

The Effect Of The Demographic Characteristics Of The Board Of Directors On The Quality Of Receivables: A Study On A Sample Of Companies Listed In The Iraqi Stock Exchange

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Abstract:

This study aims to test the effect of the demographic characteristics of the board of directors, represented by its variables (gender, nationality, education, age) and the quality of receivables in Iraqi companies. And regression to examine the relationship and influence between the variables of the study, and the study concluded that there is no statistically significant relationship between the characteristic of education, the age of the board of directors, the gender of the board of directors, and the quality of receivables. The importance of the quality of profits in Iraqi companies in particular, the quality of financial reports in general, and the role of the Board of Directors in improving them.

Keywords: demographic characteristics, members of the board of directors, the quality of receivables.

First section: Research Methodology

Introduction

The board of directors plays a vital role in business establishments, if not the most important function. It may be necessary in corporate governance and makes strategic decisions that lead the company's businesses. It also endeavors to ensure that the interests of owners and managers are tightly aligned and free from conflict. It adjusts or excludes poorly performing management in order to increase the value of the company because their bad conducts may lead to the collapse of the company, bankruptcy, or financial scandals. The disturbance between members of the board of directors and its impact on the quality of receivables drew the attention of many researchers, including the statement of the effect of gender, race, age, education and independence on the efficiency of the performance of the board of directors and its reflection on the quality of receivables. The researchers believe that the diversity of the board of directors is an important aspect of the efficiency of the board and enhancing the success of the company. The board of directors whose members are varied in terms of gender, nationality, age, cultural background will develop new ideas and convey diverse perspectives regardless of whether its members come from various cultural backgrounds and environments. As a result of this diversity, the council's independence and effectiveness will increase, despite the many studies in the field of the quality of receivables. Multiple measures of financial reporting quality have been used, and one of these indicators is the quality of earnings.

1. The problem of the study

After reviewing the studies, we find that they focused on the impact of the characteristics of the board of directors and their relationship to the quality of financial reports, we find that they overlooked the demographic characteristics of the board of directors, so this study came to cover the research gap. This study provided evidence that would demonstrate the impact of the demographic characteristics of the Board of Directors on the quality of receivables, specifically in the Iraqi environment. Therefore, it took into consideration the impact of the variables (the percentage of women in the

board of directors, the high educational attainment of the board of directors, the proportion of foreigners on the board of directors, the age rate of board members).

2. The significance of the study

The importance of the study lies in the importance of the variables that will be addressed, which are the demographic characteristics of the board of directors in the quality of financial receivables because of their great importance in accounting practices. These variables will provide the quality of accounting reports and the financial performance of companies through this information provided by these variables in order to improve the quantity and quality of information in order to meet the financial reporting needs of internal and external parties.

4. The study aims

1. Stating the relationship between the demographic characteristics of the board of directors and the quality of financial receivables through the relevant accounting literature.
2. Aiming to find out the effect of the demographic characteristics of the board of directors on the quality of financial receivables through the use of standard models.
3. Providing results that can serve the economic unit and professional establishments, especially bodies related to the formulation of corporate governance laws and guidelines.

5. Study Hypotheses

1. Is there a positive and significant effect of the percentage of women in the board of directors on the quality of the receivables?
2. Is there a positive and significant effect of the high educational achievement of the members of the board of directors on the quality of receivables?
3. Is there a positive and significant effect of the average age of board members on the quality of receivables?
4. Is there a positive and significant effect of the percentage of foreigners in the board of directors on the quality of receivables?

6. The Study Limitation

The study is limited to addressing the impact of the demographic characteristics of the Board of Directors on the quality of financial receivables, the indicators, measures these variables include, and their impact on the quality of financial receivables. The spatial limits of the study are represented by the companies listed in the Iraqi Stock Exchange. For the temporal limits, the study will be based on the data of the financial years of the study sample.

7. The Study variables

The study variables consist of two types of variables as follows:

1. The Independent Variable

It represents the demographic characteristics of the board of directors. The demographic characteristics of the board of directors will be measured through (the percentage of women on the board of directors, the high educational achievement of board members besides the average age of board members and percentage of foreigners on the board of directors).

2. The Dependent Variable

It represents the quality of receivables in order to measure the quality of receivables, the proposed model will be adopted by (Kothari et al., 2005)

The Second Section: The theoretical framework of the paper

First: The quality of the receivables

The concept of receivable quality: Many researchers have defined the concept of profit quality particularly the nature of the objectives that must be achieved through the use of financial statements, such as objectives related to the use of financial statements to evaluate the current financial performance of the company and to anticipate its ability to continue the operations to achieve future profits. It has been defined according to Richardson as "It is free from error and bias and therefore characterized by honest representation" (Richardson et al, 2005:440). Whereas Bellovary defined it as "it is the ability of reported earnings to reflect the true performance of the company and predict future earnings. So the quality of earnings is the continuity of earnings and their non-volatility" (Bellovary, et al, 2005 :32).

It also defined by Ubaid and others as "it is the profits that are characterized by the main characteristics of the required accounting information for users of data and financial statements that achieve the goal of disclosure in the financial statements. As it provides the predictive ability of accounting data and information for the purpose of forecasting the profits of the coming (subsequent) years through the existing numbers. As the trend has shifted in recent years towards the quality and measurement of profits in order to determine the truth of these profits included or included in the financial statements and whether they achieve honesty and justice. And that will effect on the users of the financial lists and the financial statements in order to make the appropriate decisions" (Obaid et al., 2016: 251).

Second: The characteristics of earnings quality

The most important characteristics of earnings quality are stability, accounting conservatism, the feature of linking profits to receivables and cash flows(Schipper &Vincent , 2003: 99).

1. Stability

It is one of the main aspects of the quality of profits and is related to the sustainability of profit in future periods. Therefore, it has a strong forecasting ability in the future Profitability based on net cash flows is more stable than debtors and strong forecasting of future profits. Thus, analysts often focus on long-term or recurring earnings.

2. The cash flows and accruals

Accruals with their optional and non-discretionary components are seen as the key features of earnings quality. Where optional accruals are seen as the management's entry into manipulating the value of profit and thus reducing its quality, manipulating the company's actual performance or affecting contractual procedures that depend on the accounting numbers shown in the financial statements.

3. Accounting conservatism

It is the amount in which the book value of the company's assets is close to its market value as one of the unique features of the quality of profit. The higher the accounting conservatism is the higher the quality of profits.

Third: Disclosure of the earnings management

The profit management can be revealed through the following points:

1. Timing and Accounting Method Selection: Profit management requires the application of appropriate accounting techniques to help management achieve its goals. The company's management controls profit in two ways ((Noor et al., 2017: 8).
 - A. Accounting choices from the generally accepted accounting principles: When it is possible for a company's management to choose among accounting principles, it usually chooses what suits its own objectives. These would achieve the levels of profits targeted by the management and the timing of the use of the accounting method or the accounting choice is an important role because it may be a way to manage profits.
 - B. The operational decisions: It involves making operational decisions for management based on their impact on profits and their ability to reach the degree of profitability that management wants, such as the company reducing maintenance expenses for the current year in order to boost reported profits.
2. The accounting accruals: The essence of the term accruals is that transactions are recognized at the time they occur rather than at the date of receipt or cash payment. The process of calculating cash profit is done by matching revenue with expenses rather than collecting or paying in cash. That both directions in the account are related to the future, the budget and the income statement are based on the accruals, but the cash flow statement is not based on the accruals (Jassim, 2019:112).

Fourth: The characteristics of the quality of accounting information

The specialized accounting standards, led by the American Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), have moved towards issuing many standards that contribute to providing qualitative characteristics. Renamed to the qualitative characteristics of accounting information as a result of the orientation towards the capital system in which each of them reached the conclusion that these qualities are limited to the following: primary characteristics and secondary qualities.

First: the basic characteristics

There is a set of basic, dominant and sub-characteristics, which are as follows (Mallah, 2015: 216) and (Hajj Koueider, 2012: 281):

- 1- appropriateness: appropriateness attribute refers to the accounting information that may influence decisions by helping users to make predictions about the outcomes of current, past and future events. It is also confirming and correcting expectations. The following sub-characteristics are necessary for accounting information to be appropriate:

A - Predictive value: indicates that the information has predictive capabilities allowing users to make accurate predictions.

B - The value of feedback: that is, the information has the ability to provide feedback because it allows users to verify or correct previous assumptions.

C - Timeliness: That is, users must have access to information in the suitable time.

Although the quality of relevance is vital and must be present in the information financial information loses its value to the user unless it is trustworthy (Mallah, 2015: 216).

2- Reliability

It is related to information integrity and reliability, i.e. the extent to which accounting and financial information are accepted by its users with the least amount of concern. This is done by presenting the following qualities:

A- Honest representation: It indicates a high degree of congruence between the information and the phenomena to be reported. It means that they accurately reflect the phenomena and events, and also means that the knowledge and phenomena to be described are very identical.

B- The possibility of verifying and verifying the information: It indicates the availability of objective conditions in the scientific measurement as well as the possibility that the information really reflects what it should represent. These measurement techniques are free from errors and biases.

C - Impartiality: Impartiality of information means avoiding the intended type of bias that may be practiced by the preparer and provider of accounting information in order to reach prior results or influence the behavior of the user of this information in a particular direction. Also, biased information cannot be trusted or relied upon in the decision-making process. (Hajj Koueider, 2012: 281)

Second: The secondary characteristics

The FASB framework provided complementary attributes of financial information, which are as follows:

A- Comparability: It is the fact that information is measured and reported in the same way across organizations that makes it comparable. (Mallah, 2015: 217)

B - Consistency (consistency): It indicates that from one period to another the company uses the same accounting methods for identical facts. It was considered that there are two main constraints that affect the feasibility of this method, namely:

1 - The economic feasibility is evaluated through the ability of accounting information to provide a return greater than the cost of its establishment.

2- The relative importance of the information generated and its ability to influence decision-making among its users.

Fifth: A model for measuring the quality of receivables: Developing a model (Kothari et al. 2005).

The difference between the (Jones 1991) model and the (Jones 1995) model modified according to the (Kothari et al., 2005) model is that this model includes a complete transformation of debtors. Performance matching was examined in a way that was comparable to the modified Jones model of voluntary benefits. An additional voluntary benefit scale was determined by incorporating a return on assets (ROA) into the model to compare the effectiveness of performance matching with the regression-based approach. It can be expressed by the following equation (Kothari et al, 2005: 173-174):

$$TA_{it} = \alpha_0 + \alpha_1(1/ASSETS_{it-1}) + \alpha_2\Delta SALES_{it} + \alpha_3PPE_{it} + \alpha_4ROA_{it}(\text{or } it-1) + \alpha_{it}$$

Since:

TA = Total Receivables

ASSETS = total assets at the beginning of the year

SALES = change in sales weighted on the basis of total assets

PPE = fixed assets

ROA = rate of return on assets

Sixth: The relationship between the demographic characteristics of the board of directors and earnings management

1. Board size and earnings management: The size of the board of directors has an impact on the company's earnings management ability. The results of studies related to the effect of board size on earnings management practice are not consistent according to Jensen, 1993:831). As the size of the board of directors increases, the effectiveness of board control can be reduced due to communication and coordination problems, which leads to less success in controlling managers. If there are more members on the board of directors, it will be difficult for board members to have effective communication with each other.

According to a study by Dechow and others (Dechow et al, 1996: 1), which published profit manipulation, we find that an important motive for profit manipulation is the desire to attract external financing at low cost. The study concluded that companies that manipulate profits have boards of directors dominated by management.

The study according to Kao & Chen's study (Kao & Chen, 2004:96) was tested on a sample of companies listed in the Taiwanese market. The study concluded that companies with a large board of directors have a higher ability to manipulate profits. They explained that when there are a large number of directors on the board of directors, it is difficult for board members to control management.

The study of Ramachandran (Ramachandran et al., 2015) which showed using a sample of (326) companies listed on the Singapore Stock Exchange for the period from (2010-2011). The results showed that the ability to adopt discretionary benefits is high if the number of members of the board of directors is large, and they found that the collusion among the members of the board of directors. This could be a trigger for such action.

On the other hand, the study of Xie (Xie et al, 2001:2) showed that the activity of the Board of Directors and the Audit Committee and the financial matters of its members may be the financial development of the important factors in restricting the tendency of managers to engage in profit management.

2- Independence of the Board of Directors and Earnings Management: The relationship between the independence of the Board of Directors and the effectiveness of control was investigated in several studies that showed that the results were uneven, according to the study of Bradbury (Bradbury et al, 2006: 47) in Singapore. It did not find an important relationship between profit manipulation and the independence of the board of directors, as the results also indicate that audit committees are effective only when all members are effective and the managers are independent.

The study of Williamson (Williamson, 1981: 548) that states that the independence of the board of directors protects the rights of shareholders. According to the study of Dechow (Dechow et al, 1996:1), the results showed that firms with internally dominated boards would have a high level of earnings adjustment. Moreover, Davidson (Davidson, et al., 2005: 241) indicates that profit manipulation is lower when the board has a high proportion of non-executive directors.

3. Gender diversity in the board of directors and earnings management: There are many research studies that examine how the presence of female directors on the board affects the quality of company earnings. A study (Srinidhi et al, 2011: 2) that he conducted on a sample of American companies revealed that the relationship is stronger for companies with weak governance. This suggests that gender-diverse boards can serve as an alternative mechanism for weak corporate governance. The

study revealed a significant positive relationship between gender diversity and the introduction of stock price information.

According to the study of Lakhali (Lakhali et al, 2015: 1107) on a sample of (170) companies in France over a period of four years, the results indicate that the percentage of women in the board of directors occupying the position of managers reduces the manipulation of profits or reduces the management of profits. Moreover, the study of Arun (Arun et al, 2015: 138) found that companies with a high percentage of independent female directors and directors on their boards of directors can reduce the ability to manage profits. The study by Saona et al. (2018:634)) in an analysis of non-financial companies in (10) European countries (2006 - 2016) where it concluded that a diversified board of directors is likely to reduce profit manipulation practices.

4- Board of Directors activity and profit management: A study of Xie (Xie et al, 2001: 1) found that the frequency of Board meetings can help reduce the levels of profit manipulation on the basis of accrual. Then, they concluded that the activity of the board of directors may be a decisive factor in reducing the ability of the executive team to practice earnings management.

The study of Gulzar (Gulzar et al, 2011: 133) revealed with evidence from Chinese companies listed in Chinese companies that a large number of board meetings during the year can reduce the level of discretionary benefits. They concluded that a significant frequency of board meetings would enhance the board's oversight capacity. However, it is not always beneficial for the board of directors to meet frequently because routine tasks can consume time and reduce opportunities for effective control of management.

The study of Sarkar (Sarkar et al., 2008: 517) used a sample of 500 large companies in India to analyze the impact of board characteristics on earnings management. The results of this study showed that effective councils can reduce the level of profit manipulation.

The two researchers believe that the regular activities of the board of directors can help the board in following up on the company's position. Thus reducing information asymmetry, managers can contribute more time to reviewing and challenging management team policies. If they have frequent meetings the directors can better monitor the operations of the company and thus they can reduce the manipulation of profits.

5- The educational attainment of the members of the board of directors: many researchers have found evidence that supports the benefit of having external financial managers on the board of directors. They find that earnings are less likely to be restated in companies whose boards have an independent director with a background in accounting or finance. As independence has a significant impact on reducing profit manipulation, as the relationship between education and performance that was initially addressed in American studies and recently in studies conducted in other countries showed the growth of market share and profit growth is positively related to the average high educational level of members of the board of directors (Hambrick et al., 1996: 660).

The study of Jalbert (Jalbert et al., 2002: 84) found that the position of the CEO is positively correlated with higher levels of return on assets.

The study of Haniffa & Cooke (Haniffa & Cooke 2002: 317) identified a positive relationship between general business education, board member accounting, and earnings management.

The third section: the practical side

Measuring variables and testing the hypothesis

First: Measuring the variables: The study variables are as follows:

1- Demographic characteristics of the board of directors: The demographic characteristics of the board of directors are an independent variable represented by its variables (the percentage of foreigners in the board of directors, the proportion of women in the board of directors, the higher education of board members and the average age of board members).

A- The proportion of non-Iraqis: The proportion of non-Iraqis is measured by the percentage of foreign directors in the board of directors, meaning the proportion of non-Iraqi directors in the board over the number of board members.

B- The percentage of women's presence (gender diversity): The variable percentage of women's presence is measured by the percentage of gender diversity (male, female) representation in the board based on the number of board members.

C- Level of higher education: The level of education is measured by the ratio of members with a high level of education, such as master's and doctoral degrees, to the number of board members.

D- Average age: The average age means the average age of the members of the Board of Directors over the number of members of the Board of Directors.

2- Dependent variable: The dependent variable consists of the quality of receivables and can be explained as follows:

1-Jones Model (1991): Jones' model was based on gross receivables and used this model to track changes in the company's economic conditions.

2- Developing a model (Dechow et al 1995): The Dechow study (Dechow et al 1995) modified Jones's model based on the practical analysis. The model was designed on the basis of excluding the direction of appreciation in the (Jones) model used in measuring voluntary benefits when there is freedom of disposal of revenues. Under the model modification, non-discretionary accruals will be estimated during the event.

3-Model Kothari (Kothari et al. 2005)

The difference between the (1991) Jones model and the (1995) modified Jones model according to the Kothari model (Kothari et al., 2005) is that this model includes a complete shift in debtors. The performance match was examined in a way that was comparable to the (Jones) revised model of voluntary accruals. Where the measure of the additional voluntary accruals was determined by integrating the return on assets (ROA) in the model to compare the effectiveness of matching performance with the regression-based approach. It can be expressed by the following equation:

$$TA_{it} = \alpha_0 + \alpha_1(1/ASSETS_{it-1}) + \alpha_2\Delta SALES_{it} + \alpha_3PPE_{it} + \alpha_4ROA_{it}(or_{it-1}) + \alpha_{it}$$

Since:

TA = Total Receivables

ASSETS = total assets at the beginning of the year

SALES = change in sales weighted on the basis of total assets

PPE = fixed assets

ROA = rate of return on assets

1. Descriptive Analysis

2. The descriptive analysis of the data was carried out using the statistical program (SPSS) in order to reach the values of the arithmetic means, standard deviations, the

highest value and the lowest value of the study variables. The results appeared as follows:

Table (1) Arithmetic means, standard deviations, highest and lowest value

Variables	standard deviation	arithmetic average	highest value	least value	N
The receivables quality	41,393	-6,340	86,283	-165,138	88,000
Higher Education	0,188	0,320	0,750	0,110	88,000
percentage of women	0,121	0,072	0,420	0,000	88,000
average age	6,607	54,616	65,000	33,000	88,000
percentage of foreigners	0,191	0,233	0,715	0,000	88,000
Valid N (list wise)					

Source: The table was prepared by the researchers based on the outputs of the SPSS statistical program

The results of Table (1) above indicate that the average quality of receivables reached (-6,340) and a standard deviation of (41,393), while the highest value for the quality of receivables was (86,283) and the lowest value was (-165,138). As for the property of higher education, it achieved an arithmetic mean of (0,320) and a standard deviation of (0.188). While the highest value was (0,750) and the lowest value was (0,110). The property of the proportion of women in the board of directors also achieved an arithmetic mean of (0.072) and a standard deviation of (0.121), while its highest value was (0.420) and its lowest value was (0.000). As for the property of the average age of the board of directors, it achieved an arithmetic mean of (54,616), with a deviation of (6,607). With regard to the percentage of foreigners in the board of directors, it achieved an arithmetic mean of (0.233), with a standard deviation of (0.191), and its highest value was (0.715). And its lowest value is (0.000).

2- Linear interference test

To verify the linear overlap between the study variables, the researchers calculated a measure (statistics of the collinear relationship), through the (Tolerance) coefficient, for each variable. And then also finds the Variance inflation factor (VIF) for each variable to discover whether the data suffers from polylinearity or not. If the value of VIF is <10, this means that there is a high linear polymorphism between the study variables. The results contained in Table (2) indicate that the values of VIF are much less than the accepted value of (10). This means that multilinearity is not a problem in this study.

Table (2) poly linearity test among the study variables

Variables	Linear interference stats	
education	Tolerance	VIF
percentage of women	0,728	1,374

average age	0,764	1,309
percentage of foreigners	0,697	1,435
a. Dependent Variable:		

The source was prepared by the researchers based on the results of the SPSS statistical program

Hypothesis testing

Within this paragraph, the researchers present a test of the hypotheses that were identified within the study methodology, with the presentation of statistical tables in relation to the results. And clarification of the effect of the variables with each other and an explanation of all these effects for the study sample companies according to the model as follows:

The main hypothesis: There is a significant effect of demographic characteristics on the quality of receivables.

The linear regression model can be employed to verify the validity of the main hypothesis using the following equation:

$$DA = a + B1 \text{ Education} + B2 \text{ Gender} + B3 \text{ Age} + B4 \text{ Nationality} + e$$

Since:

DA = quality of receivables

Education = education rate

Gender = percentage of women

Age = average age

Nationality = percentage of foreigners

Table (3) presents the statistical results obtained from the statistical program (SPSS) after employing the above regression equation to estimate the effect of demographic characteristics on the quality of receivables.

Table (3) The effect of demographic characteristics on the quality of receivables

Variables	statistic value (T)	Value	rate	Probable value (Sig.)
education	-0,49	-12,99	β_1	0,63
percentage of women	1,26	50,79	β_2	0,21
average age	1,64	1,27	β_3	0,11
percentage of foreigners	-2,23	-55,62	β_4	0,03
stable	-1,47	-62,19	a	0,15
General characteristics of the regression model				
P-Value	R ²	F	Correl	
0,042	0,112	2,60	0,334	

The source was prepared by the researchers based on the results of the outputs of the statistical program SPSS

Table (3) above shows that the significance of the regression model is proven, as its F statistic reached a value of (2.60), which is significant with a probability value of (0.042), which is less than the hypothetical level of significance (0.05), which means that the model has the ability to explanatory regarding the relationship between the

demographic characteristics of the board of directors, the quality of receivables, and the value of the coefficient of determination (R^2). The value reached (0.112), which indicates that demographic characteristics explain approximately (11%) of the changes that occur in the quality of receivables.

It is clear from the multiple test from Table (3) above that the regression coefficient of the effect of the board education characteristic on the quality of receivables. The value of (T) for the education characteristic variable was (-0.49), which is not significant at the level of (0.05) at a probability value of (0.63). This indicates that there is no effect of the education characteristic on the quality of receivables. The multiple test in Table (3) above shows that the regression coefficient is not significant. The effect of the characteristic of the proportion of women in the board of directors on the quality of entitlements, as the value of (T) for the variable of the proportion of women in the board of directors was (1.26). It is not significant at the level of the probability value (0.21), which indicates that there is no effect of the gender characteristic of the board of directors on the quality of receivables. It is clear from the multiple test in Table (3) above that the regression coefficient is not significant, due to the effect of the characteristic of the average age of board members on the quality of receivables. The value of (T) for the variable of the age of the board of directors was (1.64), which is not significant at the level of the probability value (0.11), which indicates that there is no effect of the age of the board of directors on the quality of receivables. It is evident from the multiple test in Table (3) above that the significance of the regression coefficient is proven, due to the effect of the proportion of foreigners in the board of directors on the quality of receivables, as the value (T) of the variable of the proportion of foreigners in the board of directors is (-2,23). It is significant at the level of the probability value (0,03), which indicates that there is an effect of the property of the proportion of foreigners in the board of directors on the quality of receivables, and that this effect is negative in terms of the negative value of the regression coefficient of ((-55,62).

Fourth Section: Findings and Recommendations

First: Findings

The conclusions of the applied study can be clarified through the following points:

1. The results indicate that all Iraqi companies listed in the Iraqi Stock Exchange have a board size of between (5-13) members, which is consistent with the requirements of corporate governance.
2. There is no statistically significant relationship between the education characteristic, the age of the board of directors, the gender of the board of directors, and the quality of receivables. While the results indicate that the diversity between the sexes, the level of education and the diversity of nationality is positively and significantly associated with the accounting conservatism.
3. Significance of the regression coefficient of the effect of the board's nationality on the quality of receivables, which indicates the existence of an effect of the board's nationality on the quality of receivables in the study sample companies.
4. There is no effect or relationship of the education characteristic on the quality of receivables in the study sample companies.

Recommendations

1. Amending the composition of the corporate boards of directors in Iraqi business companies to include a large representation of the number of experienced (independent) external board members. This is due to its role in increasing the

supervisory and control capabilities of the Council on the performance of senior management and its selection of accounting policies and limiting the practice of profit management. This is reflected in the level of profit quality and accounting conservatism in the financial reports.

2. - The boards of directors of companies should adhere to a great deal of accounting conservatism when comparing alternatives to accounting policies. As this will help in adopting the most conservative accounting policies in order to avoid the financial failures of companies in the future. This spares managers the risks and high litigation costs associated with preparing fraudulent financial reports.
3. The managements of the boards of directors should consider the accounting conservatism as an important additional organizational tool to limit the management's behavior towards profit management practices. This helps to improve the quality of financial reports.
4. The boards of directors must issue decisions that enhance the presence of the female component in the board of directors, because the female component is more conservative in adopting accounting policies. This limits the aggressive and offensive practices of the executive departments of companies that aim to manipulate profits and distort accounting numbers.
5. Holding training courses or workshops for members of the company's board of directors under the supervision of specialized professors to raise awareness of the importance of the quality of profits in Iraqi companies in particular and the quality of financial reports in general and the role of the board of directors in improving them.
6. The necessity of establishing the Iraqi Stock Exchange to compel companies to use accounting reservation and make it a condition for listing in the financial market. In order to improve the companies' commitment to accounting conservatism when preparing the financial statements. And ensure a higher level of conservatism and contribute to improving the quality of financial reports.
7. - Encouraging the presence of members with financial and accounting expertise in the board of directors in order to issue financial reports characterized by high quality and accuracy, and to reduce the phenomenon of practicing accounting profits management.
8. The necessity of directing economic companies to prepare financial reports in accordance with the principles and rules stipulated by international accounting standards.

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