerian Stock Exchange. The study (Ayem & Menge,2022) aimed to identify the effect of earnings management and audit quality on the company's value, with ownership management as a moderating variable. The researchers used the modified Jones model (Jonse 1995) to measure earnings management, and the price model was used to measure the company's value. Data analysis through multiple regression and mean regression analysis using the (21 SPSS) program. The study population represented industrial companies listed on the Indonesia Stock Exchange for 2016-2019. The study sample represented 24 industrial companies from the companies listed on the Indonesia Stock Exchange. Among the most important results reached were: This study suggests that earnings management negatively impacts the company's value. At the same time, auditing quality also negatively impacts the company's value. Based on what was reported from

previous literature, the research hypotheses can be formulated as follows:

The first hypothesis: There is a negative effect of audit quality on earnings management practices in Iraqi banks listed on the Iraqi Stock Exchange.

The second hypothesis: There is a negative effect of earnings management practices on the appropriateness of the value of accounting information in Iraqi banks listed on the Iraqi Stock Exchange.

The third hypothesis: There is a positive effect of changing auditing quality on the relevance of the value of accounting information in Iraqi banks listed on the Iraqi Stock Exchange.

Fourth hypothesis: There is a positive effect of audit quality on the relevance of the value of accounting information decreases under the mediation of earnings management.

2. A THEORETICAL FRAMEWORK FOR THE RESEARCH

3.1 Audit quality

The most important concept presented for this concept is what (De Angelo) presented in 1981, as he defined audit quality as (the probability that the auditor will discover fundamental violations and errors in the company's accounting system and report on these fundamental violations and errors). The study by De Angelo in 1981 is considered one of the most important concepts presented for this concept. The first studies presented a concept of audit quality. This concept focuses on two elements: the experience and competence of the auditor in discovering material errors and fundamental distortions in the financial statements, while the second element is represented by the objectivity and independence of the auditor, which is linked to the possibility of the auditor reporting on correcting the discovered distortions (De Angelo, 1981). In 1986, Watt and Zimmerman expanded the concept of audit quality that De

Angelo defined in 1981, as the first part refers to the efficiency of the auditor and the number of inputs allocated to the audit, while the second part refers to the auditor's independence. In other words, any factors associated with a lack of efficiency The auditor or lack of independence of the auditor can harm the quality of the audit. (Chu et al., 2024), he defined audit quality as (the auditor's ability to apply the knowledge and experience gained in the audit to enable him to conduct the audit process carefully, objectively, and accurately). (Diab et al., 2024) defined audit quality as (the probability that the auditor will find a violation in the accounting system of the entity subject to the audit and report it), and this concept of audit quality is consistent with (De Angelo 1981) concept of audit quality. Both (Ismail, 2020) and (Rahman et al., 2021) that audit quality expresses the extent of the auditor's commitment to professional responsibilities and the rules of professional ethics and conduct, consistent with De Angelo's definition in 1981 above. Zukbee (2024) defined audit quality as (the efficient performance of the audit process). And effectively by the professional standards for auditing, the rules and etiquette of professional conduct issued by professional organizations, and quality control controls, with the disclosure of errors and violations discovered to achieve the goals expected from the audit process for the relevant parties. (Fossung & Valery, 2022) define it as (the auditor's ability to discover distortions in the financial accounts of the company under audit through competence and to disclose them through his independence). (Awaloedin et al., 2024) defined audit quality as (the auditor's ability to discover material misstatements in the financial statements of the entity subject to audit and to inform users of them). Despite the importance of the subject of audit quality, there has yet to be an agreement among researchers on a unified concept of audit quality. This difference is due to its nature and the diversity of its beneficiaries, such as auditors, preparers, and users of financial statements. Two concepts determine the concept of audit quality. The first is the general concept, which is determined from the users' point of view. The financial statements express the characteristics of the auditor's professional opinion, which satisfies their needs within the limits of the practical and economic constraints of the audit environment, and the operational concept, which is determined by the auditors' point of view regarding the performance of the audit task in terms of the degree of adherence to professional standards, and the extent of adherence to plans, programs, and budgets. Objectivity is the direction and degree of discovering and reporting errors and irregularities in financial statements (Musa, 2024).

3.1 Earnings management:

Although accounting profit prepared on an accrual basis is the best measure of a company's performance, it is one of the most important variables that investors rely on in making their investment decisions and one of the critical indicators for determining a company's share price in the market, as it expresses the extent of management's efficiency in using available resources. Despite all of this, the company's management may misuse the freedom granted to it in choosing accounting policies, which provide it with tools to influence profit numbers to show the operating results of those companies as best as possible and not as they should be, through the flexibility available in international accounting standards. (Al-Begali & Phua, 2023). International accounting standards also provide the company's management with the freedom to choose between the accounting alternatives followed and to establish accounting

policies other than what is stated in the accounting standards, in addition to the freedom to disclose items that have an impact on profits or not to reveal them, in addition to the optional aspect of the accrual basis and the management's arbitrary estimates, which is one of the tools that executives use to influence the profit numbers in the financial statements, which is ultimately reflected on the company's Saudi management so that it becomes an expression of the actual performance, which is what defines all of the above in the accounting thought of profit management (Saleh & Mansour, 2024) (Muhtaseb et al. al, 2024). There are many concepts of earnings management, and one of the concepts most used positively is the concept (Healy & Wahlen, 1999). Earnings management occurs when company managers control the financial reports and the structure of operations and events to change those reports, either to mislead the relevant parties about the company's economic performance or to influence the results of contracts on which the accounting numbers depend. As defined by (Chatterjee & Rakshit, 2023), it is (the use of accounting methods by the company's management to produce financial statements that provide a very positive view of the company's business activities and financial position). As for (Jing, 2023), he defined earnings management as "a series of arrangements made by the company's management to enhance the current reported profits without corresponding growth in the long-term profitability of the company". (Abu Afifa, 2023) defined it as "the company's management increases or decreases the net profit figure listed in the financial statements in multiple ways, and this is done by using the flexibility available to it in choosing from a group of accounting methods and policies and estimation or personal judgment.

3.3 Relevance of the value of accounting information

The term value fit began to appear in the literature in the 1990s, but studies conducted to show the relationship between accounting numbers and company value began more than 59 years ago. The first article in this field was published in 1966 by (Miller & Modigliani) using—a sample of companies belonging to the electricity sector. The authors showed that capitalizing profits relative to assets is significant in evaluating the market. The relevant literature on the subject dates back to the essential work carried out by the (Ball & Brown) study in 1968, considered one of the first to test the suitability of accounting numbers in financial markets (Endiana & Suryandari, 2022). Both (Ball & Brown) studied the suitability of profit components and observed their connection to market prices.

In contrast (Beaver) studied the suitability of value by observing the reaction of market price and volume—transactions after the publication of annual financial reports (Barth & McClure, 2023). As for Ohlson, in 1995, he developed his model that links the company's market value to the accounting information represented by (profits book value of equity), and this model has been tested in many studies (Amri & Aghaei, 2023). (Diab et al., 2023) believe that the study (Amer et al.) in 1993 is the first study that used the term value relevance, as the relevance of the value of accounting information means determining the weight and importance of accounting information within the framework of the decision taken or decision. What is required to be taken? This value is estimated through the extent of accounting information's ability to influence dealers' economic choices in the stock market. That influence appears through changes in securities prices or dealers' reactions regarding the

publication of accounting information. The term value suitability of accounting information is used to express the ability of accounting numbers to reflect the basic information of stock prices. Therefore, value suitability is inferred through the statistical correlation between accounting information and the market value of stocks or stock returns (Imhanzenobe, 2022). In 1999, Francis & Schipper indicated that the accounting information disclosed in the financial statements is considered to have an appropriate monetary value through its impact on the market prices of shares, which contributes to estimating the actual value of shares because the market prices of shares do not represent these actual values. Therefore, the suitability of accounting information is measured as the profits generated based on this information, and the suitability of the value of accounting information does not focus on how the accounting information is used to evaluate the company's financial position but rather demonstrates the ability of accounting information to explain and interpret changes retroactively in Stock prices over time or between companies (Mitchell et al., 2022) (Du & Yu, 2021) (Ngoc & Phuong, 2023) defined the relevance of the value of accounting information as "the ability of accounting numbers to summarize the information on which stock prices focus" The appropriateness of the value was indicated by the presence of a statistical correlation between financial information and prices and returns.

3. METHODOLOGY

Sample

To run the structural research model, we will rely on balanced longitudinal data (Balanced Panel Data) for a sample of 19 Iraqi banks listed on the Iraq Stock Exchange during the period from (2014-2022) with a total of 171 annual observations, which were obtained from the financial reports and statements of these banks and published on the Iraq Stock Exchange website.

Mathematical model

The research aims to measure the impact of audit quality on the appropriateness of the value of accounting information in Iraqi banks listed on the Iraqi Stock Exchange, whether directly or indirectly through earnings management (i.e., within the framework of an "intermediary" model in which earnings management can play an intermediary role).

A research model consisting of three equations will be built to achieve this. The first equation concerns the impact of changing auditing quality on the earnings management level in banks listed on the Iraqi Stock Exchange.

$$EM_status_{it} = \alpha_0 + \alpha_1 Audfee_{it} + \alpha_2 Audfirmsize_{it} + \alpha_3 Banksize_{it} + \alpha_4 ROA_{it} + \alpha_5 LEV_{it} + \alpha_6 SGR_{it} + \varepsilon_t \quad (1)$$

The second equation is concerned with studying the effect of earnings management and audit quality on the relevance of the value to earnings per share (as one of the indicators of the value relevance of accounting information).

$$EPS_abs_{it} = \beta_0 + \beta_1 EM_status_{it} + \beta_2 Audfee_{it} + \beta_3 Audfirmsize_{it} + \beta_4 Banksize_{it} + \beta_5 ROA_{it} + \beta_6 LEV_{it} + \beta_7 SGR_{it} + \varepsilon_t \quad (2)$$

The third equation was concerned with studying the effect of earnings management and audit quality on the suitability of the value to the book value (as another indicator of the suitability

of the value of accounting information) in Iraqi banks. We can make earnings management a mediating variable in the relationship between audit quality and the suitability of accounting information's value (Whether about the suitability of the value to earnings per share or book value). Therefore, the structural research model can be built in a simplified form as follows:

$$PVS_abs_{it} = \gamma_0 + \gamma_1 EM_status_{it} + \gamma_2 Audfee_{it} + \gamma_3 Audfirmsize_{it} + \gamma_4 Banksize_{it} + \gamma_5 ROA_{it} + \gamma_6 LEV_{it} + \gamma_7 SGR_{it} + \xi_t \quad (3)$$

Whereas:

- ← Earnings management status based on the actual activities of bank i in year EM_status_{it} . It is a dummy variable that takes the value (1) if earnings management is practiced by bank i according to the Beneish (1999) model and takes the value (zero) otherwise.
- ← The absolute value of the value relevance level of EPS for bank i in year t . EPS_abs_{it} It is calculated using the price model of Ohlson (1995).
- ← The absolute value of the value relevance level of the book value of bank i in PVS_abs_{it} year t . It is also calculated using the price model of Ohlson (1995).
- ← Audit fees provided by bank i in year t , which represents a proxy for the level $Audfee_{it}$ of audit quality, are calculated by taking the natural logarithm of the audit fees provided to auditors.
- ← The size of the audit firm for bank i in year t is a dummy variable that $Audfirmsize_{it}$ takes the value (1) if the accounts of bank i are audited by one of the Big 4 audit firms (Big 4) and takes the value zero otherwise.
- ← : The size of bank i in year t is measured by the natural logarithm of the $Banksize_{it}$ bank's total assets at the end of the year.
- ← The rate of return on assets for bank i in year t is measured by dividing the net ROA_{it} profit after tax by the total assets at the end of the year.
- ← The level of leverage of bank i in year t , measured by dividing total liabilities by LEV_{it} total assets at the end of the year.
- ← The sales growth rate of bank i in year t is measured by dividing the difference SGR_{it} between sales in year t and sales in year $t-1$ by the total sales of the previous year $t-1$.
- represent the function constant for the first, second, and third equations, γ_0 ‘ α_0 ‘ α_0 respectively.
- represent the error term with its usual properties for the first, second, and third ξ_t ‘ ϵ_t ‘ ϵ_t equations, respectively.

4. RESULTS

5.1 Descriptive statistics

It is clear from Table (1) that the minimum and maximum limits related to all research variables for the sample of banks fall within an extensive range, which leads to a large size of the standard deviation, and this significant difference/variation may seem natural as a result of differences in experiences or circumstances directed by each bank or other variables. Structural and organizational. This discrepancy is confirmed by the normal distribution test, which was statistically significant for all variables. Accordingly, the null hypothesis will be rejected. Thus, the alternative hypothesis will be accepted: These variables do not follow a

normal distribution, meaning that their actual values fall within a wide range and do not revolve around their average.

Table 1. Summary of descriptive statistics

Variables	Unit	Mean	Median	Std. Dev.	Normality test
Dependent variable:					
Earnings per share	Scale	18.345	3.9493	64.36	[48671.5]***
Negative earnings per share	Scale	-20.248	-2.8283	52.62	[2395.65]***
Positive earnings per share	Scale	17.289	4.7462	70.23	[34199.1]***
Book value of earnings per share	Scale	6.9552	1.9866	17.30	[32295.7]***
Negative book value	Scale	-7.0039	-1.4491	12.85	[433.327]***
Positive book value	Scale	6.9214	2.1909	19.87	[17580.2]***
The mediating variable:					
Earnings management	Scale	4.7756	2.3690	15.96	[90590.1]***
Low -profit management	Scale	-2.5463	-2.2310	2.134	[906.269]***
High -profit management	Scale	10.488	2.9359	29.38	[1911.68]***
EM_status	Dummy	0.6374	1.0000	0.482	[29.2613]***
Independent variables:					
Auditing fees	Logarithm	7.8444	7.8400	0.164	[1982.68]***
Size of the audit firm	Dummy	0.8012	1.0000	0.400	[65.4602]***
Control variables :					
Bank size	Logarithm	11.543	11.720	0.787	[655.054]***
Return on assets	%	0.0488	0.0100	0.151	[6840.18]***
Leverage	%	0.4606	0.4400	0.285	[10218.5]***
Sales growth rate	%	-0.0125	-0.0500	0.447	[79.4163]***

5.2 Model estimation:

After modifying it, the final structural model becomes an excellent fit, as shown in Figure (1). It is clear from the goodness-of-fit statistics shown at the bottom of Figure (1) that the model has perfect fit or matching, meaning that the proposed structural model is entirely identical to the actual research data. It can be interpreted as an indicator of good fit: The root mean square error (RMSEA) indicator, considered one of the most important indicators of good fit, reached a value of (0.000), which thus indicates that the model is fully fit. Also, the lower and upper limits of the confidence limits were at the level of (90%) to confirm this (minimum. The highest is less than 0.001. As for the Pclose statistic, which represents the probability that the RMSEA value is less than 0.05, that is, it represents the probability that the sample observations are close to the population observations, it was not statistically significant, and therefore we can accept at the 1% level that the model Perfect fit.

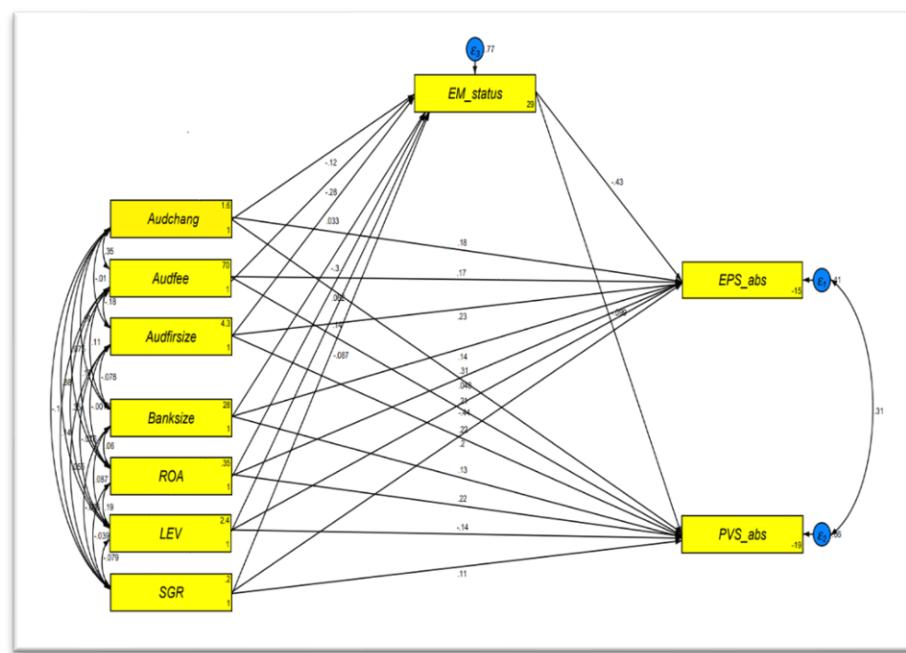


Figure 1. The result of the structural model (SEM): The effect of changing the auditor, audit quality, and earnings management on the relevance of accounting information's value.

Likewise, the value of the goodness of fit index (CFI) and the Tucker-Lewis index, or the non-normal fit index (TLI), was equal to the correct one, confirming that the model is a perfect fit. Finally, the standard root mean square residual (SRMR) index was less than The value of 0.09 (which is equivalent to (0.000), which also indicates a perfect model fit as well. The coefficient of determination (CD) index was relatively high (20.8%), which means a good level of fit, as (the CD index is like the R2 index for the model. As a whole, it is better the closer it gets to the correct one.) On the other hand, the statistical package failed to determine a statistical value (χ^2) for the original model versus the saturated model since the original model is perfectly adequate based on all previous statistics. Therefore, it is saturated initially, while The statistical value (χ^2) of the baseline versus the saturated model is statistically significant at the 1% level, which indicates that the model is poor (this is the only indicator that the model is inadequate), and therefore overall the model can be accepted as being very accurate and adequate to the data that They were collected to examine the research hypotheses. In addition to verifying the suitability of the model, it is also necessary to ensure the quality of the regressions used in the analysis and that they are free of various measurement problems to be confident about the results obtained. This is done using various diagnostic tests, according to the tests shown in Table 2.

Table 2. Diagnostic tests used in the research model

Problems	Tests used	EM_abs equation	EPS_abs equation	PVS_abs equation
Heteroskedasticity	White's test	45.158 (0.077) c	23.760 (0.986)	43.482 (0.366)
Serial Correlation	Wooldridge test	0.7592 (0.458)	1.3468 (0.195)	6.5235 (0.000) a
Dependence	Pesaran CD	0.1300 (0.897)	-0.9032 (0.366)	1.0323 (0.302)
Normality	Jarque-Bera	139.63 (0.000) a	4700.1 (0.000) a	2154.3 (0.000) a
Structural Breakpoint	Chow test	0.9498 (0.478)	0.8635 (0.559)	1.5228 (0.144)

Note: a, b, and c indicate significance at 1%, 5%, and 10%, respectively.

5.3 Adopting the results:

After being satisfied with the quality of the structural model used, its suitability to the data collected, and its absence of various measurement problems, we can continue the analysis to obtain the path coefficients, as shown in Table 3.

Table 3. Results of the structural model (SEM) path analysis of audit quality, earnings management, and appropriateness of accounting information

Paths	Unstandardized Coefficients	Standardized Coefficients	Z	P> z
Earnings management equation				
Earnings management Audit fees →	-1.19516	-0.27582	-15.57	0.000***
Earnings → Size of the audit firm management	0.07298	0.03339	2.070	0.038**
Bank size → Earnings management	-0.35249	-0.30479	-19.70	0.000***
Earnings → Return on assets management	0.33269	0.06163	3.830	0.000***
Earnings management → Leverage	0.40661	0.13652	7.720	0.000***
Earnings → Sales growth rate management	-0.14719	-0.08706	-5.370	0.000***
Earnings per share equation:				
Earnings management → Earnings per share	-246.186	-0.43383	-34.16	0.000***
Auditing fees → Earnings per share	419.433	0.17057	12.40	0.000***
Size of the audit firm → Earnings per share	288.841	0.23289	19.64	0.000***
Bank size → Earnings per share	89.8269	0.13687	11.03	0.000***
Return on assets → Earnings per share	148.001	0.04832	4.090	0.000***
Leverage → Earnings per share	-738.526	-0.43696	-32.92	0.000***
Sales growth rate → Earnings per share	191.582	0.19969	16.70	0.000***
Equation of book value per share				
Earnings management → Book value per share	-8.45303	-0.09869	-6.000	0.000***
Auditing fees → Book value per share	77.3498	0.20843	12.12	0.000***
Size of the audit firm → Book value per share	41.2741	0.22048	14.99	0.000***
Bank size → Book value per share	13.1563	0.13283	8.500	0.000***
Return on assets → Book value per share	103.327	0.22350	15.17	0.000***
Leverage → Book value per share	-35.9208	-0.14082	-8.530	0.000***
Sales growth rate → Book value per share	16.2906	0.11251	7.480	0.000***

Notes: - ***, **, and * are significant at 1%, 5%, and 10%, respectively.

5.3.1 Explaining the results of the earnings management case equation

The results of the path analysis of the structural model indicate that the paths of the equation indicate that the size of the audit firm positively impacts earnings management at the level of (5%). According to the non-standard regression coefficient, which shows the size of the effect, we find that increasing the logarithm of the audit fees by one dinar will lead to a decrease in the practice of earnings management by Iraqi banks listed on the Iraq Stock Exchange by (1.1952) on average. In contrast, a one-degree increase in reliance on auditing companies will increase earnings management by (0.0729) on average. This result is consistent with the

correlation matrix, which showed that earnings management is negatively related to the audit fees variable. In contrast, it is positively associated with the size of the audit firm. Thus, this above result confirms what the Sarbanes-Oxley law stipulates, prohibiting many non-audit-related services that the current auditor can provide to a public company, and that the use of high-quality auditors leads to (higher audit fees), which in turn will limit the practice of auditing. Earnings management in banks gives credibility to the financial statements, which is one of the indicators of high-quality auditing, and this undoubtedly leads to enhancing the quality of the audit and the auditor at the same time; therefore, these results support the verification of (the first hypothesis) which states (there is a negative impact of audit quality on audit practices Earnings management in Iraqi banks).

5.3.2 Explaining the results of the value-to-earnings-per-share equation

The path (EM_status → EPS_abs) shows a direct negative effect of earnings management on the level of value relevance to earnings per share in Iraqi banks listed on the Iraq Stock Exchange at a significance level of (1%). Based on the non-standard regression coefficient, increasing the practice of earnings management by one degree before the Iraqi banks listed on the Iraqi Stock Exchange leads to a decrease in the relevance of the value of the accounting information provided by the banks regarding earnings per share by (246.2) degrees on average, that is, a decrease rate equivalent to (246.2%) of the rate of increase in earnings management, which is of course a considerable percentage and reflects the role Earnings management is pivotal in reducing the level of value relevance to earnings per share. This result is consistent with the correlation matrix, which shows an inverse correlation between earnings management and value relevance to earnings per share.

Therefore, the practice of profit management by Iraqi banks listed on the Iraqi Stock Exchange will affect the appropriateness of the value of accounting information, as financial statements play an essential role in holding management accountable for the resources it manages. The information received from financial statements is necessary for investors to decide. Investment, and for the information to be useful to decision-makers, one of the features that must be present in financial statements is the suitability of the information to users. The importance of the value of financial information is represented in the ability of accounting numbers to summarize the company's financial performance and its ability to influence the change in bank stock prices. Thus, this result supports achieving (The second hypothesis) which states (there is a negative impact of earnings management practices on the relevance of the value of accounting information in Iraqi banks).

5.3.3 Regarding the results of the value suitability equation for book values:

The effect of earnings management, audit quality, or control variables on the value fit to book values (EPS_abs) in the third equation did not differ from their effect on the value fit to earnings per share (PVS_abs) in the second equation, as shown in Table (3) previously. This confirms the strength and stability of the results. The only difference is in the relative importance of the variables, and the results of the third equation can be interpreted as follows:

5.3.4 Regarding earnings management:

The path (EM_status → PVS_abs) shows a direct negative effect of earnings management on the suitability of value to book values at a significance level (1%). Based on the non-standard regression coefficient, increasing earnings management by one degree decreases value suitability to values. The book value increased by (8.453) degrees on average, i.e., a decrease rate equivalent to (845%) of the rate of increase in earnings management. This result is consistent with the correlation matrix, which shows an inverse relationship between earnings management and the suitability of the book values. Therefore, this result supports the verification of the third hypothesis, which states (that earnings management has a negative impact on the suitability of the value to the book values of banks).

5.3.5 Regarding audit quality:

It is clear from the paths of the equation that there is a direct positive effect of the independent variable audit quality represented by the two variables (audit fees and size of the audit firm) on the suitability of the value to the book values at a significance level (1%), and according to the non-standard regression coefficient, we find that the increase One degree in the audit quality variables will lead to an increase in the level of suitability of the value of accounting information over book values by (77.35, 41.27) degrees on average, respectively. This result is consistent with the correlation matrix, which showed that the value suitability of book values is positively related to the independent variable, quality. The audit is represented by (audit fees and the size of the audit company), and this result supports the verification of the third hypothesis, which states (there is a positive effect of changing the quality of the audit on the relevance of the value of accounting information in Iraqi banks).

To evaluate the mediating variable, earnings management, the Sobel test will be estimated, in addition to the two statistics (RIT) and (RID), as shown in Table (4) below:

Table 4 Sobel mediation test of the SEM model

Paths	Sobel test	RIT	RID	Type of Mediation
Earnings per share equation				
Auditing fees → Earnings management → Earnings per share	13.83 (0.000)***	0.412	0.701	partial mediation
Size of the audit firm → Earnings management → Earnings per share	-2.069 (0.039)**	0.066	0.062	partial mediation
Bank size → Earnings management → Earnings per share	16.47 (0.000)***	0.491	0.966	partial mediation
Return on assets → Earnings management → Earnings per share	-3.795 (0.000)***	1.239	0.553	partial mediation
Leverage → Earnings management → Earnings per share	-7.482 (0.000)***	0.119	0.136	partial mediation
Sales growth rate → Earnings management → Earnings per share	5.289 (0.000)***	0.159	0.189	partial mediation
Equation of book value per share :				
Auditing fees → Earnings management → Book value per share	5.568 (0.000)***	0.116	0.131	partial mediation

Size of the audit firm → Earnings management	-1.959	0.015	0.015	partial mediation
→ Book value per share	(0.050)*			
Bank size → Earnings management → Book value per share	5.706 (0.000)***	0.185	0.226	partial mediation
Return on assets → Earnings management → Book value per share	-3.220 (0.001)***	0.028	0.027	partial mediation
Leverage → Earnings management For the stock Book value	-4.720 (0.000)***	0.087	0.096	partial mediation
Sales growth rate → Earnings management → Book value per share	3.991 (0.000)***	0.071	0.076	partial mediation

Notes: - ***, ** and * are significant at the 1%, 5% and 10% levels respectively

From Table (4) above, it is clear that the test statistic is statistically significant for all variables represented in audit quality or control variables. Therefore, these results supported the fulfillment of the fourth hypothesis, as the fourth hypothesis stated that (the positive effect of audit quality on the relevance of the value of accounting information decreases in light of average earnings management).

Also, from Table (12), we notice the following from the statistics (RIT) and (RID):

- Regarding the RIT statistic: From the first equation regarding the relevance of value to earnings per share, it is clear that the percentage of the effect of the rate of return on assets on the relevance of value to earnings per share through earnings management (the intermediate variable) is equal to (1.239), which is the highest effect of any variable on the relevance of value to accounting information. Through earnings management, followed by the impact of bank size (0.491), then audit fees (0.412), sales growth rate (0.159), financial leverage (0.119), and finally, the size of the audit firm (0.066), and this order differs concerning the second particular equation for value suitability. For book values, we find that the variables with the highest impact on the suitability of value to book values through earnings management are the size of the bank (0.185), followed by audit fees (0.116), then financial leverage (0.087), and so on until we reach the size of the audit firm (0.015).

- As for the (RID) statistic, It is clear from the first equation regarding the relevance of value to earnings per share that the mediating effect of earnings management is approximately (0.966) times greater than the direct effect of bank size on the relevance of value to earnings per share, and approximately (0.701) times greater than the direct effect of audit fees. The suitability of the value to the earnings per share is also approximately (0.553) times greater than the direct effect of the rate of return on assets, and so on, until we reach (0.062) times the size of the auditing company. Likewise, the second equation clearly shows the suitability of the value to the book values. The mediating effect of earnings management is about (0.266) times greater than the direct effect of bank size on the suitability of value to book values and about (0.131) times greater than the direct effect of audit fees on the suitability of value to book values. It is also about (0.096) times greater than the direct effect. The financial leverage depends on the suitability of the value to the book values, and so on, until we reach (0.015) times the size of the auditing company according to the suitability of the value to the book values.

5. Conclusions

the study aims to measure the impact of changing the auditor and the quality of the audit on the appropriateness of the value of accounting information in Iraqi banks listed on the Iraq Stock Exchange. In analyzing the data; we concluded that Audit fees have a direct negative effect on earnings management at the statistical significance level (1%), while the size of the audit firm had a positive effect at the level of (5%). There is a direct negative impact of earnings management on the relevance of value to earnings per share and the relevance of value to book values in Iraqi banks listed on the Iraqi Stock Exchange at a significance level of (1%). The independent variable, audit quality, represented by the two variables (audit fees and size of the audit firm), directly affects the relevance of accounting information's value.

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