Jurnal Nuansa: Publikasi Ilmu Manajemen dan Ekonomi Syariah
Vol. 2, No. 4 Desember 2024
e-ISSN: 3021-8691; p-ISSN: 3024-8388; Hal 01-17
DOI: https://doi.org/10.61132/nuansa.v2i4.1266
Available Online at : https://journal.arimbi.or.id/index.php/Nuansa

The Role of Profits Management Practices on Financial Performance in Institutions (an Analytical Study on the Iraqi Stock Exchange for the Period 2013-2022)

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Abstract: *The research aimed to determine whether practicing the phenomenon of profits management affects the capital structure of the companies in the research sample. The research population consisted of all companies listed on the Iraq Stock Exchange for the period (2013 - 2022). The research sample included (26) companies that met the conditions. Companies. Among the most important results: (53%) of the companies in the research sample practiced profits management throughout the research period (2013 - 2022), while the remaining companies practiced it for varying periods. It was found that half of the companies in the research sample had lower costs than the general average weighted cost of the capital structure, and recorded the highest costs in the agricultural sector, and the lowest costs in the industrial sector. Among the most important suggestions: Corporate management should be aware of the risks that may result when practicing profits management on the performance and market value of the company.*

Keywords*: Profits Management , Financial Performance, Institutions*

1. INTRODUCTION

Net income is considered one of the most important items in financial reports; It reflects the efficiency of management in making decisions and optimally exploiting available resources. The poor quality of financial reports makes it difficult to read, and makes it difficult for important data to reach interested parties, on the basis of which decisions are made, as it is a basic source of information. Despite the role that financial reports play for users, there are factors that negatively affect their usefulness, especially what some consider to be a type of manipulation of accounting information, as long as this behavior is intentional, while others consider it - despite the presence of intentionality - to mislead users. Financial Reporting – Legal, even if unethical, behavior as long as it is in the best interests of the organization.

Real profits management is one of the practices used to manipulate accounting information, and it became popular after the low of (Sarbanes-Oxley) was passed in 2002, because it has a significant impact on the quality of financial reports, by influencing cash flows through operational decisions, such as manipulating sales, increasing, or reducing some optional expenses, such as research and development expenses, proclamation expenses, in addition to production manipulation. Its cost is greater compared to accrual-based profits management, and its implementation does not require affecting cash flows, as studies have considered that real profits management has emerged as a new term in accounting and financial practice as an alternative to accrual-based profits management.

Received:Agustus 13 2024;Revised: Agustus 28, 2024;Accepted: September 17, 2024; Online Available: September 19, 2024;

The profits that are disclosed through the financial statements are among the most important of this information, and one of the measures for evaluating the performance of companies. They are also used in concluding many contracts, whether between owners and management (incentive and bonus contracts) or between the company and lenders (debt contracts), and given the importance of the declared profit. And its multiple uses by various parties, such as investors, lenders, financial analysts, and others. Management may resort to influencing profit with the aim of misleading those parties to influence their decisions in favor of the company. This is what is known in accounting studies as profits management. Profits management represents a deliberate intervention by management with the aim of reaching the desired profit number that achieves its self-interests. This is reflected in several aspects of the company, including the company's capital structure, which represents financing the company's long-term operations, and forming the appropriate mix of debt and equity. Ownership is one of the most important aspects of companies because it is mainly linked to the company's value and maintaining competitiveness. Therefore, companies choose different levels of that mix in an attempt to achieve the optimal capital structure that reduces the weighted average cost of capital to a minimum and maximizes the company's value, thus increasing returns. Stocks.

Research problem

The research problem appears in the seriousness of profits management and its negative impact on accounting information. The use of accounting information by investors, lenders, and others creates an incentive for management to manipulate this information to influence their decisions in favor of the company. Through the above, the following questions can be asked to express the research problem:

What is the role of profits management practices on the financial performance of the institutions in the research sample?

This question branches out into the following sub-questions:

1. Does profit management affect the cost of borrowing?
2. Does profit management affect the cost of equity?

Research aims

1. Introducing the nature of profits management, the motivations for adopting it and its methods, and its most prominent factors in a way that helps enhance the information of decision makers.
2. Measuring the practices of the phenomenon of profits management according to the modified Jones model for the companies in the research sample.
3. Measuring the financing method of the companies in the research sample.

4. Determine whether practicing the phenomenon of profits management affects the capital structure of the companies in the research sample.

Research importance:

The importance of the research stems from the following:

1. Explaining the importance of the positive and negative effects resulting from the use of profits management, its strategies and methods in a way that contributes to enhancing the information of decision makers in the companies sampled in the research, and clarifying the extent to which this is reflected in stock returns.
2. The utility of investors, lenders, the capital market and other stakeholders by analyzing the impact of profits management on the capital structure.
3. Senior management in companies pays great attention to managing profits because of its negative impact on administrative decision-making at the level of shareholders, lenders, or users of financial statements.
4. Investors understand how financing patterns differ between companies when they practice profits management, which helps in directing their investments towards those companies whose market value increases.
5. Realizing the risks that may result from practicing profits management on the company's market value in the long term.

Research hypothesis:

There is a statistically significant effect of profits management in reducing the cost of capital in the companies in the research sample.

2. THEORETICAL FRAMEWORK

Profit Management:

The concept of profits management was first introduced in the 1930s by Hicks (co-author of the GAAP rules) in 1939 who explained that "true profits" are unobservable allowing GAAP to provide many accounting options and thus facilitate profits management (Saile, Chemoch , 2021: 231).

Profits management is one of the methods that has received attention from researchers and those interested in financial information, but it has not received a specific definition like other new terms. Rather, these definitions have varied, according to the vision of each author, so research and efforts have continued by researchers and writers to provide a definition for it.

Roychowdhury S. (2006) defined it as "a departure from normal operating practices, a desire by managers to mislead some stakeholders, at least into believing that some financial

reporting objectives have been met in the normal course of operations, and such departures do not necessarily contribute to the value of company, although it may enable managers to achieve reporting objectives" (Al-Tamimi, and Al-Saadi, 2015: 14).

Schipper (1989) believes that real profits management "is the process of manipulating a company's profits, according to the expected goal, by arranging real business transactions and establishing actual business operations (Glen, 2013: 128).

It is also known as a method based on using administrative decisions, related to production, investment and sales activities, to influence the quality of financial reports (Zeshan, 2019: 25).

(Sobhi, 2012) adds that profits management is based on two basic pillars: The first one, it is about changing real activities or commercial transactions, that is, it directly affects the transaction, while managing profits on an accrual basis occurs after the actual implementation of the transaction and affects how it is processed. accounting, and not on the transaction itself. The second is that managing real profits results in cash flow, because it is based on real and investment activities, which generates a current or future flow, while managing profits on an accrual basis does not result in any impact on cash flows, whether current or future. He also added that true profits management is making decisions to deviate from the vested right that maximizes the net present value of the organization (Ruth, 2020: 77).

It can be said that profits management is one of the methods used by managers to influence the quality of financial reports by using operational activities to avoid annual losses.

Financial performance:

Financial performance has received increasing attention from researchers, academics, and professionals of all orientations, and it is considered one of the most important factors determining the success of an organization in achieving its goals.

Al-Saratawi and Adel (2019) defines financial performance as the extent to which an organization is able to reduce its costs and increase its revenues, in order to fulfill its liabilities, and thus it has achieved its goals (Al-Saratawi and Adel, 2019: 10).

Al-Khatib (2009) believes that financial performance is the foundation of the financial management of the institution, regardless of its size or the nature of its growth (Al-Khatib, 2009, 45).

Boudiaf (2018) also believes that financial performance is the performance of institutions in its narrow sense, due to its focus on using financial indicators to measure the extent of achieving goals. As it is the primary reason for the various activities carried out by

the institution, it gives the institution's management the ability to uncover the gaps, problems, and obstacles it faces, and find appropriate solutions for them (Boudiaf, 2018: 40-45).

Haggag (2017) expresses the financial performance by institution's ability to exploit all the resources available to it in an optimal manner, to achieve the desired and established goals (Sayle and Kimosh, 2021: 227).

Daden (2006) is determined the financial performance by highlighting the factors influencing financial returns, the impact of financial policies adopted by managers on the returns of private funds, the extent to which the institution's growth rate contributes to the success of the financial policy and achieving surpluses and profits, and the extent to which the level of coverage is covered. Activity for public expenses (Anad and Jabr, 2022: 180).

Both Salami and Darwish (2016) believe that the success and survival of an institution depends on the efficiency and effectiveness of its financial performance. Therefore, it can be said that financial performance expresses the extent to which managers are able to exploit the various resources available to the organization efficiently, with the intention of achieving its goals effectively (Abdel-Saheb, 2019: 52).

3. METHODOLOGICAL FRAMEWORK

Research community and sample

The research community consisted of all companies listed on the Iraq Stock Exchange for all sectors (9). The research sample included companies from (5) sectors (industry, services, hotels and tourism, investment, and agriculture). The search conditions were applied to (26). One of the companies listed on the Iraq Stock Exchange, divided into (5) sectors.

Financial methods adopted in the research:

The modified Jones model was used during the study period to measure the independent variable. This model is based on calculating discretionary accruals as an indicator of the companies in the research sample practicing profits management. The weighted average cost of capital was also used to measure the dependent variable.

Approved statistical methods:

Simple correlation test, correlation coefficient significance test (T), simple linear regression test, correlation coefficient significance test (F), and coefficient of determination.

The practical side:

Table (1): Optional dues

T	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	arithmetic average
1	Modern chemical industries	-	354416989	308228123	260773654	843624239	108046194	127297825	125257533	142298993	196578486	163770369
2	Iraqi Carpets and Furniture	1151262998	1071938821	1499011516	826384405	2364180549	409284822	865096815	-5759144932	7774800881	887246475	1109006235
3	Iraqi Engineering Works	-249149317	1204041088	1192840676	1025516993	891666136	987258675	692362590	499696630	975757099	846240910	806623148
4	Al-Kindi for the production of veterinary vaccines	-405613562	-1631130495	-532774965	-1140605134	-1316528395	-1632943597	-1910129212	-1569060099	-927026384	-1016779612	-1208259146
5	Chemical and plastic industries	-	-	-	-	-	-	-	858099257	-	- 16930932646	- 24323249630
6	Metal and bicycle industries	-34106349499	4522997684	2564152723	7565831496	4604098159	-927560280	-4687786789	-761008902	-1526295048	33282653	-2271863780
7	Production of ready-made clothing	2.72584E+11	-663881545	-5183097259	3557754467	-19820996182	-44490406469	86746434515	-50292835696	-48288594446	-32592486471	16155591770
8	Baghdad for packaging materials industry	-92343271	-77655279	-44463444	-171754604	-279581994	-221229848	-98973858	-279730136	-205242669	-227405350	-169838045

9	Baghdad for soft drinks	-	-7131717840	-6561732672	-31999953642	-62941967929	-	-	-	-	-	-2.24432E+11
10	Al Maamour Real Estate Investments	-30404145754	3316586261	1234779653	1863659659	3842382147	5699660484	3322520465	1383435488	4569504314	2880071996	-229154529
11	Elite General Contracting	20634945	242264463	202179849	198891150	241089500	140282675	189735930	215763138	196926073	251763779	189953150
12	Baghdad, Iraq for public transportation	914590448	-897700263	-1051090837	-1080716470	245322788	584427225	-1609256263	-2646746976	680475354	-1437262548	-629795754
13	Al-Karkh Tourist Games City	71366126	-17940834	-165221262	98832847	174956409	-251898935	-265917825	-214810860	-218228836	-282808320	-107167149
14	The tourist city in Mosul Dam	-7655254078	-10803259038	-9821592575	-9784308830	-10812641226	-10365832759	-10263110879	-10323872420	-9881791339	-9340778089	-9905244123
15	Al Mansour Hote	-8122180788	-6041939799	-5109540727	-2515076834	-6827922287	-1848226162	-8942721607	-2674234886	-4441840534	-5701259376	-5222494300
16	Babylon Hotel	334731498	-114022646	-165736164	-74261571	-83090835	93810382	-1932320336	1649191504	-1076309212	-1921481322	-328948870
17	Baghdad Hotel	-413695263	-546254157	-	-	252431866	-345007472	-	-	-	-	-
18	Ishtar Hotel	-	-	-602776755	-541921241	-23061420	-	180270235	118545698	19128899	-	-773549404

19	Karbala Hotel	44472794	51300684	22759048	285497726	191258445	177784017	112141939	25785982	-27159345	13944981	89778627
20	Al-Amin for Financial Investment	-24921484	124782952	40729421	100805003	70654674	946427584	37040166	621541808	363068732	137871547	241800040
21	Al Zawraa Financial Investment	-28618947	-321488259	-231677930	-419287423	-367904336	-406054350	-237504120	-280377006	-341508796	-292350288	-292677146
22	Al-Ahlia for agricultural production	443811906	786543638	716247313	841093621	847064555	1317076950	1144064939	1033506285	1443514460	1279696611	985262028
23	Middle East Fish Marketing	217342052	-1568658236	-1729441389	-1617238653	-1596473454	-1666906142	-2036969027	-1977521851	-1935441068	-1432070243	-1534337801
24	Al-Iraqiya for seed production	70215883835	10970198430	-7747094881	15147463408	65767455720	- 8796975336	22634194624	- 63229547139	153063000000	- 13152797936	24487153034
25	Al-Iraqiya for meat production and marketing	4431520361	2440480291	2006106131	2286657220	2231998658	2499827277	1911419606	2473660620	2641851227	2663236248	2558675764
26	Al-Iraqiya for Marketing Agricultural Products	-110766016	-1703959818	117075850	-1721589122	-2904131140	-1681241831	-3677663412	-2544861227	-3163695560	-2842440312	-2023327259

In Table (1), the absolute value of the optional dues for each year is compared with the value of the company's average. If the absolute value of the optional dues in a particular year exceeds the average, then the company has practiced profits management. However, if the

absolute value of the optional dues in a particular year is less Regarding the average, the company did not practice profits management, and it became clear through this that all the companies in the research sample had practiced profits management, but there were companies that managed their profits throughout the research period and they represented (57%) of the research sample. As for the remaining companies, their practice of profits management was fluctuating during Duration.

Risk Free Rate of Return (RF)

The risk-free return is represented by the interest on treasury bonds issued by the central bank, which are shown in Table (2).

Table (2): Risk-free rate of return for the period (2013 - 2022)

year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Arithmetic Average
Risk-free rate of return	0.06	0.063	0.053	0.064	0.064	0.038	0.025	0.02	0.022	0.023	0.043

Market Portfolio Rate of Return (RM)

The market portfolio return is a basic indicator in calculating the cost of financing owned, and it was extracted for the research sample companies through the arithmetic average of the rate of returns achieved annually for the shares of the research sample companies. Table (3) displays the results of the analysis of the market portfolio return for the research sample companies during the period 2013 - 2022.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Arithmetic Average
Market Portfolio Rate of Return	0.207	0.185	-0.151	0.054	-0.009	-0.143	-0.015	-0.087	0.095	0.203	0.034

Beta coefficient

Beta is a measure of systematic risk in the market, and is calculated by dividing (the combined variance of the company's stock returns and the market portfolio return) by the variance of the market portfolio. Table (4) displays the results of the beta coefficient analysis for the companies in the research sample over the period.

Table (4): Beta coefficient for the companies in the research sample for the period (2013 - 2022)

T	Company Name	cov(RJ,RM)	var(RM)	β
1	**National Company for Chemical and Plastic Industries**	0.055	0.017	3.256
2	**Modern chemical industries**	0.004	0.017	0.228
3	**Al-Iraqiya Carpets and Furnishings**	-0.001	0.017	-0.071
4	**Al-Iraqiya Engineering Works**	0.016	0.017	0.954
5	**Al-Kindi for the production of veterinary vaccines**	0.029	0.017	1.68
6	**National Company for Metal Industries and Bicycles**	0.015	0.017	0.906
7	**Production of ready-made clothing**	0.008	0.017	0.445
8	**Baghdad for the manufacture of packaging materials**	0.015	0.017	0.878
9	**Baghdad for soft drinks**	0.003	0.017	0.163
10	**Al-Karkh Tourist Games City**	0.044	0.017	2.587
11	**Al-Maamour for Real Estate Investments**	0.012	0.017	0.71
12	**Elite General Contracting**	-0.003	0.017	-0.154
13	**Baghdad Iraq for public transport**	0.061	0.017	3.567
14	**The tourist city in Mosul Dam**	-0.001	0.017	-0.079
15	**Al Mansour Hotel**	0.017	0.017	0.985
16	**Babylon Hotel**	0.022	0.017	1.266
17	**Baghdad Hotel**	0.017	0.017	0.978
18	**Ishtar Hotel**	0.019	0.017	1.135
19	**Karbala Hotel**	0.003	0.017	0.155
20	**Al-Amin for Financial Investment**	0.001	0.017	0.055
21	**Al Zawraa Financial Investment**	0.007	0.017	0.398
22	**Al-Ahlia for agricultural production**	-0.008	0.017	-0.491
23	**Middle East Fish Marketing**	0.059	0.017	3.449
24	**Al-Iraqiya for seed production**	0.033	0.017	1.944
25	**Al-Iraqiya for meat production and marketing**	-0.001	0.017	-0.075
26	**Al-Iraqiya for Marketing Agricultural Products**	0.019	0.017	1.095

After the risk-free rate of return (RF), the market portfolio rate of return (RM) and the beta coefficient (β) were extracted, the cost of financing owned was calculated in Table (5).

Table (5): The cost of financing owned by the companies in the research sample for the period (2013 - 2022)

T	Company Name	Rf	بيتاβ	(Km – Rf)	(Km – Rf)* β	KJ =Rf+ (Km –Rf)* β	
1	National Company for Chemical and Plastic Industries	0.043	3.256	-0.009	-0.0293	0.0137	قطاع الصناعة
2	Modern chemical industries	0.043	0.228	-0.009	-0.0021	0.0409	
3	Al-Iraqiya Carpets and Furnishings	0.043	-0.071	-0.009	0.0006	0.0436	
4	Al-Iraqiya Engineering Works	0.043	0.954	-0.009	-0.0086	0.0344	
5	Al-Kindi for the production of veterinary vaccines	0.043	1.68	-0.009	-0.0151	0.0279	
6	National Company for Metal Industries and Bicycles	0.043	0.906	-0.009	-0.0082	0.0348	
7	Production of ready-made clothing	0.043	0.445	-0.009	-0.0040	0.0390	
8	Baghdad for the manufacture of packaging materials	0.043	0.878	-0.009	-0.0079	0.0351	
9	Baghdad for soft drinks	0.043	0.163	-0.009	-0.0015	0.0415	
10	Al-Karkh Tourist Games City	0.043	2.587	-0.009	-0.0233	0.0197	قطاع الخدمات
11	Al-Maamour for Real Estate Investments	0.043	0.71	-0.009	-0.0064	0.0366	
12	Elite General Contracting	0.043	-0.154	-0.009	0.0014	0.0444	
13	Baghdad Iraq for public transport	0.043	3.567	-0.009	-0.0321	0.0109	
14	The tourist city in Mosul Dam	0.043	-0.079	-0.009	0.0007	0.0437	قطاع الفنادق والسياحة
15	Al Mansour Hotel	0.043	0.985	-0.009	-0.0089	0.0341	
16	Babylon Hotel	0.043	1.266	-0.009	-0.0114	0.0316	

17	**Baghdad Hotel**	0.043	0.978	-0.009	-0.0088	0.0342	
18	**Ishtar Hotel**	0.043	1.135	-0.009	-0.0102	0.0328	
19	**Karbala Hotel**	0.043	0.155	-0.009	-0.0014	0.0416	
20	**Al-Amin for Financial Investment**	0.043	0.055	-0.009	-0.0005	0.0425	قطاع الاستثمار
21	**Al Zawraa Financial Investment**	0.043	0.398	-0.009	-0.0036	0.0394	
22	**Al-Ahlia for agricultural production**	0.043	-0.491	-0.009	0.0044	0.0474	قطاع الزراعي
23	**Middle East Fish Marketing**	0.043	3.449	-0.009	-0.0310	0.0120	
24	**Al-Iraqiya for seed production**	0.043	1.944	-0.009	-0.0175	0.0255	
25	**Al-Iraqiya for meat production and marketing**	0.043	-0.075	-0.009	0.0007	0.0437	
26	**Al-Iraqiya for Marketing Agricultural Products**	0.043	1.095	-0.009	-0.0099	0.0331	
	Arithmetic Average					0.0340	

Cost of long-term debt:

The cost of long-term loans represents the interest rate a company must pay on its debt before taxes, as the government pays part of the cost of the debt because the interest is tax deductible.

Table (6): The cost of long-term debt for the companies in the research sample for the period (2013 - 2022)

Company Name	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Rate
National Company for Chemical and Plastic Industries	Rd	0	0.0455	0	0	0	0	0	0	0	0	0.045
	Tx	0	0	0	0	0	0	0	0	0	0	
	1-tx	0	1	0	0	0	0	0	0	0	0	
	Kd	0	0.045	0	0	0	0	0	0	0	0	
Baghdad for the manufacture of packaging materials	Rd	0	0.047	0	0	0	0	0	0	0	0	0.047
	Tx	0	0	0	0	0	0	0	0	0	0	
	1-tx	0	1	0	0	0	0	0	0	0	0	
	Kd	0	0.047	0	0	0	0	0	0	0	0	

Al Mansour Hotel	Rd	0	0	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.054
	Tx	0	0	0	0	0	0.150	0.15	0.15	0.15	0.142	
	1-tx	0	0	1	1	1	0.850	0.85	0.85	0.85	0.858	
	Kd	0	0	0.06	0.06	0.06	0.051	0.051	0.051	0.051	0.051	
Ishtar Hotel	Rd	0.065	0.052	0	0	0	0.00	0.00	0.00	0.00	0.00	0.011
	Tx	0	0.112	0	0	0	0	0	0	0	0	
	1-tx	1	0.888	0	0	0	0	0	0	0	0	
	Kd	0.065	0.046	0	0	0	0	0	0	0	0	

Analysis of Weighted Cost of Capital (WACC)

After calculating the cost of owned financing in Table (5) and the cost of borrowed financing in Table (6) and determining the relative weights of financing sources, the weighted cost of capital was extracted in Table (7):

Table (7): Weighted Cost of Capital (WACC) for the companies in the research sample for the period (2013 - 2022)

Company Name	Cost per share	Weight of the share	Weighted cost of ordinary shares	Cost of long-term loans	Weighted cost of loans	Weighted cost of capital
Modern chemical industries	0.0524	0.0021	0	0	0	0.00215
Al-Iraqiya Carpets and Furnishings	0.2465	0.0108	0	0	0	0.01076
Al-Iraqiya Engineering Works	0.8652	0.0298	0	0	0	0.02977
Al-Kindi for the production of veterinary vaccines	0.7784	0.0217	0	0	0	0.02170
National Company for Chemical and Plastic Industries	0.7956	0.0109	0.045	0.0301	0.00135	0.01225
National Company for Metal Industries and Bicycles	0.5738	0.0200	0	0	0	0.01999
Production of ready-made clothing	0.775	0.0302	0	0	0	0.03022

Baghdad for packaging materials industry	0.9848	0.0346	0.047	0.0064	0.00030	0.03487
Baghdad for soft drinks	0.6707	0.0279	0	0	0	0.02786
Al-Maamour for Real Estate Investments	0.9237	0.0338	0	0	0	0.03382
Elite General Contracting	0.7913	0.0351	0	0	0	0.03512
Baghdad, Iraq for public transportation	0.2954	0.0032	0	0	0	0.00322
Al-Karkh Tourist Games City	0.7291	0.0144	0	0	0	0.01438
The tourist city in Mosul Dam	0.166	0.0073	0	0	0	0.00726
Al Mansour Hotel	0.6646	0.0227	0.05443	0.0527	0.00287	0.02555
Babylon Hotel	0.4762	0.0151	0	0	0	0.01505
Baghdad Hotel	0.7208	0.0246	0	0	0	0.02465
Ishtar Hotel	0.249	0.0082	0.01112	0.084	0.00093	0.00910
Karbala Hotel	0.85	0.0354	0	0	0	0.03536
Al-Amin for Financial Investment	0.9659	0.0411	0	0	0	0.04106
Al Zawraa Financial Investment	0.9023	0.0356	0	0	0	0.03557
Al-Ahlia for agricultural production	1	0.0474	0	0	0	0.04742
Middle East Fish Marketing	0.1989	0.0024	0	0	0	0.00238
Al-Iraqiya for seed production	0.4256	0.0109	0	0	0	0.01085
Al-Iraqiya for meat production and marketing	0.6481	0.0283	0	0	0	0.02831
Al-Iraqiya for Marketing Agricultural Products	0.2091	0.0069	0	0	0	0.00693
Overall Rate		0.02154			0.00021	0.02175

Hypothesis Test

There is a statistically significant effect of profits management in reducing the cost of capital in the companies in the research sample.

Table (8): Correlation and regression relationships for profits management and the cost of capital structure for the research sample

Dependent variable	Independent variable	Correlation coefficient R	Clarification coefficient R	Calculated t-test value	Tabular t-test value	Result	Fixed limit a	marginal slope b	Calculated t-test value	Tabular t-test value	Result
Cost of capital	Practice profits management	- 0.160*	%3	3.19	3.05	Significant	0.025	-0.005	2.16	1.89	Significant

It was shown from the results in Table (8) that the simple linear correlation coefficient (R) reached -0.169* and this indicates the existence of a weak and statistically significant inverse relationship with 95% confidence between the cost of capital structure and the practice of profits management for companies. Thus, the more application of The practice of corporate profits manageent reduces the cost of the capital structure and vice versa, while the explanatory factor (R2) reached (3%), as it was found that the independent variable (profits management) contributes 3% of the changes found in the cost of the capital structure, while the other variables contribute a percentage 97%, which is a percentage that reflects the importance of these variables. The table also shows that the value of the regression coefficient for profits management is -0.005, and this indicates that whenever the application of profits management practice increases by one dinar, the cost of capital structure decreases by 0.005 and vice versa. Note that this effect is significant with 95% confidence, as the value of the T test was The calculated 2.16 is greater than its tabulated value of 1.89.

Thus, the relationship is accepted in the main hypothesis, which states that there is a statistically significant effect of profits management on the cost of capital structure in the companies in the research sample. These results are confirmed by the (F) test, as the calculated F value was (3.19), which is greater than the tabulated F value. (3.05).

4. RESEARCH CONCLUSIONS:

Through learning about the theoretical and practical aspects of the research, a set of conclusions were reached as follows:

1. It was found that (53%) of the companies in the research sample had practiced profits management throughout the research period (2013-2022), while the remaining companies practiced it for varying periods.

2. After measuring and analyzing the weighted cost of capital, it was found that half of the companies in the research sample had lower costs than the general average of the weighted cost of the capital structure, and recorded the highest cost in the agricultural sector, and the lowest cost in the industrial sector.
3. Analyzes proved the main hypothesis that there is an effect of profits management on the cost of capital structure in the companies in the research sample by measuring the correlation, regression, and explanatory coefficients. The results showed a weak, statistically significant inverse relationship with 95% confidence between the cost of capital structure and the practice of profits management. For companies.
4. There is no statistically significant effect of profits management on the cost of equity for the companies in the research sample, and this was proven by measuring the correlation, regression, and explanatory coefficients. The results indicate that there is a weak, non-significant inverse relationship between profits management and the cost of equity.
5. There is a statistically significant effect of profits management on the long-term cost of debt in the companies in the research sample through measuring the correlation, regression, and clarification coefficients. The results showed the existence of a weak and statistically significant inverse relationship with 95% confidence between the long-term cost of debt and the practice of corporate profits management.

5. RECOMMENDATIONS:

1. Corporate management should be aware of the risks that may result when practicing profits management on the performance and market value of the company.
2. Investors and analysts should realize and analyze the difference between the income statement prepared according to the system The accrual and cash flow statement are prepared on a cash basis and cannot be manipulated.
3. Educating users of financial statements about profits management practices and how receivables are manipulated, through special publications from specialized authorities.

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