Administrative Fraud and its Impact on Accounting Measurement and its Reflection on the Value of the Bank: Evidence from the Iraqi Market

Layth Ali Hammadi Al-Tameemi[1], Prof. Dr. Asaad Mohammed Ali Wahhab[2]

[1]University of Al-Furat Al-Awsat Technical Institute – Babylon, Iraq

https://orcid.org/0009-0007-5010-5248

[2]University of Kerbala – College of Administration and Economics, Iraq

https://orcid.org/0000-0003-1801-6871

ABSTRACT

This study seeks to examine the effects of administrative fraud on accounting measurement, its implications for the value of the sampled banks, and the potential for legalising such fraudulent practices in the accounting measurement process. The study aims to identify suitable solutions to address this issue and analyses the relationship between management fraud in accounting measurement and its impact on the observed decline. Technology plays a crucial role in various aspects of our lives in the modern world. It has the monetary worth of the banks included in the research sample. The worth of the banks and associated dangers were predicted using Tobin's Q model. An applied technique was employed for four banks listed on the Iraq Stock Exchange to accomplish the research objectives and examine the hypotheses. The study period from 2012 to 2021, during which the hypotheses were subjected to statistical testing. The study revealed a limited oversight of bank management in the sampled research, resulting in a lack of effective regulation and minimal coordination between owners and executive managers. This restricted the management's capacity to make critical decisions, particularly in cases where significant shareholders intervened. Consequently, this hindered the bank's ability to optimise resource allocation and impeded future expansion plans, ultimately leading to declining growth opportunities. The potential hazards linked to the decrease in value. The research sample reveals that all banks examined were affected by administrative fraud, as shown by their financial indicators. Specifically, it was observed that before 2014, all banks in the sample consistently valued their assets at their peak market values.

Keywords: Management Fraud, Accounting Measurement, Bank Value

INTRODUCTION

Within the framework of globalisation, high-value enterprises can foster a sense of identity and purpose through their affiliation with the organisation. This affiliation not only cultivates a sense of belonging within the workplace but also enhances employee ownership, attracts specialised knowledge, establishes uniformity, streamlines decision-making, and improves overall efficiency. Administrative fraud pertains to deliberate fraudulent activities perpetrated by the managerial personnel inside an organisation. As highlighted by Fanning and Cogger (1998: 15), administrative fraud refers to the intentional fraudulent activities conducted by management that result in materially misleading financial statements. This behaviour, whether through acts or omissions, has detrimental effects on investors and creditors by distorting the information presented in the financial statements. Louwers et al. (2018) concur with Fanning and Cogger perspective on administrative fraud and emphasise that such actions can negatively affect the company's value and reputation, particularly when management or employees deviate from predetermined goals or objectives: opportunistic behaviours and inappropriate administrative involvement. The accounting measuring procedure has the potential to adversely impact the company, resulting in a deterioration of

its financial standing and an inability to meet its financial responsibilities. The value in question is derived from several factors, including customer happiness, quality and perfection, exceptional return on assets, utilization of technology to gain a competitive edge, assessment of staff performance, and preservation of the company's core values. Executives and employees must be monitored and assessed to gauge their dedication to achieving predetermined objectives (Louwers et al., 2018).

The concept of measuring presupposes the attainment of a predetermined objective. Measurement becomes feasible when the objective of the measurement is well-defined. The act of measurement assumes the existence of an object or phenomenon to be quantified. The significance of measurement is contingent upon our understanding of the object or phenomenon being measured. Measurement presupposes in light of comprehending the principal argument, it can be deduced that it is impossible to quantify a thing that is not known. Since accounting is primarily focused on addressing the requirements of its users, a collection of objectives of the users' demands has a prominent position within the metadata. Assume that accounting measurements align with the intended purposes of the financial statements. In this scenario, comprehending the goals of financial statements entails grasping the fundamental condition of accounting phenomena. According to Musvoto (2011: 5-6), measurement is a fundamental aspect of the accounting discipline. Consequently, accounting information assumes a significant level of relevance within the financial world. Measurement is often regarded as a fundamental scientific premise within accounting. In the conventional sense, the objective of accounting measurement is to ascertain the quantitative values of entities or occurrences inside an organisation. The stated numerical values have been deemed appropriate for the entirety, such as the summation of asset values or for retail purposes, where specific circumstances are necessary. However, the measurement process also encompasses the activities of tabulation and assignment (Khalaf et al., 2022: 75).

According to Dang et al. (2020), a bank's valuation is determined by calculating the aggregate present value of all anticipated income expected to be earned throughout its operational activities. Put otherwise, the worth of the bank is determined by its present advantages. The potential benefits that might be derived are quantified regarding value, which can be assessed using suitable methodologies and pricing models (Dang et al., 2020: 66). Tobin's Q measure is employed to gauge a bank's market value ratio to its book value, providing insights into its origins. According to Gharaibeh and Qader (2017: 388), when Tobin's Q exceeds one, it indicates that the bank's value surpasses the value of its assets. The rationale for further investment in the company is justified by the anticipation that the returns generated will surpass the value of the company's assets. If a firm's Tobin's Q is below one, it indicates that the replacement cost of the company's assets exceeds its market value. In such a scenario, the corporation would be more advantageous to divest its assets rather than utilise them. The optimal scenario occurs when Tobin's Q is approximately equal to one, signifying that the firm is in equilibrium. According to Ali et al. (2016: 85), Tobin's Q is a metric that quantifies the correlation between a firm's stock market value and the replacement cost of its resources. This ratio helps explain most variations in investment and can also be employed to assess the financial state of the company (Sucuahi & Cambarihan, 2016: 150).

This study employs a two-stage methodology to examine the phenomenon of administrative fraud and its influence on accounting measurement, explicitly focusing on the variable of firm value. Subsequently, a regression model is employed to ascertain the influence of administrative action on accounting measurement. The analysis focused on the corporate valuation data of four banks selected as a sample for research conducted on the Iraqi Stock Exchange between 2012 and 2021. The initial segment of the study focused on a comprehensive examination of the existing body of literature on the research variables. This was subsequently followed by Section 2, which encompassed the methodology employed,

while Section 3 delved into the data and variables utilised in the study. The results are discussed in Section 4, while Section 5 serves as the conclusion.

LITERATURE REVIEW

The study conducted by Al-Ghanimi (2017) focused on developing methodologies to assess and disclose intellectual capital in the financial statements of economic entities. Additionally, the study aimed to measure intellectual capital within economic entities using mathematical models, specifically the present value coefficient of adjusted discounted future revenues model. The study's findings indicate that economic entities can perform accounting measurement of intellectual capital. Furthermore, disclosing intellectual capital in the financial statement is feasible, and such disclosure impacts the economic entity's capital. The study also showed a significant influence of intellectual capital on enhancing the value of the Real Estate Bank, a publicly traded entity, and the Southern General Cement Company, namely the Samawa Cement Factory. According to Al-Ghanimi (2017), it is also essential to highlight that the researcher's primary objective was to assess the quantifiable worth of intellectual capital and its influence on the organisation's overall value. This was achieved using value measurements and an examination of their effects. The researcher's viewpoint on the influence of revealing intellectual capital on financial statements is supported in this study.

The study of Abu Salem et al. (2018) assessed the influence of administrative fortification mechanisms on the valuation of joint-stock firms in Egypt. This study has made a valuable contribution by demonstrating the possible influence of administrative fortification mechanisms on a company's value. These mechanisms encompass several factors, such as the CEO's duality, the duration of their tenure, the board of directors' independence, administrative ownership, and financial leverage. The research was undertaken on 101 publicly traded businesses on the Egyptian Stock Exchange throughout the specified time frame. Between 2010 and 2015, the present study employed Tobin's Q ratio to assess the corporation's value. The study's primary findings indicate a negative correlation between the CEO's dual function and the company's worth and a positive correlation between financial leverage, managerial ownership, and value. Nevertheless, the study conducted by Abu Salem et al. (2018) found no statistically significant relationship between the duration of a CEO's tenure and the company's overall value. It is observed that the researcher attempted to examine the effects of administrative fortification mechanisms, specifically the four mechanisms, on the company's worth. The author identified a negative correlation between the CEO position's duality and the organisation's overall value. In this context, we respectfully express a differing perspective from the researchers, as we posit that duality could be a motivating factor. To maintain one's position, it is necessary to strive towards enhancing value.

Reschiwati et al. (2020) conducted a comprehensive examination and analysis of the influence exerted by liquidity, profitability, firm size, and value on the capital structure. The study's sample consisted of 15 banks listed on the Indonesian Stock Exchange from 2014 to 2018. The analytical technique employed in this study was the EViews 8.0 software program. The researchers have found that a company's capital structure is highly influenced by its liquidity, profitability, and size. Furthermore, it has been determined that the capital structure does not mediate the relationship between liquidity profitability and the firm's value. On the other hand, the capital structure serves as an intermediary in determining the impact of firm size on the firm's overall value, according to the study conducted by Reschiwati et al. (2020).

Al-Ubaidy's (2020) study focused on examining earnings management practices within banks listed on the Iraq Stock Exchange and the subsequent effects of these practices on the market value of shares. The findings were contrasted by assessing earnings management

concerning the implementation of the unified accounting system before the adoption of international financial reporting standards and after the implementation of International. The study yielded no evidence of a significant relationship between profit management practices and the market value of shares. The study's key findings highlight that the profit management ratio during the years when banks implemented the unified accounting system closely aligns with the ratio observed when international financial reporting standards were applied. This suggests that adopting international financial reporting standards did not significantly alter the profit ratio—the year 2020 (Al-Ubaidy, 2020).

ADMINISTRATIVE FRAUD AND ACCOUNTING MEASUREMENT

Defines fraud as the deliberate manipulation of accounting information involving the inclusion or omission of facts (Sandhu, 2013: 9), with the potential to influence the reader's perception and ethical judgement. Administrative fraud encompasses professional crimes and corporate crimes perpetrated by individuals inside the executive hierarchy, leading to instances of passive complicity or compliance. As an illustration, chief executive officers (CEOs) have been shown to potentially misappropriate corporate funds for personal gain, or they may consciously abstain from intervening when their subordinates promote hazardous products (Zahra et al., 2007: 123). It is worth mentioning that the concepts highlight the adverse consequences of administrative fraud on investors and creditors. However, they fail to address the broader societal implications, as the bankruptcy of companies due to fraudulent activities has substantial repercussions on the communities in which they operate. They can be characterised as an instance of administrative fraud. Intentional errors or omissions of numbers or disclosures in financial statements are deliberate actions aimed at misleading investors or key stakeholders, resulting in adverse consequences for all stakeholders and society. Referred to as intentional misstatements, fraudulent financial reporting involves the deliberate misrepresentation or omission of financial amounts and disclosures to deceive users of the financial statements. As a result, the financial statements fail to accurately present, in a significant manner, compliance with Generally Accepted Accounting Principles (GAAP). This type of misrepresentation is commonly observed. Fraudulent activities can lead to material misstatements in financial statements, which can occur when individuals manipulate the financial reporting process. This manipulation involves altering the information shown in the financial statements to deceive stakeholders. Asset misappropriation refers to fraudulent activity wherein a company's assets are unlawfully appropriated. However, it is important to note that not all instances of fraud entail such misappropriation. The monetary figures in question may not significantly impact the financial statements. The misappropriation of corporate resources is a matter of managerial apprehension, and irrespective of their perceived insignificance, minor instances of theft can escalate in magnitude over a while (Arens et al., 2012: 336).

Furthermore, another form of fraudulent activity encompasses manipulation. The effectiveness of bids and bribes is contingent upon the collaboration between managerial personnel and the contracting party, a clandestine activity that poses challenges in terms of identification. Consequently, auditors must assess the repercussions of this illicit behaviour on the company's ongoing operations (Arens et al., 2019: 451). Based on the analysis, it becomes evident that administrative intervention constitutes a manifestation of management fraud, wherein efforts are made to manipulate the financial statements through accounting measurement techniques. This practice, driven by managers' inclination towards specific measurement methods, negatively affects value and sustainability. Such preference stems from managers' superior competence and comprehensive under According to the International Accounting Standards Committee (ISAC), measurement refers to the systematic determination of monetary value assigned to assets, liabilities, and other elements for their

inclusion in financial statements. According to the Financial Accounting Standards Board (FASB), measurement in accounting refers to the systematic assignment of numerical values to various entities or occurrences under predetermined guidelines (Schroeder et al., 2006: 185).

Comparative analysis is a valuable means of obtaining reliable data for decision-making. Additionally, this method involves establishing a connection between numerical data and the many activities and transactions within an organisation, utilising specialised measurement instruments. According to Abdel Majeed and Amin (2018), accounting measurement provides valuable information to individuals making economic decisions. This is achieved by representing events, objects, and activities in terms of monetary units. Additionally, it quantifies the holdings of assets and liabilities associated with the economic entity. Additionally, a description of the alterations that transpire in assets, obligations, and ownership rights. According to Saleh (2012: 128), selecting a specific measure in the measuring process is contingent upon the inherent quality being measured. Measuring a quantitative property using a monetary unit is most suitable. In the context of production, the metric employed is the measure of production capacity, which is determined by the quantity of units manufactured. According to Khaled (2016: 41), if the measuring process's objective is to quantify a particular entity's content. Merely ascertaining the suitable scale for the measurement process is insufficient. In addition, it is necessary to indicate the specific unit of measurement when quantifying variables, such as the company's profit. According to Osama (2019: 12), the individual responsible for the measuring process is regarded as a crucial component of the accounting measurement process. The outcomes of the measuring procedure exhibit variability across different companies, contingent upon the individual responsible for executing the measurement process, particularly in cases involving subjectivity. The individual responsible for the measuring procedure plays a crucial role and is the foundation for the procedure's outcomes. The topic under consideration is measurement. According to Qawadri (2018: 4), the components comprising the measurement procedure are visually depicted in the accompanying Figure 1.
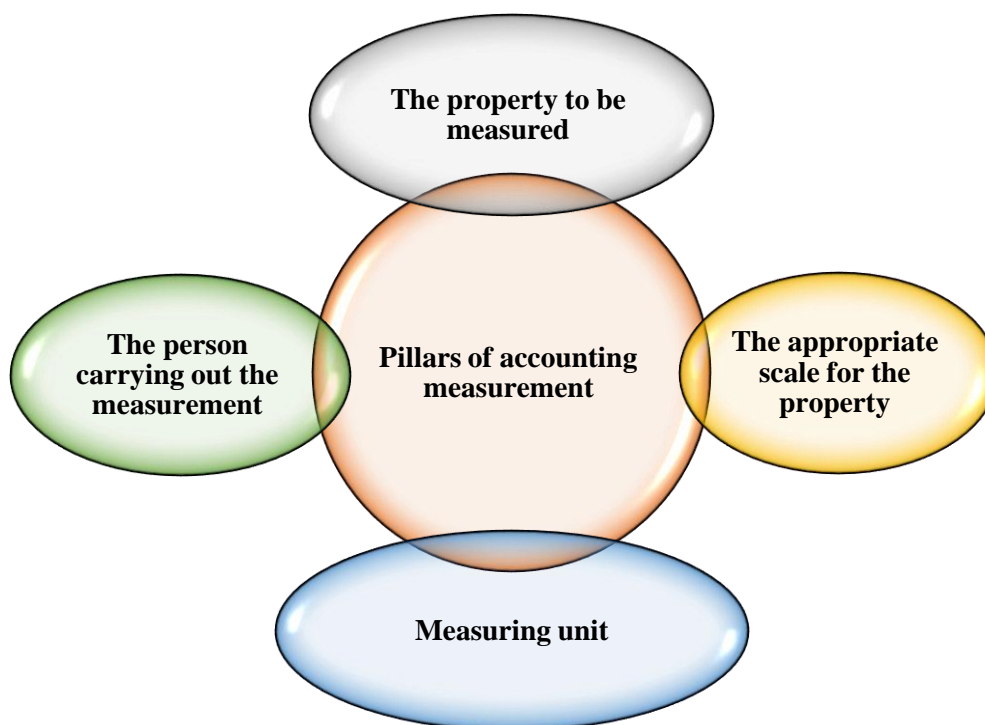

Figure 1: Pillars of Accounting Measurement

COMPANY VALUE AND METHODS FOR MEASURING

The significance of a company's worth is of utmost importance as it directly correlates with the potential for substantial wealth accumulation among its shareholders. A positive correlation exists between the share price and the value of a company, such that an increase in the former leads to a corresponding increase in the latter. Managers are obligated to make decisions that consider the interests of all stakeholders to optimise the long-term worth of the firm, as the evaluation of a manager's performance is contingent upon the successful attainment of this objective (Monoarfa, 2018: 35); corporate value refers to a collection of values that are formulated by the senior management of organisations. These values serve as a framework for managers and employees to make decisions and provide guidance for their actions. Luinstra (2019: 5) supports this notion by stating that company values play a crucial role in the decision-making processes of individuals within the organisation. Furthermore, Hasnawati (2014) highlights that the market value of a firm serves as a representation of its worth since it provides the highest level of financial prosperity to its shareholders. According to Hasnawati (2014), an increase in the share price augments shareholders' wealth. Conversely, Tampubolon et al. (2021: 650) suggest that the company's operational activities are geared towards maximising its value, defined as the price potential buyers are willing to pay in the event of a sale. Khairani (2018) posits that the assessment of a firm's worth encompasses the present value of anticipated future revenues, along with the consideration of the market index, to evaluate the company holistically. The organisation must have explicit objectives. The objectives encompass the company's pursuit of optimising financial gains, enhancing the proprietor's welfare, and augmenting its valuation, as evidenced by its stock price. Hence, implementing the financial management function is optimal for attaining organisational objectives. According to Khairani et al. (2018), Rijal et al. (2019), Abas et al. (2019), Umar & Kurawa (2019), and others (Tabe et al., 2022), the valuation of a company is significantly influenced by various factors, including its size, profitability, capital structure, and dividend policy. The size of a company is typically assessed based on the value of its property rights, sales, and assets. This evaluation is further determined by the company's total sales, asset size, and average sales level. The mean value of the aggregate assets possessed, according to Hellmann et al. (2021: 79), plays a crucial role in predicting the profitability of a corporation. Organisations with substantial assets will fully utilise their existing resources to optimise their business earnings. Similarly, organisations with few assets will strive to profit from their available resources. The measurement of a company's size can be determined by its total assets, sales, and market capitalisation (Jihadi et al., 2021: 425). On the other hand, profitability serves as an indicator of the company's fundamental performance, reflecting the effectiveness of its management. Additionally, earnings classification evaluates the state and profits' capacity to sustain operations and capital (Ifada et al., 2019: 4).

The capital structure of a company serves as an indicator of its financial position. When correctly managed, it can contribute to the growth of the firm's value. The primary objective of the capital structure is to consolidate the various sources of funding utilised by the company to support its operational activities. This objective is to identify a reservoir of financial resources that will diminish the expense of capital while concurrently augmenting the value of company shares. As the market value of a firm's shares increases, the company's overall valuation will also grow (Wijaya et al., 2021: 389). Determining a company's dividend policy is crucial to its financial decision-making process. The concept of a dividend policy refers to the determination of the proportion of current earnings that will be distributed as a return on invested capital, as opposed to the portion that will be retained for reinvestment inside the organisation (Brigham & Joel, 2010: 32). The determinants influencing the valuation of a firm can be visually represented by the following Figure 2:
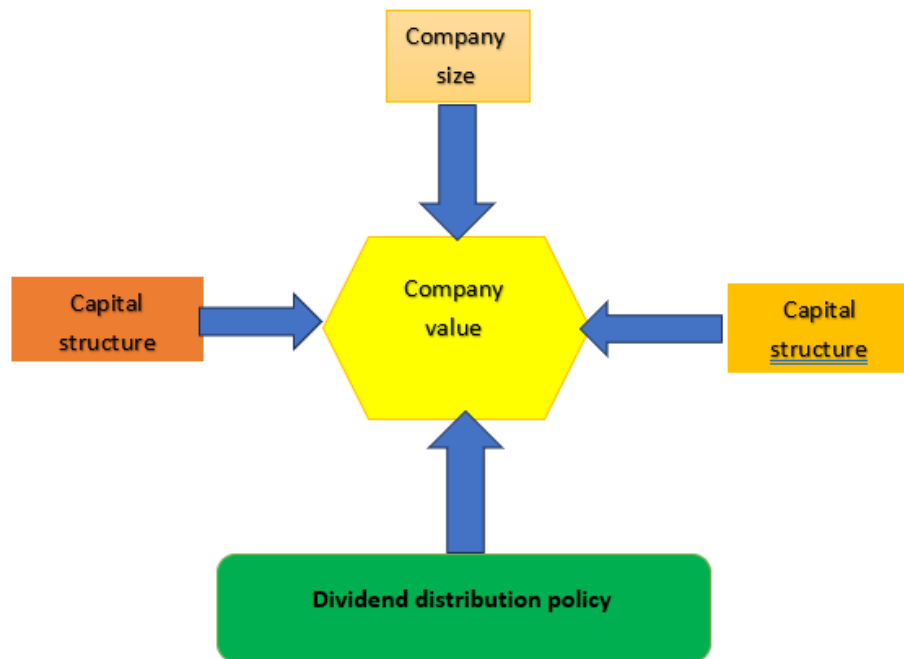
Figure 2: Factors affecting the value of the company

There are many different methods and outlets to determine a company's value. In general, these approaches focus primarily on the following three viewpoints: Asset-based viewpoints are the viewpoints on determining a company's value based on its financial position, pre-tax earnings and interest, stock price, financial performance, and other methods (Dang et al., 2020: 66). Tobin's Q measure refers to the ratio of a company's market value divided by the book value of its assets. Tobin's Q is a ratio created by James Tobin, a Nobel Prize winner in economics, who assumed that the combined market value of all firms in the stock market should be approximately equal to their replacement costs (Gharaibeh & Qader, 2017:388). It states that if "Tobin's Q" is more significant than one, the company is worth more than the cost of its assets. In this case, additional Investment in the company will make sense because the profits generated will exceed the cost of the company's assets. If "Tobin's Q" is less than one, replacing a company's assets costs more than the company is worth; it would be better for the company to sell its assets rather than try to use them. The ideal case is where Tobin's Q is approximately equal to one and indicates that the firm is in equilibrium (Ali et al., 2016: 85). Tobin's Q measures the relationship between the stock market value of the firm and the replacement cost of the firm's resources and can also explain most fluctuations in Investment using this ratio, as it can also be applied in analysing the financial condition of the company (Cambarihan & Sucuahi, 2016: 150).

Tobin's Q: A low Q ratio when it is between (0 and 1) means that the cost of replacing a company's assets is greater than the value of its inventory. This means that the stock is undervalued. Conversely, a high Q (greater than 1) means that the company's stock is higher than the replacement cost of its assets, which means the stock is overvalued and extracted according to the following equation (Al-Gburi & Wahhab, 2023).

$$\text{Tobin's Q} = \frac{(\text{MVE} + \text{PS} + \text{DEBT})}{\text{TA}}$$

Whereas: Market value of equity = market price per share × number of shares outstanding; Book value of equity = total assets - total liabilities.

STUDY METHODOLOGY AND DATA ANALYSIS AND HYPOTHESIS TESTING

The Significance of the Study

The significance of this study comes in its focus on identifying answers to the challenges faced by bank management, explicitly on instances of administrative fraud in the accounting measurement process. Such fraudulent activities harm the organisation's overall value, particularly for Iraqi banks listed on the Iraqi Stock Exchange.

The Study Purposes

1) Investigate and analyse various factors' impact on the phenomenon under investigation.
2) Identify instances of administrative fraud among a selected sample of banks. The focus is on understanding the various forms that such fraud can take and the underlying causes contributing to its occurrence.
3) Explore potential strategies for addressing the issue of administrative fraud in the accounting measurement process within the banking sector. Specifically, it investigates the feasibility of legalising such practices by identifying and implementing suitable solutions.
4) Investigate the potential for mitigating instances of administrative fraud and its consequential effects on the overall worth of banks within the selected study sample.

The Study Problem

One of the critical aspects of conducting academic research is identifying and defining research problems. Research problems serve as the foundation for the entire research process, guiding the selection of research questions.

The absence of formal disclosure regarding management practises and opportunistic behaviour in companies, particularly in the context of administrative fraud, may serve as a mechanism for management to pursue specific objectives. This includes manipulating measurement methods to attain these objectives and interpreting them to align with management's interests, ultimately leading to personal gains at the company's expense. Consequently, management exploits its position to deceive stakeholders. In consideration of the prevailing uncertainty faced by most companies, which may manifest in various ways affecting the company's value, the research problem might be articulated as follows:

1) Is there evidence of administrative fraud in accounting measurement that has impacted the valuation of banks within the research sample?
2) What is the influence of management fraud on the valuation of banks within the selected research sample?

Formulation of Study Hypotheses

The present study is grounded in a series of hypotheses, which have been formulated in response to the study issues that were addressed.

1) There is no statistically significant association between administrative fraud in accounting measurement and the company's overall value.
2) There is no statistically significant correlation between administrative fraud and accounting measurement.

Study Sample

The study sample comprised a cohort of publicly traded banks on the Iraq Stock Exchange. The banking sector was selected due to its status as the most actively traded industry. Based on statistics from the Iraq Stock Exchange, it has been observed that the

quantity of banks listed on the exchange has reached 44 out of the overall number of listed companies, which stands at 105. The banking industry accounts for 41.9% of the listed companies, focusing on actively traded companies. A total of 30 banks were included in the analysis, with 7 banks ceasing trading due to various causes. Among the remaining banks, 21 were Islamic and 23 were commercial banks. Notably, all 7 of the omitted banks were commercial banks. Consequently, the study focused solely on the trading activities of the remaining 16 commercial banks. The rationale behind this decision stems from the study's focus on commercial banks to fulfil its objectives and assess variables such as value, continuity, and administrative intervention. Hence, a selection of time series data from 2012 to 2021 was made for four commercial banks. Hence, the research sample exhibits 25% of publicly traded commercial banks.

Table 1: Bank data, research sample

No.	The Bank	Established	The year it was listed on the market	The bank's capital at the beginning	Bank's capital in 2021	Number of shares (million shares)	Trading volume in 2021 (Million shares)	Market value in 2021 (Million dinars)
1	Commercial Bank of Iraq	1992	2004	150,000,000	250.000.000.000	250000	915.6	157,500
2	Middle East Bank	1993	2004	400,000,000	250.000.000.000	250000	132549.5	52,500
3	Bank of Baghdad	1992	2004	100,000,000	250.000.000.000	250000	14006.4	202,500
4	Iraqi Investment Bank	1993	2004	100,000,000	250.000.000.000	250000	813.8	72,500

The table presents a sample of banks selected for the research, displaying relevant data such as capital, number of shares, trading volume, and market value. This information aims to provide a comprehensive understanding of the characteristics associated with each exchange. The sample exhibited homogeneity in terms of equal capital allocation among its members. Consequently, the impact of the intervention or practises may be accurately assessed. Implementing robust capital management characterises the effective management of a bank's administration practises and the utilisation of key performance indicators to assess the bank's value and long-term sustainability.

The Quantification of Administrative Intervention in Accounting Measurement

As a result of the absence of standardised measurement criteria and regulatory oversight in the accounting measurement procedure, we employed survey questionnaires that restricted respondents to binary responses of either "yes" or "no." The primary objective of this task is to ensure the provision of precise and reliable responses. The disparity in the degree of intervention was addressed by incorporating multiple dimensions in the survey to attain a sample size of 100 responses. The research sample consisted of 89 responses from banks, with the Bank of Baghdad exhibiting notable issues of non-cooperation. The following section presents the findings derived from the analysis of the survey.

The initial dimension's findings revealed that most individuals within the sample population concurred with the survey's inquiries regarding the prevalence of administrative interference in accounting measurement. The findings of this study revealed that the most incredible arithmetic average was obtained for the paragraph about the impartial exercise of duties by the company's board of directors without any form of discrimination. The parties overseeing executive directors achieved a mean value of 1.52, with a standard deviation 0.503. This suggests that the Board of Directors lacks impartiality in carrying out its responsibilities, as evidenced by the lowest arithmetic mean within the paragraph. It raises the question of whether the existing practices employed by management are genuinely in the

owners' best interest. The total number of affirmative responses in the study sample amounted to 66, yielding a mean of 1.26 and a standard deviation of 4.44. This implies that most individuals within the sample concur that most administrative practices are implemented to appease the owners, ensuring their job security or obtaining more advantages. This implies that the financial statements fail to adequately fulfil the requirements of individuals who rely on financial information about said banks.

Regarding the second axis of accounting conservatism and its influence on the bank's value, a consensus was achieved among most of the participants in the sample. This is evident from the highest arithmetic mean of 1.47 obtained for the second set of questions on the second axis. The presence of a standard deviation of 0.502 suggests the application of conservatism. The utilisation of accounting in profit management, along with the potential influence of numerical biases in financial statements, contributes to formulating practical and valuable decisions by management. In a broad sense, this observation suggests a correlation between accounting conservatism and the valuation of banks. The paragraph analysed the impact of accounting conservatism on the information asymmetry between managers and investors and its potential effect on investment and bank value. The research sample consisted of a total number of responses, with 63 indicating a positive outcome. The arithmetic mean of these responses was calculated to be 1.2, with a standard deviation of 0.457. This finding suggests that a significant proportion of the participants in the sample concur that there exists a relationship between accounting conservatism and the valuation of banks.

Measuring Company Value According to Tobin's Q

The study utilised Tobin's Q equation to assess the value of the banks in the research sample. The findings indicated that the Middle East Bank exhibited the lowest value within the period from 2019 to 2021, primarily due to a decline in its market value in 2020. Conversely, the Bank of Baghdad demonstrated the highest value in 2014, reaching 1.325. The provided table illustrates a decrease in Tobin's Q ratio, which can be attributed to the banks' assets being valued higher than their market value, particularly after 2015. It is worth noting that none of the banks under investigation displayed this phenomenon. The Tobin's Q ratio surpassed the appropriate threshold, and a noticeable decrease was observed across all banks included in the research sample. The fall in question can be attributed to multiple factors, including the conflict against terrorism in 2014, the global dissemination of the coronavirus, and the subsequent economic downturn experienced by nearly all publicly traded corporations.

Testing the Study Hypotheses

The hypotheses were examined using the Pearson correlation coefficient. Notably, the correlations in green exhibited significance levels surpassing the 5% barrier, indicating that none of the correlation values in yellow attains statistical significance. This observation suggests a lack of association between the independent variable, its dimensions, and the dependent variable. The valuation of a ring corporation, as determined by Tobin's Q, is of academic interest.

Table 2: Pearson correlation coefficient

Correlations		AI	AM	AE	EM	AC	Tobins.Q
AI	Pearson Correlation	1	.710**	.473**	.765**	.585**	-.327-*
	Sig. (2-tailed)		.000	.002	.000	.000	.040
	N	40	40	40	40	40	40
AM	Pearson Correlation	.710**	1	.049	.467**	.235	-.310-

	Sig. (2-tailed)	.000		.766	.002	.144	.052
	N	40	40	40	40	40	40
AE	Pearson Correlation	.473**	.049	1	.296	-.128-	-.125-
	Sig. (2-tailed)	.002	.766		.064	.430	.441
	N	40	40	40	40	40	40
EM	Pearson Correlation	.765**	.467**	.296	1	.317*	-.155-
	Sig. (2-tailed)	.000	.002	.064		.047	.339
	N	40	40	40	40	40	40
AC	Pearson Correlation	.585**	.235	-.128-	.317*	1	-.202-
	Sig. (2-tailed)	.000	.144	.430	.047		.211
	N	40	40	40	40	40	40
Tobins. Q	Pearson Correlation	-.327-*	-.310-	-.125-	-.155-	-.202-	1
	Sig. (2-tailed)	.040	.052	.441	.339	.211	
	N	40	40	40	40	40	40
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327a	.107	.083	.324739
a. Predictors: (Constant), AI				

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.479	1	.479	4.546	.040b
	Residual	4.007	38	.105		
	Total	4.487	39			
a. Dependent Variable: Tobins.Q						
b. Predictors: (Constant), AI						

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.702	.542		3.137	.003
	AI	-.842-	.395	-.327-	-2.132-	.040
a. Dependent Variable: Tobins.Q						

The results shown in the tables above indicate that based on the determination coefficient R2 (R squared), it may be inferred that the independent variable, namely administrative intervention, accounts for 11% of the observed variance in the dependent variable, precisely company value. The F value of 4.546 demonstrates statistical significance (p = 0.040), suggesting that the regression model effectively predicts the variability observed in the dependent variable. Based on the findings presented in the preceding two paragraphs, it is evident that there exists a statistically significant negative relationship between administrative intervention and value when considering its many dimensions collectively.

CONCLUSION

There exist multiple strategies that can aid bank management in augmenting value, one of which involves a keen focus on enhancing the content of financial statements by improving disclosure quality on all essential financial requisites. Several political, economic, and social reasons influenced the market value of these banks throughout the fight against ISIS. A significant proportion of the banks in the study sample did not implement value maximisation methods concerning cost reduction, meeting customer demands, and enhancing cash flows by adopting a well-defined long-term strategy.

The research sample reveals that the banks' weak management vision hinders regulatory interventions and inhibits effective relationships between owners and executive managers. Furthermore, the involvement of big owners might significantly impede management's capacity to make critical decisions. This phenomenon presents challenges in optimising resource utilisation and strategic planning for future expansion, hence mitigating the potential for value depreciation. Moreover, it should be noted that all the banks included in the study sample have been subjected to administrative fraud. The financial indicators indicate that before 2014, all banks in the study sample valued their assets at maximum market prices, as seen by Q ratio scores ranging from 1.0 to 1.0. This implies that the expense of replacing banks' assets exceeds the worth of their current holdings. This implies that the stock is now priced below its intrinsic value. Contrarily, certain banks exhibited a noteworthy observation in their results, particularly during the period spanning from 2012 to 2014, where the Q value surpassed 1. This finding suggests that the company's shares' market value exceeded its assets' replacement cost, implying an overvaluation of the bank's shares.

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