

# THE IMPACT OF APPLYING FINANCIAL REPORTING FOR PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS ACCORDING TO IFRS 15 AND IFRS 16 ON THE QUALITY OF ACCOUNTING INFORMATION AND FINANCIAL PERFORMANCE IN THE IRAQI ENVIRONMENT

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## 1. Abstract:

This research aims to study and analyze the impact of applying International Financial Reporting for Public-Private Partnership (PPP) projects according to IFRS 15 and IFRS 16 on the quality of accounting information and financial performance, using a proposed model for implementation within the Iraqi environment. The researcher concluded that there is a statistically significant relationship between the importance of financial reporting for PPP projects in accordance with IFRS 15 and IFRS 16 and the quality of accounting information (QAI) and financial performance (FP). The researcher made several recommendations, including: the necessity of continuous research to find solutions and mechanisms to overcome the challenges facing the implementation of accounting data preparation systems (UAS), such as: Utilizing accounting systems and software that help in standardizing and unifying accounts and their classification across all government units in the country.

Providing adequate training programs. Ensuring timely communication among users of accounting data preparation systems (UAS). Activating all types of control procedures to address any expected loopholes in applying UAS. The necessity of integrating the current Iraqi accounting data preparation systems (UAS) with the application of international financial reporting standards. The need to support UAS in Iraq with modern electronic systems and networks to provide time- and effort-saving advantages and ensure the availability of required information to support timely decision-making, along with regular updates in line with IFRS requirements. Such developments would assist in applying the unified system in partnership cases, as the current unified accounting system in Iraq is only capable of supporting one type of partnership: multi-party governmental partnerships within the governmental system.

**Keywords:** Public-Private Partnership (PPP) Projects – IFRS 15 – IFRS 16 – Quality of Accounting Information (QAI) – Unified Accounting System (UAS) – Financial Performance (FP) – Accounting Data Preparation Systems (UAS)

## 2 Introduction:

Many countries seek to achieve economic growth and attract both local and foreign investments through a cooperative and participatory framework. These countries work towards engaging the private sector alongside the public sector in order to reduce competitive pressures, optimize the use of limited resources, and benefit from the expertise available in the private sector — expertise that may be lacking in the public sector, particularly in administrative, productive, and service domains. The concept of public-private partnership (PPP) has gained significant attention worldwide in recent years, particularly in developing countries, including Iraq. It is now considered one of the most important approaches adopted by nations to implement infrastructure projects. Infrastructure constitutes the backbone for formulating and executing sustainable development plans and achieving economic growth. This approach also addresses the challenge of securing the necessary funding for projects in countries that often suffer from chronic and ongoing budget deficits. Furthermore, it facilitates knowledge and expertise transfer between the two sectors through the participation of the private sector in public projects. As a result, PPP contracts have evolved significantly in recent years, especially within the literature of international financial institutions. This has led to an

increased focus on PPPs across various governments. These contracts have become closely linked to both financing for local development and partial or full privatization initiatives. Countries tend to adopt PPPs when they face a shortage of financial resources required to meet growing demands for public utilities and services, in addition to the need to transition towards a market-based economy to invest in infrastructure programs (Draghi, 2014: 309). Public-private partnership contracts involve the integration and coordination of the efforts and available resources of both sectors, with equal participation and shared responsibility for performance, in order to address challenges facing both parties (Mouhoub, 2022: p. 21). Several principles govern the PPP process, including: the principle of commitment and undertaking, the principle of transparency, and the principle of continuity, among others (Ben Lagha, 2023: p. 6). In this context, it has become evident that the unified accounting system currently implemented in Iraq does not meet the requirements of International Financial Reporting Standards (IFRS) concerning PPP projects. This shortcoming impacts both the quality of accounting information (QAI) and financial performance (FP) of these projects, particularly the level of reliability on partnership information in decision-making, which in turn affects the credibility of financial statement data in the long term. This raises an important question: Does financial reporting for public-private partnership projects, in accordance with the requirements of IFRS 15 and IFRS 16, contribute to enhancing the quality of accounting information and financial performance?

To answer this question, this research aims to determine the impact of financial reporting for PPP projects under the IFRS 15 and IFRS 16 standards on the quality of accounting information and financial performance by proposing a model applicable to the Iraqi environment. The scientific significance of this study stems from its focus on the effect of financial reporting for PPP projects, in line with IFRS standards, on accounting information quality and financial performance in the Iraqi context. It incorporates related concepts, principles, objectives, a theoretical framework, and the challenges involved in implementation. The practical significance of the study lies in its application within the Iraqi environment, using a questionnaire tool and statistical analysis of results through the SPSS software.

## 2 Previous Studies

**Previous Studies on Public-Private Partnership (PPP) Concepts** The study by Issa (2018) aimed to clarify the concepts, motivations, and justifications behind partnerships. The findings emphasized the necessity for economic and social development goals to align with partnership activities to realize the intended outcomes. The study highlighted that integration between the public and private sectors contributes to economic and social benefits by optimizing resource allocation and generating job opportunities. It also identified PPPs as a potential source of investment and private capital inflow, which can reduce government spending and mitigate associated risks. Al-Shawi (2022) sought to present a general framework for public-private partnerships by analyzing delegated management contracts signed by local governments in Morocco in the field of solid waste sanitation. The study concluded that these contracts provide mutual benefits to both parties, contribute to solving financing challenges, and promote the use of new techniques and high-efficiency management approaches. The study by Ben Lagha (2022) focused on the Malaysian experience to explain the concept of PPP. The findings revealed that the Malaysian government acquired extensive experience in managing PPPs through a growing number and value of contracts with the private sector for infrastructure financing. This model helped the government shift the burden of

infrastructure funding to private entities. However, the study noted that the economy still bears the financial burden due to the high cost of private capital

## 2. .2.2 Previous Studies Related to IFRS 15 and IFRS 16

The PWC (2016) study aimed to highlight the key changes in revenue recognition under IFRS 15 and to assess its impact on income-generating entities. It discussed the effect of the new guidelines on revenue deferral, changes in balance sheet obligations, and additional financial disclosures. The study concluded that companies need to consider the standard's operational impact, as revenue deferral is expected to increase. Ben Mimon (2017) investigated the accounting treatment of lease contracts from the lessee's perspective and compared measurement approaches under IASC, IASB, and national accounting standards (Financial Accounting System - FAS). The study concluded that the major change introduced by IFRS is the elimination of the distinction between finance and operating leases for lessees, treating all leases as finance leases. This shift aimed to address the lack of transparency and credibility in financial information under IAS. Acar (2019) analyzed the differences arising from applying IFRS 15 "Revenue from Contracts with Customers" by comparing it with IAS 18. The study found that the contractual revenue principle aligns with the conceptual framework of IFRS 15, where the other party in the contract must be a customer. IFRS 15 also introduces a deferred revenue recognition approach and changes in the timing and amount of recognized revenue. The study by Napier and Stadler (2020) presented an empirical framework based on UK evidence to analyze the various impacts of IFRS 15 on how companies perceive, measure, present, and disclose their revenue. The study revealed evidence of accounting, informational, and real effects of IFRS 15 based on company reports, comment letters, and interviews. European-level analyses showed a minimal impact of IFRS 15 on financial figures for most firms, except in industries like telecommunications. Moreover, there was limited evidence of companies leveraging IFRS 15 implementation to conduct broad business reviews. Ferreira (2020) explored the impact of IFRS 15 on key performance indicators, particularly whether adopting the new standard (which replaced IAS 11 and IAS 18) affected financial performance analysis. The study emphasized the need to capitalize contract acquisition costs, particularly in the telecommunications sector. It also noted that such costs are classified as current assets and result in minor changes to current liability labels, aligning with expectations. Qadri (2022) aimed to outline the requirements for identifying and classifying lease contracts under IFRS 16. The study presented the criteria for lease classification according to both IFRS 16 and the financial accounting system, identifying differences arising from the local system's failure to keep pace with updates in international standards. The financial accounting system still relies on IAS 17, which was replaced by IFRS 16. Zouid (2022) examined the application requirements of IFRS 16, assessed the advantages and disadvantages of finance leasing, and highlighted its importance across economic sectors. The study found that the sampled economic units complied with IFRS 16 in classifying leases as either finance or operating leases. These units also adhered to profit recognition requirements and applied standards for distributing finance income generated from lease contracts. Researcher's Commentary: Based on the above, the researcher notes that previous studies illustrate a diversity of approaches to the subject of public-private partnerships, reflecting its critical importance. These studies addressed several dimensions, including: The significance, motivations, and challenges of PPPs The impact of PPPs on various aspects of national development Issues facing PPPs, such as financing problems and contract design and preparation Rights and obligations of contracting parties Rules, conditions, and terms outlined in PPP contracts In continuation

of this scholarly discourse, the current research aims to shed light on the financial aspects of PPP contracts, particularly those related to financial reporting standards and their influence on accounting information and financial performance.

### **Theoretical Framework:**

#### **.2.1 Public-Private Partnerships (PPPs):**

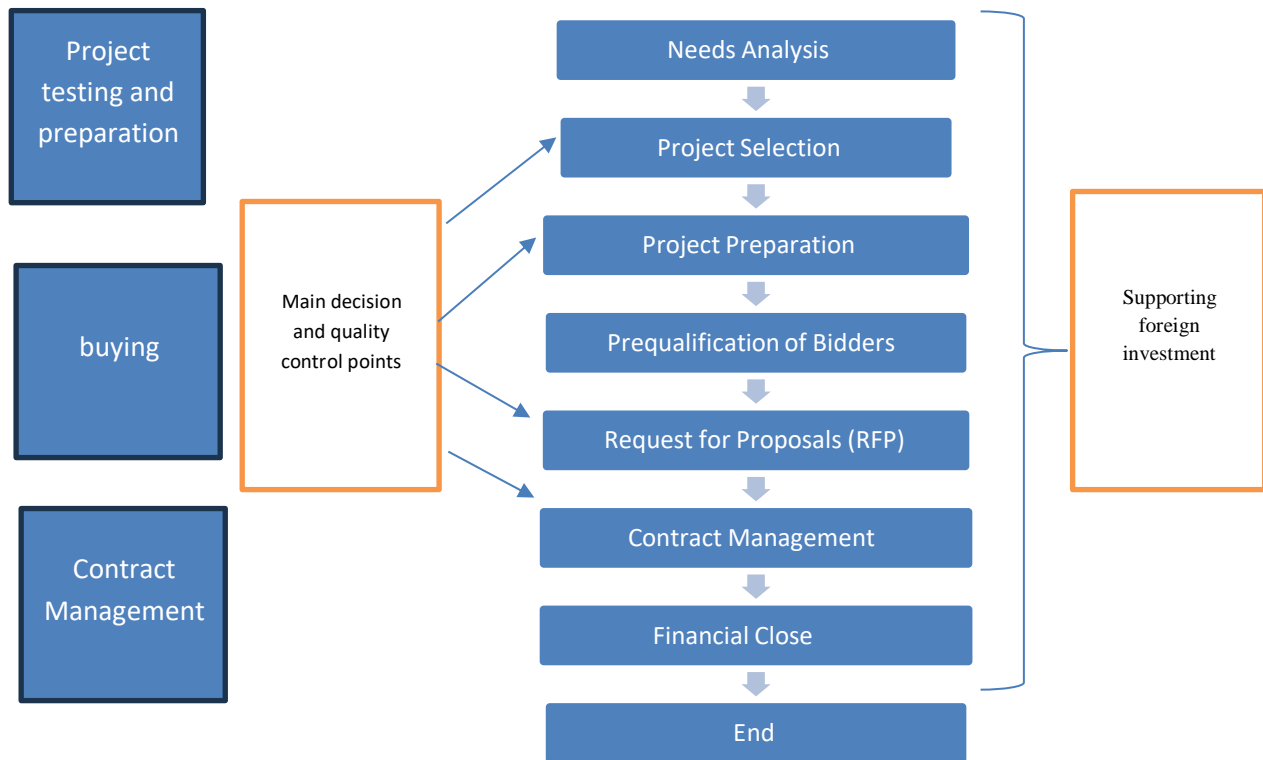
PPPs have developed significantly in recent years in international financial research and studies. This has increased the importance of the topic of partnerships for various governments. Despite the importance of joint projects, the widespread use of PPPs is still limited to certain sectors, particularly health, education, and infrastructure (Anaïs and Stéphane, 2021: p. 93). Many countries have sought to activate and utilize PPPs to achieve their strategic objectives in accordance with their Vision 2030, supporting development, particularly in the areas of networking and infrastructure, and information technology (United Nations, 2022: p. 3).

PPPs have also been linked to financing for local development purposes and local and partial privatization processes. Countries resort to PPPs when the state lacks financial resources to cover the growing needs for public facilities and services, in addition to the need to transition to a market economy to invest in infrastructure programs. The most important reasons for resorting to public-private partnerships can be identified as follows (Draji, 2014: 309):

- Weak financial allocations and governments' inability to achieve sustainable development.
- Lack of labor efficiency and human resource skills in public-sector organizations.
- Widening construction gaps, clear shortcomings in social development programs, and the inability to meet citizens' service needs.
- Increasing competitive pressures, declining growth rates, and a lack of funding allocated to development programs.
- Governments' desire to employ the private sector in public service provision and their reliance on banks to provide the necessary financing for private-sector institutions.

There are several critical success factors that are utilized in public-private partnership projects. Four main factors include political factors, legal factors, economic factors, financial factors, and administrative and operational factors. Critical factors positively influence the degree of success of partnership implementation (Riham, et al., 2019: pp. 3939–3968). There are several dimensions associated with the academic definitions of the concept of partnership, including (Jomo, et al., 2016: p. 6): interorganizational interrelationship - joint cooperation between organizations - sharing goals between organizations - achieving and developing joint investments between organizations - sharing and allocating joint risks between parties to partnership contracts - following the implementation of government contracts - following the agreement on long-term contracts and achieving mutual benefits from partnership contracts - sharing information and strengthening the strength of the partnership. There are several dimensions to partnership processes that can be explained as follows (Farquharson, et al., 2011: p. 24):

Figure 1. Dimensions of Partnership Processes



Main Stages of the Public-Private Partnership (PPP) Project Process

Source: Edward Farquharson p24

Source: Farquharson et al., 2011: p. 24

According to the researcher, based on the partnership concept developed by various institutions concerned with PPP—such as the National Council for Public-Private Partnerships (USA), the Canadian Council for Public-Private Partnerships, the Central PPP Unit in Ireland, the World Bank, and the International Monetary Fund—the contract represents a relationship between two or more parties aiming to achieve mutual goals under the obligations and rights defined within the agreement. The contract also involves a sharing of risks, which are allocated among the parties based on the contractual terms, and it results in enforceable rights and obligations for each party. The contract typically contains a financial component and often spans long execution periods until its completion. Several principles govern the PPP process. Among these are: the principle of commitment and undertaking, the principle of continuity, and the principle of transparency (Ben Lagha et al., 2022: p. 152). There are several types of PPP contracts, including the following (Issa, 2018: p. 37): Service contracts Management contracts Lease/rental contracts Concession contracts Availability-based contracts B.O.T (Build-Operate-Transfer) contracts Collaborative partnerships Contractual joint ventures The researcher argues that most of the aforementioned contract types are linked to the authority granted by public sector bodies to private companies in PPP arrangements. These authorities vary, extending to the right to manage, operate, or even own, depending on the specific type of contract concluded between the public and private

sectors. The determining factor for the type of PPP contract is the nature of the project itself and the length of time required for recovering long-term investment costs and generating revenues that exceed expenses. This ensures the private sector secures its targeted profit margin from the project, which is typically estimated based on feasibility studies conducted beforehand. Over the past two decades, the role of the private sector in delivering public services has increased substantially. This includes various privatization initiatives, which involve a complete transfer of ownership to the private sector, limiting the state’s role to regulating prices and behavior. With rapid growth and continuous changes, more complex forms of private participation have emerged. In some cases, the public sector or its agencies remain the direct purchaser of services, while no longer owning or operating the necessary assets to deliver them. Among the notable forms of PPPs are those structured and classified by the World Bank, as outlined in the following table (Mouhoub, 2022: pp. 21–36):

Table No. (1): Main forms of partnership between the public and private sectors

Forms of partnership	Features of partnership types	
Liquidation of investments	A private company acquires a portion of a block of shares in a state/municipality. Management of the enterprise may be transferred to a private company or remain with the state.	
Management lease contracts	A private company participates in the management or leasing of state-owned assets for a specified period. The investments are made by the state. In a management contract, the state pays for the private partner's services and bears operational risks. In a lease, the state receives rent from the lessee, and operational risks fall on the private company.	
privilege	The government grants the private sector the authority to own and use the existing facility under a concession agreement. The public sector owns the property(s), while the private sector retains expansion rights and all improvements made during the concession period. A private company deals with operational and investment risks.	Rehabilitation and Operation of Transan, ROT
		Rehabilitation - Rental - Transfer - RLT
		Construction, rehabilitation and operation of BROT transport
Green Field Projects	The private company will build and operate new production facilities for the period specified in the contract.	Build - Rent - BLO
		Build, Operate, and Transfer (BOT)
		Build Your Own - BOO

Source: Mawhib 2022 p. 16

**2.1.** Theoretical Framework of the Unified Accounting System (UAS) in Iraq  
Since 2003, Iraq’s political, social, and economic environment has significantly influenced the structure and shape of its accounting system, despite the country's substantial shifts in these areas. This influence is particularly evident in the structure of the accounting and oversight system, represented by the Federal Board of Supreme Audit (FBSA), which relies on a Unified Accounting System (UAS). However, Iraq’s UAS is not compatible with the systems adopted in developed countries that rely on International

Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), or on local applications based on international standards. As a result, Iraq's accounting structure—represented by the FBSA has continued to adhere to the unified system without updates or modifications. Updating the accounting system in Iraq could result in a discrepancy between the financial information generated by the UAS and the data produced by foreign companies that follow IFRS, or accounting systems based on those standards. This incompatibility does not align with the economic direction adopted by successive Iraqi governments post-2003 (Al-Janabi, 2017, p. 4). The primary objective of the UAS is to ensure fairness in specific measures that contribute to providing essential and reliable accounting information. The system is characterized by transparency and equity as much as possible. The key attributes of fairness in UAS as an information system lie in its ability to ensure disclosure, transparency, efficiency, flexibility, and reliability (Enrique et al., 2023).

UAS has undergone theoretical and practical development. Theoretically, it aligns with the principles of accounting that define what the accountant should do to serve the enterprise; practically, it governs the actual work carried out by accountants (Abd Al-Sayyid et al., 2016, pp. 93–116). In Iraq, the UAS consists of nine main account levels, structured according to Arabic numerical classification. These include four primary accounts (1, 2, 3, 4) that appear in both the income statement and the financial position statement of the economic unit. These are further subdivided into five or six sub-accounts, alongside cost accounts, administrative, financial, and capital accounts. By contrast, IFRS uses the term elements instead of levels or layers. The primary elements in IFRS resemble accounts 1 to 4 in the UAS but also cover accounts 5 to 9, which are part of the Iraqi system. Additionally, some financial statements used in Iraq's UAS—such as the Value-Added Statement and Cost Distribution Statement—are not included in IFRS (Al-Janabi, 2017, p. 4). The components of the UAS in Iraq can be summarized as follows (Al-Maamouri et al., 2019, pp. 461–481):

1. Accounting manual
2. Explanatory notes
3. Journal entries
4. Ledger system
5. Final accounts and financial statements

Some accounting challenges are associated with the implementation of UAS in Iraq, such as issues faced by the government accounting system when using electronic payroll mechanisms. There is a pressing need to transition to modern and scientific tools that can enhance precision and reduce accounting effort and time, so as not to create an additional operational burden on the governmental accounting system. A study conducted on a sample of employees at the University of Basrah—specifically from the Finance Department and Internal Audit Department and through interviews with accounting and audit managers and payroll specialists, concluded the necessity to eliminate outdated and inefficient traditional procedures in payroll accounting. This would free up time and effort to focus on accurate, professional use of electronic payment tools, and to enhance the capabilities of accounting and auditing staff through training programs and workshops (Al-Asadi, 2020, pp. 73–112). The researcher notes the existence of multiple challenges facing UAS implementation in Iraq. Nevertheless, the researcher recommends continuous efforts to find mechanisms and solutions to overcome these challenges. This includes adopting accounting systems and software that standardize and classify accounts across all state units, as well as providing adequate training programs to ensure coordination among UAS users. In addition, implementing

robust monitoring and control procedures is essential to address potential weaknesses in applying UAS. According to Sabbar (2017, pp. 18–37), improving the relevance and efficiency of UAS in Iraq requires designing an electronic financial system based on the principles and standards of both international and local financial reporting. Such a system would enhance users' ability to make predictions, assess past, present, and future events, and improve or correct prior assessments. The researcher believes that Iraq's UAS is nearly ideal in industries with homogeneous operational characteristics, as it supports:

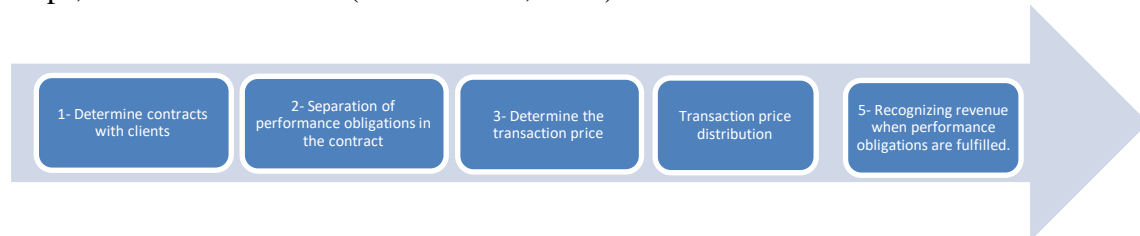
Effective control financial comparisons for decision-making  
Integration with known accounting systems  
However, due to variations in institutional activities, the UAS faces difficulties when applied to non-profit organizations. This challenge is even greater in public-private partnership (PPP) projects, where the operational nature of public sector units significantly differs from that of private companies. This discrepancy makes it difficult to uniformly apply the UAS to both parties. The researcher suggests that UAS can be more effective in achieving Quality Accounting Information (QAI) when applied in PPP projects between public sector entities, where account types in each unit can be integrated clearly and consistently to enhance QAI. This supports decision-making for both internal and external users of the accounting information system. In general, ensuring high-quality accounting information, particularly in PPP projects, requires multiple attributes and standards. The researcher also argues that incorporating financial treatments and statements not currently included in Iraq's UAS—but addressed in IFRS—would significantly enhance the QAI of the UAS. This would provide greater flexibility in conducting financial comparisons between IFRS-based statements and those prepared under Iraq's UAS. The researcher concludes that the existing UAS in Iraq requires substantial modifications to meet the informational demands of PPP projects, ensuring both QAI and financial performance .

#### The Impact of IFRS 15 on Public-Private Partnership (PPP) Contracts

The focus on accounting research related to investment in joint ventures has evolved significantly since the 1980s, culminating in the issuance of IAS 28 concerning investments in associates and joint ventures. The IFRS 15 standard was introduced with the aim of improving the quality of financial reporting and enhancing the transparency of the information presented, in a globally acceptable and applicable manner. It also establishes how revenue should be recognized by outlining five core steps, which are applied consistently across transactions to ensure accurate determination of the revenue amounts to be recognized by economic entities. Furthermore, the standard enhances the comparability of financial statements among companies worldwide. IFRS 15 is expected to have unprecedented implications on how revenue is recognized (Ferreira, 2020: 22). According to the researcher, PPP contracts are linked to IFRS 15 in two key ways: Accounting for Revenue Recognition as PPP contracts often involve service provision or deliverables tied to performance obligations. Nature of the Partnership Contract – particularly when the PPP contract involves an entity engaged in delivering goods or services to customers. In such cases, the timing of revenue recognition from customers is influenced by the outcomes of the PPP contract, as outlined in IFRS 15. The researcher further asserts that the types of PPP contracts most closely associated with IFRS 15: Revenue from Contracts with Customers are service contracts and management contracts. In these types of partnerships, revenue recognition is directly tied to the customer payments, and the terms of the PPP agreement typically allocate a portion of the recognized revenue to the private sector partner. The core principle of IFRS 15 is

that an entity should recognize revenue using a model composed of five sequential steps. This marks a shift in revenue recognition from the traditional “risk and rewards” model to a “transfer of control” model (Belsom, 2021).

Accounting for contracts with customers under IFRS 15 follows these five essential steps, as illustrated below (CPA Canada, 2014):



The Impact of IFRS 15 on Public-Private Partnership (PPP) Contracts Interest in accounting research concerning investments in joint projects has evolved since the 1980s, culminating in the issuance of IAS 28 relating to investments in associates and joint ventures. The issuance of IFRS 15 aimed to enhance the quality of financial reporting and the transparency of financial information in a manner that is globally applicable and understandable. It defines how revenue should be recognized through five essential steps that support the accurate determination of the amounts to be recognized as revenue and improve comparability of financial statements across global entities. These five steps are to be applied consistently across transactions and are expected to have unprecedented effects on how revenue is recognized (Ferreira, 2020: 22).

1. The researcher believes that PPP contracts are particularly connected to IFRS 15 in two ways:
2. From an accounting perspective, especially regarding revenue recognition issues;
3. When the subject of the PPP contract involves entities that provide goods or services to customers.

In such cases, the timing of revenue recognition under IFRS 15 is directly affected by the performance outcomes of the PPP contract. The researcher emphasizes that the PPP contract types most closely aligned with IFRS 15 are service contracts and management contracts, where the private sector receives a share of the revenues based on the realization and timing of customer payments. The core principle of IFRS 15 is that entities should recognize revenue according to a five-step model. This represents a shift from the “risks and rewards” approach to the “transfer of control” concept (Belsom, 2021). The five steps of accounting for contracts with customers under IFRS 15 are presented in Figure 2 below (CPA Canada, 2014): Figure (2): The Five Steps of Revenue Recognition from Contracts with Customers According to IFRS 15

Source: CPA Canada, "Financial Reporting Alert", October 2014 The researcher argues that these five steps are directly related to PPP contracts involving service and management arrangements where revenue is shared with the private partner based on actual performance. According to Al-Anani (2019: 583), IFRS 15 differs significantly from prior practice by introducing collectability of consideration as a starting condition for determining whether a contract meets the criteria for inclusion within the scope of the standard. An entity will not enter into a contract if there is significant credit risk and no sufficient economic protection. IFRS 15 also outlines that there must be mutual agreement on the contract between both parties, either verbal, written, or through customary business practices. The researcher contends that in such cases, two separate contracts exist: One represents the partnership agreement, and The other is between the PPP entity and the end customers for the delivery of goods or services. The revenue

earned from contracts with customers—recognized according to the five IFRS 15 steps—is directly tied to the returns earned by the private partner in service-based or management-based PPP arrangements. Customer-related contracts should be properly documented, especially concerning discounts or loyalty programs, to ensure alignment with the conceptual framework of accounting. Partnership contracts also define performance obligations and rights, which dictate the accounting treatment. According to Ibrahim (2015: 382), under IFRS 15, a contract represents an agreement between an entity and a customer to transfer goods or services. If these are distinct, then the performance obligations and their accounting will differ accordingly. The researcher emphasizes the importance of clearly identifying the performance obligations in PPP contracts, which may be represented by the criteria for benefiting from the partnership. Furthermore, revenue recognition in IFRS 15 affects the disclosures related to financial and non-financial information in PPP contracts, especially when the core activity is selling goods or delivering services to customers. This impact is particularly pronounced in customer-intensive industries such as telecommunications and banking. Disclosures in such contexts are essential for the accounting system and have a direct influence on partnership decisions, as well as on revaluation and restructuring activities. According to Al-Naghi (2014: 124), the nature of related parties can lead to material misstatements in financial reports due to complex family ties, off-balance sheet arrangements, non-standard pricing agreements, and intentional collusion by management. These risks justify the need for full disclosure of related-party transactions. Ngaert (2012: 1–35) argues that related-party information is crucial for external stakeholders. However, aggregate disclosure of related-party data is often not specific and is not strongly correlated with shareholder wealth, as measured by operating income or Tobin's Q. The researcher believes that such issues may arise when PPP contracts involve a parent company and its subsidiaries that are related parties. This may affect customer-related revenues directly and also have indirect effects on revenues from PPP contracts, particularly under IAS 24. The researcher also notes that disclosure of PPP contract information can help avoid such issues, especially when related parties are involved in the partnership. Based on this analysis, the researcher proposes the following hypothesis: H1: There is a statistically significant relationship between the importance of financial reporting for PPP projects in accordance with IFRS 15 and the achievement of accounting information quality (QAI) and financial performance

**3. The Impact of IFRS 16 “Leases” on Public-Private Partnership (PPP) Contracts**  
With the increasing global use of leasing as a source of financing, accounting standard-setting bodies have paid growing attention to lease accounting. This has led the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to collaborate on a joint project to establish a unified leasing standard applicable under both IFRS and US GAAP. This effort culminated in the issuance of IFRS 16: Leases, which aims to provide guidance for lease accounting from both the lessee's and lessor's perspectives, especially considering the varying accounting policies historically used for leases (Al-Araabeed, 2020: 4). To determine the impact of IFRS 16 on PPP contracts, several aspects must be considered, including: A conceptual overview of IFRS 16, Key questions surrounding lease accounting under IFRS 16, The connection between IFRS 16 and PPP contracts, The rationale behind issuing the standard, Lease content as defined by IFRS 16, Financing aspects and the financing gap in PPP contracts, Characteristics of finance leases, Current criticisms of the standard, and The effect of financial reporting under IFRS 16 on Quality of Accounting Information

(QAI) and financial performance in PPPs. Accounting classifies leases into two types: operating leases and finance leases. Traditionally, only finance leases were recognized as liabilities on the lessee's balance sheet. This approach led to widespread debate regarding the unequal accounting treatment of leases. Under the previous IAS 17, lease classification was based on whether the arrangement substantially transferred the risks and rewards of ownership. Only a small portion of leases that met this economic definition of asset acquisition were recognized on the balance sheet; the majority, classified as operating leases, were kept off-balance sheet. This resulted in underestimating actual obligations and misled investors, who were then forced to adjust lease obligations manually when evaluating companies' financial positions (Awad, 2017: 812–872). IFRS 16 eliminates the distinction between operating and finance leases for lessees. Instead, lessees must capitalize almost all leases by recognizing the present value of future lease payments as both a right-of-use asset and a lease liability. However, lessor accounting remains largely unchanged. IFRS 16 does allow exemptions for leases with terms shorter than 12 months or when the asset's value is below USD 5,000—even if the total value of such small leases is significant (Awad, 2017: 812–872). The researcher argues that IFRS 16 is directly relevant to PPP contracts, particularly as securing sufficient funding is a primary goal of PPPs. The accounting treatments under IFRS 16 significantly influence PPP arrangements. The standard's application scope encompasses PPPs that involve lease agreements. Key implications include: All lease agreements both operating and finance—must be treated as finance leases unless exceptions apply. Therefore, PPP contracts involving leases fall under IFRS 16. The standard affects the financial statements of public and private entities, including government bodies, by requiring detailed disclosures about lease obligations and leased assets. This enhances transparency and may impact on the evaluation of PPP arrangements. IFRS 16 is expected to influence the structuring of PPP transactions, especially concerning contract duration, terms, and revaluation processes. In Iraq, applying IFRS 16 raises challenges for the Unified Accounting System (UAS), particularly in distinguishing between operating and finance leases. Changes in lease classification affect both the asset and liability sides of the balance sheet, improving transparency, comparability, and QAI, but requiring substantial system adaptation. Some argue that IFRS 16's most notable change is the elimination of off-balance-sheet lease financing for lessees, which improves the accuracy of financial ratios, enhances comparability, and affects debt covenants, credit ratings, and borrowing costs. Moreover, it affects operations, IT systems, and internal controls (Levanti, 2019: 51–56). Applying IFRS 16 may lead companies to renegotiate existing leases to reduce the impact of the new standard. While it enhances external and internal transparency, it may diminish the attractiveness of leasing due to increased administrative burdens. However, this could also lead to improved lease portfolios and cost-saving opportunities. The standard also affects financial ratios and performance metrics (Stancheva, 2019: 44–62). Financing is a fundamental component of PPP success. It is often the primary objective of PPP contracts, especially during economic crises or when sufficient project funding is unavailable. The required type of financing depends on the nature of the partnership agreement. It is essential to distinguish between traditional corporate financing where lenders assess the entire firm's assets and cash flows as debt security—and modern project financing, which more efficiently allocates risks and returns among stakeholders (Marji, 2019: 255–300). Leasing is a key financing mechanism for large entities and financial institutions. Under IAS 17, many lease arrangements were not recorded on the balance sheet unless classified as finance leases. Operating leases were only disclosed

in the income statement or footnotes. This non-objective classification misled investors by distorting metrics related to leverage and leased asset usage. Investors had to manually account for off-balance sheet lease obligations, often overestimating actual liabilities. The adoption of IFRS 16, which abolishes the operating/finance lease distinction for lessees, significantly improved financial transparency and affected debt agreements (Deloitte, 2017). Due to the flexibility of leasing, companies can select financing mechanisms that suit their financial conditions and project needs, with finance leasing being the most common. Two other types of operating lease and lease-to-own (deferred payment leases) are used less frequently for specific projects (Marji, 2019: 255–300). Based on this analysis, the researcher proposes the second hypothesis: H2: There is a statistically significant relationship between the importance of financial reporting for PPP projects in accordance with IFRS 16 and the achievement of accounting information quality and financial performance

### 3.1 Methodology:

The researcher relied on a diverse study methodology that combined the inductive and deductive approaches, followed by field study. In the field study, the researcher relied on a questionnaire as a study tool. The research community comprised Iraqi units (public sector) and economic units operating in the private sector and participating in joint ventures under the PPP. The research sample comprised employees in the financial departments of public sector units and economic units operating in the private sector that are involved in joint venture contracts with the public sector.

The study was supported by distributing questionnaire forms to academics (faculty members) working in accounting departments at Iraqi universities, given their ability to read and understand the guidelines contained in the International Financial Reporting Standards and the qualitative characteristics of accounting information to prove the hypotheses of measuring correlation and impact. The questionnaires were also distributed equally to employees working in accounting and auditing firms.

### 3.2 Analysis of the importance of financial reporting for PPP projects according to IFRS 15, the quality of accounting information, and financial performance:

Table (2) Description of opinions on the phrases that determine the variable of importance of the financial report for PPP projects according to the IFRS15 standard

Phrases that define the financial reporting significance variable	Descriptive statistics measures			
	Arithmetic mean	Standard deviation	Relative weight %	Order of approval
1. Public-private partnership contracts are subject to IFRS 15 regarding accounting recognition issues when the subject of the partnership contract is an entity that provides goods or services to customers. The timing of revenue recognition from customers according to IFRS 15 is affected by the results of the partnership contract.	**4.2	0.759	84.00%	1
2. Service contracts and management contracts are the most closely related types of private public partnerships to IFRS 15 Revenue from Contracts with Customers.	**4.13	0.746	82.60%	4

Both private-sector partnership contracts (PPPs) and management contracts are related to the recognition of revenue from customers. The terms of the partnership contract under these two types of partnership contracts depend on allocating a percentage of the revenue generated to the private-sector partner.				
3. Applying IFRS 15 to public-private partnership contracts contributes to providing information about the nature of revenue generated from customers, in the case of service and management partnership contracts. This helps determine the rights of the partners.	**4.03	0.766	80.60%	9
4. Disclosure of information about customer revenue in public-private partnership contracts is a key indicator for assessing the success of the public-private partnership and its ability to achieve the objectives of all parties involved in the partnership process.	**4.13	0.821	82.60%	6
5. The scope of application of IFRS 15 focuses primarily on public-private partnership contracts, which aim to provide goods and services to customers. The profits generated by the entity subject to the partnership depend on customer revenue.	**4.13	0.726	82.60%	3
6. The five steps for recognizing revenue from contracts with customers are related to public-private partnership contracts, particularly in the case of service partnership contracts and management partnership contracts, in which operations are conducted in exchange for a percentage of the profits based on the generation and timing.	**4.04	0.794	80.80%	8
7. Public-private partnership contracts (PPPs) in the case of service contracts and management contracts are affected by both the selling price of the product and the transaction price in the case of discounts and offers on products and goods sold, according to the accounting treatments set forth in International Financial Reporting Standard 15.	**4.12	0.796	82.40%	7
8 Service and management contracts are linked to the private sector partner's profit percentages on the generated revenue or profits. Therefore, the procedures followed and applied under International Financial Reporting Standard IFRS 15 may impact public-private partnership contracts with regard to the timing of revenue recognition according to the five-step process of International Financial Reporting Standard IFRS 15.	**4.13	0.765	82.60%	5
0The application of IFRS 15 impacts public-private partnership (PPP) contracts by including disclosure of financial and non-financial information related to contracts with customers in PPPs whose primary activity is the sale of goods and services to customers.two types of partnership contracts depend on allocating a	**4.17	0.839	83.40%	2

percentage of the generated revenue to the private-sector partner.				
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\*\* Symbols indicate that the variable is statistically significant at a significance level of 0.05.

According to the results of Table 2, the importance of the statements in the survey can be ranked according to the order of the values above, as follows:

- ✓ Applying IFRS 15 to public-private partnership contracts contributes to providing information about the nature of revenue generated from customers, in the case of service and management partnership contracts. This helps determine the rights of partners.
- ✓ The five steps for recognizing revenue from contracts with customers relate to public-private partnership contracts, in the case of service-related partnership contracts and management-related partnership contracts, in which operations are conducted in exchange for a percentage of profits based on revenue generation and timing.
- ✓ Public-private partnership contracts, in the case of service contracts and management contracts, are affected by revenue from customers and the profits generated by both the selling price of the product and the transaction price in the case of discounts and offers on products and goods sold, in accordance with the accounting treatments contained in IFRS 15.
- ✓ Disclosure of information on customer revenues in public-private partnership contracts is a key indicator for assessing the success of the public-private partnership and its ability to achieve the objectives of all parties involved in the partnership process.

Table (3) Description of opinions on the statements that reflect the achievement of the quality of accounting information and financial performance.

Elements (phrases) that achieve the quality of accounting information and financial performance.	Descriptive statistics measures			
	Arithmetic mean	Standard deviation	Relative weight %	Order of approval
1. The financial report for PPP projects, in accordance with IFRS 15, helps ensure the completeness, clarity, and reliability of accounting information, ensuring that it is not incomplete in recording all relevant operations and transactions.	4.55**	0.582	91.00%	1
2. The financial report for PPP projects, in accordance with IFRS 15, helps ensure the relevance and comparability of accounting information with previous information or between different companies.	4.48**	0.655	89.60%	4
3. The financial report for PPP projects, in accordance with IFRS 15, helps achieve transparency of accounting information, allowing users to understand the principles and methods used to present this information.	4.42**	0.673	88.40%	5
4. The financial report for PPP projects, in accordance with IFRS 15, helps disclose accounting information, allowing users to understand the principles and methods used to present this information.	4.48**	0.633	89.60%	3
5. The financial report for PPP projects, in accordance with IFRS 15, based on the concept of accounting	4.32**	0.757	86.40%	6

systems theory, helps improve the financial performance of public-private partnership projects.				
6- The financial reporting of PPP projects according to IFRS 15 helps achieve quality financial performance by using good measurement and disclosure processes related to public-private partnership contracts for tangible and intangible assets.	4.48**	0.609	89.60%	2

\*\*The symbol indicates that the variable is statistically significant at a significance level of 0.05.

According to the results of Table 3, the relative weights for all items are greater than 60%, which represents a "neutral" score.

The high results showed that the arithmetic mean for all items reached a significant level of (0.05). This means that there are differences in the opinions of the respondents between the observed values and the value (3), which represents the neutral choice.

The statements can be arranged according to the degree of importance indicated by the order as follows:

The financial reporting of PPP projects according to IFRS 15, based on the concept of accounting systems theory, helps improve the financial performance of public-private partnership projects.

- ✓ The financial reporting of PPP projects according to IFRS 15 helps achieve transparency of accounting information, enabling users to understand the principles and methods used to present this information.
- ✓ The financial reporting of PPP projects according to IFRS 15 helps ensure the relevance and comparability of accounting information with previous information or between different companies.
- ✓

From the above, it is clear to the researcher that there is agreement among the study sample on the importance of financial reporting for PPP projects according to IFRS 15, achieving QAI, and financial performance.

The results indicate the validity of the study's first hypothesis.

Table (4) Analysis of variance using the Kruskal-Wells test on the data of the first hypothesis

Elements (dimensions) related to the second hypothesis	Sample Category	Number of views	Average rank	Arrangement	Kruskal-Wallis test significance
Elements that determine the importance of the financial report for PPP projects according to IFRS 15.	Faculty members in colleges of commerce and business administration	2	32.06	33.58	0.509
	Auditors in accounting and auditing firms	1	32.82	35.11	
	Employees in public-private partnership projects	3	34.35	31.29	
	Total	6			

Elements that determine the achievement of accounting information quality and financial performance	Faculty members in colleges of commerce and business administration	2	32.06	33.58	0.99
	Auditors in accounting and auditing firms	1	35.11	34.35	
	Employees in public-private partnership projects	3	32.82	32.06	
	Total	6	<b>Total</b>	33.58	

\*Statistically significant at a significance level of 0.05

According to the results of Table 4:

- ✓ The group with the highest agreement on the data of the first hypothesis (the importance of financial reporting for PPP projects according to IFRS 15, achieving QAI, and financial performance) are auditors in accounting and auditing firms, with average scores of (35.11 and 34.35) for the first and second variables of the first hypothesis, respectively.
- ✓ It is also noted that the study group, which is comprised of employees in public-private partnership projects, was the group with the lowest agreement on the data of the first hypothesis.
- ✓ There is agreement among the study participants on the importance of financial reporting for PPP projects according to IFRS 15, achieving QAI, and financial performance.

Table (5) Results of the correlation relationship between the variables of the first hypothesis

dependent variable and independent variable	Correlation data	Y): Achieving the ) quality of accounting information and financial .performance
(X): The importance of the financial report for PPP projects according to IFRS15	Correlation coefficient (R)	0.621
	Significance level	0.000**

\*\*The symbols shown indicate the significance of the correlation coefficient at a significance level of 0.01.

**Based on the results of Table 5, it is clear that:**

- ✓ According to the sign of the correlation coefficient (positive), there is a direct correlation. The value of the correlation coefficient also indicates the strength of the correlation.
- ✓ There is a direct relationship between the importance of the financial reporting of PPP projects according to IFRS 15 and the achievement of QAI and financial performance. This means that the more a company adheres to implementing the financial reporting of PPP projects according to IFRS 15, the more QAI and financial performance are achieved.
- ✓ The hypothesis of a statistically significant correlation between the financial reporting of PPP projects according to IFRS 15, the achievement of QAI, and financial performance is acceptable because the value of the correlation coefficient (0.00) is less than the significance level.(0.01)

Table (6) Results of regression analysis of the variables of the first hypothesis

Statement	Regression coefficient (B)	t-test values	Morale level	Statistical significance
Constant Amount (BO)	2.458	7.890	0.000	Statistically significant
(X) The importance of financial reporting for PPP projects according to IFRS15	0.484	6.485	0.000	Statistically significant
Model's explanatory value: Coefficient of determination (R <sup>2</sup> ) = 0.386 Model's overall significance: ANOVA significance level = 0.000 F-test value = 42.052				

According to the results of Table 6:

- ✓ There is a direct effect between the importance of financial reporting for PPP projects according to IFRS 15, achieving QAI, and financial performance. The regression coefficient is positive.
- ✓ The hypothesis of a direct effect between the importance of financial reporting for PPP projects according to IFRS 15, achieving QAI, and financial performance is accepted, as the t-test value for the independent variable (0.00) is less than the significance level of **.(0.05)**
- ✓ The independent variable (the importance of financial reporting for PPP projects according to IFRS 15) explains 38.6% of the changes in the dependent variable (achieving QAI and financial performance).

Table (7) General results of the statistical analysis to test the validity of the first hypothesis

Testing/Analysis	Results of the Statistical Analysis to Test the Validity of the First Hypothesis
Validity and reliability testing (Cronbach's alpha coefficient)	1- The validity of all the elements used in analyzing and measuring the results of the first hypothesis. These elements can be relied upon in the measurement process, as the Cronbach's alpha coefficient is high, indicating a high degree of reliability, homogeneity, and internal consistency among the variables and dimensions of the first hypothesis.
Descriptive analysis of data using some statistical measures (mean, standard deviation, relative weight)	2- Opinions tend toward agreement, as indicated by the relative weights for all elements, which exceed 60%, representing a "neutral" choice. The arithmetic mean values of all respondents' responses on all elements of the first hypothesis (greater than 3) indicate agreement.

Testing/Analysis	Results of the Statistical Analysis to Test the Validity of the First Hypothesis
Measuring variance between sample groups (Kruskal-Wells test)	3- There is agreement among the opinions of the study sample regarding the importance of financial reporting for PPP projects according to IFRS 15, achieving the quality of accounting information, and financial performance.
Correlation and regression analysis	4- There is a statistically significant relationship between the importance of financial reporting for PPP projects according to IFRS 15, achieving the quality of accounting information, and financial performance.
Testing/Analysis	Results of the Statistical Analysis to Test the Validity of the First Hypothesis

Based on the results of Table 7, there is a statistically significant relationship between the importance of financial reporting for PPP projects according to IFRS 15 and the achievement of QAI and financial performance.

**.3.1** Analysis of the importance of financial reporting for PPP projects according to IFRS 16, the quality of accounting information, and financial performance:

Table (8) Description of opinions on the phrases that determine the variable of importance of the financial report for PPP projects according to the IFRS16 standard.

Elements (phrases) that determine the financial reporting significance variable for PPP projects according to IFRS 16.	Descriptive statistics measures			
	arithmetic mean	Standard deviation	Relative weight %	Order of approval
1. IFRS 16 is relevant to public-private partnership (PPP) contracts, as one of the primary objectives of PPP contracts is to provide sufficient funding to achieve the partnership's objectives.	4.14**	0.713	82.80%	3
2. Implementing IFRS 16 requires treating all operating contracts, and all companies and institutions must recognize them as financing contracts unless there are exceptions.	4.13**	0.705	82.60%	5
3. Implementing IFRS 16 requires treating all financing contracts, and all companies and institutions must recognize them as financing contracts unless there are exceptions.	4.04**	0.794	80.80%	10
4. Implementing IFRS 16 impacts the financial reporting of companies and institutions, including government entities in the public sector.	4.04**	0.695	80.80%	8
5. Implementing IFRS 16 impacts the structuring of transactions between the public and private sectors in PPP contracts, as the standard requires the inclusion of lease obligations from lessees in the financial statements	4.23**	0.689	84.60%	1

to include revaluation transactions, contract terms, and terms.				
6. The classification of leases under IFRS 16 affects the distinction between operating leases and finance leases, resulting in changes to contractual obligations and rights, and impacts both the asset and liability side of the statement of financial position.	4.17**	0.663	83.40%	2
7. Financing issues directly and indirectly impact public-private partnership contracts, requiring addressing the accounting gap resulting from bridging the funding gap between resources and needs in public-private partnership projects.	4.1**	0.75	82.00%	6
8. The accounting treatments of IFRS 16 are reflected in public-private partnership contracts.	4.14**	0.753	82.80%	4
9. Public-private partnerships that include leasing contracts must be included within the scope of IFRS 16.	4.04**	0.756	80.80%	9
10. Under IFRS 16, companies and institutions must provide more detailed information about leases in their financial statements, such as lease liabilities and information about leased assets.	4.1**	0.77	82.00%	7

\*\*Statistically significant at a significance level of 0.05

According to the results of Table 8, the following is evident:

- ✓ The sample's opinions tend to agree on the importance of financial reporting for partnership projects in accordance with International Financial Reporting Standard 16. The arithmetic mean values of all respondents' responses to all items exceed 3. The relative weights of all items exceed 60%, representing a "neutral" choice. The arithmetic means of all statements indicate statistical significance at a significance level of (0.05), meaning there are differences (significant differences) in the respondents' opinions between the observed values and the value (3), which represents a neutral choice. The degree of agreement can be explained by indicating the most important statements that received the highest degree of agreement from the survey respondents, as follows:
- ✓ The implementation of the International Financial Reporting Standard IFRS 16 requires dealing with all financing contracts. All companies and institutions must recognize all contracts as financing contracts unless there are exceptions.
- ✓ Partnerships that include lease contracts must be included within the scope of application of IFRS 16.

Table (9) Description of opinions on the phrases that determine the importance of the financial report for PPP projects according to the IFRS16 standard and achieving (QAI) and financial performance

Elements (phrases) that determine the importance of financial reporting for PPP projects according to IFRS 16 and achieving the quality of accounting information and financial performance	Descriptive statistics measures			
	Arithmetic mean	Standard deviation	Relative weight %	Order of approval

1. The financial report for PPP projects, according to IFRS 16, helps ensure the completeness, clarity, and reliability of accounting information, ensuring that it is not incomplete in recording all relevant operations and transactions.	4.28**	0.725	85.60%	2
2. The financial report for PPP projects, according to IFRS 16, helps ensure the relevance and comparability of accounting information with previous information or between different companies.	4.38**	0.644	87.60%	1
3. The financial report for PPP projects, according to IFRS 16, helps achieve transparency and disclosure of accounting information, enabling users to understand the principles and methods used to present this information.	4.25**	0.651	85.00%	3
4. The financial report for PPP projects, according to IFRS 16, helps ensure the quality of measurement and disclosure processes associated with public-private partnership contracts, thus ensuring quality financial performance.	4.19**	0.713	83.80%	4
5. The financial report for PPP projects, according to IFRS 16, helps identify the sources of funding for private sector companies participating in public-private partnership contracts, thus achieving quality financial performance.	4.13**	0.803	82.60%	5

\*\* The symbol means that it is statistically significant at a significance level of 0.05.

According to the results of Table 9, the following is evident:

- The sample's opinions tend to agree on the importance of financial reporting for public-private partnership projects according to IFRS 16, achieving QAI, and financial performance. The arithmetic mean values for all respondents' answers to all items were (greater than 3). The relative weights for all items, which exceed 60%, represent a "neutral" option. It is also evident that all arithmetic means for all statements are statistically significant at a significant level of (0.05). This means that there are (significant) differences in respondents' opinions between the observed values and the value (3), which represents a "neutral" option.
- The variable statements can be ranked according to importance as follows:
- The financial reporting for PPP projects according to IFRS 16 helps identify the sources of funding for private sector companies participating in partnership contracts with the public sector, thus achieving quality financial performance.
- Financial reporting for PPP projects in accordance with IFRS 16 helps achieve quality measurement and disclosure processes associated with public-private partnership contracts, thus achieving quality financial performance.
- There is agreement among the study sample on the importance of financial reporting for PPP projects in accordance with IFRS 16 and achieving quality accounting information and financial performance. The previous results support the validity of the study's second hypothesis.

Table (10) Analysis of variance between the opinions of the sample categories regarding the data of the second hypothesis

Elements (dimensions) related to the second hypothesis	Sample Category	Number of views	Average rank	Arrangement	Kruskal-Wallis test significance
Elements that determine the importance of financial reporting for PPP projects according to IFRS 16 Elements (dimensions) related to the second hypothesis	Faculty members in colleges of commerce and business administration	42	32.06	3	0.911
	Auditors in accounting and auditing firms	43	32.82	2	
	Employees in public-private partnership projects	45	34.35	1	
	Total	131			
Elements that determine the importance of financial reporting for PPP projects according to IFRS 16	Faculty members in colleges of commerce and business administration	42	32.06	3	0.595
	Auditors in accounting and auditing firms	46	35.11	1	
	Employees in public-private partnership projects	43	32.82	2	
	Total	131	متوسط الرتب	الترتيب	

\*Statistically significant at a significance level of 0.05

Based on the results of Table 10, the researcher concluded the following:

- ✓ The results of the average rank and ranking values show that the group that most agrees with the data of the second hypothesis (the importance of financial reporting for partnership projects according to IFRS 16) is the sample group belonging to employees in partnership projects.
- ✓ The study group of auditors in accounting and auditing firms is the group that agrees most with the achievement of QAI and financial performance, with average scores of (34.35 and 35.11) for the first and second variables of the second hypothesis, respectively.
- ✓ The study group, which includes faculty members in colleges of commerce and business administration, is the group that least agrees with the data of the second hypothesis.
- ✓ There are no differences between the groups representing the study sample, and there is agreement among them on the importance of financial reporting for partnership projects according to International Financial Reporting Standard No. 16, achieving QAI, and financial performance. The significance level of the Kruskal-Wallis test for the data related to the variables of the second hypothesis is (0.911) (0.595) respectively, which is a percentage greater than 5%.

Table (11) Results of the relationship and correlation between the variables of the second hypothesis

dependent variable and independent variable	Correlation data	Y): Achieving the ) quality of accounting information and financial .performance
(X): The importance of the financial report for PPP projects according to IFRS16	Correlation coefficient (R)	<b>0.739</b>
	Significance level	<b>**0.000</b>

\*\*Indicates the significance of the correlation coefficient at a significance level of 0.01.

From Table 11, the researcher found that:

- ✓ There is a direct correlation, as the value of the coefficient indicates the strength of the correlation, as the sign of the correlation coefficient is positive.
- ✓ There is a direct relationship between the importance of financial reporting for PPP projects according to IFRS 16 and achieving the quality of accounting information and financial performance. This means that the more a company adheres to implementing financial reporting for PPP projects according to IFRS 16, the more it will lead to achieving the quality of accounting information and financial performance.
- ✓ The hypothesis of a statistically significant correlation between the importance of financial reporting for partnership projects according to IFRS 16 and achieving QAI and financial performance was accepted, as the significance of the correlation coefficient (0.00) is less than the significance level.(0.01)

Table (12) Results of regression analysis of the variables of the second hypothesis

Statement	Regression coefficient (B)	t-test values	Morale level	Statistical significance
Constant Amount (BO)	1.190	3.463	0.001	Statistically significant
(X) The importance of financial reporting for PPP projects according to IFRS16 and achieving the quality of accounting information and financial performance	0.742	8.969	0.000	Statistically significant
Model's explanatory value: Coefficient of determination (R <sup>2</sup> ) = 0.546 Model's overall significance: ANOVA significance level = 0.000 F-test value = 80.44				

According to the results of Table 12:

- ✓ There is a direct effect between the importance of financial reporting for PPP projects according to IFRS 16 and the achievement of QAI and financial performance. The regression coefficient is positive. The value of the regression coefficient also indicates that every unit increase in the independent variable increases the achievement of accounting information quality and financial performance by 0.742 units.
- ✓ There is a direct effect between the importance of financial reporting for PPP projects according to IFRS 16 and the achievement of QAI and financial performance. This is confirmed by a t-test for the independent variable (0.00), which is less than the significance level of 0.05.

- ✓ The coefficient of determination (R<sup>2</sup>) shows a value of 0.546. The variable (the importance of financial reporting for PPP projects according to IFRS 16) explains 54.6% of the changes in accounting information quality and financial performance.
- ✓ There is a direct effect between the importance of financial reporting for PPP projects according to IFRS 16 and the achievement of QAI and financial performance, which supports the validity of the study's second hypothesis.

The validity of the hypothesis is shown to be: "There is a statistically significant relationship between the importance of financial reporting for PPP projects according to IFRS 16 and the achievement of QAI and financial performance".

Table (13) General results of statistical analysis to test the validity of the second hypothesis

Testing/Analysis	Results of the Statistical Analysis to Test the Validity of the Second Hypothesis
Validity and reliability testing (Cronbach's alpha coefficient)	1. Cronbach's alpha coefficient is high, indicating a high degree of reliability, homogeneity, and internal consistency among the variables and dimensions of the second hypothesis. All elements used to analyze and measure the results of the second hypothesis are valid and reliable in the measurement process.
Descriptive analysis of data using some statistical measures (mean, standard deviation, relative weight)	2. Opinions tend toward approval, as indicated by the relative weights for all elements, which exceed 60%, representing a "neutral" choice. The arithmetic mean values of all respondents' responses to all elements of the second hypothesis indicate (greater than 3).
Measuring variance between sample groups (Kruskal-Wells test)	3. There is agreement among the opinions of the study sample regarding the importance of financial reporting for PPP projects according to IFRS 16, achieving the quality of accounting information, and financial performance.

#### 4 - Conclusion:

The research aimed to study and analyze the impact of implementing international financial reporting for public-private partnership (PPP) projects in accordance with IFRS 15 and IFRS 16 standards on the quality of accounting information and financial performance, using a proposed model for application in the Iraqi context. The researcher found a statistically significant relationship between the importance of financial reporting for PPP projects according to IFRS 15-IFRS 16 standards, the quality of accounting information (QAI), and financial performance (FP). The researcher relied on a diverse study methodology that combined the inductive and deductive approaches, followed by a field study. In the field study, the researcher relied on a questionnaire as a study tool. The research community comprised Iraqi units (public sector) and economic units operating in the private sector and participating in joint projects under PPP. The research sample comprised employees in the financial departments of public sector units and economic units operating in the private sector that entered partnership contracts with the public sector. The study was supported by distributing some questionnaires to academics (faculty members) working in accounting departments at Iraqi universities because they can read and understand the guidelines contained in the International Financial Reporting Standards and the qualitative characteristics of accounting

information to prove the hypotheses of measuring correlation and impact. In addition, the questionnaires were distributed equally to the three categories of the research sample. According to the study results, the researcher concluded that concession contracts are the most widely used, despite the risks associated with them, due to the long duration of the contract and the changing political and economic conditions in the short term. Most of the risks associated with partnership contracts result from the length of the contract period and the changing economic and political conditions and factors surrounding the partnership contracts. To reduce these risks, partnership contracts must have a high predictive capacity for potential changes during the contract period. Furthermore, the necessary protection and hedging measures must be taken to ensure the continuity of the project and prevent any losses for the contracting parties, despite their obligations under the partnership contract. There are many challenges facing the implementation of UAS in Iraq. However, the existence of these challenges does not mean the system should be abolished or replaced. The use of International Financial Reporting Standards (IFRS) has provided numerous solutions to many of the problems facing the UAS in Iraq. Utilizing such solutions helps: Achieving Quality Assurance (QAI) - Improving the financial performance of economic and governmental entities in Iraq. The use of UAS, as used in Iraq, is almost ideal in industries of similar nature for the purposes of: tightening control; making the required financial comparisons needed to support and make decisions, especially when linked electronically to a well-known accounting system. However, the differences in activities due to the nature of establishments and institutions may present many challenges, especially in non-profit activities and establishments. The assets aspect, the rate of return on assets, and the equity and return on equity are the most emphasized aspects in partnership contracts. The accounting information system must keep pace with these requirements; otherwise, there will be a clear deficiency in providing accounting information to external investors in general and to UAS users in general.

The UAS currently used in Iraq requires several modifications to meet the information required for partnership projects, achieving QAI and financial performance. The financial structure of private sector companies is an important aspect of partnership contracts. Private sector companies' reliance on an external financing structure derived from financing through loans or credit facilities requires them to have indicators to accurately measure the financial performance of the project subject to the partnership, with a return that enables them to cover their financing obligations. Furthermore, the financial performance indicators included in feasibility studies for private sector companies participating in partnership contracts with the public sector must be completely clear to avoid the risk of failure to comply with financing costs, thus transferring the risk to the viability of the partnership contracts. Partnership contracts are subject to IFRS 15 regarding accounting issues for revenue recognition, on the one hand, and when the subject of the partnership contract is an entity associated with providing goods or services to customers, on the other hand. The timing of revenue recognition from customers according to IFRS 15 is affected by the results of the partnership contract. The most relevant types of partnership contracts under the International Financial Reporting Standard "Revenue from Contracts with Customers" (IFRS 15) are service contracts and management contracts. Both service contracts and management contracts are linked to revenue recognition from customers. The terms of the partnership contract, under both types, depend on allocating a percentage of the revenue generated to the partner (the private sector).

Applying IFRS 15 to partnership contracts provides information about the nature of revenue generated from customers, in the case of service contracts and management contracts. This helps determine the rights of the partners. The five steps for recognizing revenue from contracts with customers are relevant to partnership contracts, both for service contracts and management contracts, in which operations are conducted in exchange for a percentage of profits based on revenue recognition and timing. The obligations of the partnership contract must be identified. This can be expressed in terms of the terms of the partnership contract, while identifying the obligations and rights arising from contracts with customers in accordance with IFRS 15.

Partnership contracts, such as service contracts, and management contracts, which are affected by revenue from customers and profits, are affected by both the selling price of the product and the transaction price in the case of discounts and offers on products and goods sold, according to the accounting treatments set out in International Financial Reporting Standard 15 (IFRS 15). IFRS 16 is relevant to partnership contracts, as one of the primary objectives of partnership contracts is to provide sufficient financing to achieve the partnership objectives. The accounting treatments of IFRS 16 are reflected in partnership contracts. The application of IFRS 16 requires dealing with all operating and financing contracts. Companies and institutions must recognize all contracts as financing contracts unless there are exceptions. This means that public-private partnerships that include leasing contracts must be included within the scope of IFRS 16. The classification of leases under IFRS 16 affects the distinction between operating leases and finance leases, resulting in changes to contractual obligations and rights. This impacts both the asset and liability side of the balance sheet, and consequently improves transparency, comparability, and QAI in financial statements. UAS in Iraq face numerous challenges in the transition to IFRS 16.

### **5. Recommendations:**

The researcher recommends the need for continuous research to find solutions and mechanisms to overcome the difficulties facing the implementation of UAS, such as: using accounting systems and programs that help standardize, unify, and classify accounts across all units in the country; providing adequate training programs; ensuring timely communication between UAS users; and activating all types of control procedures to contain any potential loopholes in the implementation of UAS and enable the implementation of IFRS15-IFRS16.

- He also urges the need to integrate the UAS in effect in Iraq with the implementation of the International Financial Reporting Standards (IFRS15-IFRS16). The researcher recommends supporting UAS in Iraq with modern electronic systems and electronic networks, implementing IFRS 15-IFRS 16, to achieve the benefits of saving time and effort, and providing the required information to support and make decisions in a timely manner, with periodic updates in accordance with the requirements of International Financial Reporting Standards. This could help implement the unified system in partnerships, as the status of the unified accounting system in Iraq can support one type of partnerships, namely multi-party government partnerships within the government system. It is difficult to fully support UAS for companies between the public and private sectors

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