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THE PREDICTIVE ABILITY OF ACCOUNTING INFORMATION IN ACCORDANCE WITH THE REQUIREMENTS FOR THE ADOPTION OF THE IPSAS 2: AN APPLIED STUDY AT THE MINISTRY OF HIGHER EUCATION AND SCIENTIFIC RESEARCH IN IRAQ

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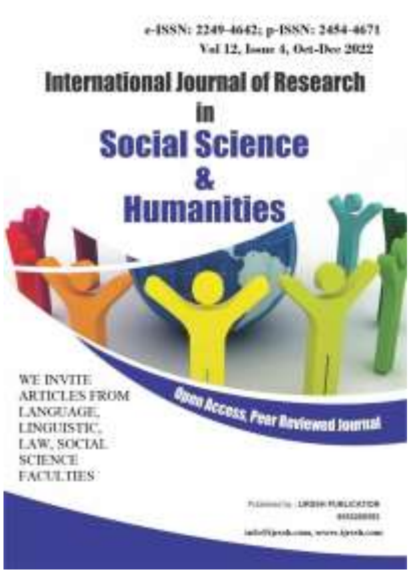

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ABSTRACT

This research aims to know or measure the predictive ability of the accounting information of the Iraqi Ministry of Higher Education and Scientific Research as one of the public sector units and a sample for the current research, in accordance with the requirements of accreditation of the IPSAS 2. The researchers relied on analyzing the financial data of the Ministry's office for the years 2013-2021. The researchers used appropriate statistical models and methods to test the research hypotheses and measure its variables. The results of the research indicated a positive impact of adopting the requirements of the IPSAS 2 standard on the predictive ability of the accounting information related to the research sample by testing the values of the two indicators (A, B), which show the outputs of Standard No. 2 related to the information on in and out cash flows. Where the significant value of both indicators (a) and (b) was less than the level of significance (5%), and this indicates the impact of the adoption of the requirements of IPSAS 2 on the predictive ability of accounting information. In other words, the accounting information resulting from the adoption of the above standard is useful and has a high predictive ability.

INTRODUCTION

From the early ages to this day, the future is still the subject of human interest. We all live in the midst of the present to receive tomorrow with a number of questions ,which are the same as those experienced by the first human being, as the scarcity of natural resources and their control over them coincided with the great population pressure and other questions that contribute to the The survival of man and the continuation of his life made the future a focus of attention for workers in various fields of science and knowledge. On this basis, many countries of the year have developed rational plans to invest time and resources together as the largest wealth owned by man, and planning to invest economic resources is closely related to the future, and therefore it can be said that if a person has knowledge related to the past (history), then there is a specialized knowledge In the future, it has not reached the peak of completion yet, and it may carry with it many future events.

Accounting information is very important to users, as forecasting events properly helps them to plan and optimize the use of available resources and capabilities. Without an accurate prediction of future trends, the relevant parties cannot properly formulate their policies. In addition, the decisions taken, plans and estimates made by them will be unrealistic. Therefore, the predictive ability of accounting information is an indication of the extent to which the economic unit can continue or not, and a warning bell. An early stage through which the unit can avoid the financial challenges that it may face in the early stages.

The accounting outputs, which are mainly embodied in accounting information, are important for both the management of the economic unit as an internal user on the one hand, and other users on the other hand, and its importance stems from the benefit it achieves for users of that information, and that reports and financial statements are the primary source for producing accounting information until the information becomes With a predictive ability or greater usefulness, it should have a set of qualitative characteristics, in addition to the fact that the process of preparing them should take place in accordance with the regulations, policies and accounting standards for preparing financial reports. Where the departments of the units and other users depend in their decisions on therelevance accounting information provided by the disclosures represented in the financial statements and reports, especially when they make financial forecasts through several scientific methods, and this is reflected positively on a number of current and future economic events carried out by the economic unit, including taking Administrative and financial decisions by users and the development of plans, estimates and other economic events that depend mainly on that information and in a manner that serves the general objectives that the management of the economic unit seeks to achieve more efficiently and effectively.

Examining the activities of public sector units in Iraq that apply the cash basis gives a clear indication of the shortcomings of those units, specifically their accounting system with regard to providing useful accounting information therefore, these units may not report the reality of their cash flow. The financial reports and statements that you prepare may be tainted by a number of deficiencies in providing accounting information that has qualitative characteristics that achieve its general purpose. In line with what was presented above and in preparation for later treatment, the research problem is determined by the following central question:

- ***Is there a predictive ability of accounting information in the cash flow statements prepared in accordance with the requirements of adopting the IPSAS 2 standard in the local environment?***

AIM OF RESEARCH

1. Determining the conceptual aspect of the qualitative characteristics of accounting information.

2. Identifying the nature of the cash flow information prepared in accordance with the requirements of adopting the IPSAS 2 standard to provide accounting information with predictive ability that improves its quality
3. Measuring the predictive ability of accounting information in accordance with the requirements of adopting IPSAS 2 standard.

HYPOTHESIS OF THE RESEARCH

Based on the foregoing the research hypothesis can be formulated as follows:

"There is an impact of the adoption of IPSAS 2 standard on the predictive ability of accounting information"

LITERATURE REVIEW

Predictive ability of accounting information

Accounting information means; All information, whether quantitative or non-quantitative, that is disclosed by reports or basic financial statements and their appendices, and reflects the financial situation and the events carried out by the economic unit, with the aim of guiding the decisions of its users in a manner commensurate with their goals and desires (Hubal, 2016: 8). In this regard, Khasha pointed out that the accounting information has an impact on the financial decisions taken when it is relevance as it contributes to the evaluation of events, whether they are events that occurred in the past, present events, or events that will occur in the future, as the property of relevance is characterized by the predictive function of accounting information. Relevancy means the ability of information to bring about a change in the usefulness of decisions taken by users, and accounting information becomes so if it is used to predict future events. Information from Forecasting the Future (Khasha', 2021: 32-33).

(Issa) believes that information has predictive ability if it provides its users with strong indicators about the future in normal circumstances. Developing positive results and addressing negative ones (Issa, 2017: 64).

It should also be noted that when accounting information has a predictive ability, it is not intended that that information has a predictive ability in itself, but rather it can be relied upon by users to obtain future predictions that contribute to guiding the decision-making process (Al-Mughali, 2009: 49). Al-Bayati mentioned that the user of accounting information when making any decision is implicitly or explicitly practicing the forecasting process, and with regard to the predictive ability, he indicated that it is the most prominent criterion that can be used to choose the best alternative for measurement, after the controversial issues have expanded due to the existence of several methods of accounting measurement Which made the accounting profession a source of concern, and in order to avoid this problem, alternatives to accounting measurement were evaluated according to their predictive ability (Al-Bayati, 2001: 37-38).

In general, it is meant by predictive ability; The ability of information to predict future events to help decision makers improve their odds in order to obtain accurate predictions about expected future events or to contribute to confirming or correcting his future expectations to some extent (Al-Shami, 2009: 22). While (Abbas) defined it as "the ability of information to improve the decision-maker's ability to predict events related to future activity in the light of the results of the past and the present, without knowing the past events it is difficult to predict what will be in the future, and knowing the past events without paying attention to the future is considered a purposeless act." (Abbas, 2013: 10).

In this regard, the two researchers add that the accounting information becomes predictive, i.e. able to predict if it is processed and analyzed according to certain methods that make that information more predictive than others, and therefore it can be said that the prediction process is actually the product of both; The quality of the information available on the one hand and the methods of reporting it on the other hand, and ultimately serve the interest of the decision-making process, since the decision is directly related to the forecasting process, so there is no decision without prediction, but there may be prediction without making a decision. Finally, it can be said that the predictive ability of accounting information as one Relevancy sub-properties help users predict economic events by relating the past, present, and future.

predictive by cash flow information

The cash flow statement provides important information about cash that enables external users to determine the unit's ability to generate cash and meet its obligations towards them. In addition, managers from within economic units use this information to do cash forecasting, which is one of the financial planning methods used by managers to plan their units' needs for cash. In addition, through these means, it is ascertained that their units are not exposed to future monetary challenges, "Cash forecasts" means a statement that identifies the amounts of cash payments and receipts expected to occur in the future, and the resulting cash balances expected for a specific future period. (Walker, 2006:p 107).

The researchers conclude from the above that forecasting cash flows is the mainstay for facing potential monetary problems and challenges, and therefore it serves as an early warning of the occurrence of such monetary problems such as bankruptcy, lack of liquidity, etc., which cause the inability to fulfill obligations to others, and make managers fully prepared to face those cases and reduce their occurrence suddenly.

PREDICTIVE ACCURACY

Managers' efforts are often focused on achieving the general goal of the economic unit through a number of decisions they take, and in order for their decisions to be sound and achieve the goal, they must be based on more accurate predictions. In light of the possibilities of error contained in the issue of predicting future trends, which are characterized by uncertainty, so the administration seeks to use various qualitative and quantitative methods in order to achieve this goal (Al-Bayati, 2001: 210). In completion of the foregoing, Banica indicated that the accuracy of forecasts depends on the amount and sources of data that are collected, as well as the nature and choice of the predictive model used in the forecasting process. This is done through three stages, which are as follows: (Banica et. al., 2012: 173):

Firs:, get larger amounts of historical data and prove the importance of each element of the data set. When a sufficient set of previous data is available, this helps to predict more accurately. In addition, the importance of each element among the set of data that has important weights and a positive impact on the accuracy of the prediction should be determined.

Second: Using forecasting programs to process the data or inputs collected in the first stage. Noting the focus on the inputs or data necessary for forecasting and analysis processes.

Third: Choosing the relevance model for forecasting and then evaluating the accuracy of the forecast. Practical experience and intuition enter into choosing the relevance model. Forecasting programs (graphs, performance reports, etc.) give complete information to managers to assess the accuracy of forecast results.

From the foregoing, it is clear to the researchers that the criterion for prediction accuracy is the amount of error resulting from the prediction occurring between the actual value and the estimated value, so that obtaining the best prediction accuracy occurs when the amount of error between the actual value and what is expected is at its lowest level, in other words that The lower the error, the more this indicates that there is a high predictive accuracy and vice versa.

PREDICTIVE APPROACH TO ACCOUNTING

The predictive approach appeared in the field of accounting to solve the problems of accounting measurement by evaluating and choosing alternative methods of accounting measurement, so it employs the predictive ability criterion in order to formulate the accounting theory, that is, the selection of a specific measurement method is made in light of its ability to predict future events that are focused. users interest, The predictive approach focuses on the feature of relevance as a main criterion for financial reporting. Therefore, the accounting information that is relevance is the one that has the ability to predict future events. In addition, the predictive ability is an objective or target criterion because it is directly related to the purpose of collecting information. Accounting, which is to facilitate the decision-making process, as there is an essential difference between decision and forecast, where forecasting can be made without making a decision, while a specific decision cannot be taken without a forecast (Belkaoui, 2009: 179).

The term predictive ability is a term with relative permanence, due to the fact that this ability is gradually developing with the formulation and development of new theories and finding better and more quality methods for applying these theories on the ground, and accordingly all current theories are subject to a process of modification and sometimes are modified About it if new theories are available that lead to obtaining better predictions than what the current theories provide in terms of specific predictions (Hendrickson, 1990: 3-2).

Although there is a predictive approach to formulating an accounting theory through which alternative methods of accounting measurement are evaluated on the basis of their predictive ability of events related to the activities of the economic unit, there remains the problem of defining the theory that helps link accounting measurement methods to future decisions and events by finding an explanatory and predictive relationship at the same time. One, therefore, the predictive value reflects a probabilistic relationship between relevance forecast variables derived from accounting information and economic events of great importance (Belkaoui, 2004: 398).

IPSAS 2 "Cash Flow Statements" Overview

IPSAS 2 "Cash Flow Statements" mandated by (IFAC) is taken primarily from IAS 7 "Cash Flow Statements" issued by the International Accounting Standards Board, and this standard includes excerpts from IAS 7 with the permission of IFRS Standards Organization (IFRS)), this IPSAS 2 standard was issued in May of 2000, and since then it has been subjected to a number of amendments as a result of a number of changes that occurred either directly to the provisions of the standard itself or amendments made to other standards, as this standard affects and is affected by the changes that occur in the standards The relevant amendments continued until January 31, 2021. This standard fits the activities of government units that apply the accrual basis, as they must, in accordance with the requirements of this standard, determine the actual cash amounts that have been spent and received in cash and actually, according to the activities carried out by those units during a specific financial period (IFAC 2021:222-223).

The purpose and scope of IPSAS 2 and the definitions it came with (Mufaddal, 2008: 165) can be clarified:

Objective: To provide information on the historical changes that occurred in the balance of cash and cash equivalents, and this is done through a cash flow statement prepared for this purpose, which shows the cash inflows and outflows during the period of the unit's three main activities (operating, investing and financing).

Scope: This standard requires public sector units to prepare a statement of cash flows as an integral part of their other financial statements, which are prepared on the accrual basis of accounting for each financial period, due to the necessary need for those units for cash in order to meet their short-term obligations.

Relationship of IPSAS 2 to the predictive ability of accounting information

The cash flow statement prepared in accordance with the requirements of IPSAS 2 provides information about the sources of cash flows, both incoming and outgoing for the economic unit during the reporting period, as well as providing information on the cash balance at the end of the financial period. It enables them to carry out accountability and decision-making. It also allows its users to ascertain how the management of the economic unit from the public sector obtains the cash required to finance its various activities, and to identify the various aspects of spending when making and evaluating decisions related to financing and allocating resources in order to achieve sustainability for the activities of the unit, In order to make sound decisions, users need sufficient and relevance information to understand the timing and degree of certainty of cash flows. Therefore, the main objective of the above standard is to provide accounting information to users about the historical changes in cash flow to help them in the direction of forecasting the amounts, timing and uncertainties related to the future cash flows of the unit by identifying the historical changes that occur in the cash and cash equivalent balance of the unit during a certain period of time by preparing A statement of cash flows categorized by the three main activities; Operational, Investment and Financing (IFAC, 2021: P 229).

Based on the above and in line with the needs of users and achieving the goal of the standard, the researchers see the need to follow the necessary means by choosing methods for reporting information that will benefit users, whether they are internal or external users, by providing relevance and high-quality information that will Make a difference in the usefulness of the decision-making process they make.

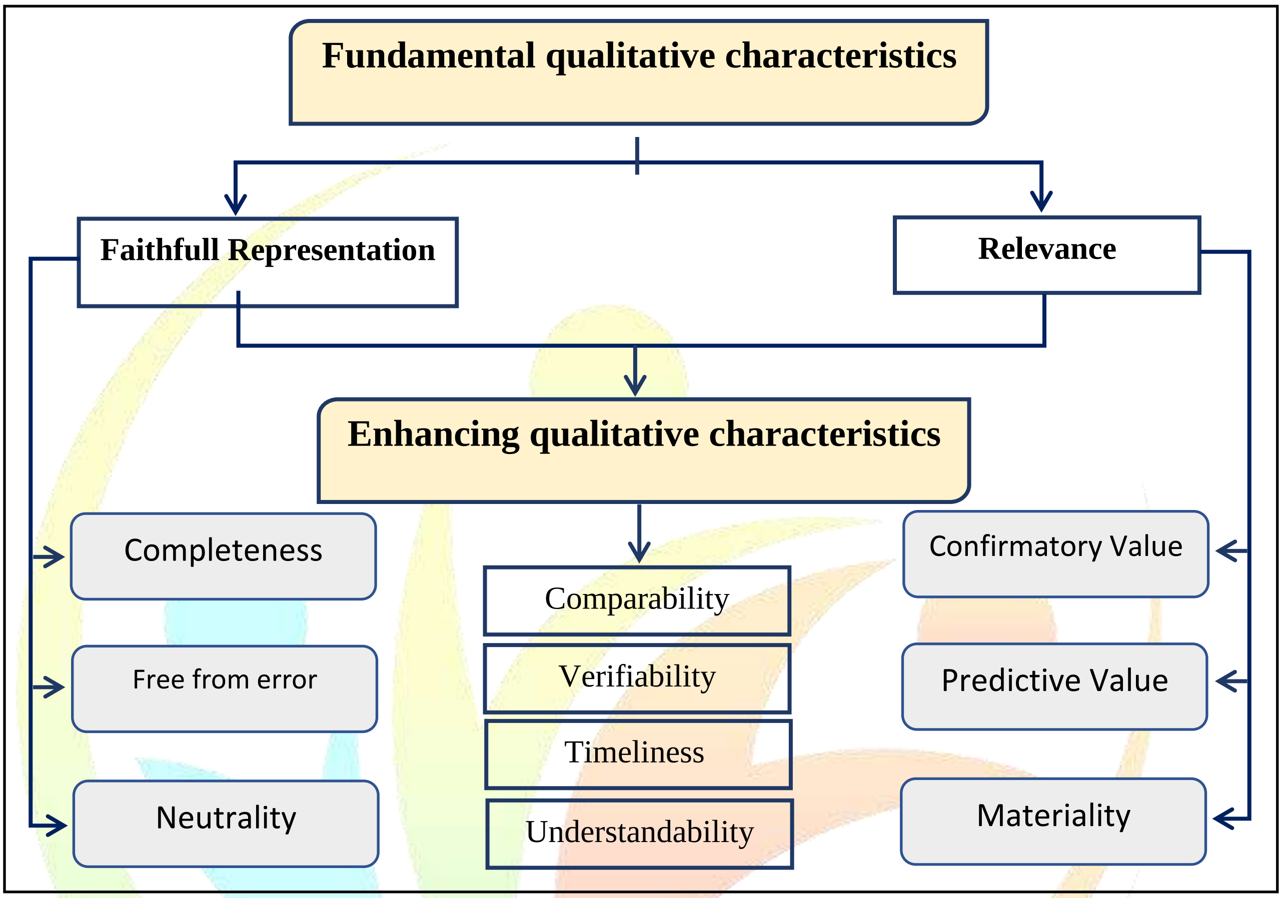
Method for reporting cash flows in accordance with the IPSAS 2

In accordance with the requirements of IPSAS 2, this standard confirms that an economic unit should report or report on cash flows from its operating activities using either the direct or indirect method. The above standard encouraged without requiring economic units to present their cash flows from operating activities using the direct method, as It includes a more detailed breakdown of cash flow related information, which helps to provide relevant information for the purpose of forecasting operating cash flows as well as providing relevant information to users that is not available under the indirect method (IFAC, 2021: 235).

The relationship of IPSAS 2 to the qualitative characteristics of accounting information

(IASB) has defined the qualitative characteristics of accounting information through which the best (more useful) information is distinguished from the least (less useful) information for decision-making purposes and is of two categories; Either basic characteristics or secondary (enhancing) characteristics, and the classification was made depending on the nature of its impact on users of decision-makers. Regardless of the way it is classified, each of the qualitative characteristics of accounting information contributes to improving the quality of financial information, yet the reporting of useful financial information is Somewhat limited by the constraints on the preparation of financial statements, therefore the cost should not exceed the benefit of financial reporting (kieso et al, 2018: 71) and the figure below illustrates these characteristics:

Figure No. (1)
Qualitative Characteristics of Accounting Information



Source: *Figure prepared by the two researchers based on (kieso et al, 2018: 76).*

In order to show the relationship of the qualitative characteristics of accounting information with the requirements of IPSAS 2 standard, the researchers proceeded to clarify them by linking the relevance characteristic (one of the basic qualitative characteristics of accounting information) and its subsidiary characteristics with the requirements of the IPSAS 2 standard, in line with the topic of the current research and in a way that contributes to achieving its objectives and as explained In the following table:

Table No.(1): Relevance Characteristic

Concept	Relationship Its to requirements of IPSAS 2
The ability of the information to make a change in the direction of the user's decision and influence his behavior so as to make him take a decision that differs from the decision he takes in the absence of that information. On the contrary, the information is relevance, and therefore it turns out that there is a logical connection between information on the one hand and the decision based on it on the one hand Others (Abbas, 2013: 9).	The main objective of IPSAS 2 is to provide relevant information for users' decisions about historical changes in the cash and cash equivalents balance for the purpose of forecasting cash flows, assessing the unit's ability to meet its obligations to third parties, and making relevance decisions (IFAC, 2021; 229).
The accounting information is relevance if it has the following three sub-characteristics: • **Predictive value**: It means the ability of the information to help its user to reach accurate predictions about future events in the light of the results of the present and the past. Future prospects are futile (Al-Iskaf and Shaheed, 2018: 252). **Confirmatory Value**: It means the ability of information to help its users to verify the validity of previous expectations by evaluating the results of decisions taken based on those expectations. A confirmatory value and thus reduces the uncertainty that characterizes future predictions (Al-Zubaidi, 2020: 51-52). **Materiality**: the information is considered important if changing or deleting it affects the user's decision, and importance is one of the important principles that are relied upon by auditors when expressing their opinion or submitting a report, and the need for it increases with the high levels of risk, as well as disclosure (Irmaih, 2021: 91-91).	According to the requirements of IPSAS 2, an economic unit should report its cash flows from operating activities using either the direct or indirect method. The cash is of relative importance, and therefore it is relevance and helps the decision maker for the purpose of forecasting operating cash flows (IFAC, 2021: 235). Studies have indicated that managers have responded positively to adopting the direct approach because it helps them to make decisions about funding and make estimates of scarce resources by making accurate predictions about the outcomes of past, present and future events, and confirming or correcting their previous assessments and is seen as enabling them to carry out accountability and control as well. The direct method of presenting cash flows provides a better prediction of future cash flows compared to the available information than using the indirect method (Ramlugun & Hosanee, 2014: 87).
The researchers add that accounting information becomes relevant and predictive if it is processed and analyzed according to certain criteria and methods that make that information more predictive than others. Therefore, it can be said that the prediction process is actually the product of both; The quality of the information available on the one hand and the methods of reporting it on the other hand.	

RESEARCH METHODOLOGY

Sample and Data Collection

The researchers identified a deliberate sample of the research community, represented by the office of the Iraqi Ministry of Higher Education and Scientific Research, where the study was conducted as it is one of the ministries funded centrally from the general budget, and thus is more suitable for the current research community, The researcher relied on collecting data about the current research through records, documents and official books related to the subject of the current research in the Administrative and Financial Department, especially the actual and estimated financial data of the centrally funded government unit of the general budget represented by the Ministry of Higher Education and Scientific Research, the current research sample and for a time series extended to more than five years. In addition to the data and information provided by the financial laws and regulations issued by the competent authorities, such as the country's general budget law, the financial management law and public debt No. 95 of 2004 as amended.

Measure model and Test of Hypothec

The researchers prepared a list of cash flow based on historical data related to the research sample, and then measured the research variables and tested his hypothesis. The researcher used the statistical model shown in the table below:

The effect hypothesis was as follows: " ***There is an impact of the adoption of IPSAS 2 standard on the predictive ability of accounting information "***

Table (2): The effect of Indicator A: cash inflows from IPSAS 2 in the predictive ability of accounting information to measure predictive ability

R^2	Sign. value	Test F	Sign. value	Test T	standard transactions	Non-standard transactions		Model	
					Beta	standard error	B		
0.890	0.000	56.893	0.150	1.619		17010000000	27530000000	F. limit	1
			0.000	7.543	0.944	0.120	0.905	A	
						Dependent Variable: Actual budget execution account.			

Source: *Prepared by the researchers based on the results of statistical analysis & financial data of the research sample.*

Through Table No. (2) above, we note that the F-test reached (56,893), and that the significant value of it was less than the level of morality (5%), where the value of the coefficient of determination reached (0.890), and this means that this indicator explained the percentage of (89 %) of changes may occur on the actual budget execution account, and this indicates the existence of an effect of indicator (A) for Standard 2 on the actual budget execution account.

Also, through the same table above, we note that there is an effect of the indicator (A) for IPSAS 2 on the predictive ability of accounting information, because the value of the T-test amounted to (7.543) with a significant value less than the level of significance of 5%, where the value of the impact factor was (0.905) with a standard error of (0.120), and thus the results obtained through indicator (A) for IPSAS 2 prove the proof of the above hypothesis, thus verifying the validity of this hypothesis that; There is an impact of the adoption of IPSAS 2 standard on the predictive ability of accounting information, in other words, this indicator is an effective indicator and has predictive ability and therefore can be used in the forecasting process.

The details shown in Table No. (3) below illustrate the predictive ability of indicator (A) for Standard 2 for the time periods covered by the current research sample and resulting from the impact of indicator (A) for the standard on the predictive ability of accounting information through actual data (actual budget execution account) And taken from the actual data of the unit, the sample of the current research, and it follows from this that whenever there is an effect, there is a predictive ability, as shown in the following table:

Table (3): The predictive ability of Indicator (A) for IPSAS 2

The predictive values of the indicator (A)	Actual budget execution account	Years
124597982613.44	161747574047.00	2013
229006034045.55	249763476594.00	2014
242251463520.60	226522842746.00	2015
205669596405.72	183604915782.00	2016
103573287829.85	133960990409.00	2017
104573802753.42	109169534906.00	2018
101986690864.45	73914501567.00	2019
63652194560.27	53039351127.00	2020
68452727017.68	52040592433.00	2021

Source: *Prepared by the researchers based on the results of statistical analysis.*

Table (4): The effect of Indicator B: cash outflow from IPSAS 2 in the predictive ability of accounting information to measure predictive ability

R^2	Sign. Value	Test F	Sign. Value	Test T	standard transaction	Non-standard transactions		Model	
					Beta	standard error	B		
0.987	0.000[a]	779.7	0.971	-0.037		552800000	-20650000	الحد الثابت	1
			0.000	279.2	1.000	0.004	1.007	B	
						Dependent Variable: Actual budget execution account.			

Source: *Prepared by the researchers based on the results of statistical analysis & financial data of the research sample.*

Through Table No. (4) above, we note that the F-test reached (779.7), and that the significant value of it was less than the level of significance (5%), where the value of the coefficient of determination reached (0.987), and this means that this indicator explained the percentage of (98.7). %) of changes may occur on the actual budget execution account, and this indicates the existence of an effect of indicator (B) for Standard 2 on the actual budget execution expense.

Also, through the same table above, we note that there is an effect of the indicator (B) for Standard 2 on the predictive ability of accounting information, because the value of the T-test amounted to (279.2) with a significant value less than the level of significance of 5%, where the effect value amounted to (1.007) with a standard error of (0.004), and thus the results that were reached through the indicator (B) for IPSAS 2 prove the proof of the above hypothesis, thus verifying the validity of this hypothesis that; There is an impact of the adoption of IPSAS 2 standard on the predictive ability of accounting information, in other words, this indicator is an effective indicator and has predictive ability and therefore can be used in the forecasting process.

The details shown in Table No. (5) below show the predictive ability of the indicator (B) for Standard 2 and for the time periods covered by the current research sample and resulting from the impact of the indicator (B) for the standard on the predictive ability of accounting information through actual data (the actual budget execution account) And taken from the actual data of the unit, the sample of the current research, and it follows from this that whenever there is an effect, there is a predictive ability, as shown in the following table:

Table (5): The predictive ability of Indicator (B) for IPSAS 2

The predictive values of the indicator (B)	Actual budget execution account	Years
160086950700.41	161747574047.00	2013
249833851040.63	249763476594.00	2014
226663333771.42	226522842746.00	2015
184381214306.09	183604915782.00	2016
134397007490.67	133960990409.00	2017
109337910278.80	109169534906.00	2018
73560598420.09	73914501567.00	2019
53245798136.74	53039351127.00	2020
52257115466.14	52040592433.00	2021

Source: *Prepared by the researchers based on the results of statistical analysis.*

CONCLUSION

The adoption of the requirements of the International Accounting Standards for the Public Sector in general and Standard No. 2 of them specifically she is one from Challenges facing Accounting profession in Iraq. So the purpose From this research is the measurement of predictive ability Accounting information for public sector units in the Iraqi local environment in accordance with the adoption of the requirements of IPSAS 2, After testing the current research hypothesis, the results of the test indicated that there is a positive impact of adopting the requirements of the IPSAS 2 standard on the predictive ability of the accounting information related to the research sample, through testing the values of the two indicators (A & B), which show the outputs of Standard No. 2 related to the information on incoming and outgoing cash flows. Where the significant value of both indicators (a) and (b) was less than the level of significance (5%), and this indicates the impact of adopting the requirements of the IPSAS 2 standard on the predictive ability of accounting information. In other words, the accounting information resulting from the adoption of the above standard is useful and has a high predictive ability.

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