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The Role of Applying IAS and Iraqi Local Rules in Inventory Valuation and Their Impact on Tax Revenue: An Applied Study to A Sample of Iraqi Companies Listed in The Iraqi Stock Exchange

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Abstract

The problem of inventory valuation is one of the essential issues that raises scientific controversy among many accountants because of the multiplicity of local and international accounting standards through the valuation methods emanating from them. This leads to different results and effects on the financial income statement and the balance sheet of the company, which affects the tax revenues due to them. Accounting organizations and professional associations have confirmed that the inventory component has a significant and significant impact on the financial statements. The objective of the research is to examine the International Accounting Standard(IAS) No.2 (the amended international standard) and the Iraqi Local Accounting Rule No. 5 related to the choice of inventory valuation methods and their impact on costing the value of the inventory at the end of the accounting period and its disclosure in the financial statements and comparing the effect of the methods used for evaluating the inventory according to the International and Local Accounting Standards and that effect on the tax revenues of the companies in a product of the companies of the industry sector. The statistical analysis of the article has been based on FIFO, LIFO, and WAC methods of inventory valuation.

The reason behind choosing such methods is related to the fact that they are the most commonly used measure for valuating inventories by most of the Iraqi industrial companies. The research has reached to a number of conclusions, the most important of which is that the application of the weighted average cost method proposed by the local accounting standard for Iraqi companies leads to more tax revenues compared with the other party. The researcher has reached a number of recommendations, the most important of which is that the application of companies first to the incoming and outgoing methods on the goods and merchandises with large prices achieve more accounting profitability compared to the average cost, which increases the tax revenue.

Keywords: Iraqi Stock Exchange (ISX), International Accounting Standards (IAS), Weighted Average Cost (WAC).

El papel de la aplicación de las NIC y las normas locales iraquíes en la valoración del inventario y su impacto en los ingresos fiscales: un estudio aplicado a una muestra de empresas iraquíes que cotizan en la Bolsa de Valores iraquí

El problema de la valoración del inventario es uno de los temas esenciales que genera controversia científica entre muchos contadores debido a la multiplicidad de estándares contables locales e internacionales a través de los métodos de valoración que emanan de ellos. Esto lleva a diferentes resultados y efectos en el estado de resultados financieros y en el balance general de la empresa, lo que afecta los ingresos fiscales que se les deben. Las organizaciones contables y las asociaciones profesionales han confirmado que el componente de inventario tiene un impacto significativo en los estados financieros. El objetivo de la investigación es examinar la Norma Internacional de Contabilidad (NIC) No.2 (la norma internacional modificada) y la Regla de Contabilidad Local Iraquí No. 5 relacionada con la elección de los métodos de valoración de inventario y su impacto en el costo del valor de inventario al final del período contable y su divulgación en los estados financieros y comparando el efecto de los métodos utilizados para evaluar el inventario de acuerdo con las Normas Internacionales y Contables Locales y ese efecto sobre los ingresos fiscales de las empresas en un producto del empresas del sector industrial. El análisis estadísti-

co del artículo se ha basado en los métodos de valoración de inventario FIFO, LIFO y WAC. La razón detrás de la elección de tales métodos está relacionada con el hecho de que son la medida más utilizada para valorar inventarios por la mayoría de las empresas industriales iraquíes. La investigación ha llegado a una serie de conclusiones, la más importante de las cuales es que la aplicación del método de costo promedio ponderado propuesto por el estándar de contabilidad local para las compañías iraquíes genera más ingresos fiscales en comparación con la otra parte. El investigador ha llegado a una serie de recomendaciones, la más importante de las cuales es que la aplicación de las empresas primero a los métodos entrantes y salientes en los bienes y mercancías con grandes precios logran una mayor rentabilidad contable en comparación con el costo promedio, lo que aumenta los ingresos fiscales .

Palabras clave: Iraqi Stock Exchange (ISX), Normas Internacionales de Contabilidad (IAS), Costo Promedio Ponderado (WAC).

INTRODUCTION

Inventory is one of the elements of the assets of many trading companies, so the matter of valuation and verification of ownership and disclosure has a significant impact on the business results of those companies' balance sheet. Therefore, the management of companies must pay attention to the inventory, whether the goods to enforce the sale or in full or incomplete production and determine the amount of inventory proven as an asset and travel from one period to another in order to achieve revenue. The accounting treatment of inventories results in recognition of the cost of the goods sold as an expense used for multiple methods for the purpose of calculating the cost used for the purpose of charging costs on profit or income for the financial period by reaching the net selling value of the inventory without any reduction in its real value. Because of the importance of the inventory, it is a fertile area for manipulation by some of the management of companies where the highlight of the process of decline in inventories resulting in a decrease in (gross profit) and thus affects the decline on taxable income, which affects the tax revenue owed by the company. The cost of purchase shall include the purchase price, customs duties, taxes, transport and loading expenses and any other expenses related to the total stock, materials and services after the commercial discount process. The cost of the inventory shall be determined by using the method LIFO. Therefore, the remaining stock in the warehouses at the end of the period

is the one that was bought or produced first. The concern of international accounting standards among international business companies and the development and diversification of international companies affects the tax revenues, which is reflected in the inventory because the tax base of the inventory is equal to the book value considering that the stock component has a large and influential role on the financial statements prepared by the companies because the selection Stock valuation methods are carried out in accordance with International Accounting Standards. The research has been divided into three parts. The first part represents the research methodology and literature review. In the second part of the research, the researchers have dealt with the theoretical side. The last part is the applied side of the research on a sample of companies listed in the Iraqi Stock Market/the industrial sector through an Iraqi company for the production of carpets and furnishings. The international standard No. 2 was applied in evaluating the stock through the three methods: FIFO, LIFO, and WAC.

THE RESEARCH METHODOLOGY

Problem of the Study

The research problem is represented in the variety of the accounting methods proposed to be used in calculating the cost of goods sold as an expense bearing profit or income for the financial period. The cost of commodity inventory is assessed as an asset in the balance sheet in IAS No.2 and IAS No.5. The process of testing the valuation method that applies to the calculation of the cost of goods sold and the inventory at the end of the financial period will have a significant impact on the outcome of the company's activity and financial position, which affects the profit realized and reduces tax revenues.

Significance of the Study

The significance of the research stems from the recognition of the International Accounting Standards (IAS) and the Local Accounting Standards (LAS) related to the inventory, which dealt with the accounting treatments, and compared the impact of the proposed inventory valuation methods on the balance sheet, income statement and the tax revenue due to the company.

Objectives of the Study

The study aims to achieve the following objectives:

1. Clarifying the multiple inventory valuation methods proposed in IAS No.2 and the Iraqi Local Accounting Rule No.5.
2. Stating the extent to which the proposed inventory valuation

methods affect the realized profit and the tax revenue due.

3. Stating the appropriate method for evaluating the inventory in Iraq and its impact on the accuracy of the accounting information that affects the financial statements.

Hypotheses of the Study

This research is based on two hypotheses:

H1 The multiplicity and diversity of inventory valuation methods in accordance with International Accounting Standard No. 2 and Local Accounting Standards No. 5 affect the balance sheet, income statement and tax revenue.

H2 The test result of the appropriate inventory valuation method shows useful information in the company's financial statements that helps the board to make appropriate economic decisions.

The Study Limits

- Spatial Limits: This study is limited to companies listed in the Iraqi Stock Exchange/Industry Sector. The Iraqi Company for Carpets and Furniture.
- Objective Limit: The study focused on the methods of valuating the commodity inventory in the Iraqi Company for Carpets and Furniture through the application of the IAS and the local rules and their impact on the tax revenues.

LITERATURE REVIEW

Researchers have dedicated considerable efforts and endeavors in studying and analyzing various means, methods of valuating commodity inventory on various sectors, and factors affecting that valuation. Noor (2006)'s study entitled 'Studying and analyzing the factors affecting the testing of the valuation method of commodity inventory and its impact on income tax'. The problem of his study focused on the existence of more than one method for evaluating the inventory in order to determine the cost of the production unit whether in commercial or industrial companies. Different accounting methods and multiplicity result with a difference in the results of business, balance sheet and income list, which generates many questions about the causes and factors affecting the company's decision to evaluate the inventory. Moreover, his study aims at the interest of industrial companies in the application of correct accounting methods in the process of valuation of commodity inventory.The study concluded the importance of the role of associations and trade unions in holding seminars and workshops and clarifying the advantages and disadvantages in each way of evaluating the Inventory of goods and helping the accountant in the

companies to adopt the best method that suits the type of industry and the appropriate economic situation.

Mohammed (2014) conducted a study entitled 'Factors Affecting Commodity Inventory Valuation, A Field Study of the Reality of Iraq'. The problem of the study focused on analyzing the method of 'First-in, First-out' (FIFO) as being one of the most commonly inventory valuation methods used in Iraq due to its easiness and simplicity. This method effectively checks the Inventory of goods and avoids the negative impact of announcing low profits on share prices and partner shares. The study aimed at determining the factors in choosing the method of evaluating the commodity inventory in Iraq. A questionnaire was distributed to (85) industrial and commercial companies, and this study reached a number of recommendations, the most important of which is that the food and pharmaceutical companies should use the FIFO.

Hasan (2015) conducted a study entitled 'Study and Analysis of the Factors Affecting the Decision to Choose Accounting Methods for inventory: An applied Study' in which he concentrated on the analysis of the factors affecting the selection of accounting methods for inventory in Iraq. The researcher used a sample of (40) financial managers and (35) auditors working in companies listed in the Iraqi Stock Exchange (ISX). The objective of the study was to explain the relative factors resulting from inventory obsolescence and the volatility of these factors resulting from inventory obsolescence, price changes and fluctuating levels, the cost of the accounting method, and the nature of storage operations. According to Hasan (2015) m these factors are considered as the most influential ones in the decision-making method of accounting for inventory. The most important recommendation of this study was the abolition of the accounting uniformity applied in listed companies in the ISX due to different internal and external economic conditions.

Dhajir (2017) conducted a study entitled 'The Impact of Inventory Valuation Methods on Accounting Profit: An applied Study' in which she attempted to identify the different methods of valuating the inventory and its implications on the accounting profit included in the financial statements issued by companies listed ISX. The study basically aimed at explaining the effect of applying inventory valuation methods on accounting profit. This study reached to a number of recommendations, the most important of which is that the Iraqi companies listed in the ISX should follow FIFO method for evaluating the high prices goods due to the large accounting profits this method makes compared with the method of average cost.

Saddon (2017) conducted a study entitled 'Inventory Valuation According to the Accounting System Applied to the Financial Iraqi Companies Listed in the Iraqi Stock Exchange' in which the researcher examined the code of conducts followed in the process of inventory valuation according to the Financial Accounting System by clarifying the concept of inventory from the financial accounting system perspective and the IAS. The aim of this study was to achieve the following objectives, including to identify the basic concepts related to the financial accounting system and to identify the IAS of inventory and try to show the reality of applying the theoretical side to the reality of Iraqi companies. This study reached to set of recommendations, Months in commercial companies and increase production capacity in order to expand more.

After reviewing five previous studies, the researcher has found that this study is distinguished and different from the previous studies in its concertation on the application of IAS and local rules in the valuation of the inventory and their impact on the tax revenue on a sample of some selected companies listed in the Iraqi inventory Exchange. The previous studies were conducted a different environment where the economic and political conditions differ from this study. Moreover, this study focuses on the IAS and local rules and their impact on the tax revenues.

THEORETICAL PERSPECTIVE

Organization of the Study

Basically, the theoretical side of the study is divided into three parts. The first part deals with reasonable inventory and its importance. The second part has addressed the methods of measurement and evaluation. Finally, the third part deals with IAS and local rules in inventory valuation and its effect on tax revenues.

Inventory Concept, Types, and Importance

Inventory (or Stock in common) is defined as a commodity that is purchased for the purpose of resale during the company's operating activity or goods that it is purchased for the purpose of its use in the production of other goods that are manufactured for resale (Yao,2000). Leach (2011) pointed out that inventories are assets held by the project that are used in the production process or purchased for the purpose of resale. For Vrat (2011), inventory includes a small business's finished products, as well as the raw materials used to make the products, the machinery used to produce the products and the building in which the products are made. In other words, anything that goes into producing the items sold by your business is part of its inventory.

As far as the types of inventory, Axsater (2006) referred to some of the most important ones as the following:

- Raw materials inventory as input to manufacturing system.
- Bought-out-parts (BOP) inventory which directly go to the assembly of product as it is.
- Work-in-progress (WIP) or work-in-process inventory or pipeline inventory.
- Finished goods inventory for supporting the distribution to the customers.
- Maintenance, repair, and operating (MRO) supplies. These include spare parts, indirect materials, and all other sundry items required for production/service systems.

Concerning the importance of the inventory, Dhajir (2015, p.4) grouped up the inventory into three main categories the most important of which are:

1. Stability and continuity: This group shows the exploitation of productive capacities available optimal exploitation.
2. Insurance and protection against risks: It is the process of maintaining the stock due to the company's desire for the unexpected circumstances that take into account in the preparation of production and marketing plans because of the possibility of increasing the actual demand for some items on the expected demand volume or change in the requirements of materials (Redon, 2010, p.10).
3. Achieving economic savings: It is the desire of the institution or the company to achieve some economic benefits, whether in the form of profits or reduce costs or borrowing from price fluctuations (Kassab, 2013, p.57).

Methods of Inventory Measurement and Valuation

There is a set of methods and pricing of goods disposed of and customary in use and which have been determined by accounting thought (King, 2015):

1. First-in, First-out (FIFO): Under FIFO, the cost of goods sold is based upon the cost of material bought earliest in the period, while the cost of inventory is based upon the cost of material bought later in the year. This results in inventory being valued close to current replacement cost.
2. Last-in, First-out (LIFO): Under LIFO, the cost of goods sold is based upon the cost of material bought towards the end of the period, resulting in costs that closely approximate current costs. The inventory, however, is valued on the basis of the cost of materials bought earlier in the

year. During periods of inflation, the use of LIFO will result in the highest estimate of cost of goods sold among the three approaches, and the lowest net income.

3. Weighted Average: According to this method, both inventory and the cost of goods sold are based upon the average cost of all units bought during the period. When inventory turns over rapidly this approach will more closely resemble FIFO than LIFO.

The researcher notes through the methods of inventory valuation that the measurement of inventory costing and valuing and testing the method to be applied requires great attention in determining the cost of products manufactured and sold. The methods of inventory valuation are conducted according to three bases:

- Historical cost basis.
- Market price basis.
- Lower of the Cost or Market Price.

International Accounting Standards and Local Rules in Inventory Valuation and Their Impact on Tax Revenue

The purpose of this standard is to describe the accounting treatment of the inventory according to the historical cost system and the Iraqi Local Rule No.5. Therefore, it should be recognized as an asset included in the budget until the related revenue is realized, and this is a major issue in the inventory accounting. Based on the above, this axis is divided into the following:

1. IAS No.2 for the measurement and valuation of inventory: The main objective of this Standard is to account for commodity inventory and appropriate income recognition by recognizing it as an expense that is recognized in the statement of income until the related revenue is recognized (Al Kaabi, 2017, p. 98). The value of inventory should be measured on the basis of the historical cost or the selling value. The cost of inventory should include the cost of purchase and transfer (International Accounting and Accounting Standards Boards, 2016). The Standard clarifies that the financial statements should disclose each of the following:

- Accounting policies used in measuring inventory value.
- The total book value of the stock is classified as an appropriate tab consistent with the Company's activity.
- The value of the mortgaged inventory as collateral for the obligations.
- Book value of inventories included in net realizable value.

2. Iraqi Local Accounting Rule No. (5) for the measurement and valuation of inventory: The accounting rule in Iraq was approved by the Iraqi

Accountants and Auditors Association in 1985 for the purpose of adopting IAS in a manner that does not contradict local legislation, rules and standards. The Financial Control Bureau started in 1987 with the formation of a supreme and a permanent body that adopts Iraqi Local Standards. The Standards Board issued from 1988 to 2001 a set of accounting rules of 14 accounting bases, including the Iraqi Accounting Standard No. 5 issued in 1995 regarding accounting. On inventory and valuation and presentation in the financial statements (Al-Jabari, 2005, p.60). The Iraqi Local Standard No. 5 has indicated the cost of storage in the following Acts:

- The historical cost of the purchased goods shall consist of the purchase price minus the commercial discount. Any rebates, grants, subsidies or refunds relating to the purchase, plus fees and taxes relating to the purchase and any related expenses until they are entered into the Company's stores.
- The historical cost of the produced goods shall consist of the cost of direct materials, direct labor and indirect expenses incurred to prepare the goods in their place and their financial status (Transparency International, 2010, p.4).
- The Iraqi Accounting Standard states that the valuation of the goods of the last period of the inventory is indicated in the financial statements at the end of the accounting period of either the historical cost or the net realizable value (Al-Adwan, 2002).

With regard to Acts, it was pointed out that the Iraqi local accounting base should take into account the factors affecting the inventory such as age and movement during the previous and current period, the expected movement in the future and the value of waste. Subsequent adjustments to the balance sheet date are also required (Al-Rawi, 2010 p.84).

EMPIRICAL ANALYSIS

Brief Account of the Sample of the Study

This part of the study analyzes the impact of the application of inventory valuation methods proposed in IAS No. 2 and No. 5 and their effect on the tax revenue. The study was applied to the Iraqi Company for the Carpets and Furniture (Industrial sector) which is listed on the Iraqi Stock Exchange. The sample of the study is in one of the Iraqi corporates listed in the ISX market from the industrial sector specialized in carpets and furniture manufacturing. The company was established in 1989 with a capital of 50000000 IQD. The corporates' main product is based on manufacturing carpets and various sorts of furniture. As for the Company's accounting system and the accounting principles, the Company follows and applies

the Consolidated Accounting Standard No. 1 of 2011 for Companies. Among the most important statements used by the company are:

1. Balance Sheet.
2. Trading and Manufacturing Accounts and Losses and Profits.
3. Continuing Operations Statement.
4. Gross Value-Added Statement.
5. Factors of production Statement.

The Impact of International Accounting Standards Inventory Valuation on Tax Revenue

For the purpose of clarifying the impact of IAS and their impact on the tax revenues, the researcher will rely on the actual data of the company for one of its carpet products for 2017, as illustrated in Table (1) below:

The First Product: Carpets and furniture for 2017.

1. Inventory of the first period on 1/1/2017 was 280 carpets.
2. Total cost per unit of this product was 465000 IQD.
3. Production quality was 465 carpets.
4. Total cost per unit of the product was 387500 IQD
5. Sale price per carpet for 2017 was 496000 IQD
6. Last Inventory Balance of was 310
7. Operating expenses for 2017 was 1115000 IQD

In order to demonstrate the effect of the application of IAS 2 on inventory valuation compared to other methods, the cost of the inventory will be measured following (LIFO, FIFO) and Weighted Average Cost (WAC) methods as indicated in Table (1) below accordingly:

Method 1(FIFO):

Table 1
INVENTORY COST FOLLOWING FIFO METHOD

Data	Quantity Manufactured	Price*
First - time inventory units for 2017 Adding: Units produced during 2017 Units for sale Subtracting: Last -time inventories for 2017	279 465 744 310	
Units sold during 2017	434	189797500
First-time sold units in 2017	465000×279	1297350000
Produced sold units during 2017	387500×155	60062500
Cost of the remaining units of The last period produced items during 2017	387500×310	12012500
	744	**Total**
* Price per Iraqi dinar (IQD)		

Method 2(LIFO):

Produced sold units during 2017 = 387500x434= 16817500 IQD

Last time inventories for 2017 was 310 carpets.

31 out of the total inventories for 2017 = 310 × 387500 = 120125000 IQD

The remaining carpets of the product last year 2017are 279.So,

31x 387500 =120125000 IQD

The remaining carpets of the product last year 2017are 279.So,

279 x 465000 = 129735000 IQD

= 180187500 IQD

Total Calculated Price = 309922500 IQD

Method 3 (WAC):

279 x 465000 + 465 x 387500 = 309922500 IQD

WAC =

Units sold during 2017 = 434 x 41652,5 = 180788125 IQD

Last –time inventories for 2017 = 310 x 41652,5 = 12134375 IQD

Total Price calculated for the overall method is 309922500IQD

After the cost of the goods sold and the cost of inventories have been determined for the last period, the comparative income statement is presented in Table (2) below:

Table 2
COMPARATIVE INCOME STATEMENT OF THE SAMPLE OF THE STUDY

	Method		
Data	**FIFO**	**LIFO**	**WAC**
Sales revenue subtracting the cost of goods sold	13888000	13888000	13888000
First - time inventory cost	8370000	8370000	8370000
Adding the cost of the goods produced	11625000	11625000	11625000
= Cost of goods available for sale	19995000	19995000	19995000
Subtracting the Last –time inventories price	(7750000)	(9145000)	(8331250)
= Sold goods cost	12245000	10850000	11663750
= Gross profit	1643000	3038000	2224250
Subtracting operating expenses	(155000)	(155000)	(155000)
= Net profit before tax	1488000	2883000	2069250
Tax rate (15%)	(233200)	(432450)	310387,5
Net profit after tax	1254800	2450550	1758862,5

Cost of Goods Sold

When comparing the cost of the goods sold in Table (3) below, we notice that the method of FIFO is 12245000 IQD and the LIFO method is 10850000 IQD and a difference of 1395000 IQD. During the analyses, it becomes clear that the FIFO relies on backdated prices as shown in Table (3) below:

Table3
THE COST OF THE GOODS SOLD, THE COST OF STOCK OF THE LAST PERIOD, AND NET PROFIT OF THIS PRODUCT ACCORDING TO THE THREE METHODS

	Method		
Data	**FIFO**	**LIFO**	**WAC**
Cost of goods sold	12245000	10850000	11663750
Last - time inventory cost	7750000	9145000	8331250
Net profit	1264800	2450550	1758863

When comparing the difference between the costs of goods sold according to the method of FIFO 12245000 IQD and WAC 11663750 IQD, we note that there is a difference amount 581250 IQD. This mount according to the method of FIFO is greater than the amount on the WAC. Whereas, comparing the cost of the last-period inventory following methods of FIFO 7750000 IQD and LIFO 9145000 IQD, we notice that the difference between them is reached to 1395000 IQD.When comparing the last-period inventory cost according FIFO method 7750000 and according to WAC method 8331250 IQD we can observe that there is a difference reached to (581250).This difference is related to the measurement of the produced unit cost following WAN.As for comparing the net profit between FIFO method 1264800 IQD and LIFO 2450550 IQD, we notice that there is a difference between the two methods as far as the net profit is concerned which has reached to 1185750 IQD and represents 85%.The rest of the profit variance ,which represents 15% is resulted by following WAC method as shown in Table (4) below:

Table 4
NET PAY VARIANCE FOLLOWING WAC METHOD

	Method		
Data	**IAS Method**	**LIFO**	**FIFO**
Inventory Cost	7750000	9145000	8331250
Tax Rate	223200	632450	310388
Net Profit	1264800	2450550	1758863

Impact of International and Local Accounting Standards on Tax Revenue
Table (5) below shows that there is a difference in the cost of inventories for the IAS to the FIFO method and the Iraqi Local Standard According (LAS) to the WAC method and the LIFO method:

Table 5
INVENTORY COST FOLLOWING IAS AND LAS METHODS

Product	**IAS**	**LAS**	
	FIFO	LIFO	WAC
Iraqi Made Carpets	7750000	9145000	8331250

As far as the effect on the tax as shown in Table (6), there is a clear difference in the amount of the tax revenue for the method of IAS (FIFO) and LAS methods of (LIFO) and (WAC). Also, Table (7) below shows that the amount of tax according to IAS method decreased by 223,200 IQD when compared with the LAS method of (WAC) and a decrease on the tax revenue of 310388 when compared to the LIFO method.

Table 6
THE EFFECT OF ADAPTATION IAS AND METHODS IN 2007

Product	IAS	LAS	
	FIFO	LIFO	WAC
Iraqi Made Carpets	7750000	9145000	8331250

As for the amount of the tax according to the local rule according to the weighted average method, it decreased by 122100 IQD when compared with the method (LIFO) as shown in Table (7) below:

Table 7
THE EFFECT OF ADAPTATION OF IAS AND LAS TAX VALUATION METHODS IN 2007

Product	IAS	LAS	
	FIFO	LIFO	WAC
Iraqi Made Carpets	2450550	1264800	1758863

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. The application of the Weighted Average Cost method proposed by the Local Accounting Standard for Iraqi companies increases the tax revenue as compared to other methods.
2. The methods of inventory valuation affect the accounting profit included in the financial statements by valuating the last-period inventory included in the balance sheet, which in return affects the tax revenues of the Iraqi companies.
3. The reliance on an appropriate method to calculate the cost of the goods sold affects the determination of the value of the inventory and the increase in the tax proceeds.
4. There is an effect of the International Accounting Standard of Inventory No.2 on tax revenue in case of rising prices and the application of LIFO method proposed in the Local Accounting Standard No. 5.

Recommendations

1. There is an impact to the application of the method of first-come first on goods and goods with international prices for the purpose of achieving greater accounting profit compared to the method of average cost, thus

increasing the tax profit and raising the tax revenue.

2. Iraqi companies must assume their social responsibility in selecting the stock valuation method that raises the tax revenue due to both the International Accounting Standard (IAS) and the local accounting standard.

3. The possibility of Iraqi companies applying stock valuation methods is a proposed alternative in both the international standard and the local rule, which leads to an increase in tax revenues.

4. Iraqi companies should develop the competence of their accountants and auditors to follow up on modern methods and methods in evaluating the inventory and pricing methods.

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