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THE IMPACT OF ACCOUNTING CONSERVATISM ON THE COMPANY'S GOING CONCERN AND ITS REFLECTION ON FINANCIAL PERFORMANCE: AN APPLIED STUDY ON A SAMPLE OF IRAQI BANKS LISTED ON THE IRAQ STOCK EXCHANGE

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Abstract. This study aimed to demonstrate the impact of accounting conservatism on the continuity of companies and its reflection on financial performance, specifically within the Iraqi banking sector. The main research problem focused on the extent to which conservative accounting policies contribute to mitigating financial risks, ensuring bank sustainability, and enhancing financial performance indicators amidst local economic fluctuations. The study sample comprised the financial reports of eleven banks listed on the Iraq Stock Exchange. The research period spanned eleven years, from 2014 to 2024, resulting in 121 data observations. The researcher measured accounting conservatism using the unconditional conservatism ratio, which is based on the ratio of market value of equity to book value of equity. A higher ratio indicated a higher level of unconditional accounting conservatism in the banks included in the study sample. The going concern of the banking sector was measured using the Altman Z-score model. Financial performance was assessed using three metrics: return on assets, return on equity, and earnings per share. The SPSS software was used to perform multiple regression analysis, correlation tests, and descriptive statistics (mean and standard deviation). The study found a significant positive (direct) correlation at a significance level of less than 5% between accounting conservatism and both the going concern of the company and its financial performance, measured by its three metrics (return on assets, return on equity, and earnings per share). This indicates that it strengthens going concern indicators and reduces the likelihood of financial distress. Furthermore, accounting conservatism positively impacts the quality of earnings, thereby enhancing the financial performance of the banks in the study sample and boosting investor confidence. The study recommended that Iraqi banks be guided towards maintaining balanced levels of accounting conservatism to protect shareholders' rights and ensure financial sustainability.

Keywords: Accounting conservatism, going concern, financial performance, return on assets, return on equity, share price.

Introduction

Research Problem

The Iraqi banks listed on the Iraq Stock Exchange operate in an economic environment characterized by uncertainty and continuous fluctuations, which necessitates the adoption of prudent accounting policies. The research problem lies in the lack of clarity regarding the extent to which accounting conservatism, as a precautionary policy, contributes to enhancing the going concern of these banks and the extent to which this stability is reflected in their actual financial performance. Accordingly, the research problem can be expressed through the following main questions:

1. Does the application of accounting conservatism positively affect the going concern of Iraqi banks?
2. How is this effect (the interaction between accounting conservatism and going concern) reflected in the financial performance of the sample banks?

Significance of the Study

The significance of the study is represented as follows:

1. **Scientific significance:** Enriching the Arabic and Iraqi accounting literature through a study that links three fundamental variables (accounting conservatism, going concern, and financial performance) within a vital sector such as banking.
2. **Practical significance:** Providing the management of Iraqi banks, the Central Bank, and investors with a clear understanding of the usefulness of conservative accounting policies in protecting banks from financial distress and improving the quality of financial reporting.

Objectives of the Study

The study aims to:

1. Measure the level of commitment of the sample Iraqi banks to the application of accounting conservatism.
2. Assess the going concern of the sample banks using appropriate financial models.
3. Analyze the nature of the relationship and the effect between accounting conservatism and the going concern of banks.
4. Determine the implications of this relationship for the efficiency of the financial performance of banks listed on the Iraq Stock Exchange.

Study Variables and Their Measurement

The study is based on three types of variables according to the analytical model, as follows:

The first variable: Independent variable (X): Accounting Conservatism

Accounting conservatism, denoted by (X), was measured based on the study of [1] using the Market-to-Book Value ratio, developed by Beaver and Ryan [2]. This measure is considered one of the most important measures of unconditional accounting conservatism because it directly affects the statement of financial position. A value greater than (1) indicates the existence of unconditional accounting conservatism, whereas a value less than (1) indicates the absence of conservatism. The measurement equation is as follows:

$$Y_{it} = MVE_{it} / BVE_{it}$$

Where:

(Y_{it}): Accounting conservatism ratio in year (t) for bank (i).

(MVE_{it}): Market value of equity in year (t) for bank (i).

(BVE_{it}): Book value of equity in year (t) for bank (i).

The higher the ratio, the higher the level of unconditional accounting conservatism in the sample banks.

The second variable: Mediating variable (Z): Going Concern

The going concern variable, denoted by (Z), was measured using the **Altman Z-score** model for the banking sector, as shown in the following equation:

$$Z = 1X1.2 + 2X1.4 + 3X3.3 + 4X0.6 + 5X0.999$$

Where:

Z = Financial distress indicator.

X1 = Working Capital / Total Assets.

X2 = Retained Earnings and Reserves / Total Assets.

X3 = Earnings Before Interest and Taxes (EBIT) / Total Assets.

X4 = Market Value of Equity / Total Liabilities.

X5 = Sales / Total Assets.

According to this model, the company's going concern is evaluated as follows:

1. If the **Z-score** is less than **1.8**, the company is likely to face going concern problems.
2. If the **Z-score** ranges between **1.8 and 2.99**, the company falls within the **grey zone**.
3. If the **Z-score** is greater than **2.99**, the company is likely to continue as a going concern.

Accordingly, the higher the **Z-score**, the greater the likelihood of the going concern of the sample banks.

The Third Variable: Dependent Variable – Financial Performance

Financial performance was measured using three indicators:

1. **Return on Assets (ROA)**, denoted by **(Y1)**, was measured as follows:
2. **Return on Assets (ROA) = Net Profit after Tax / Total Assets × 100%**
3. **Return on Equity (ROE)**, denoted by **(Y2)**, was measured as follows:
4. **Return on Equity (ROE) = Net Profit after Tax / Shareholders' Equity × 100%**
5. **Earnings per Share (EPS)**, denoted by **(Y3)**, was measured as follows:

Earnings per Share (EPS) = Net Profit after Tax / Number of Shares

Study Hypotheses

The study is based on two main hypotheses, each of which includes sub-hypotheses, as follows:

(H1) The first main hypothesis: There is a statistically significant effect of accounting conservatism on enhancing the going concern of the sample Iraqi banks.

(H2) The second main hypothesis: There is a statistically significant reflection of the effect of accounting conservatism and going concern on the financial performance of the sample banks, as follows:

(H2a) Accounting conservatism positively affects the financial performance indicators (ROA and ROE).

(H2b) The going concern of the bank, as a mediating variable, contributes to enhancing the efficiency of financial performance.

Study Boundaries

The practical boundaries of the study are as follows:

Population: Commercial and Islamic banks listed on the Iraq Stock Exchange.

Sample: A sample of Iraqi banks with available annual financial reports, comprising **11 banks** for the period **2014–2024**.

Statistical Methods

To analyze the data and test the hypotheses using statistical software such as **SPSS, AMOS, or EViews**, the following methods were applied:

1. **Descriptive Statistics:** (Mean and Standard Deviation) to determine the level of accounting conservatism, going concern, and financial performance in the sample banks.
2. **Inferential Statistics:**
 - a. Correlation analysis to determine the nature and strength of the initial relationships among the variables.
 - b. Multiple regression analysis to measure the effect of accounting conservatism on going concern and financial performance.
3. **Path Analysis:** This is the principal method used to measure the **reflection effect**, as it examines the effect of the independent variable (accounting conservatism) on the final dependent variable (financial performance) in the presence of the mediating variable (going concern).

Literature Review

Several studies have examined the impact of accounting conservatism on corporate going concern and its reflection on financial performance, as follows:

The study by Hang et al. [3] aimed to determine the effect of accounting conservatism on the financial performance of real estate companies listed on the Vietnam Stock Exchange. Accounting conservatism was measured using the Ahmed and Duellman [4] model, an accrual-based approach, while financial performance was measured using Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). To achieve the objectives of the study, descriptive and analytical approaches were adopted. The study was conducted on a sample of 285 real estate companies listed on the Vietnam Stock Exchange during the period 2020–2023. The results indicated that accounting conservatism had a statistically significant negative effect on financial performance at the 1% significance level among the independent variables included in the model. The study recommended that companies reconsider their strict adherence to the principles of accounting conservatism.

The study by Al-Fasfus et al. [5] aimed to analyze the effect of accounting conservatism on the financial performance of service companies listed on the Amman Stock Exchange. Accounting conservatism was measured using the Givoly and Hayn [6] model, an accrual-based approach, while financial performance was measured using Return on Equity (ROE) and Earnings per Share (EPS). The study adopted the descriptive analytical approach and was conducted on a sample of 23 service companies listed on the Amman Stock Exchange during the period 2015–2019. The main findings indicated that accounting conservatism had no statistically significant effect on financial performance and its indicators (Return on Equity and Earnings per Share) in the listed service companies. At the same time, the study recommended encouraging the management of service companies listed on the Amman Stock Exchange, particularly those with low levels of accounting conservatism, to apply the principles and standards of accounting conservatism because of their importance in improving the quality of financial reporting and, consequently, earnings.

The study by Ariyantia [7] examined the effect of accounting conservatism and financial performance on firm value. The research was conducted on merged companies listed on the Indonesian Islamic Stock Exchange during the period 2016–2018. The study used a qualitative approach with secondary data sources and multiple linear regression analysis as the testing tool. Data were collected on a quarterly basis, and the sample size consisted of 60 observations. The results showed that accounting conservatism did not have a positive effect on firm value, while financial performance had a positive effect. At the same time, both accounting conservatism and financial performance had a positive effect on the value of merged companies.

Literature Review and Theoretical Framework

Accounting Conservatism: Concept and Importance

The Concept of Accounting Conservatism

The concept of prudence was first introduced in **1989** by the **International Accounting Standards Board (IASB)** within the conceptual framework of financial reporting. Prudence is considered one of the fundamental requirements of accounting information. The application of prudence may alter accounting information, which may affect users of financial statements in making business decisions.

Accountants use International Accounting Standards (IASB) to deal with transactions under conditions of uncertainty, such as doubtful receivables, assets that may decline in market value, prepaid expenses, and goodwill. This is done to reduce cases in which companies do not accurately reflect their financial position and profits or losses, such as overstating assets beyond their recoverable value or understating liabilities below the amount owed.

The IASB requires accountants to carefully assess uncertainty factors when measuring, recognizing, and presenting them, in order to avoid overstatement of assets and revenues and understatement of liabilities and expenses. Moreover, the timing of recognition of revenues, expenses, and potential risks is asymmetric. Positive information, such as increases in revenues or assets, is not recorded unless there is strong evidence of its occurrence, whereas negative information, such as increases in expenses or decreases in assets, is recognized as soon as evidence of its likelihood exists [13].

Accounting conservatism [8] is defined as a set of bookkeeping guidelines that require a high degree of verification before a company can legally recognize any profit. The general idea is to consider the worst-case scenario for the company's future financial situation, reflecting a cautious approach.

It is also considered by Ariyantia [7] as the most important accounting concept related to disclosure and measurement. The application of accounting conservatism results in accounting measurements that are lower than the actual values of income and assets in the financial statements (understatement), and higher than the actual values of expenses and liabilities (overstatement). External auditors are particularly concerned with the recognition of losses and deferred revenues.

Importance of Accounting Conservatism

The importance of accounting conservatism is manifested as follows [9]:

1. **Serving related parties:** Accounting conservatism provides benefits to stakeholders of the economic unit, including management, shareholders, and creditors, as it ensures a high degree of transparency in the preparation of financial reports.
2. **Identifying areas of risk:** It helps determine whether there are doubts regarding the quality of accounting policies and estimates.
3. **Evaluating disclosure quality:** The existence of disclosure quality is a natural outcome due to the application of fundamental accounting policies and the assumptions underlying accounting estimates.
4. **Assisting investors in financial markets:** Financial statements characterized by conservatism are more credible, as conservative financial data increases investors' perception that a decline in accounting profits does not necessarily imply a decline in the economic performance of the entity.

Going Concern: Concept and Financial Indicators

Concept of Going Concern

The going concern assumption is a term associated with both an accounting meaning and an auditing meaning, and it involves multiple financial and operational indicators that benefit various stakeholders. The going concern assumption has significant implications for accounting thought and practice, as it forms the basis for most generally accepted accounting principles used in preparing financial statements, and it is relied upon by different parties in decision-making [10].

Shariqi [11] defined the going concern assumption as the idea that a company is established to continue operating from one period to another, with the ability to meet its obligations on their due dates without the need for significant liquidation of its assets, restructuring of its debts, or reduction of its operational scale.

Following major financial and accounting irregularities that auditors failed to detect, the International Standards on Auditing issued ISA 570, which specifically addresses the going concern assumption. Financial statements are prepared on the basis that the entity will continue to operate for the foreseeable future, typically twelve months from the end of the current financial year, with no intention of liquidation in the near term. Accordingly, balance sheet items are recorded on the assumption that the entity is capable of realizing its assets and settling its liabilities through normal business operations [10].

Financial Indicators of Going Concern

ISA 570 identifies a set of indicators that raise doubts about a bank's ability to continue as a going concern [12]:

1. **Financial indicators:** These include current liabilities exceeding current assets, approaching maturity of fixed-term loans without expected repayment or renewal, negative key financial ratios, recurring operating losses, delayed or suspended dividend distributions, inability to meet creditor obligations on time, etc.
2. **Operational indicators:** These include loss of key management personnel, loss of a major market, concession, or principal supplier, and difficulties in workforce availability or shortage of essential inputs.

3. **Other indicators:** These include non-compliance with capital requirements or other legal requirements, and ongoing legal cases against the bank that may result in judgments it is unable to meet.

Financial Performance: Concept, Standards, and Measurement Indicators

Concept of Financial Performance

Financial performance is a measure of a company's ability to generate revenue or profit from its core business assets. It is also an indicator of the financial condition of an organization over a specific period and is used to compare similar institutions within the same sector or industry [7].

Nguyen and Nguyen [13] define financial performance as the extent to which financial objectives are achieved within a specific time period, and it is a fundamental component of financial risk management. Financial efficiency is measured by the effectiveness of using assets, equity, and investments to generate revenues.

Khudair and Abd [14] define financial performance as the overall measure of the financial health of an economic unit, reflecting the ability of organizations to generate new resources on a continuous basis.

Financial Performance Standards

Financial performance standards are divided as follows [14]:

1. **Setting objectives:** Objectives must be clear, precise, and comprehensive.
2. **Defining responsibility centers:** Responsibilities must be clearly assigned to each production and administrative unit.
3. **Availability of clear performance standards and indicators:** Standards should be simple, clear, and accurate.
4. **Availability of an effective and sound information system:** Information is essential for performance evaluation; it must be provided in the required speed, quantity, and quality, and must be accurate and clear.
5. **Determining the responsible authority for performance evaluation:** More than one authority may be responsible for performance evaluation, such as the internal administrative body of the economic unit, the central auditing body, or both together, as there is no conflict between their objectives.

Financial Performance Measurement Indicators

The most prominent indicators for measuring financial performance include the following [13], [15]:

1. **Return on Assets (ROA):** This is a highly important measure for evaluating the financial performance of companies. It measures profitability per unit of total assets, showing how much post-tax profit the institution generates for each unit of invested assets. The higher this indicator, the greater the efficiency in utilizing the institution's assets and capital.
2. **Return on Equity (ROE):** This is an important ratio for investors, as it measures the profitability of each unit of shareholders' equity. It reflects both the amount of invested capital and the level of profit generated.
3. **Earnings per Share (EPS):** This refers to the price of a share in financial markets resulting from supply and demand mechanisms. An increase in earnings per share leads to increased investor demand for the shares.

Relationship Between Study Variables

Relationship Between Accounting Conservatism Practices and Financial Performance Indicators

Financial performance is defined as the company's ability to optimally utilize available resources in the short and medium term to generate wealth. It also refers to maximizing long-term outcomes through continuous improvement of returns and cost reduction, which enables wealth creation.

Accounting conservatism has an impact on earnings persistence and stock valuation. Financial performance measurement relies on multiple indicators, including financial ratios, vertical and horizontal analysis of financial statement elements, and sources and uses of funds analysis.

However, the most widely used method in practice is financial ratios, including Return on Assets, Return on Equity, and market value per share [15].

Relationship Between the Going Concern Assumption and Accounting Conservatism Practices

The accounting conservatism principle, or the prudence principle, is considered one of the principles that is consistent with the going concern assumption, as accountants ignore unrealized gains, take all expected losses into account, and do not recognize potential gains until they are actually realized. Through the conservatism principle, it is not possible to apply it except under the existence of the going concern assumption [16].

Relationship Between Accounting Conservatism, Going Concern, and Its Reflection on Financial Performance

Conservative accounting is defined as the selection of accounting and estimation methods that keep net income relatively low. This accounting conservatism not only affects the quality of figures in the balance sheet but also affects the quality of earnings reported in the income statement.

Every company seeks to increase its investments; however, conservative accounting may lead to recording profits lower than their actual value. For investors, earnings information helps in evaluating company performance, forecasting profits, and considering future investment risks, which requires management to make more accounting choices. Lower reported profits result in unrecorded reserves, giving managers greater flexibility to report higher results in the future. Through increased investment, management can increase reserves and thus reduce reported income [7].

Accounting conservatism restricts opportunistic behavior by management and accountants by preventing manipulation and inflation of positive figures in financial statements, such as profits and assets. It also supports more efficient investment decisions and reduces conflicts of interest between shareholders and management, serving the company as a unified entity for all stakeholders.

Accordingly, from the perspective of accounting thought, conservatism negatively affects current-period profits in favor of future periods in the long term, thereby negatively affecting current financial performance. This suggests a negative relationship between accounting conservatism and financial performance. On the other hand, some firms' performance indicates a positive relationship between conservatism and financial performance, meaning that conservatism contributes to improving firm performance. These results vary depending on the application of conservatism practices and its impact on financial performance, as well as differences in regulations, environments, and measurement models used [17].

Methods

Study Methodology and Procedures

Based on the practical and empirical context of the study, the researcher adopted several appropriate methods and procedures. The descriptive–inferential approach was used to conduct the study and achieve its objectives. Content analysis was applied to collect data from published financial reports of the sample banks listed on the Iraq Stock Exchange for the period from 2014 to 2024.

Based on these data, descriptive and inferential analyses were conducted using several statistical techniques, including arithmetic mean, standard deviation, correlation coefficient, ordinary least squares (OLS) regression models, and structural equation modeling using path analysis. The statistical software packages SPSS (Version 24), AMOS (Version 21), and Excel were used to extract results, interpret them, and test the hypotheses.

Study Sample

The field of the study is the banking sector. This sector was selected due to its relevance to the research topic, which examines the mediating role of going concern in the relationship between accounting conservatism and financial performance.

The population of the study consists of all banks listed on the Iraq Stock Exchange, totaling 46 banks as of the end of 2024. A purposive sample was selected based on two main criteria: Continuity of banks in disclosing their financial reports throughout the study period (2014–

2024).

Availability of the necessary data to measure the study variables.

Based on these criteria, the final sample consisted of 11 banks: (Across Iraq, Baghdad, Al-Mansour, Al-Ahli, Al-Tijari, Al-Iraqi, Eilaf, Gulf, Investment, Erbil, Ashur). Accordingly, the total number of observations was 121 bank-year observations.

Measurement of Variables

The study includes three variables: an independent variable (accounting conservatism), a mediating variable (going concern), and a dependent variable (financial performance), measured as follows:

Independent variable (X): Accounting conservatism

It was measured using the unconditional conservatism measure based on the market value of equity to the book value of equity. The higher the ratio, the higher the level of unconditional accounting conservatism in the sample banks.

Mediating variable (Z): Going concern

It was measured using the Altman Z-score model for the banking sector.

Dependent variable (Y): Financial performance

It was measured using three indicators:

- Return on Assets (Y1)
- Return on Equity (Y2)
- Earnings per Share (Y3)

Results and Discussion

Descriptive Analysis of Variables

Table (1) presents the descriptive analysis of the three study variables (accounting conservatism, going concern, and financial performance). This analysis was conducted using several statistical measures, including the arithmetic mean, standard deviation, minimum value, and maximum value.

Table 1. Descriptive Analysis of Research Variables

Variable Type	Variables	Symbol	Mean	Standard Deviation	Minimum Value	Maximum Value	Coefficient of Variation
Independent	Accounting Conservatism	X	0.529	0.280	0.115	2.173	53.1%
Mediating	Corporate Going Concern	Z	0.333	0.273	-0.079	2.625	81.8%
Dependent: Financial Performance according to:	Return on Assets (ROA)	Y1	0.016	0.024	-0.033	0.195	147.5%
	Return on Equity (ROE)	Y2	0.047	0.075	-0.049	0.422	160.0%
	Earnings Per Share (EPS) / Return on Share	Y3	0.063	0.122	-0.050	0.767	194.3%

It is observed from Table (1) that the level of accounting conservatism is low at the overall sample level, with a mean value of (0.529), which is less than one. This indicates that the market value of equity represents only 52.9% of the book value of equity. It is also noted that

there is a low probability of going concern for the sample banks, as indicated by the mean value of (0.333), which is considered very low.

Regarding financial performance, a decline is observed across all three indicators: (a) Return on Assets, (b) Return on Equity, and (c) Earnings per Share. For the Return on Assets (ROA), the mean value is (0.016), indicating a return of only 1.6%, which is very low. A similar decline is observed in Return on Equity (ROE), with a mean value of (0.047), representing approximately a 4.7% return. A low level of performance is also observed in Earnings per Share (EPS), with a mean value of (0.063).

Furthermore, there is a significant variation between the minimum and maximum values of all study variables and their respective measures. The high standard deviation and the coefficient of variation exceeding the hypothetical value of 50% for all variables indicate a high degree of dispersion and inconsistency among observations. This reduces the reliability of the mean values in representing the overall sample. The reason for this variation is attributed to differences in the availability of the variables across certain years and specific banks, as well as significant declines in other observations.

Correlation Test

The relationship between the study variables (accounting conservatism, going concern, and financial performance) was tested using Pearson correlation coefficients to determine the significance, strength, and direction of the relationship between these variables, as shown in Table (2).

Table 2. Relationship Between Variables

Variables	Symbol	Statement / Statistic	Z	Y1	Y2	Y3
Accounting Conservatism	X	Pearson	0.368**	0.316**	0.469**	0.435**
		Sig.	0.000	0.000	0.000	0.000
Corporate Going Concern	Z	Pearson	1	0.876**	0.335**	0.291**
		Sig.		0.000	0.000	0.001

(**) Statistically significant at the 1% level, (*) Statistically significant at the 5% level.

It is observed from Table (2) the following:

1. There is a statistically significant positive (direct) correlation at a significance level of less than 5% between accounting conservatism and both going concern and financial performance across its three indicators: (a) Return on Assets, (b) Return on Equity, and (c) Earnings per Share. This indicates that an increase in the level of accounting conservatism in the sample banks is accompanied by an increase in the probability of going concern, as well as an improvement in financial performance according to its three measures in those banks.
2. There is also a statistically significant positive (direct) correlation at a significance level of less than 5% between going concern and financial performance across its three indicators: (a) Return on Assets, (b) Return on Equity, and (c) Earnings per Share. This means that an increase in the probability of going concern in the sample banks is accompanied by an increase in the level of financial performance across its three measures.

Simple Regression Analysis

This section includes three main hypotheses as follows:

(H1) First main hypothesis: Accounting conservatism affects financial performance in the sample banks.

To test this hypothesis, three simple linear regression equations were developed to estimate financial performance according to its three measures: (a) Return on Assets, (b) Return on Equity, and (c) Earnings per Share. A separate equation was used for each measure, where accounting conservatism is the independent variable. This was done to determine the level of impact of accounting conservatism on financial performance across its three indicators. The results of the test are presented in Table (3).

Table 3. Effect of Accounting Conservatism on Financial Performance

R2	F (Sig.)	T (Sig.)	β	β_0	Dependent	Explanatory	Equation
	13.220	3.636					
0.100			0.027	0.002	Y1	X	1
	(0.000)	(0.000)					
	33.636	5.800					
0.220			0.126	-0.020	Y2	X	2
	(0.000)	(0.000)					
	27.806	5.273					
0.189			0.189	-0.037	Y3	X	3
	(0.000)	(0.000)					

It is observed from Table (3) the following:

1. According to Equation (1), the validity of the model is confirmed by the F-value of (13.220) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Return on Assets (ROA) through accounting conservatism. The T-value of (3.636), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.027) indicates a positive effect, meaning that accounting conservatism positively influences financial performance measured by ROA in the sample banks by enhancing this return. The coefficient of determination (R^2) of (0.100) indicates that accounting conservatism explains 10% of the variations in financial performance measured by ROA, while the remaining percentage is attributed to other factors not included in the current model.
2. According to Equation (2), the validity of the model is confirmed by the F-value of (33.636) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Return on Equity (ROE) through accounting conservatism. The T-value of (5.800), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.126) indicates a positive effect, meaning that accounting conservatism positively influences financial

performance measured by ROE in the sample banks by enhancing this return. The coefficient of determination (R^2) of (0.220) indicates that accounting conservatism explains 22% of the variations in ROE, while the remaining percentage is attributed to other factors not included in the current model.

3. According to Equation (3), the validity of the model is confirmed by the F-value of (27.806) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Earnings per Share (EPS) through accounting conservatism. The T-value of (5.273), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.189) indicates a positive effect, meaning that accounting conservatism positively influences financial performance measured by EPS in the sample banks by enhancing this indicator. The coefficient of determination (R^2) of (0.189) indicates that accounting conservatism explains 18.9% of the variations in EPS, while the remaining percentage is attributed to other factors not included in the current model.

Based on the above, the first main hypothesis is accepted.

(H2) Second main hypothesis: Accounting conservatism affects the going concern of the sample banks.

To test this hypothesis, a simple linear regression equation was developed to estimate the going concern of the company through accounting conservatism, in order to determine the level of impact of accounting conservatism on going concern. The results of the test are presented in Table (4).

Table 4. Effect of Accounting Conservatism on Corporate Going Concern

R2	F (Sig.)	T (Sig.)	β	β_0	Dependent	Explanatory	Equation
	18.607	4.314					
0.135			0.357	0.144	Z	X	4
	(0.000)	(0.000)					

It is observed from Table (4) that, according to Equation (4), the validity of the model is confirmed by the F-value of (18.607) at a significance level of less than 5%, indicating the possibility of estimating the going concern of the company through accounting conservatism. The T-value of (4.314), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.357) indicates a positive effect, meaning that accounting conservatism positively influences the going concern of the sample banks by enhancing the probability of continuity in those banks. The coefficient of determination (R^2) of (0.135) indicates that accounting conservatism explains 13.5% of the variations in going concern, while the remaining percentage is attributed to other factors not included in the current model.

Based on the above, the second main hypothesis is accepted.

(H3) Third main hypothesis: Going concern affects financial performance in the sample banks.

To test this hypothesis, three simple linear regression equations were developed to estimate financial performance according to its three measures: (a) Return on Assets, (b) Return on Equity, and (c) Earnings per Share. A separate equation was used for each measure, where going concern is the independent variable. This was done to determine the level of impact of going concern on financial performance across its three indicators. The results of the test are presented in Table (5).

Table 5. Effect of Corporate Going Concern on Financial Performance

Equation	Explanatory	Dependent	β_0	β	T (Sig.)	F (Sig.)	R ²
5	Z	Y1	-0.010	0.078	19.776	391.080	0.767
					(0.000)	(0.000)	
					3.875	15.018	
6	Z	Y2	0.016	0.093	(0.000)	(0.000)	0.112
					3.320	11.025	
					(0.001)	(0.001)	
7	Z	Y3	0.019	0.130	(0.001)	(0.001)	0.085

It is observed from Table (5) the following:

1. According to Equation (5), the validity of the model is confirmed by the F-value of (391.080) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Return on Assets (ROA) through going concern. The T-value of (19.776), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.078) indicates a positive effect, meaning that going concern positively affects financial performance measured by ROA in the sample banks by enhancing this return. The coefficient of determination (R^2) of (0.767) indicates that going concern explains 76.7% of the variations in ROA, while the remaining percentage is attributed to other factors not included in the current model.
2. According to Equation (6), the validity of the model is confirmed by the F-value of (15.018) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Return on Equity (ROE) through going concern. The T-value of (3.875), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.093) indicates a positive effect, meaning that going concern positively affects financial performance measured by ROE in the sample banks by enhancing this return. The coefficient of determination (R^2) of (0.112) indicates that going concern explains 11.2% of the variations in ROE, while the remaining percentage is attributed to other factors not included in the current model.
3. According to Equation (7), the validity of the model is confirmed by the F-value of (11.025) at a significance level of less than 5%, indicating the possibility of estimating financial performance measured by Earnings per Share (EPS) through going concern. The T-value of (3.320), significant at less than 5%, confirms the significance of the effect. The positive regression coefficient (β) of (0.130) indicates a positive effect, meaning that going concern positively affects financial performance measured by EPS in the sample banks by enhancing this return. The coefficient of determination (R^2) of

(0.085) indicates that going concern explains 8.5% of the variations in EPS, while the remaining percentage is attributed to other factors not included in the current model.

Based on the above, the third main hypothesis is accepted.

Path Analysis

(H4) Fourth main hypothesis: The effect of accounting conservatism on financial performance is strengthened through the mediating role of going concern in the sample banks. This main hypothesis is divided into three sub-hypotheses as follows:

(H4.1) First sub-hypothesis: The effect of accounting conservatism on financial performance measured by Return on Assets (ROA) is strengthened through the mediating role of going concern in the sample banks.

To test this hypothesis, a structural equation model was developed to analyze both the direct and indirect effects between accounting conservatism and financial performance measured by ROA through the mediating role of going concern. The analysis was conducted using **AMOS (Version 21)** and the **Maximum Likelihood Estimation (MLE)** method. The results of the test are presented in Table (6).

Table 6. Path Analysis of Total, Direct, and Indirect Effect of Accounting Conservatism on Financial Performance Measured by (Return on Assets) Mediated by Corporate Going Concern

Variables			Direct Effect Path Coefficient	Indirect Effect Path Coefficient	Total Effect Path Coefficient
Independent	Mediating	Dependent			
Accounting Conservatism	Corporate Going Concern	Return on Assets	-0.001	0.028	0.027

It is observed from Table (6) that there is a difference in the total effect of accounting conservatism on financial performance measured by Return on Assets (ROA) compared with the direct effect when going concern is introduced as a mediating variable, indicating a partial (quasi-complete) mediation. It was also observed that the direct negative effect was transformed into a positive total effect, meaning an increase in the overall positive impact of accounting conservatism on financial performance measured by ROA as a result of the mediation of going concern. The value of this increase in the positive effect amounted to (0.028), which represents the indirect effect achieved through the mediating role of going concern. Accordingly, the first sub-hypothesis is accepted.

(H4.2) Second sub-hypothesis: The effect of accounting conservatism on financial performance measured by Return on Equity (ROE) is strengthened through the mediating role of going concern in the sample banks.

To test this hypothesis, a structural equation model was developed to analyze both the direct and indirect effects between accounting conservatism and financial performance measured by ROE through the mediating role of going concern. The analysis was conducted using **AMOS (Version 21)** and the **Maximum Likelihood Estimation (MLE)** method. The results of the test are presented in Table (7).

Table 7. Path Analysis of Total, Direct, and Indirect Effect of Accounting Conservatism on Financial Performance Measured by (Return on Equity) Mediated by Corporate Going Concern

Variables			Direct Effect Path Coefficient	Indirect Effect Path Coefficient	Total Effect Path Coefficient
Independent	Mediating	Dependent			
Accounting Conservatism	Corporate Going Concern	Return on Equity	0.107	0.019	0.126

It is observed from Table (7) that there is a difference in the total effect of accounting conservatism on financial performance measured by Return on Equity (ROE) compared with the direct effect when going concern is introduced as a mediating variable, indicating a partial mediation effect. It was also observed that the overall positive effect of accounting conservatism on financial performance measured by ROE increased as a result of introducing going concern as a mediating variable. The value of this increase in the positive effect amounted to (0.019), which represents the magnitude of the indirect effect achieved through the mediating role of going concern. Accordingly, the second sub-hypothesis is accepted.

(H4.3) Third sub-hypothesis: The effect of accounting conservatism on financial performance measured by Earnings per Share (EPS) is strengthened through the mediating role of going concern in the sample banks.

To test this hypothesis, a structural equation model was developed to analyze both the direct and indirect effects between accounting conservatism and financial performance measured by EPS through the mediating role of going concern. The analysis was conducted using **AMOS (Version 21)** and the **Maximum Likelihood Estimation (MLE)** method. The results of the test are presented in Table (8).

Table 8. Path Analysis of Total, Direct, and Indirect Effect of Accounting Conservatism on Financial Performance Measured by (Earnings Per Share) Mediated by Corporate Going Concern

Variables			Direct Effect Path Coefficient	Indirect Effect Path Coefficient	Total Effect Path Coefficient
Independent	Mediating	Dependent			
Accounting Conservatism	Corporate Going Concern	Earnings Per Share	0.165	0.024	0.189

It is observed from Table (8) that there is a difference in the total effect of accounting conservatism on financial performance measured by Earnings per Share (EPS) compared with the direct effect when going concern is introduced as a mediating variable, indicating a partial mediation effect. It was also observed that the overall positive effect of accounting conservatism on financial performance measured by EPS increased as a result of introducing going concern as a mediating variable. The value of this increase in the positive effect amounted to (0.024), which represents the magnitude of the indirect effect achieved through

the mediating role of going concern. Accordingly, the third sub-hypothesis is accepted, and based on the results of the sub-hypotheses, the fourth main hypothesis is accepted.

Conclusions and Recommendations

Conclusions

This study represents an important contribution as it highlights the main conclusions and recommendations reached by the researcher based on both the theoretical and practical aspects of the research, in line with the study objectives.

The application of accounting conservatism reduces optimistic managerial practices, thereby contributing to presenting the financial statements of Iraqi banks with a higher degree of realism and credibility.

Accounting conservatism contributes directly to enhancing the going concern of banks through the formation of adequate provisions to cover non-performing loans and potential credit risks. The positive impact of accounting conservatism on financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS) appears in the long term through avoiding artificial profits and reducing financing costs.

Some Iraqi banks face variation in the understanding and application of accounting conservatism mechanisms, which weakens its positive effect on improving earnings quality and performance indicators compared to international standards.

The interaction between accounting conservatism and going concern positively reflects on investor confidence in the Iraq Stock Exchange, thereby enhancing the market value of conservative banks' shares.

Recommendations

The main recommendations derived from this study can be summarized as follows:

The Iraqi Securities Commission should require banks to adopt balanced levels of accounting conservatism in order to enhance financial disclosure transparency and protect investors.

Bank management should activate conservatism tools through proactive hedging against financial crises, in a way that ensures maintaining safe levels of capital to guarantee going concern.

Accounting conservatism policies should be linked to strategic financial performance objectives, while avoiding the inflation of short-term profits at the expense of the bank's long-term solvency.

The Central Bank of Iraq should standardize accounting practice manuals and issue binding instructions to ensure consistent application of International Financial Reporting Standards (IFRS) related to conservatism.

Banks are recommended to provide comprehensive disclosure in their annual reports regarding the nature of adopted conservative policies, in order to enhance market efficiency and attract both domestic and foreign investments.

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