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Impairment Losses after Comparison Between Book Values and Recoverable Values of Non-Current Assets and its Impact on the Content of the Financial Statements

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Abstract: The research aims to identify the possibility of applying the International Accounting Standard (36) related to the loss of impairment in the value of non-current assets on the Baghdad Soft Drinks Company and the effect of applying this standard on the form and presentation of the financial statements, which can reflect the reality of the financial position of the economic unit and in a way that is appropriate for the information that can be provided by financial reports to make decisions of stakeholders,

As the financial statements were studied and analyzed and indicators of decline were identified in the research sample company and the extent to which the financial statements were affected by based on the application of the international standard (36), it was determined that the firm had suffered a loss due to a drop in the value of its non-current assets. However, this loss was not reported when applying procedures and methods Referred to by the standard for decreases in the value of non-current assets brought on by impairment, which consisted of these procedures by calculating the discount rate according to the cost of capital assets method, in addition to calculating the cash flows expected to be obtained from fixed assets and discounting these flows with the discount coefficient that was previously calculated. This decrease was compared with the value Bookkeeping shows a decrease in the value of non-current assets.

After calculating the decline, this loss was recognized and disclosed, which led to a change in the form and presentation of the financial statements.

Keywords: Book values of non-current assets, recovery values of non-current assets, content of financial statements.

Introduction

During the recent period, accounting institutions and organizations have been interested in evaluating non-current assets by measuring and disclosing them, and that non-current assets lose their value permanently when the economic unit is unable to recover its value through its use or sale, and to determine whether non-current assets have decreased in value, It is necessary to review them and identify the rationale for the

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loss of value. As the impairment check should ensure the neutrality of the information on the condition of the assets in the financial statements, which is required, based on the normalization of accounting, especially in the evaluation of basic accounting rules, which is considered a neutral and reliable point of view and a precautionary principle where there are events after the acquisition of non-current assets And before the end of its estimated useful life, it leads to a decrease in its value.

The accounting outputs are financial statements for the economic unit that are presented to the decision-makers to benefit. Financial reporting consists of the accounting measurement of the elements of the financial statements. The measurement must be accurate and precise. After the accounting measurement process, this information is disclosed to the decision-makers. It must be This information is characterized by appropriateness and honest representation and reflects all economic, environmental, political, and legal events, including losses of non-current assets because of their impact on the characteristics of accounting information because these losses affect the quality of financial reporting and thus lead to inaccurate economic decisions by users of this information.

Research methodology

Research problem

The research problem consists of the following questions:

1. The degree to which economic units disclose impairment losses on non-current assets.

2. Does the implementation of International Accounting Standard No. (36), which measures impairment losses on non-current assets, help the accounting measurement and presentation of those losses?

Research Hypotheses

The research is based on the following primary hypotheses:

1. There is no commitment from the economic units to report impairment losses of non-current assets.

2. The impact and change of the values of the elements of the financial statements and the format of the presentation of the financial statements in the event of reporting impairment losses of non-current assets.

Research Objectives

The main objective of the research is to know the methods of measurement and accounting disclosure of the losses of non-current assets, their impact on the characteristics of accounting information, and the extent of their impact on investors' decisions when reporting these losses. Through this objective, the following benefits are clear:

A. Studying and identifying non-current assets and methods of measuring them, as well as determining the losses resulting from these assets and recognizing them in the financial statements.

B. The process of measuring, acknowledging, and reporting impairment losses in the value of non-current assets within the financial statements of the research sample firms.

Importance of Research

The importance of the research is as follows:

1. Accounting measurement represents the most important primary step for preparing financial statements due to its impact on the quality of accounting information, which must be measured with credibility and clarity, which would greatly benefit the users of this information.

2. The importance of the research comes through the impact of measuring the decline in the value of non-current assets and its implications on the financial statements, which entails a set of benefits.

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under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

3. Financial reporting of impairment losses for non-current assets contributes significantly to providing more accurate information to its users for decision-making.

4. Improving financial reporting by using the International Accounting Standards (36) and finding appropriate methods to measure the impairment losses of non-current assets in economic units are both things that need to be done.

5. Improving the overall quality of the accounting information by tracking and reporting the value loss of non-current assets to measure this change.

Chapter 1 :- Theoretical framework

1. The concept of non-current assets and loss of Impairment in their value

The Institute of Chartered Accountants of England and Wales defined it in its ninth recommendation as (those assets that, whatever their nature and whatever type of economic unit they use, have the main characteristic that they are kept to obtain revenue from their use and not to sell them during the physical activity of the unit Economic (recommendation on accounting principles ic depreciation of the fixed asset, 2006).

Regarding the idea of non-current asset impairment, it first emerged in the (International Accounting Standard) in 1983 and laid forth the accounting treatment for the majority of categories of property, plant, and equipment in the United States and (GAAP) (Generally Accepted Accounting Principles in the United States of America) In 1995, the Financial Accounting Standards Board released Financial Accounting Standards Statement 121 (Financial Accounting Standards Statement), which was later superseded by SFAS 144 in 2001. The FASB 121 Concept Statement intends to restrict firms' options in recording Asset write-offs. For this purpose, it has provided a list of indicators of Impairment and established a threshold for recognizing that assets are explicitly impaired, so there is a need to include the new asset basis. With this procedure, a study (Zucca, 1996) showed that economic units might use the statement (FASB121) as an opportunity to record write-offs of their assets to enhance their future profits until the International Accounting Standard replaced the sixteenth International Accounting Standard No. (36). [1] which explicitly addressed the issue of depreciation of non-current assets.

Anderson also discussed the idea of a decline, which he defined as a sharp fall in the value of non-current assets that happens when they are extinguished and amortization cannot significantly reduce the book value of those assets according to the market value or fair value [2]. The decrease in the value of non-current assets is due to the causes of misestimation of the useful life of those assets, as well as the method of calculating depreciation or amortization. It leads to showing the book value more than it is, and this only requires making some necessary adjustments and re-estimations.

1. Factors that lead to Impairment of non-current assets

A decline in the value of non-current assets can be attributed to a number of different factors. According to the explanation provided below these factors can be broken down into two categories [3] :

[1] Dudycz, Tadeusz. Praznikow, Jadwiga,(2018), Does the mark-to-model fair value measure make assets impairment noisy, Wrocław University of Science and Technology,Faculty of Computer Science and Management,Wyb. Wyspiańskiego 27, 50-370 Wrocław,Poland, This work was supported by the National Science Centre Poland [grant number: 2017/25/B/HS4/01374] , p.5 .

[2] Anderson, Paul W.S., Intermediate Accounting, New Caste, Upon-Tyne, England, May, 2010 , p.3 .

[3] Abed, Muhammad Nawaf Hamdan, (2006), an analytical study of measurement problems and accounting disclosure of the depreciation of fixed assets in light of international standards - an applied study, a master's thesis submitted to the Faculty of Commerce, Beni Suef University, Egypt, p. 13 .

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

A. The fundamental components:

- Aspects having to do with the fundamental make-up of the starting point .
- Aspects connected with using the conventional definition of extinction as a guiding principle.
- Factors associated with technological developments and economic changes.

B. While the secondary factors are:

- Natural disasters
- The intention to stop using a particular asset or dispense with it.
- Change internal plans through economic restructuring.

Likewise, the International Accounting Standards Board indicated in the standard (IAS36) that when the recoverable amount of assets is determined at the end of each period, the economic unit must ensure that there is an indication of a decrease in the value of the asset [4]. The economic unit must decide Indicators of Impairment of assets by estimating the value of recoverable assets [5]. These indicators depend on various internal and external sources, as follows[6]:

External information sources include:

A. A decline in the market price of a certain kind of asset.

B. Substantial modifications to the legal system, market, economy, and technology.

C. A rise in interest rates on the market.

D. The net assets of the organization have a higher book value than market value.

Information gathered internally:

A. Physical harm to the asset or obsolescence.

B. Substantial modifications to the follow-up set of operations (restriction of discontinued operations, re-evaluation of useful life, etc.).

C. According to internal reports, economic performance has lagged behind assets[7].

1. Accounting according to Standard (36) for impairment losses of assets and their measurement.

The assets are subject to partial obsolescence, which requires accountants to reduce the carrying amount of these assets. However, most of them hesitate to reduce this amount due to the difficulty of reaching the fair value of these assets that are not judgmental or personal. Assets with accounting and technical issues, as well as the environment that can change quickly, lack of confidence in making economic and investment decisions, and continuous changes in the stock and commodity markets alike are factors that should be taken into account, and despite that, for investors and creditors, you must make sure that The amounts included in the balance sheet of the related property, plant and equipment are equal to their recoverable value, and the insured assets should be reported against impairment, and appropriate impairment losses should be reported in a timely manner, in which case companies should subject their

[4] Andersson , previous source , p. 19 .
[5] International Accounting Standards Board,(2008),IAS (36), (Impairment of assets), Library of the International Accounting Standards Board,UK, p.9 .
[6] International Accounting Standards Board,(2008),IAS (36), previous source , p.12 .
[7] International Accounting Standards Board,(2008),IAS (36), previous source , p.12

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under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

assets to impairment tests and that the accounting procedures related to the impairment of non-current assets included in the international Standard (IAS36) It is required to reduce the carrying value of the asset and that any decrease in the value of the asset be recognized in the income statement, which is recorded according to the historical cost principle [8].

Moreover, the International Accounting Standard (36) sets a set of requirements necessary to determine the non-current assets that may decline in value. These requirements were referred to in paragraph (7) of the Standard that indicates the occurrence of impairment in the value of assets, namely (IASB, 2008, IAS 36, Pa.r7):

A. If the recoverable value is lower than the recorded value, the book value should be reduced by the amount of the asset's decline in value, and the amount of the asset's impairment loss should be recognized in the income statement. The book value should remain unchanged if the recorded value is higher than the recoverable value.

B. If an asset was revalued using the procedures of International Accounting Standard No. (16), and a revaluation surplus was recorded in earlier periods, the impairment loss in the asset's value is dealt with by deducting it from the revaluation surplus account. This is done if a revaluation surplus was recorded in earlier periods. If the reduced loss exceeds the revaluation surplus balance, the difference is reported on the income statement as an impairment loss.

C. If the amount of the impairment loss is greater than the asset's recorded value, the economic unit must recognize a liability by another international accounting standard if that standard mandates it. This predicament might occur if the asset's fair value, less the asset's selling expenses, is a negative value due to an increase in the costs of selling or getting rid of the asset higher than the asset's fair value.

D. If an impairment loss for an asset was recognized in a previous financial period or periods, and an increase in the asset's fair value over its recorded book value appeared in a subsequent financial period or periods, the increase is recognized as income within the income statement, subject to the limits of the impairment loss balance. However, if an impairment loss for an asset was recognized in a subsequent financial period or period, then the increase is not recognized as income within the income statement. The numbers for the prior periods have been rounded. As a result of applying this treatment, the asset's recorded value is increased to correspond more closely to its actual market value. This treatment does not account for goodwill. If goodwill is reduced because of a drop in value, it stays the same in subsequent quarters, even if the company's value rises again.

E. Once an impairment loss has been recognized for an asset, the asset's depreciation expense needs to be adjusted for the subsequent quarters.

Additionally, the American Financial Accounting Statement (SFAS144) and the International Accounting Standard (IAS36) require that the drop in the value of non-current assets be documented and included as an expenditure on the income statement. A potential decline in the value of non-current assets should be indicated via indicators. The indications for the American Financial Accounting Statement (SFAS144) and the International Accounting Standard IAS36 are identical. [9]

Paragraph (12) of Standard (36) also refers to the indicators and indications that the economic unit must consider as a minimum for the possibility of a decline in the value of tangible non-current assets. The economic unit must assess, on each financial reporting date, whether there are Indicators and indications

[8] Abed, previous source , p.19 .

[9] Al-Rishani, Samir, The decline in the value of long-term assets and the importance of its application in Syria, Damascus University Journal of Economic and Legal Sciences, Volume 23, Issue 2, 2007, p. 172 .

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

of a decline in the value of those assets. If there are indications of a decline in the value of the assets, in this case, an impairment test is required by estimating the recoverable amount from the use of those assets by following the methods stipulated in this Standard.

It is noted through the preceding that the accounting standard (IAS36) does not apply to assets that are evaluated at fair value when preparing the financial statements, as only assets that are recorded at book value when preparing the financial statements are subject to an impairment test. The following figure shows the accounting treatments taken when calculating the impairment of non-current assets.

2. Disclosure of impairment losses in the value of non-current assets

The disclosure of accounting information should be appropriate, according to its economic activity and the labor market surrounding it. Decision makers are interested in financial information because it provides them with the best available option, as reflected in the financial statements. The following figure shows disclosure related to non-trading assets in general.

The International Accounting Standard (36) stipulated in paragraph (126) the disclosure of non-current assets and the associated decline in value, as well as the re-evaluation of this decline and its disclosure also in the financial statements, as indicated after recognizing the impairment loss in the value of an individual asset or a generating unit Criticism referred to previously, it must be disclosed:

A. The economic events and conditions that caused an impairment loss to be recognized and the loss to be reassessed.

B. The amount of each asset's impairment loss and the reassessment of that loss.

C. If there is only one non-current asset, it should say what kind of asset it is and what business sector it is in.

D. The amount that can be recouped (the net selling price) or the unit that brings in money .

E. When it comes to the cash-generating unit, the nature of the asset that is part of the economic unit should be used to describe both the cash-generating unit and the value of the loss that has been recognized. This is because the asset's nature determines the cash-generating unit's status. In addition, the economic unit should explain how assets were collected in the past, how they are collected now, and why the collection methods are changing.

F. The discount rate and the value of using the asset should be made public.

Chapter 2:- Application axis

The researcher utilized the applied side of the International Accounting Standard (36), where the standard was applied to the Baghdad Soft Drinks Company. This company is considered one of the most critical industries in the countries, as large quantities of soft drinks are consumed in many countries. Within the Iraq Stock Exchange manufacturing sector, the Baghdad Soft Drinks Company is the dominant player in terms of capital and productive activity. On the contrary, it is one of the largest companies listed on the Iraq Stock Exchange, ranking third behind the telecommunications sector and several private banks.

Analysis Parameters Of (CAPM) Model

This model will be applied to determine the rate of discounting the cash inflows of the research sample company to reach the recoverable value of fixed assets. This model consists of three primary parameters: the risk-free rate (R_f), the market return rate (R_m), and the beta coefficient for unit shares (β) according to these three parameters, the required rate of return on the economic unit is calculated and expressed in the following formula:

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

$$R=R_f+(R_m-R_f)\beta$$

A. Risk-Free Rate (R_f).

The risk-free rate is determined by the returns of financial investments issued by the government for the short term, such as treasury transfers. It enjoys a return that may be low compared to interest rates. The rate (4.57%) was chosen as a risk-free return for the year 2021, according to what is announced in the statistical bulletins issued by the Central Bank of Iraq and issued by the General Directorate of Statistics and Research, as shown in the following table:-

Table No. (1) The risk-free rate for the research sample years

Year	risk free rate %
2017	5.73
2018	4.31
2019	5.15
2020	5.16
2021	4.57

Source: Statistical releases issued by the General Directorate of Statistics and Research at the Central Bank of Ir

B. The market rate of return (R_m)

The monthly change in prices represents the returns of the market portfolio, and the monthly prices achieved are reached by a sample of (60) different economic units listed on the Iraq Stock Exchange. These economic units are chosen based on criteria accepted by the Iraq Stock Exchange, such as the amount of trading that takes place and the data given. Depending on the price, Closing and paid-up capital and extracting the weight of each economic unit from the total sample to determine the daily, weekly, monthly, and annual index. The researcher relied on the monthly index for the year 2021 to extract the market portfolio returns.

The researcher adopted the average market return for the economic unit, which is (0.00085), due to the market's inefficiency in recent years.

C. beta coefficient β

The beta coefficient is one of the main components for developing the Capital Assets Pricing Model (CAPM) to evaluate economic units and investment projects. It is one of the most popular measures used to measure market risk. It measures the share return's effect on market return changes. Stocks differ in their risk according to the value of the coefficient. Beta stocks that have a coefficient (β) greater than one (β >1) are called (Aggressive stocks) , i.e., their returns involve risks more significant than the risks of the market portfolio, but if the beta coefficient (β) of the stock is less than one (β < 1) The stock is called defensive or conservative (Defensive Stock), i.e., its return involves less risk than the risk of the return of the market portfolio. If the share beta coefficient is equal to one (β = 1), then the degree of volatility of the share returns is the same as the degree of volatility of the return of the stock. Market Portfolio (R_M).

The value of the beta coefficient can be calculated according to the following mathematical equation:

$$\boldsymbol{\beta} = \frac{\boldsymbol{Cov(Ri\ Rm)}}{\boldsymbol{vRM}} \text{ –: That if}$$

β: beta coefficient

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under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

Cov (Ri Rm): Covariance between stock return and market return.

vRM: the variance of the return of the market portfolio.

The average share return and the market return for each economic unit within the research sample were calculated according to the following formulas:

$$1: Rm = \frac{Ii - I}{I} \quad 2: Rs = \frac{Po - Pi + Dij}{Pi}$$

Rm: return of the market portfolio .

Rs: denotes earnings per share.

Li: Subsequent scenes of the market index.

Po: indicates the closing price.

I: Previous view of the market index .

Pi: indicates the opening price

Dij: Refers to the dividend per share.

As the market return is calculated according to the monthly market index. In contrast, the share return is calculated according to the monthly opening and closing price of the share and tables No. (2) show the stock returns and market returns for the economic units of the research sample.

Table No. (2) Opening and closing prices for the shares of Baghdad Soft Drinks Company

Date	open	Close	pointer	stock return	market return
21/9/2021	4.61	4.68	597.78	0.015184	0.016529
23/9/2021	4.65	4.61	588.06	-0.0086	0.000408
26/9/2021	4.54	4.63	587.82	0.019824	-8.5E-05
27/9/2021	4.63	4.63	587.87	0	0.001755
1/11/2021	4.53	4.52	589.65	-0.00221	0.001597
2/11/2021	4.52	4.51	588.71	-0.00221	0.016244
3/11/2021	4.52	4.53	579.3	0.002212	-0.00404
4/11/2021	4.54	4.53	581.65	-0.0022	0.003537
7/11/2021	4.52	4.52	579.6	0	-0.00045
8/11/2021	4.53	4.52	579.86	-0.00221	-0.00251
9/11/2021	4.52	4.52	581.32	0	0.00321
10/11/2021	4.51	4.51	579.46	0	-0.00038
11/11/2021	4.56	4.52	579.68	-0.00877	0.003549
14/11/2021	4.52	4.52	577.63	0	0.006289
1/12/2021	3.9	3.92	557.23	0.005128	-0.00498
2/12/2021	3.97	4	560.02	0.007557	-0.00646
5/12/2021	4	4.1	563.66	0.025	0.001066
6/12/2012	4.1	4.7	563.06	0.146341	0.011388
7/12/2021	4	3.98	556.72	-0.005	-0.01221
8/12/2021	3.95	4.15	563.6	0.050633	0.003615
9/12/2021	4.1	4.13	561.57	0.007317	-0.00018
21/12/2021	4.11	4.01	562.15	-0.02433	0.005797

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

22/12/2021	4.05	4	558.91	-0.01235	0.00129
23/12/2021	4	4.35	558.19	0.0875	-0.01376
27/12/2021	4.35	4.3	565.98	-0.01149	-0.00566
				0.146322	0.00084

Source: Prepared by the researcher based on the data of the Iraq Stock Exchange

The above table shows that the company achieved its lowest opening price on 1/12/2021 at a price of (3.9) dinars. The lowest closing price was on the exact opening date, and at an amount of (3.92) dinars, while it recorded the highest opening price on 10/12/2021 at a price of (4.98) dinars, it also reached the highest closing price on the same date and by the same amount.

1. Results of economic units data

By analyzing the data of the tables above, the average return of the stock and the return of the market portfolio for the economic units for the year of the research sample were extracted, and the beta coefficient was extracted, and Table No. (3) explains this.

Table No. (3) The results of the data of the economic units of the research sample to reach the stock risk beta

The Company's name	average earnings per share	average market return	irregular risks	Correlation between earnings per share and market return	coefficient of determination R2	The standard deviation of the market	The standard deviation of the return on the stock	beta
Baghdad for drinks	0.0024	0.0008	0.00075	0.08778	0.0077	0.00718	0.0274	0.33517

Source: Prepared by the researcher based on mathematical equations and applied programs

As the first and second columns in table number above represent the average share return and the average market return for each economic unit, which are shown in the previous tables for the economic units of the research sample, where the (AVERAGE) function was used, which is one of the functions of the Excel program to reach the average. As for the irregular risk column, it is the result of the variation of stock returns for each economic unit during the months of the research sample years, consisting of (60) months, using the variance function (VAR). Tables (16-23) using the (CORREL) function. As for the column of the coefficient of determination, which is the result of squaring the correlation between stock returns and market returns, the variance of market returns results from the root process, the standard deviation of the market, as well as the standard deviation of the return of the share resulting from the root Variation of stock returns and market returns using the (SQRT) function, to finally result in the stock's beta coefficient (β).

Possible explanations for the resulting values of (β) can be explained as follows:

β < 0 An inverse correlation between stock returns and market returns .

β = 0 There is no correlation between stock returns and market returns .

β > 0 < 1 is a positive correlation and the change in stock returns is less than the change in market returns.

β = 1 Correlation is positive if stock returns change with the same change in market returns .

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β > 1 a positive correlation and the change in stock returns is greater than the change in market returns.

After completing all the variables of the Capital Assets Pricing Model (CAPM) with its three elements above, the discount rate will be calculated according to the Capital Assets Pricing Model (CAPM) by finding the relationship between the risk-free rate of return for the year 2021, the average return per share for the economic unit, and the beta risk per share. Reaching the required rate as shown in Table (4) using the following equation:

$$R = R_f + \beta^* (R_m - R_f)$$

Table No. (4) Parameters of the Capital Asset Pricing Model (CAPM)

The Company's name	risk free rate %	average earnings per share %	stock beta (β)	required rate of return %
Baghdad	4.57	0.00085	0.33517	0.03

2. Calculating the present value of the net cash flows of the non-current assets constituting the cash-generating unit of the company, the research sample

Using a discount rate of (3%), which is the required rate of return that was reached above, the present value is calculated for (10) years as estimated for the life of non-current assets and in the form of the following equation:

$$\frac{1}{(1+R)^n}$$

Whereas:

R: The discount rate used to discount future cash flows.

n: the number of years the cash payment is expected to be received.

The cash flows are determined based on the previous years of operating cash flows that the company obtained due to its use of non-current assets, where the ratio of non-current assets to total assets is calculated. Then this ratio is multiplied by the total operating cash flows for previous years, as shown in the equation below:

CFA=(N.C.A/T.A)*O.C.f

CFA: represents the cash flows received from the unit of non-current assets

N.C.A: Non-current assets

T.A : Total Assets

O.C.F: Operating cash flows for the years

The table (5) shows the operating cash flows generated from non-current assets with an estimated useful life of (10) years.

Year	operating cash flows (1)	Non-current assets for the year / 2021 (2)	Total assets for the year / 2021 (3)	Flows obtained from non-current assets(3/2)*1=
2012	15,589,852,298	253389680549	558774374776	**7,069,593,510**
2013	24,042,760,944	253389680549	558774374776	**10,902,768,255**
2014	22,011,409,575	253389680549	558774374776	**9,981,603,116**

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

2015	30,137,221,927	253389680549	558774374776	**13,666,448,179**
2016	54,781,777,425	253389680549	558774374776	**24,842,114,649**
2017	26,501,082,394	253389680549	558774374776	**12,017,553,247**
2018	52,796,589,631	253389680549	558774374776	**23,941,883,494**
2019	110,365,230,168	253389680549	558774374776	**50,047,768,255**
2020	102,576,218,625	253389680549	558774374776	**46,515,653,620**
2021	44,516,006,676	253389680549	558774374776	**20,186,853,979**

After that, we deduct the cash flows generated from non-current assets at the discount rate (3%) that was previously calculated.

the year	**Flows obtained from non-current assets**	**Discount rate (3%)**	**future cash flows for non-current assets**
2012	7,069,593,510	0.744093915	**5,260,441,512**
2013	10,902,768,255	0.766416732	**8,356,064,015**
2014	9,981,603,116	0.789409234	**7,879,569,670**
2015	13,666,448,179	0.813091511	**11,112,072,999**
2016	24,842,114,649	0.837484257	**20,804,879,929**
2017	12,017,553,247	0.862608784	**10,366,446,993**
2018	23,941,883,494	0.888487048	**21,272,053,389**
2019	50,047,768,255	0.915141659	**45,800,797,670**
2020	46,515,653,620	0.942595909	**43,845,464,807**
2021	20,186,853,979	0.970873786	**19,598,887,350**
Total	219,172,240,308		**194,296,678,339**

According to Table No. (5), the current value of the net cash flows of the cash-generating unit of the fixed non-current assets elements of the research sample company amounted to (194296678339 dinars); This amount indicates the recovery value of the cash-generating unit of the non-current assets elements. This value is compared to the entire book value of the unit for the creation of the same cash, which can be calculated from Table No. (5), and amounts to (253389680549 dinars). Thus, when compared, it becomes clear that the loss of impairment of non-current assets amounted to ((59,093,002,209 dinars) according to the following equation:

Impairment loss of assets = recoverable value of assets - book value of assets.

Impairment loss = 194296678339 – 253389680549

Loss of impairment of assets = (59,093,002,209) dinars

3. Recognizing the impairment loss for non-current assets

Because the book value of the cash-generating unit is higher than the recoverable value, it must be recognized by the requirements of applying International Accounting Standard No. (36), Impairment of Assets after the impairment loss of the non-current assets of the cash-generating unit of the research sample company has been determined. This is because, as mentioned earlier in the above two methods, the cash-generating unit's book value is greater than the recoverable value. Therefore, the extent of the loss needs to be taken into account. The research sample, which is the financial statements of the company, should be recognized by first distributing the amount of the loss to the elements of the non-current assets that make up the monetary unit proportionately and according to the ratio of the book value of each asset to the total book value of the assets that make up the monetary unit, and then adding the amount of the

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loss to the accumulated depreciation allowance of the asset in order to modify it and subtract it from the carrying amount of the asset, as shown in the following table:

Table (6) Percentages of each asset to the total value of non-current assets in dinars

sequencing	Non-current asset	The book value of the non-current asset	The book value of the total non-current assets	The percentage of the non-current asset
1	lands	21,599,315,590	253,398,680,549	**0.08**
2	buildings	52,639,435,886	253,398,680,549	**0.20**
3	The machines and the equipments	124,867,139,244	253,398,680,549	**0.49**
4	Means of transportation and transfer	13,662,574,654	253,398,680,549	**0.05**
5	Tools and templates	19,016,565,142	253,398,680,549	**0.07**
6	Furniture and office equipment	21,613,650,033	253,398,680,549	**0.08**

Source: prepared by the researcher

After determining the percentages for each asset, we distribute the amount of impairment loss in the value of non-current assets to each asset, as shown in the table below:

Non-current asset	The total value of decline loss The second method	percentage	Each asset's share of the loss amount in the first way decline
lands	59093002209	0.08	**4791838081**
buildings	59093002209	0.20	**11678131762**
The machines and the equipments	59093002209	0.49	**27701947795**
Means of transportation and transfer	59093002209	0.05	**3031061111**
Tools and templates	59093002209	0.07	**4218851317**
Furniture and office equipment	59093002209	0.08	**4795018197**

Then the amount of the loss of the depreciation of assets is closed in the current operations account (income statement) of the research sample company, which is closed with the final result in the accumulated surplus account, meaning that the amount of the accumulated surplus is reduced by the amount of the depreciation loss of non-current assets.

The table below shows the difference between the original book value and the revised book value, as the difference amount represents an impairment loss for the non-current assets of the cash-generating unit.

Table No. (7) The comparative book value of non-current assets in dinars

Non-current asset	original book value	Adjusted book value	the difference
lands	21,599,315,590	16,562,318,549	**5036997040**
buildings	52,639,435,886	40,363,830,131	**12275605754**
The machines and the	124,867,139,244	95,747,910,528	**29119228716**

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under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

equipments			
Means of transportation and transfer	13,662,574,654	10,476,439,065	**3186135589**
Tools and templates	19,016,565,142	14,581,869,888	**4434695254**
Furniture and office equipment	21,613,650,033	16,573,310,176	**5040339856**
the total	253,398,680,549	194,305,678,340	**59093002209**

Source: prepared by the researcher

Since this loss will affect the value of non-current assets that appear in the statement of financial position, the researcher notes that determining the loss of the decline in the value of non-current assets and recognizing that loss affects the content of the lists and financial statements of the research sample company substantially. This is because the loss will affect the value of non-current assets that appear in the table that is located above. The breakdown of the company's gains and losses The distribution of profits and shareholders' rights, the statement of cash flows, and the statement of retained earnings of the research sample company, and thus the researcher will demonstrate this effect through the preparation of the basic financial statements and statements of the research sample company and presenting them in light of the recognition of the loss of impairment in the value of non-current assets by International Accounting Standard No. (36), and comparable companies. **Procedures suggested by the researcher to prepare the financial statements by the requirements of International Accounting Standard No. (36).**

The table below shows the financial statements and statements of the Baghdad Soft Drinks Company, the research sample, which is the statement of the financial position before and after the amendment, the income statement before and after, and the cash flow statement before and after the amendment on (12/31/2021).

The list of the financial position of the company, the research sample, on 12/31/2021

Statement	Company data before modification	Company data after modification
the findings:		
Non-current assets:		
fixed assets	253,398,680,549	**197,181,832,286**
Deferred revenue expenses	34,400,149,492	**34,400,149,492**
Projects under implementation	30,565,586,575	**30,565,586,575**
financial investments	10,096,376,642	**10,096,376,642**
Total fixed assets	328,460,793,258	**272,243,944,995**
Current assets:		
inventory (at cost)	85,115,132,630	**85,115,132,630**
Debtors	12,534,351,040	**12,534,351,040**
coins	132,664,097,848	**132,664,097,848**
Total current assets	230,313,581,518	**230,313,581,518**
total assets	558,774,374,776	**502,557,526,516**
Funding sources:		
Long term financing sources:		
Paid-up nominal capital	204,335,333,333	**204,335,333,333**
reserves	295,754,336,331	**239,537,488,068**

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

Total long-term financing sources	500,089,669,664	**443,872,821,401**
Short term financing sources:		
assignments	6,762,878,005	**6,762,878,005**
Creditors	51,921,827,107	**51,921,827,107**
Total short-term financing sources	58,684,705,115	**58,684,705,115**
total funding sources	558,774,374,776	**502,557,526,516**

Source: Prepared by the researcher based on the final accounts 2021

The researcher notes from the above list of financial positions before and after the amendment that recognizing the loss of impairment in the value of non-current assets by the requirements of International Accounting Standard No. (36) has affected the informational content of the list as the book value of tangible non-current assets amounting to(253,398,680,549) decreased by the amount of impairment loss. This is because the requirements of International Accounting Standard No. (36) require recognizing the impairment loss in the value of non-current assets. Assets The value of the assets went up to (197,181,832,286); however, this resulted in a drop in the overall value of the assets and the total value of the non-current assets. It is utilized by the user of the financial statements or the financial analyst, and as a result, it contributes to the quality of the choice that will be made.

In addition, the impact of recognizing the loss of the decrease in the value of non-current assets extended to the value of the reserves, as the value of the reserves decreased by the decrease in the value of the assets according to the two methods. This meant that the impact of recognizing the loss of the decrease in the value of non-current assets extended to the value of the reserves. The table below shows the value of the company's non-current assets before and after the drop in value was calculated and the impairment loss was recognized.

Adopting the principle of disclosure as outlined in International Accounting Standard No. 36 also affected the form of preparing the income statement and the method of presenting the accounting information included in it. Both of these influences on the informational content and the method of preparing the income statement significantly reflect the size of the benefits users of lists and statements received from that list. Research examples for the company's finances.

After analyzing the depreciation of the company's non-current assets, the researcher locates the research sample and arrives at a measurement of the recoverable value of the company's non-current assets that make up the cash-generating unit by the requirements of the International Accounting Standard No. They are the statement of financial position, the income statement, and the cash flow statement, and they display the impact of recognizing the loss of impairment in the value of non-current assets as well as the importance of that impact on the values of the elements contained in those lists and financial statements as well as the volume of changes that occurred in those lists as a result of the measurement and recognition of the impairment loss and disclosure of the impact of that recognition. Additionally, they show the volume of changes in those lists due to the disclosure In the many listings and declarations about the finances. Therefore, the researcher has demonstrated beyond a reasonable doubt the validity of the second fundamental premise of the study hypotheses, which says (the impact and change of the values of the elements of the financial statements and the form of the presentation of the financial statements in the event of reporting losses of depreciation of non-current assets).

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under Volume: 5 Issue: 12 in Dec-2022 https://www.grnjournals.us/index.php/AJEBM

Conclusions and recommendations

conclusions

The researcher reached the following conclusions:

1. The accounting standard (IAS36) does not apply to assets that are evaluated at fair value at the date of preparing the financial statements, as only assets that are recorded at book value when preparing the financial statements are subject to an impairment test.
2. The decrease in the recoverable value from the recorded value of the asset, where the book value should be reduced by the amount of the decrease in the asset value, and the amount of the impairment loss of the asset is recognized in the income statement.
3. The recognition of an impairment loss for non-current assets by the requirements of International Accounting Standard No. (36) affected the informational content of the financial statements, as the book value of tangible non-current assets decreased.
4. The impact and change of the values of the elements of the financial statements and the format of the presentation of the financial statements in the event of reporting impairment losses of non-current assets.

Recommendations

1. The Iraqi Commission for Securities must apply international accounting and financial reporting standards in the companies registered to reflect an accurate picture of the financial statements.
2. The relevant authorities should work on applying the International Accounting Standard (36) and the research sample company to reflect an accurate picture of the value of non-current assets in the company.
3. Responsible accounting organizations in Iraq should work to develop, expedite and adapt the unified accounting system to international accounting standards and financial reporting standards.
4. The need for workers in the accounting profession in economic units to understand the necessity of applying International Accounting Standard No. (36) Impairment of Assets because of their importance in improving financial statements and statements.

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