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The Gap Between International Financial Reporting Standards (IFRS) and the Local Unified Accounting System (UAS) and Its Impact on Disclosure

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ABSTRACT

This research explores the differences between the Unified Accounting System (UAS) and the International Financial Reporting Standards (IFRS). Two methodologies were employed to achieve the research objective: A series of local studies highlighted deficiencies in the disclosure processes of companies operating under the local UAS. A comparative analysis of the key elements of financial statements was conducted under both UAS and IFRS, shedding light on the impact these differences have on accounting disclosure. The research findings indicate that adherence to the UAS leads to misleading financial reporting and fails to provide users with accurate, appropriate information. Furthermore, corporate governance is complicated by this disclosure gap, especially for businesses that are listed on the Iraq Stock Exchange (ISX). The absence of alignment with IFRS standards undermines transparency, potentially leading to suboptimal decision-making by investors and stakeholders in the ISX.

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1. Introduction

Accounting is an information system for measuring and communicating the results of companies' economic events to users. As the world has become increasingly interconnected, with the global integration of goods and services, markets, and competition, organizations are now required to be more agile, efficient, and responsive to customer needs in order to remain competitive (Serhan, 2020).

Therefore, the accounting disclosure provided by these companies is considered the primary means of communication between the management of companies and users of financial statements, including investors. Due to the great importance of accounting for its role at the economic level and its fundamental impact on the various decisions of users, countries have been led to regulate the accounting profession by issuing laws, instructions, and accounting standards that govern the content of presentation and disclosure in financial reports. In addition, the existence of insufficient disclosure requirements by regulatory authorities will lead users, in general, and investors, in particular, to search for alternative sources that may be illegal. These sources may be obtained from insiders and relied upon in making various investment decisions (Simser, 2012). Financial analysis explored the differences between the International Financial Reporting Standards (IFRS) and the Unified Accounting System (UAS), focusing on how they affected financial disclosures. The complexity of global markets made accurate and transparent accounting crucial for making choices. The research examined how the UAS, used locally, led to misleading financial reporting by relying on outdated methods, such as historical cost and fixed classifications for assets and liabilities. By including fair value measurement and detailed disclosures, IFRS offered a more adaptable and comprehensive framework that provided investors and other users with more accurate and relevant financial data. UAS is a local accounting system that categorises assets and liabilities based on historical cost and physical form. It lacks flexibility, leading to less accurate financial reporting, and IFRS is a global accounting standard emphasising transparency and comparability. It allows for fair value measurement and detailed classification of financial elements.

Compliance with these accounting standards is regarded as one of the main factors enhancing the quality of financial reporting and transparency, and thus, improves the credibility and reliability of the information provided to users (Kumar, 2014).

The current research aims to present the differences between the international accounting standards that are applied in most countries of the world and the unified accounting system applied in the local environment. This, in turn, affects the accounting disclosure provided by companies on the one hand and the users and unification between multinational companies (MNCs) on the other hand.

Recent studies in prestigious journals highlight the importance of adopting IFRS to improve the quality of financial reporting and facilitate global comparability. Johri (2024) indicates that the implementation of IFRS in Indian multinational companies has greatly enhanced the transparency, comparability, and the overall caliber of financial disclosures. These enhancements are credited to improved enforcement strategies and the recognized advantages of conforming to global standards. Another study on developing economies highlights that weak institutions, inadequate training, and a lack of professional skills are significant barriers to adopting IFRS (Shah, 2025). These results align with the issues observed in Iraq, where the legacy Unified Accounting System (UAS) still limits the quality of disclosures. Additional studies investigate the factors influencing voluntary IFRS adoption in Vietnam, pinpointing company-specific elements such as organizational size, accountant credentials, and management perspectives as key motivators (Nguyen et al., 2023). In contrast, this study highlights the systemic and structural constraints present in the Iraqi accounting landscape, particularly the inflexibility and antiquated classification techniques ingrained in the UAS. Together, these studies offer a meaningful comparative framework, positioning the current research within the larger conversation on accounting harmonization and emphasizing the necessity for reform in Iraq's financial reporting practices to conform to international standards. Bobba (2023) outlines the use of digital financial frameworks tailored for advancing smart urban infrastructures. This concept is incorporated in the proposed study to emphasize how globally unified standards, such as IFRS, are more aligned with evolving digital economies than UAS. As a result, financial data becomes more consistent and broadly interpretable. The cloud accounting transformation approach demonstrated by Yallamelli (2021) is integrated into our proposed work to emphasize IFRS's flexibility in supporting digital financial tools over the more rigid UAS framework. This adoption improves reporting

processes, ensuring greater accuracy and enhanced financial disclosure. Our study integrates the secure blockchain-database integration strategy outlined by Kodadi (2023) to illustrate IFRS's compatibility with advanced financial technologies. This alignment facilitates improved transparency, secure data management, and reliable disclosure practices in contrast to UAS limitations (Kodadi, 2023). The cloud-based security enhancement framework evaluated by Nagarajan (2024) is applied in our research to highlight IFRS's effectiveness in supporting standardized and secure financial environments. This strategy strengthens compliance, builds stakeholder trust, and ensures more robust protection of financial records. Bobba (2024) explores artificial intelligence tools and infrastructure validation processes aimed at securing cloud-stored financial information. This technological solution is linked to the proposed topic to argue that IFRS practices are more conducive to adopting sophisticated protection systems than traditional UAS. The benefit lies in dependable, scalable, and safeguarded disclosures.

Two methods will be followed to achieve the research objective. The first method is to present a set of studies that confirm the shortcomings in the system that local companies currently follow. The second method compares the terms used in international accounting standards and the unified accounting system, which are specific to the main elements of the financial statements (assets, liabilities, equity, revenues, expenses), explaining the gap between them. The gap between UAS and IFRS affected the transparency and quality of financial disclosures, leading to potential misinterpretation of economic health. Predictive analytics powered by machine learning relies on accurate and comprehensive data to generate meaningful insights. Inaccurate disclosures, due to the UAS system, hindered the effectiveness of these predictive models. Machine learning could bridge this gap by normalizing financial data from varying accounting standards, improving comparability.

Additionally, machine learning could help identify discrepancies or risks due to incomplete disclosures. This allowed for more accurate and timely financial risk management despite the shortcomings of the accounting system. The Unified Accounting System (UAS) simplified accounting procedures and classifications for local companies by using basic data collection and classification methods. It employed simple categories such as fixed and current assets, reducing accounting complexity. The system was cost-effective and resource-efficient, making it suitable for businesses with limited resources. It was also designed to align with the local economic and regulatory context, helping companies comply with national standards more easily. The impact of technology on the role of CFOs in Maltese Listed Entities (MLEs) was examined. Through interviews with eleven CFOs, it was found that technology has shifted the CFO's role from bookkeeping to adding value to the business. Automation has improved efficiency and reduced errors, while increasing regulatory pressure has driven the adoption of tech solutions. The study concludes that CFOs must continuously upskill to stay relevant and fully leverage technological advancements for strategic value (Caruana, 2023).

Many local researchers have confirmed that the unified accounting system (UAS), applied in the local environment, has shortcomings. Kamal (2009) confirmed that financial statements and reports must include sufficient data and information to make them useful, beneficial, and not misleading to investors and other users of financial statements. The Unified Accounting System (UAS) and the International Financial Reporting Standards (IFRS) were different, making it difficult for people to go through financial statements. UAS didn't require as much detailed information to be shared, resulting in important financial details sometimes being left out. It also used a simpler method for classifying assets and liabilities, unlike IFRS, which went into much more detail. UAS focused mostly on historical costs, whereas IFRS allowed for fair value measurements. Additionally, the use of terms such as calling revenue "resources" and expenses "uses" caused confusion, particularly for investors from other countries. Due to these issues, decision-makers struggled to understand the financial data clearly, which made comparing information less reliable. The varied terminology between IFRS and UAS affected cross-border comparability and investor confidence by creating gaps in financial reporting. These differences in terms such as assets, liabilities, equity, revenues, and expenses led to confusion and misinterpretation of financial statements. The UAS's limited and historical approach, compared to IFRS's more comprehensive and transparent system, resulted in inadequate disclosure that misled investors. This lack of uniformity in terminology hindered the comparability of financial data across borders, making it difficult for investors to assess financial health and make informed decisions accurately. It undermined investor confidence and slowed down international financial integration.

The disclosure requirements provided by the unified accounting system (UAS) do not meet the International Financial Reporting Standards requirements for preparing reports. As Khader (2009) confirmed that joint stock companies rely on the requirements of the unified accounting system to address many accounting issues and disclose relevant information. However, the instructions of the unified accounting system do not meet the disclosure requirements that are consistent with the emerging conditions in the local environment and, therefore, do not meet the disclosure requirements mandated by corporate governance. Al-Ghaban (2010) confirms that companies or banks still follow the unified accounting system, which has become incapable and inadequate to meet the requirements of users of financial statements. Additionally, there exists a wide gap between the reality of disclosure applied by companies and the requirements of international accounting standards, characterized by deficiencies in disclosure within financial reports. Implementing IFRS and IAS in Bangladesh's banking sector, particularly focusing on NCC Bank Limited, has led to improvements in financial reporting transparency, comparability, and access to international finance. However, challenges such as high costs, complexity, and the need for extensive training have been noted. The role of senior management and the board in this adoption process is crucial. The study also highlights changes in financial performance, particularly in how financial instruments, revenue, and leases are recognized. Recommendations for the banking sector include continuous training, legal reforms, and increased public awareness (Raibi, 2024). Artificial intelligence (AI) and machine learning (ML) are important in analyzing accounting quality and financial reporting. It emphasizes that companies may manipulate financial statements to hide issues or create a false sense of stability even with strict regulation. The article stresses the importance of using AI and ML to enhance the analysis of financial data, alongside adhering to IFRS standards, to detect discrepancies. Further research should aim to improve algorithms for identifying financial report anomalies (Korolovich et al., 2025).

Hamdan and Farhan (2014) confirmed that the recent economic openness in the Iraqi environment necessitates amending UAS to meet measurement and disclosure requirements in financial reports in a manner consistent with IFRS. IFRS emphasizes transparent, comparable financial information, fair value measurement and comprehensive classification, while UAS focuses on legal form and separate recognition of equity, deferred taxes and financial leases. It also offers flexibility in accounting methods and mandates essential financial statements, such as the statement of changes in equity. In contrast, the Unified Accounting System (UAS) is designed for administrative control and centralized planning. It relies on historical cost and legal ownership, lacking recognition of key concepts such as fair value and deferred taxes. Additionally, it uses rigid and outdated classifications and employs vague terms such as "resources" and "uses" instead of standard accounting terminology. It mandates uniform methods without flexibility and omits critical disclosures, resulting in limited, potentially misleading information that does not meet the needs of modern financial users, unlike the comprehensive and decision-useful framework provided by IFRS.

Hassan (2016) confirmed that there is a gap between international financial reporting standards and the unified accounting system (UAS) applied in the local environment. The functional gap between IFRS and UAS lies in their foundational objectives and approach to recognition, measurement, and classification. IFRS is built on a principle-based framework to deliver decision-useful information through fair value accounting, comprehensive disclosures, and flexibility in accounting treatments. It emphasizes the economic substance of transactions over their legal form. In contrast, UAS is more rule-based, legally driven and relies heavily on historical cost accounting. This rigid structure affects reporting assets, liabilities, equity, revenues, and expenses. IFRS permits multiple depreciation methods and fair value assessments, enhancing relevance, whereas UAS mandates fixed methods and does not acknowledge concepts such as deferred taxes and intangible assets as standalone categories. Consequently, disclosures under UAS are often minimal, non-comparative, and potentially misleading, particularly for foreign investors and decision-makers who rely on transparency and globally comparable financial statements. This systemic difference compromises financial reports' integrity, comparability and usefulness, limiting the effectiveness of investor analysis and cross-border corporate integration. Figure 1 illustrates the difference between UAS & IFRS.

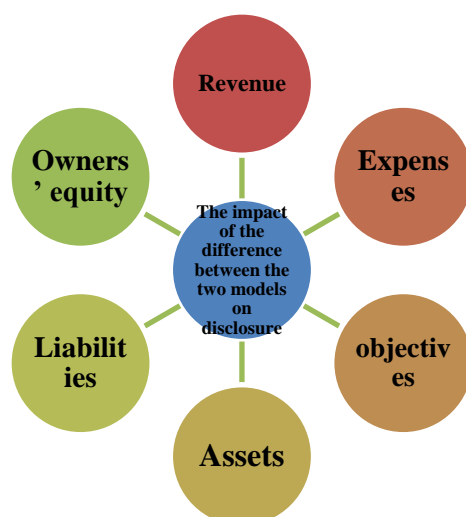


Fig. 1. The Difference Between UAS & IFRS

Table 1. Difference in Objectives Between the Two Models

Items	IFRS	UAS	The impact of the difference between the two models on disclosure
First: objectives	Standards provide useful information for investment decisions, credit, and cash flow.	Facilitating the process of collecting, classifying, and storing accounting data, providing basic data and analytical tools necessary for planning and control, linking the accounts of the economic unit to the national accounts.	Based on what has been presented, the objectives of the unified accounting system respond to limited needs by facilitating the process of collecting and classifying data. In contrast, the International Financial Reporting Standards aim primarily to provide appropriate information to users.

Assets

IFRS: These are the resources controlled by the units due to past events and which are likely to generate future economic benefits (Manthrege & Siong-Choy Chong, 2015). The term "assets" in the financial realm encompasses the valuable resources, both tangible and intangible, that are owned by an individual, corporation, or governmental entity (Coen, 2019). These assets can take various forms, including physical goods such as lands, buildings, and equipment, as well as financial instruments such as stocks, bonds, and loans (Kud, 2019). IFRS has categorized assets into non-current, current, intangible, and other types.

Current assets are sacrifices of economic units that have emerged due to past events and will be settled in the future, resulting in external flows (Jha & Shayo, 2019).

Current assets can be easily converted into cash within a period not exceeding one fiscal year. Current assets can be categorized into cash, cash equivalents, short-term investments, accounts receivable, and inventory. The accounting policy followed in estimating the cost must be disclosed, and these assets must be classified into complete, in operation, and raw materials. The standards allow any method for calculating the cost, provided that it is disclosed (Rinanda, 2021)

Intangible assets in accounting have gained increasing prominence in recent times as the global economy has transformed, evolving towards a knowledge-based paradigm where the value of a company is often more closely tied to its intangible resources, such as intellectual property, brand recognition, and other non-physical assets, rather than its tangible holdings, such as real estate, machinery, and inventory (Basar, 2015). The adoption of IFRS arose from the need for standardised, transparent, and comparable financial reporting as businesses expanded and operated across borders. IFRS allowed multinational firms to simplify their financial reporting, reducing the difficulties and costs of preparing distinct financial statements for every country. This made international mergers and acquisitions considerably easier. IFRS increased investor confidence, established more foreign investment, and reduced risks by offering consistent and trustworthy financial accounts. The additional benefit of IFRS was transparency, strengthening ties between stakeholders and regulators by requiring businesses to reveal more specific financial data. As global markets integrated, the need for

standardized reporting grew, prompting many countries to adopt IFRS to align with international norms and improve governance. This change enabled businesses to provide more precise financial information, which improved decision-making for collaborations, acquisitions, and operations across borders. IFRS became crucial for companies with global operations to stay competitive, attract investment, and comply with international laws.

This research provides a distinctive contribution by thoroughly contrasting the Unified Accounting System (UAS) and the International Financial Reporting Standards (IFRS) within Iraq, a developing nation moving towards increased economic openness. In contrast to earlier studies concentrating exclusively on technical distinctions, this research emphasizes the wider effects of the UAS–IFRS disclosure gap on investor choices, corporate governance, and assimilation into international financial markets. Furthermore, the research highlights the possible contribution of machine learning and AI technologies in closing this gap by improving financial data standardization and risk detection. The findings establish a basis for upcoming empirical studies focused on the technological advancement of financial reporting systems in developing countries. They also guide policymakers regarding the essential reforms required for enhanced transparency and global consistency.

2. Methodology

This study employs a dual-method approach to investigate the disclosure gap between the Unified Accounting System (UAS) and International Financial Reporting Standards (IFRS) and its implications on financial transparency.

2-1. Literature-Based Assessment

The first method is a qualitative analysis of academic and professional literature, including peer-reviewed articles, theses, and case studies that identify deficiencies in the UAS. Key sources comprise those that have examined the limitations of disclosure, classification, and compliance within Iraq's financial reporting environment (Al-Ghaban, 2010; Khader, 2009; Raibi, 2024). These references provided contextual grounding to understand systemic challenges in adopting IFRS in emerging economies such as Iraq.

2-2. Comparative Framework Analysis

The second method is a structured comparative analysis between UAS and IFRS. It examines the treatment of major financial statement elements—assets, liabilities, equity, revenues, and expenses—based on published IFRS standards and the Iraqi UAS documentation. This analysis highlights differences in classification principles, valuation approaches (historical cost vs. fair value), terminology, and disclosure requirements. The comparison reveals how these disparities affect transparency, investor decision-making, and international financial integration. By combining these methods, the research offers both theoretical and practical insights into how accounting system design influences financial disclosure quality.

3. Unified Accounting System

The unified accounting system did not adequately address the concept of assets in general, but rather focused on the types of assets directly. Assets were divided into the following:

Fixed assets represent what the economic unit owns in terms of movable and immovable, tangible, and intangible properties acquired or produced by it, whether inside or outside Iraq. The purpose of their acquisition is for use by the unit and not for sale or transfer. They are divided into fixed assets, which must be valued at book value, as the system relies on the historical cost principle. Additionally, the system requires companies to use the fixed installment method in calculating depreciation. Deferred revenue expenses include intangible assets, projects under implementation, long-term loans granted, and investments in stocks, bonds, and real estate.

Current assets are categorized into inventory, documentary credits, loans granted, short-term financial investments represented by cash deposits, purchase of stocks, bonds, real estate, debtors, and cash. The Unified Accounting System does not comply with IFRS, specifically regarding openness and investor-focused disclosure. Instead of meeting the informational needs of investors and financial markets, UAS was created to facilitate government data collecting and compliance under a centrally

planned economic system. It lacked key IFRS elements such as fair value measurement, clear asset and liability classification, and essential statements such as the statement of changes in equity. Iraqi companies, including state-owned enterprises, banks and private firms, relied on UAS for financial reporting in the local environment. Still, its rigid structure and outdated terminology limited its ability to provide transparent, internationally comparable information. This hindered investor confidence and Iraq's integration into global markets. While UAS served as a standardizing tool in a government-led economy, its continued use in a liberalizing market context constrained economic development. Addressing these issues required transitioning to IFRS through legal reform, capacity building, and institutional coordination to support transparency and financial modernization.

3-1. The Impact of the Difference Between the Two Models on Disclosure

The difference between the two models in the process of defining the concept of fixed assets is that the Unified Accounting System presents a limited definition compared to that of IFRS. Under the local system, a fixed asset is defined as what the unit owns, whereas the IFRS defines it based on what is controlled by the unit. Therefore, under the unified accounting system, reliance is on the legal form and not on the substance, and this is reflected in many accounting treatments (accounting treatment in Standard 12, 39, 17). Therefore, the treatment difference will be reflected in disclosure under the unified accounting system and international financial reporting standards. The UAS's reliance on historical cost accounting led to misleading financial reports during inflationary periods. It recorded assets at their original cost, ignoring inflation's impact on their current value. This distorted the true financial position of companies. In contrast, IFRS used fair value accounting, which reflected current market values, providing more accurate and relevant financial information, particularly in inflationary environments. Small and Medium Enterprises (SMEs), particularly those based in developing nations, were influenced by the transition to IFRS as it enhanced transparency through detailed and understandable financial disclosures. SMEs generally have limited access to financial resources and qualified accounting professionals, facilitating the adoption of IFRS resource-intensive. The implementation presented difficulties for SMEs with limited funds as it required high expenditures for compliance, system improvements, and training. Adoption of IFRS had long-term advantages such as enhanced legitimacy, easier access to international markets, and more investment prospects. The transition presented initial complexity and costs but offered substantial benefits regarding transparency, investment potential, and financial decision-making. In addition, several reasons make disclosure under the unified accounting system inappropriate and misleading from the point of view of users, which are as follows:

1. The local model obliges economic units to adopt the historical cost principle in evaluating assets despite the fundamental effects of continuous change in the general price level, leading to inappropriate information for investors. At the same time, the international financial reporting standards allow the use of fair value. The classification on which the local model relies for assets is inappropriate because it classifies them into fixed and current categories. In contrast, the international model classifies assets as current, non-current, intangible, and other assets. Financial manipulation and misinterpretation occurred under the UAS due to limited asset classification and inflexible reporting formats. The UAS categorized assets broadly into fixed and current categories, lacking the detailed classification in IFRS such as non-current, current, intangible, and other assets. This simplistic classification obscured the true value of assets, leading to potential financial misrepresentation. The UAS relied on the historical cost principle for asset valuation, whereas IFRS allowed the use of fair value, which better reflected current market conditions. This difference resulted in outdated asset values under the UAS, leading to inaccurate financial reporting. The UAS also required specific methods for calculating depreciation and estimating costs, limiting flexibility to provide a true reflection of a company's financial position. This rigid structure enabled financial manipulation as companies followed prescribed methods that did not accurately represent their financial reality.
2. The system does not adhere to the principles of classification between financial leases (which transfer benefits and risks) and operating leases. The system requirements indicate that the unit must disclose the lease of fixed assets under the administrative expenses category.

3. Placement of intangible assets within revenue expenses is contrary to international financial reporting standards, which stipulate that they be disclosed separately and independently.
4. The requirement for units to use a single method for calculating the depreciation of fixed assets includes specific percentages that the system has established for certain assets. In contrast, the international model permits any method for calculating depreciation, provided that it is adequately disclosed.
5. Obligor units under the local model are required to use the weighted average method to estimate the cost of goods.
6. The unified accounting system does not recognise deferred tax assets, as is the case in the disclosure requirements of IAS 12. Appropriate classification and disclosure under IFRS of items that are relatively important to investors, along with the possibility of adopting fair value in valuing assets, will lead to providing relevant information to users.

Liabilities

IFRS: Liabilities are current obligations of economic units that have arisen due to past events and will be settled in the future, resulting in outflows. Liabilities are divided into the following: Current liabilities, which include accounts payable such as creditors, notes payable, and any other rights on the unit, and the due portion of long-term loans. Non-current liabilities include those arising from long-term financing structures, such as the issuance of long-term bonds and notes payable, liabilities from financial leases, and liabilities arising from unusual transactions, such as pension obligations, long-term provisions, deferred taxes, and contingent liabilities (Collis, 2012)

UAS: The Unified Accounting System did not specify any specific concept for liabilities and was satisfied with directly addressing the types of liabilities.

The system classifies liabilities based on long-term financing sources, which include capital, defined as the amount of money owned by the economic unit to carry out its activities, reserves, and allocations that represent real burdens with amounts that are difficult to determine accurately. This classification also includes the provision for the decline in financial investments, various allocations, and long-term loans received. As for short-term financing sources, include short-term loans received, credit expenses, creditors, current operations accounts, and reciprocal accounts payable. The adoption of IFRS over the Unified Accounting System (UAS) increased the credibility and transparency of financial disclosures by requiring detailed disclosures, fair value accounting, and the identification of important financial items such as financial derivatives and deferred tax liabilities. IFRS has facilitated easier comparisons for businesses worldwide, provided more thorough and transparent financial data, and helped investors make better decisions. It also encouraged better corporate governance and accountability, giving stakeholders a more accurate and transparent view of a company's financial situation. Conversely, the Unified Accounting System (UAS) relied on historical cost principles, made few disclosures, and did not recognize important financial factors, which could have resulted in inaccurate information and suboptimal decisions.

3-2. The Impact of the Difference Between the Two Models on Disclosure

- A- Under the unified accounting system, the equity item was not included separately in the balance sheet but was reduced to long-term financing sources.
- B- Non-recognition of potential liabilities must be recognised when a current liability or obligation results from past events, according to International Accounting Standard No. 37.
- C- There is no recognition by the unified accounting system of deferred tax liabilities, as in the disclosure requirements of International Standard No. 12.
- D- The unified accounting system did not take into account the measurement of liabilities and financial derivatives held for trading at fair value in its accounting treatments for liabilities.

Based on the above, disclosure under the International Financial Reporting Standards will be appropriate and transparent from the users' point of view and seek to provide them with proper and sufficient information.

Owners' Equity

IFRS: Owners' equity is the remaining value of net assets after deducting liabilities. The classification

of owners' equity varies according to the type of company, but if the company is a joint stock company, owners' equity includes capital, reserves, and retained earnings. Owners' equity, also called net worth, represents the residual claim on a company's assets after its liabilities have been satisfied (Basic Accounting Equation, n.d.) (DePamphilis, 2012).

UAS: Under the unified accounting system, the equity item is not recognized separately but is included within long-term financing sources.

3-3. The Impact of the Difference Between the Two Models on Disclosure.

The classification followed by the International Financial Reporting Standards in disclosing equity separately and independently provides appropriate information to decision-makers to guide their decision-making process. Due to the importance of the change in equity, the Financial Accounting Standards Board (FASB) has stipulated that the company must prepare a set of financial statements, including the statements of financial position, income, change in equity, and cash flow. The statement of change in equity is considered the link between the statement of financial position and the income statement. Therefore, there is a requirement to prepare this statement. It is worth noting that there is no requirement from the unified accounting system to prepare this statement, which constitutes a significant discrepancy between the international and local models. Regulatory bodies always play a key role in shaping accounting standards, ensuring transparent and reliable financial reporting. They establish a uniform method for generating financial accounts by creating frameworks such as IFRS, which made comparing countries easier. By increasing the reliability and transparency of financial reports, these rules enabled investors to make smart decisions. Regulatory agencies improved the general quality of financial reporting by enforcing detail disclosure standards, ensuring that it accurately reflected the financial health of businesses. Furthermore, they addressed the shortcomings of regional accounting systems, such as the UAS, which frequently failed to meet international standards and might have misled users. These organizations also ensured that important financial information was revealed to improve company governance and safeguard investors. They help maintain standards such as IFRS to remain applicable in an increasingly interconnected world by assisting accounting systems in adapting to changes in the global economy.

Revenue

IFRS: Revenue is defined as "the inflows into the company and any increase in its assets." It represents the monetary value of goods sold or services provided to customers during a specific period (Wagenhofer, 2014).

UAS: The unified accounting system used the term resources, which is defined as an account that represents the total revenues obtained by the economic unit as a result of using the factors of production, in addition to the incidental revenues obtained by the economic unit from other parties, whether or not related to its activity. The system divided the resource account into revenues from commodity activities, revenues from commercial activities, revenues from service activities, revenues from operating for others, the cost of internally manufactured assets, interest and rents on land, subsidies, transfer revenues, and other revenues. The differences between the Unified Accounting System (UAS) and International Financial Reporting Standards (IFRS) had significant consequences for financial markets. The UAS provided less detailed disclosure than IFRS, which could potentially mislead investors and lead to incorrect decisions that affected stock prices and market efficiency. Investor confidence and market stability were diminished by inadequate disclosure under the UAS, which increased investment risk as financial statements might not have accurately represented a company's financial condition. The reliance on historical cost accounting under the UAS, instead of fair value accounting as used in IFRS, could have led to distorted asset and liability valuations, potentially impacting market prices and investor decision-making. Since investors might not have had access to trustworthy data to evaluate risks and returns, noncompliance with IFRS impeded effective resource allocation and lowered economic growth. The differences between UAS and IFRS might have discouraged foreign investment, as foreign investors favored countries with open and widely recognized accounting standards, which restricted capital inflows into regional markets.

3-4. The Impact of the Difference Between the Two Models on Disclosure

- A- The treatment of revenues under the unified accounting system came under the title of the recording treatment of resource accounts, as there is a difference between the term revenue and resources, which leads to misleading the reader and the foreign investor in particular.
- B- The non-application of fair value by the unified accounting system, particularly in the case of deferring payment for the value of the goods sold.
- C- Deficiencies in the instructions of the Unified Accounting System regarding revenue realization exist, especially as sales operations have become more complex due to the diversity of goods and services. These deficiencies, which contradict international financial reporting standards, lead to the provision of inappropriate information from the perspective of investors.

Expenses

IFRS: Expenses are the outflows from the company. They are the costs incurred in generating revenue for the business (Chammassian & Sabatier, 2020).

Unified Accounting System

UAS introduced the term "uses" instead of "expenses," which is considered an economic term rather than an accounting one. It defined this account as the cost of production elements used within the scope of the company's activity, as well as other burdens it incurs. The account is analyzed regarding salaries and wages, commodity requirements, service requirements, contracting and services, purchases of goods and land without sale, interest and land rental, depreciation, transfer expenses, and other expenses.

3-5. The Impact of the Difference Between the Two Models on Disclosure

The difference in the names or terms used under the unified accounting system compared to the international financial reporting standards leads to the problem of misinterpretation between the reader and foreign investor regarding these items.

- 1- Accounting literature identifies how to measure and recognize expenses, emphasizing that measurement is done by following the current value, which avoids much of the criticism directed at the historical cost basis. Regarding the timing of recognizing the expense, the accounting rule confirms that the expense is recognized as soon as it becomes clear to the accountant that economic benefits have been exhausted in performing the activity or during the period. In contrast, the UAS did not provide detailed guidance on how to measure and recognize expenses.
- 2- The unified accounting system does not disclose many items that are considered important in the company's activity and for the investor, as disclosed in the International Financial Reporting Standards.
- 3- Classification of items under the International Financial Reporting Standards leads to their presentation in an understandable and transparent form from the users' point of view.

The shortcomings of the unified accounting system's disclosure requirements result in inadequate information disclosed by local companies listed on the Iraq Stock Exchange. The statement of changes in equity is one of the most important and primary statements due to its importance in clarifying changes in the components of paid-up capital and changes in the retained earnings figure.

Al-Shirazi (1990) confirms that the principle of comprehensive disclosure depends on four main assumptions:

- 1- A set of general-purpose financial statements can satisfy the needs of external users of accounting information.
- 2- If the general-purpose financial reports include appropriate information on income and wealth, the common needs of external parties can be met.
- 3- The role of the accountant in disclosing information appropriate to external needs is determined by preparing and presenting the following four financial statements as a minimum:
 - A- Statement of financial position
 - B- Income statement
 - C- Statement of changes in equity
 - D- Cash flow statement

- 4- The method of general-purpose financial statements is considered the most appropriate means of disclosure when comparing cost with return to other disclosure methods.

The limitations of the Unified Accounting System (UAS) in delivering accurate and transparent financial disclosures have been frequently noted in literature. Studies emphasize that UAS's reliance on historical cost and its rigid classification methods hinder the comparability and usefulness of financial information, particularly for investors and international stakeholders (Hamad, 2009; Hamdan & Farhan, 2014; Khader, 2009). In contrast, IFRS promotes clarity, consistency, and investor confidence by providing fair value measurement, flexible classification, and enhanced disclosure requirements (Johri, 2024; Shah, 2025).

Moreover, the increasing role of technology—especially artificial intelligence and machine learning—in financial analysis demands structured, high-quality data that UAS often fails to provide (Korolovich et al., 2025). This technological dimension underscores the urgency for reform and aligns with findings from other emerging economies that emphasize the long-term benefits of IFRS adoption despite transitional challenges (Nguyen et al., 2023; Raibi, 2024). These observations reinforce the assertion that transitioning from UAS to IFRS is not only critical for aligning with global standards but also for supporting informed decision-making, enhancing investor trust, and enabling effective use of advanced analytical tools.

4. Conclusion

This research contributes significantly to the academic and professional discourse in emerging markets by demonstrating how outdated systems like UAS limit transparency and mislead financial users. By incorporating a dual perspective—both comparative analysis and potential AI-enhanced solutions—the study opens new directions for future research. It encourages the adoption of IFRS or hybrid models in countries with transitional economies. In the absence of a requirement by the unified accounting system to prepare one of the main statements (the statement of changes in equity), this discrepancy is considered fundamental between the unified accounting system and the international financial reporting standards. Based on the above, the researcher believes that there is a gap between the disclosure requirements under the unified accounting system, which is adhered to by the companies listed on the Iraq Stock Exchange, and the requirements of the international financial reporting standards. This gap is increasingly expanding due to the changes occurring in the economic environment.

In light of the above and the differences presented between the application of two models, there is a large gap affecting the accounting disclosure of local companies that apply the unified accounting system. This leads to providing misleading information to users, who consequently make wrong decisions. The study emphasizes that the Unified Accounting System (UAS) in Iraq offers restricted and outdated financial information because it depends on historical costs and inflexible classifications. This results in inaccurate information, diminishes investor trust, and obstructs decision-making. It also undermines corporate governance and postpones entry into global markets. The absence of standardization in UAS hampers the efficiency of AI and machine learning in financial analysis. Shifting to International Financial Reporting Standards (IFRS) is vital for enhancing transparency, comparability, and access to global investment. Though SMEs might encounter initial obstacles, implementing IFRS provides enduring advantages such as financial modernization, trust from investors, and sustainable economic development.

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