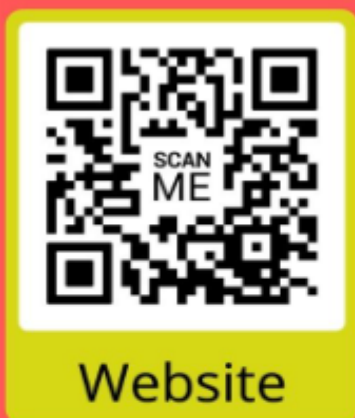


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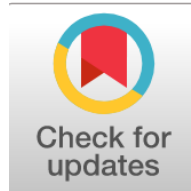
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The Role of Fair Value Measurement and Accounting Disclosure of Toxic Assets in Reducing the Risks of Financial Misrepresentation

Osama Zaid Mohammed Manoukh, oamazaid06@gmail.com (*)

Imam Al-Azam University College - Department of Islamic Banking and Financial Sciences, Iraq

(*) Corresponding author

Abstract

General Background High-risk financial assets presented at values detached from economic recoverability compromise financial statement reliability. **Specific Background** Illiquid accounts receivable lacking active markets rely heavily on valuation estimates and management assumptions. **Knowledge Gap** However, the combined role of fair value adjustments and structured risk disclosures in mitigating financial misrepresentation remains insufficiently quantified in industrial sector contexts. **Aims** This study evaluates how integrating fair value measurement with comprehensive disclosure reduces financial misrepresentation risks. **Results** Empirical analysis of Al-Mansour Company data (2022-2024) demonstrates that a ten percent collection risk discount reduces 2024 pre-tax surplus by 31.2%, while revealing a 75% gap in credit risk disclosures. **Novelty** An analytical sensitivity model paired with an IFRS-aligned disclosure index is established for high-risk receivables. **Implications** Combining realistic risk-adjusted valuation with detailed debt aging disclosures prevents misleading financial presentations and enhances reporting transparency.

Key Findings Highlights

Applying risk-adjusted fair value discounts significantly alters receivables values and reported operating surpluses.

Evaluating financial reporting reveals a seventy-five percent disclosure gap regarding high-risk asset collection profiles.

Integrating granular risk disclosures with valuation models mitigates incomplete financial position representation.

Keywords: Fair Value Measurement, Toxic Assets, Accounting Disclosure, Financial Misrepresentation, Accounts Receivable

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Introduction

The risk posed by certain assets does not lie merely in a decline in their value, but in the persistence of a value in the financial statements that is detached from their economic reality. The problem becomes more pronounced when the assets are illiquid, high-risk, or lack an active market, because determining their value then depends more heavily on estimation, increasing the likelihood that the accounting figures may present a picture that does not fully correspond to the entity's financial reality. This has drawn attention to what are known as toxic assets, particularly after financial crises revealed that holding high-risk assets may not be the only problem; the way they are measured and the related information is presented may also be problematic.

Fair value measurement represents one approach through which the recorded values of these assets can be reconsidered in light of prevailing market conditions instead of continuing to rely on historical values that may not reflect their current position. However, such measurement becomes more complex when direct market prices are unavailable, shifting the valuation process toward models, assumptions, and unobservable inputs. In such cases, fair value is not merely an accounting choice; it is closely linked to the soundness of estimation and the extent to which that estimation is free from bias.

Measurement alone does not fully address this problem, because the figure reported in the financial statements does not always explain how it was derived or the degree of uncertainty surrounding it. This highlights the importance of accounting disclosure concerning the nature of toxic assets, the methods used to value them, the assumptions applied, and the risks that may affect their value in the future. Adequate disclosure enables users of financial information to read the figure in its proper context rather than treating it as a final value independent of the estimation conditions and the risks associated with the asset.

Research Methodology

1-1 Research Problem

Economic entities face genuine difficulty when dealing with assets whose risks are high, liquidity is low, and market values are unclear, as such assets may remain recorded at amounts that do not reflect their actual economic position. The problem becomes greater when valuation depends on estimates and assumptions that cannot be directly observed, or when measurement is not accompanied by sufficient disclosure about the nature of the asset, the level of associated risk, and the bases on which the valuation was made. In such a case, the financial statements may present a more favorable picture than reality, thereby increasing the possibility that users may be misled in making decisions.

The research problem is therefore concerned with determining the extent to which fair value measurement, together with appropriate accounting disclosure of toxic assets, can reduce these risks and limit the possibility of presenting financial information that does not reflect the economic reality of the assets. Accordingly, the research problem can be formulated in the following main question:

What is the role of fair value measurement and accounting disclosure of toxic assets in reducing the risks of financial misrepresentation?

2-1 Research Importance

The importance of the research stems from the sensitivity of the accounting treatment of toxic assets, since the difficulty of determining their value and the absence of an active market for some of them may make the amount reported in the financial statements insufficient for judging their economic reality and risks. This becomes especially important when the measurement method or limited disclosure affects the ability of financial report users to estimate the losses and risks associated with these assets, particularly because past experience has shown that difficulties in valuing them and converting them into liquidity were among the major problems faced by financial institutions.

The importance of the research also lies in combining two interrelated aspects—fair value measurement and accounting disclosure—rather than examining each separately, in order to show the extent to which they contribute to presenting values and risks more clearly and to reducing opportunities for overstatement, concealment, or the presentation of information that may lead financial statement users to unsound decisions. This relationship is important because the problem is not fair value in itself so much as how it is applied, the accuracy of the estimates used, and the accompanying disclosure of related assumptions and risks.

3-1 Research Objectives

The research aims to:

- a. Clarify the nature of toxic assets, their accounting characteristics, and the risks associated with holding them or with the difficulty of valuing them.
- b. Explain the bases underlying fair value measurement when valuing toxic assets, while identifying the main difficulties that may face the valuation process in the absence of an active market or when market information is limited.

c. Identify the accounting disclosure requirements that help present the nature of toxic assets , their risks , and the methods and assumptions used in measuring them.

d. Analyze the role of fair value measurement in reducing the gap between the accounting value and the economic value of toxic assets.

e. Explain the effect of appropriate accounting disclosure of toxic assets in limiting the concealment of information or its presentation in a manner that may mislead users of financial reports.

f. Determine the extent to which the integration of fair value measurement and accounting disclosure contributes to reducing the risks of financial misrepresentation and enhancing the transparency of information contained in the financial statements.

4-1 Research Hypothesis

The research is based on the following main hypothesis:

(Fair value measurement and accounting disclosure of toxic assets , individually and jointly , contribute to reducing the risks of financial misrepresentation.)

5-1 Research Population and Sample

The research population consists of Iraqi joint-stock companies that prepare financial statements and publish annual reports , particularly companies whose statements include financial items exposed to risks of impairment , difficulty of collection , or valuation , such as receivables , investments , and other financial assets , making them more closely related to the topic of fair value measurement and accounting disclosure of the risks associated with these assets.

The research sample was selected purposively and consisted of Al-Mansour Company for Pharmaceutical Industries , Medical Supplies , Cosmetics , and Sterile Water , because its published reports and financial statements provide data that can be used to trace items related to the research topic , analyze the bases of their measurement and disclosure , and explain the extent to which this is reflected in reducing the risks of financial misrepresentation.

6-1 Research Method

The research adopted an applied analytical approach by using the data contained in the published financial statements and reports of Al-Mansour Company for Pharmaceutical Industries , Medical Supplies , Cosmetics , and Sterile Water for the period 2022-2024 and analyzing a number of financial items that may be associated with collection risk , impairment , or valuation difficulty. Relevant International Financial Reporting Standards requirements were also employed to show the effect of fair value measurement and accounting disclosure in presenting the values and risks associated with these items more clearly.

The applied aspect focuses on tracing financial items that may exhibit the characteristics of high-risk assets , particularly receivables and related financial assets , then analyzing how they are measured and disclosed and comparing the amounts reported in the financial statements with what the proposed accounting treatment may reflect. This makes it possible to determine the extent of change that may occur in asset values and financial results when the associated risks are taken into account , and thereby to show the extent to which measurement and disclosure contribute to reducing the possibility of presenting the financial position or operating results in a manner inconsistent with economic reality.

7-1 Previous Studies

Although the term toxic assets was initially associated with the financial crisis and high-risk securities , some recent studies have addressed its substance through distressed assets , non-performing loans , and related credit losses , particularly when examining the measurement and disclosure of these assets and their reflection in financial information. In this context , a number of studies related to the research topic can be presented as follows:

1. Wilson Study , 2022))

Toxic Asset Subsidies and the Early Redemption of TALF Loans

The study addressed the problem of determining the fair market value of toxic assets whose purchases were financed through facilities provided by the U.S. Federal Reserve , and developed a quantitative model to estimate their value independently of the effect of the subsidy provided under the (TALF) program. The results showed differences between the values associated with financing those assets and their unsubsidized market values , with the average estimated subsidy at loan origination amounting to approximately (33.9%). The probabilities of early repayment also differed according to the characteristics of the securities and the timing of their issuance. This study supports the current research by confirming that the valuation of toxic assets cannot be separated from the level of risk and uncertainty surrounding their value , and that reaching a more realistic value is a fundamental element in their accounting treatment.

2. Ahn & Gam Study , 2024))

Window Dressing on Bank Problem Loans: Evidence from Natural Disaster Responses

The study examined how banks present problem loans in their financial statements when borrowers are exposed to shocks that affect their ability to repay. The researchers used data from U.S. local banks for the period (2001-2019), treating natural disasters as external shocks affecting loan quality. The results showed that banks with previously high ratios of non-performing loans were less inclined to report the actual increase in problem loans after the shock, and that this behavior was not necessarily due to disposing of toxic assets or improving their management, but rather was associated with management's use of discretion in classifying and presenting assets. This result is directly related to the current research because it shows that the problem is not limited to the existence of a high-risk asset, but extends to the way it is measured and presented and the resulting possibility of misleading users of financial information.

3. Resende & Carmo Study, 2024))

Impacts of the Expected Credit Loss Model on Pro-Cyclicality, Earnings Management, and Equity Management in the Portuguese Banking Sector

The study focused on the effect of the expected credit loss model under (IFRS 9) on the recognition of loan loss provisions and the possibility of using them in earnings and equity management. The sample included five Portuguese commercial banks during the period (2013-2022), and the researchers used a multiple linear regression model to analyze the data. The results showed that some earnings and equity management continued to occur when loan losses were recognized, although these practices were less pronounced under the expected credit loss model than under the previous incurred-loss model. The study also emphasized the importance of developing and monitoring loss-estimation models in ways that support the transparency of financial information. This study relates to the current research from the perspective that early recognition of impairment in high-risk assets reduces the possibility of continuing to present them at values that are inconsistent with their actual recoverability.

4. Kyiu & Tawiah Study, 2025))

IFRS 9 Implementation and Bank Risk

The study tested the effect of applying (IFRS 9) on the level of bank risk using a broad sample of (666) banks across (61) countries during the period (2016-2019). The results showed a decline in risk after implementation of the standard, with the effect being more pronounced among higher-risk banks and in countries with stronger accounting and banking oversight. The researchers attributed this to the future-oriented expected credit loss model, which allows more timely recognition of losses and greater transparency regarding risks associated with financial assets. This result supports the direction of the current research in viewing measurement and disclosure as interrelated tools, because timely recognition of losses and presentation of the risks accompanying assets reduce the possibility of unrealistic values remaining in the financial statements.

The previous studies show that the treatment of high-risk assets has followed more than one direction. Some studies have focused on determining their market value, others have examined how distressed assets are presented and the possibility of using discretion to reduce the amounts reported in the financial statements, while other studies have addressed expected credit losses and their role in the early recognition of asset impairment and in improving transparency. Within the limits of the studies presented, fair value measurement, accounting disclosure of toxic assets, and the risks of financial misrepresentation have not been directly combined within a single framework. The current research seeks to address this gap by linking the value at which the asset is presented with the information disclosed about the risks surrounding it.

2- Theoretical Aspect

This aspect addresses the theoretical foundations related to fair value measurement, toxic assets, accounting disclosure, and the risks of financial misrepresentation, with a focus on the nature of the relationship among them in a way that supports the development of the analytical basis of the research and a coherent transition to the applied aspect.

1-2 Fair Value Measurement

First: Concept and Importance of Fair Value

The concept of fair value has been associated with the need to measure certain assets and liabilities on a basis that reflects prevailing economic conditions at the time the financial statements are prepared, rather than keeping their values tied exclusively to the amounts paid when they were acquired in a previous period. IFRS 13 established the general framework for the concept by defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In this sense, measurement does not originate from an entity-specific estimate, but from a market perspective and the assumptions that market participants might use under the conditions existing at the measurement date (IFRS Foundation, 2024: A689).

Fair value does not necessarily mean that a ready market price exists for every asset or liability. The price may be directly observable, or reaching it may require the use of appropriate valuation techniques and inputs when no active market exists. Fair value therefore differs from merely using an apparent market price, because it represents a measurement basis founded on estimating the price at which a transaction could take place under ordinary conditions. Al-Tamimi and Nasser

noted that differences among definitions do not alter the essence of the concept, which is based on determining a value suitable for exchanging an asset or settling a liability between willing and informed parties, taking actual transaction conditions into account (Al-Tamimi & Nasser, 2015: 162-163).

The importance of fair value in accounting appears in several respects, the most prominent of which can be identified as follows:

1. Bringing accounting values closer to current economic conditions: Fair value measurement allows the change in the value of an asset or liability after initial recognition to be shown, which becomes important when historical values move away from prevailing market prices or conditions (Barth, 2014: 331).
2. Increasing the relevance of information for decision-making: Values that respond to ongoing market changes can provide financial statement users with information that is more closely related to the economic position of assets and liabilities at the reporting date. The literature confirms that a major justification for using fair value is associated with the relevance of the information it provides to investors and other users (Palea, 2014: 102-103).
3. Presenting gains and losses associated with changes in values on a more timely basis: Keeping an asset at historical cost may conceal part of the decrease or increase in its value, whereas fair value measurement allows the effect of these changes to be recognized in accordance with the treatment specified by the relevant standard (Al-Tamimi & Nasser, 2015: 157-158).
4. Enhancing the importance of disclosure about measurement uncertainty: This point is directly related to the topic of the current research. As the observability of market prices declines and measurement becomes based on estimates and models, presenting the value alone is no longer sufficient; rather, the need increases to explain the valuation method, inputs, and assumptions used. This aspect is particularly important when dealing with toxic assets or illiquid assets, because the difficulty of finding a direct price for them makes measurement accuracy and disclosure transparency complementary elements, neither of which is a substitute for the other (IFRS Foundation, 2024: A689).

Second: Bases and Levels of Fair Value Measurement under IFRS 13.

Fair value measurement under IFRS 13 is not based on selecting an estimated value that management considers appropriate. It begins by determining how market participants would price the asset or liability at the measurement date. Accordingly, the standard focuses on market conditions and the sources of data used in valuation more than on the entity's intention to hold or dispose of the asset. The bases on which measurement is founded can be stated as follows: (Ernst & Young, 2024: 7-8)

1. Measurement from a market perspective: Fair value is a market-based measurement rather than one based on entity-specific conditions. Accordingly, the assumptions that market participants would use in pricing the asset or liability are applied. Management's intention to hold the asset does not alter this basis, even during periods of market disruption or reduced market activity.
2. Reliance on an orderly transaction and prevailing market conditions: Measurement assumes that the sale of the asset or transfer of the liability takes place in an orderly transaction rather than a forced sale or compulsory liquidation. Verifying this condition becomes more important when liquidity declines or transaction volume falls, because reduced market activity does not automatically mean that available prices are no longer suitable for measurement.
3. Selecting the appropriate valuation technique: IFRS 13 permits the use of three main approaches: the market approach, which is based on prices and transactions for comparable assets; the income approach, which converts future cash flows or benefits into present value; and the cost approach, which is based on the amount required to replace the asset's service capacity.
4. Preference for observable data: The standard does not allow an entity to move directly to internal estimates when reliable market information is available. The use of observable inputs should be maximized and reliance on unobservable inputs minimized.

In light of these bases, IFRS 13 establishes a three-level fair value hierarchy. This hierarchy does not rank the valuation methods themselves; rather, it ranks the inputs used in measurement according to the extent to which they can be observed in the market. Priority is given to direct market data and decreases as reliance on estimation and professional judgment increases, as follows: (PwC, 2023: 47).

Level	Nature of Inputs Used in Measurement	Accounting Significance
Level 1	Quoted and unadjusted prices in an active market for assets or liabilities identical to the asset or liability being measured.	Represents the highest degree of reliance on market information and the lowest degree of reliance on subjective estimation.
Level 2	Inputs that are observable directly or indirectly, other than the prices included in Level 1, such as prices of similar assets or interest rates, yields, and credit spreads.	Requires some adjustment or the use of valuation models, while the principal inputs remain based on observable market information.
Level 3	Inputs that are unobservable in the market and are determined using the best available information and disclosure about the valuation methods,	Involves a higher level of estimation and uncertainty; therefore, the importance of the valuation methods,

assumptions that market participants are inputs, and assumptions used increases. expected to use.

Table 1. Table (1): Levels of Fair Value Measurement under IFRS 13

Source: Prepared by the researcher based on: (PwC, 2024: 23)

The researcher believes that the three levels are particularly important when dealing with toxic assets, because weak liquidity or the disappearance of an active market may prevent the availability of Level 1 prices and may push measurement toward Level 2 or Level 3. In this case, the problem does not lie in the use of fair value itself, but in the extent to which measurement depends on unobservable assumptions. This makes disclosure of the valuation method and its inputs an important factor in reducing the possibility that estimation may be used in a way that could mislead users of the financial statements.

2-2 Toxic Assets

First: Concept and Characteristics of Toxic Assets

The term toxic assets does not represent an independent accounting classification within International Financial Reporting Standards. Rather, it has been used to describe financial assets whose values have deteriorated or whose recovery risks have increased to the extent that they become difficult to sell or to assign a reliable value. Use of the term expanded during the global financial crisis, particularly in relation to mortgage-backed securities, distressed loans, and structured instruments that lost a significant portion of their liquidity (Al-Aqili & Al-Hajami, 2021: 301).

On the other hand, an asset's economic value does not have to disappear completely for it to be described as toxic. It may still have potential future cash flows, but the high degree of uncertainty surrounding those flows and the difficulty of reaching a price that reflects them make valuation and sale more complex (van Suntum & Ilgmann, 2013: 367-368). In addition, a market value below the recorded value and weak trading attractiveness are characteristics associated with frozen or distressed assets that are close in substance to the concept of toxic assets (Shirkhani et al., 2025: 993).

In the context of the current research, not every low-value asset or every receivable balance should automatically be regarded as a toxic asset. Rather, the designation is determined by the combined presence of indicators revealing a material deterioration in the asset's ability to realize its value or convert into cash. The most prominent characteristics of toxic assets are as follows: (Al-Aqili & Al-Hajami, 2021: 301-302)

1. Material decline in value: An asset may have been recorded previously at a high value and then decline sharply because of changes in economic conditions, deterioration in credit quality, or a decline in the value of related collateral.
2. Weak liquidity and difficulty of sale: These assets often lack a sufficient number of buyers, and disposing of them may be possible only by accepting a substantial discount from their carrying or estimated value.
3. Difficulty in determining fair value: When an observable price disappears, measurement becomes more dependent on models, assumptions, and estimates that are difficult to verify directly.
4. High credit risk: The asset may be associated with a debtor with a weak ability to repay or with loans and financial instruments that have higher probabilities of default, reducing the expected cash flows to be collected and increasing the possibility of recognizing credit losses or impairment. The Iraqi study showed that distressed debts are among the main forms of toxic assets in the banking sector.
5. High degree of uncertainty surrounding valuation: The difference between the carrying amount and the amount that can actually be realized may be wide, and the estimated value may change substantially when the assumptions used in measurement are changed.
6. Need for broader accounting disclosure: Knowing the recorded value of an asset is not sufficient when uncertainty is high. Information about the valuation method, its inputs, credit and liquidity risks, and collection prospects becomes necessary for understanding the accounting figure.

The researcher believes that, within the framework of this research, a toxic asset can be viewed as a financial asset that has experienced a material deterioration in value or in its ability to be collected and traded, and whose value has become more dependent on estimation because of weak market conditions or elevated risk. This requires measurement and disclosure treatment commensurate with the level of uncertainty surrounding it. This definition allows the term to be addressed from an accounting perspective without assuming that every high-risk asset is automatically classified as toxic.

Second: Accounting Risks Associated with Toxic Assets

From an accounting perspective, the risk of toxic assets is associated with the way they appear in the financial statements, not merely with their existence. As the market weakens and collection becomes more difficult, measurement becomes more dependent on estimation, increasing the possibility that the asset's actual economic value will not be properly represented. The main risks can be summarized as follows: (Resende et al., 2024: 2-3)

1. The absence of a clear market price may require reliance on models and unobservable inputs, which increases uncertainty and the possibility that the estimated value will vary according to the assumptions used.
2. Failure to estimate credit deterioration or expected losses in a timely manner may keep the asset recorded at an amount higher than the recoverable amount and, consequently, affect the value of assets and profits.
3. The accounting figure alone may not reveal the degree of risk carried by the asset. IFRS 7 therefore requires

information that explains the nature and extent of credit, liquidity, and market risks and how they are managed.

4. The combination of optimistic valuation, delayed loss recognition, and weak disclosure may lead to assets or profits being presented above their economic reality. At this point, the accounting treatment of toxic assets is directly connected with the issue of financial misrepresentation.

3-2 Fair Value Measurement and Accounting Disclosure of Toxic Assets

Fair value measurement becomes more sensitive when it concerns assets that have lost part of their liquidity or no longer have an active market, because the value becomes less dependent on an observable price and more closely linked to the models and assumptions used in valuation. Illiquid assets also create a clear issue when choosing between Level 2 and Level 3 inputs, because Level 3 allows the use of internal information and estimates that are not available to the market to the same extent, thereby increasing the scope for professional judgment in measurement (Mahieux, 2024: 544-545).

The effect is not limited to determining the value of the asset, but extends to the degree of confidence that users place in that value. A higher proportion of assets classified as Level 3 relative to Level 2 is associated with greater opacity of bank assets and lower market valuation, because investors view measurements based on unobservable inputs as more exposed to uncertainty and potential managerial intervention (Anselmi, 2021: 4).

Detailed disclosures about the remeasurement of Level 3 assets also provide useful information to investors, particularly when they distinguish between changes recognized in profit and those recognized in other comprehensive income. This supports the importance of disclosing the source of changes in value rather than presenting only the final value (Fiechter et al., 2022: 301).

Claessen (2021: 378) also found that Level 3 fair value disclosures can perform a confirmatory function because they help analysts assess the reasonableness of management estimates, while emphasizing the importance of information that helps users understand future cash flows and the bases on which valuation was built.

The importance of disclosure is even greater for illiquid assets. Part of the discount that the market applies to the carrying value of financial instruments classified as Level 3 is associated with a lack of additional disclosure, alongside weak liquidity and the possibility of using accounting flexibility. This means that inadequate disclosure may widen the gap between the value presented by the entity and investors' valuation of it (Bagna et al., 2015: 5559).

Based on the foregoing, the researcher believes that fair value in the case of toxic assets should not be read as a figure detached from the conditions under which it was derived. As asset liquidity declines and reliance on unobservable inputs increases, disclosure of the valuation method, its assumptions, and sources of uncertainty becomes more important. Here, the integration of measurement and disclosure emerges as a means of limiting the use of estimation in a way that could cause the asset to appear at a value inconsistent with its economic reality.

4-2 Risks of Financial Misrepresentation

The risks of financial misrepresentation can be viewed as the possibility that financial statements contain presentation, measurement, or disclosure that leads users to form an incorrect perception of the true financial position or operating results. This may arise from intentional manipulation of figures, omission of material information, or biased use of accounting estimates and assumptions. ISA 240 (Revised) indicates that fraudulent financial reporting includes intentional misstatements, including omissions of amounts or disclosures intended to mislead users of the financial statements (IAASB, 2025: 24).

These risks take various forms, most notably overstatement of assets or revenues, concealment of liabilities and losses, manipulation of the timing of transaction recognition, use of unrealistic estimates, or provision of incomplete disclosures about information that may alter users' judgments. The ACFE identifies improper asset valuation and inadequate disclosures among the principal forms of financial statement fraud and indicates that, although this type of fraud is relatively less frequent, it is the highest in terms of the amount of losses (ACFE, 2024: 22).

These risks are especially important in the case of toxic assets because the difficulty of determining their value and the high reliance on assumptions create greater scope for accounting judgment. If this is combined with weak disclosure about the valuation method or the possibility of loss, assets and profits may be presented at amounts that do not adequately reflect their economic reality, which is the point at which toxic assets intersect with the risks of financial misrepresentation.

5-2 Relationship between Fair Value Measurement and Disclosure of Toxic Assets and the Reduction of Financial Misrepresentation Risks

The relationship among these variables becomes evident when the value of an asset is more a matter of estimation than a direct market price. Illiquid or distressed assets may rely on Level 3 inputs for measurement, which expands the scope for professional judgment and increases the need for information explaining how the reported value was reached. Measurement of illiquid assets may move between Level 2 and Level 3 depending on the nature of available information, with differing degrees of reliance on public data or institution-specific information (Mahieux, 2024: 549).

Disclosure is therefore not separate from measurement. The greater the uncertainty in value, the more important it becomes to disclose changes in measurement and their sources. Detailed disclosures concerning Level 3 fair value

remeasurement provide useful information to investors and help them interpret the effect of those changes more effectively (Fiechter et al. , 2022: 307).

Accordingly , reducing the risks of financial misrepresentation is not achieved merely by using fair value; it depends on sound measurement and clear disclosure at the same time. A more realistic value reduces the possibility of overstating the asset , while disclosure enables users to understand the extent of estimation and uncertainty underlying that value. Thus , the integration of measurement and disclosure becomes a means of reducing the presentation of toxic assets in a manner inconsistent with their economic reality.

3- Applied Aspect

1-3 Overview of the Research Sample

The research sample consisted of Al-Mansour Company for Pharmaceutical Industries , Medical Supplies , Cosmetics , and Sterile Water , one of Iraq's national companies operating in the pharmaceutical industrial sector. It was established under Certificate of Incorporation No. (3346) dated 19/4/1989. Its headquarters and factory are located in Abu Ghraib-Baghdad. The company produces pharmaceuticals , medical supplies , cosmetics , and sterile water , while also seeking to support the local pharmaceutical industry and reduce dependence on imported products.

In recent years , the company's operations underwent a rehabilitation phase following a temporary shutdown in 2021. The rehabilitation covered production departments , laboratories , and warehouses in accordance with good manufacturing practice requirements. The chemical , biological , and research and development laboratories were then reopened in 2022 after obtaining approval from the Ministry of Health. The company's financial statements for 2022-2024 provide suitable data for analyzing a number of items related to the research topic , particularly fixed assets , receivables , cash , and sources of financing , enabling examination of the effect of measurement and accounting disclosure in presenting the true values and risks associated with them.

2-3 Presentation of the Financial Data of Al-Mansour Company for Pharmaceutical Industries

For the purposes of the applied aspect , the research does not need to present all items in the company's financial statements. It is limited to the items that help identify high-risk assets and explain the effect of their measurement and disclosure. Al-Mansour Company's data for 2022-2024 show clear changes in receivables , cash , and fixed assets. These items can be used to assess the level of risk and the extent of the need to disclose measurement and collection bases.

Amounts in Iraqi dinars

Item	2022	2023	2024
Fixed assets at carrying amount	11 , 697 , 998 , 741	14 , 433 , 386 , 002	17 , 473 , 249 , 422
Receivables	327 , 725 , 912	1 , 841 , 432 , 316	2 , 404 , 086 , 938
Cash	3 , 370 , 799 , 084	382 , 319 , 902	4 , 644 , 624
Payables	1 , 266 , 784 , 507	3 , 067 , 709 , 090	6 , 040 , 075 , 199
Total assets	17 , 126 , 550 , 518	19 , 652 , 673 , 562	23 , 297 , 032 , 242

Table 2. Table (2): Financial Data Related to the Research Topic at Al-Mansour Company for the Period 2022-2024

Source: Prepared by the researcher based on the financial statements and records of Al-Mansour Company for Pharmaceutical Industries , Medical Supplies , Cosmetics , and Sterile Water for the period 2022-2024.

The data in Table (2) indicate that the receivables balance increased from (327.726) million dinars in 2022 to approximately (2.404) billion dinars in 2024 , meaning that it became more than seven times its value at the beginning of the period. This increase does not mean that the balance itself constitutes a toxic asset , but it makes the item worthy of greater examination in terms of debt aging , collection rates , default probabilities , and the adequacy of related losses or provisions. The company file itself confirms that this growth requires disclosure of debt aging and collection rates in order to understand the risks associated with receivables.

At the same time , cash declined from approximately (3.371) billion dinars in 2022 to only (4.645) million dinars in 2024 , while payables rose to more than (6) billion dinars. This change alone is not sufficient to conclude that financial misrepresentation exists , but it strengthens the need to consider the quality of current assets and their ability to be converted into cash rather than relying only on the amount of assets reported in the balance sheet.

3-3 Identification of Items Potentially Exposed to Toxic Asset Risks

An increase in the value of any financial item does not mean that the item represents a toxic asset. Therefore , the identification process here depends on indicators of elevated collection risk , impairment , weak liquidity , or greater reliance on accounting estimation. Referring to Al-Mansour Company's data for 2022-2024 , some items show varying degrees of association with these risks , led by receivables , while the remaining items are used as supporting indicators in the analysis.

Table (3): Identification of Items Potentially Exposed to Toxic Asset Risks at Al-Mansour Company

Item	Risk indicator	Nature of risk	Degree of exposure	Decision in the analysis
Receivables	Increase in the balance from 327.7 billion dinars in 2022 to 2.404 billion dinars in 2024	Collection, default, and impairment risks	High	Adopted as a main item
Cash	Decline from 3.371 billion dinars to 4.645 million dinars	Liquidity risk	High as a supporting indicator	Used to support the analysis
Fixed assets	Continued presentation at carrying amount with clear growth in value	Possibility of a gap between carrying amount and economic value	Medium	Used when discussing measurement
Payables	Increase from 1.267 billion dinars to 6.040 billion dinars	Liquidity pressures and short-term obligations	High as a supporting indicator	Not considered a toxic asset, but a risk indicator
Inventory	Increase from 535.4 million dinars to 3.415 billion dinars	Slow-moving or impairment risks	Medium	Not adopted as a main item

Table 3.

Source: Prepared by the researcher based on the financial statements and records of Al-Mansour Company for Pharmaceutical Industries, Medical Supplies, Cosmetics, and Sterile Water for the period 2022-2024.

The assessment shows that receivables are the most appropriate item for analysis, not because they are definitively a toxic asset, but because their clear increase during the research period makes them more exposed to the risks of non-collection or delayed payment. The balance rose from (327, 725, 912) dinars in 2022 to (2, 404, 086, 938) dinars in 2024, which calls for examining debt aging, collection rates, and related provisions before judging the amount that is recoverable. The company's own data indicated that this increase requires additional disclosure about debt aging and collection rates.

The sharp decline in cash, together with the increase in payables, provides a supporting indicator of liquidity pressure, but it is not sufficient on its own to classify any asset as toxic. Accordingly, the subsequent analysis will focus on receivables as the financial asset most closely associated with collection risk, while cash and payables will be used to support the reading of the company's financial position.

3-4 Fair Value Measurement of High-Risk Assets under the Proposed Model

The previous identification showed that receivables are the item most closely related to the research topic. Their balance increased from (327, 725, 912) dinars in 2022 to (2, 404, 086, 938) dinars in 2024, at a time when cash declined markedly. The company's data also indicate the need to know the aging of debts and collection rates in order to make a more accurate judgment about the risks associated with this balance.

The research adopts an analytical model that tests the amount by which the balance value changes when a discount reflecting collection risk is assumed, at three levels: (5%, 10%, 20%). These percentages do not represent the company's actual default rates; they are used to test the sensitivity of value to changes in the level of risk.

The model takes the following form:

$$\text{Risk-adjusted value} = \text{Carrying amount of receivables} \times (1 - \text{Discount rate})$$

The logic of this approach is consistent with the direction of IFRS 13, under which valuation techniques, when a direct price is unavailable, should consider the assumptions that market participants would use when pricing the asset and the risks associated with it, while maximizing the use of observable inputs and minimizing reliance on unobservable inputs.

(IFRS Foundation, 2024: IFRS 13, paras. 61-67)

Table (4): Estimated Sensitivity of Receivables Value to Different Levels of Collection Risk Amounts in Iraqi dinars

Year	Carrying amount of receivables	Estimated value at a 5% discount	Estimated value at a 10% discount	Estimated value at a 20% discount
2022	327, 725, 912	311, 339, 616	294, 953, 321	262, 180, 730
2023	1, 841, 432, 316	1, 749, 360, 700	1, 657, 289, 084	1, 473, 145, 853
2024	2, 404, 086, 938	2, 283, 882, 591	2, 163, 678, 244	1, 923, 269, 550

Table 4.

Source: Prepared by the researcher based on the receivables balance extracted from Al-Mansour Company's financial statements for 2022-2024, applying the assumptions of the proposed model.

The results show that the effect of risk becomes greater as the receivables balance increases. Under the medium scenario (10%), the estimated balance decreases by (32, 772, 591) dinars in 2022, with the difference rising to (184, 143, 232) dinars in 2023 and then to (240, 408, 694) dinars in 2024. These differences do not mean that actual misrepresentation exists in the company's statements; rather, they demonstrate the degree of sensitivity the balance may carry if its

recoverability is not equal to the reported carrying amount.

This is where the importance of disclosure becomes evident. A user who sees only the receivables balance cannot determine how much of it is current, overdue, or distressed. Accordingly, linking measurement with information about debt aging, collection rates, collateral, and estimation bases becomes necessary so that the carrying amount is not necessarily taken as representing the full recoverable economic value.

3-5 Analysis of the Level of Accounting Disclosure of High-Risk Assets

After identifying receivables as the item most closely associated with collection risk, it becomes necessary to determine the extent of information provided by the financial reports for understanding the quality of this balance, rather than relying only on the amount shown in the balance sheet. Disclosure of the figure alone does not explain the amount of overdue debts, the probabilities of default, or the bases used to estimate the recoverable amount. The company's data present the receivables balance separately for three years, but the data available for the research do not include details about debt aging, collection rates, or the collateral associated with them.

IFRS 7 emphasizes that disclosures relating to credit risk should enable users to understand the effect of credit risk on the amount and timing of cash flows and the uncertainty surrounding them, including the methods and assumptions used to estimate credit losses, risk exposures, and concentrations (IFRS Foundation, 2024: A298-A299). IFRS 13 also requires information about valuation techniques and inputs used, particularly when measurement relies on unobservable inputs (IFRS Foundation, 2024: A703-A704).

No.	Disclosure item	Disclosure status	Observation
1	Presentation of the receivables value separately	Available	Receivables balances were presented for each year
2	Presentation of the balance trend over more than one year	Available	Data for 2022-2024 are available
3	Disclosure of the accounting basis used in measurement	Available	Use of historical cost in measurement was indicated
4	Debt aging analysis	Not shown	No delay periods or time distribution of debts are available
5	Collection and default rates	Not shown	No quantitative ratios are available to measure the quality of the balance
6	Expected credit losses or impairment provision	Not shown	No detail was shown that would allow it to be linked to receivables
7	Collateral related to debts	Not shown	No data are available on the type or value of collateral
8	Credit risk concentration	Not shown	No distribution by customers or major counterparties is available
9	Valuation method for high-risk balances	Not shown	No separate valuation technique is explained
10	Assumptions and inputs used in valuation	Not shown	No default rates or expected loss rates are shown
11	Fair value level under IFRS 13	Not shown	No Level 1-3 classification is provided
12	Sensitivity analysis of value to changes in assumptions	Not shown	No quantitative sensitivity disclosures are available

Table 5. Table (5): Examination of Disclosures Related to High-Risk Assets in the Company's Available Data

Source: Prepared by the researcher based on the data and reports available for Al-Mansour Company and the requirements of IFRS 7 and IFRS 13.

The table shows that the available information makes it possible to know the size of receivables and the direction of their change, but it does not allow a complete judgment to be formed about the quality of the balance. This is an important point in the research, because the increase in receivables from approximately (327.7) million dinars to (2.404) billion dinars becomes more meaningful if the user knows how much of the balance is overdue or distressed, which aggregate figures alone do not provide.

Disclosure area	Number of items examined	Available items	Items not shown	Disclosure rate
Basic information about the asset	3	3	0	100%
Collection and credit risks	4	0	4	0%
Fair value measurement	3	0	3	0%
Uncertainty and	2	0	2	0%

estimation sensitivity

Total 12 3 9 25%

Table 6. Table (6): Disclosure Level Index for High-Risk Assets

Source: Prepared by the researcher based on the results of the disclosure examination in the preceding Table (5).

The disclosure level index for high-risk assets indicates that the available disclosure is concentrated mainly in basic information related to the existence and value of the asset, with the disclosure rate in this area reaching (100%). In contrast, the available data did not show sufficient quantitative disclosures about collection and credit risks, the bases of fair value measurement, or the degree of uncertainty associated with estimates. As a result, the overall disclosure index reached (25%), reflecting a clear gap between presenting the accounting value of the asset and providing information that helps the user assess the quality of that value and the extent of its exposure to impairment or non-collection risk.

The importance of this result lies in the fact that limited disclosure about the nature of risks and the assumptions used in measurement may cause the carrying amount of the asset to be read separately from the circumstances surrounding its recoverability or impairment. To show the effect of these aspects more clearly, the following table presents the main potential disclosure gaps and the possible implications they may have for interpreting the financial statements and the risks of financial misrepresentation.

Table (7): Potential Disclosure Gaps and Their Effect on the Risks of Financial Misrepresentation

Disclosure gap	What the user cannot know	Potential effect on interpretation of the financial statements
Failure to disclose debt aging	Amount of old or overdue debts	Possibility of treating all receivables as equally recoverable
Failure to show default and collection rates	Possibility that part of the balance may not be recovered	Overestimation of the economic value of receivables
Failure to disclose collateral	Amount of protection available in the event of default	Difficulty in estimating the actual potential loss
Failure to disclose the valuation method	How the value was determined	Reduced ability to verify the reasonableness of measurement
Failure to disclose assumptions	Extent to which the value depends on management estimates	Difficulty in assessing the degree of uncertainty
Failure to perform sensitivity analysis	Amount by which value changes when assumptions change	Failure to recognize the extent of the potential decline in the asset
Failure to disclose credit concentration	Extent of dependence on a limited number of customers	Concealment of the actual degree of risk concentration

Table 7.

Source: Prepared by the researcher in light of the requirements of IFRS 7 and IFRS 13.

The table of potential disclosure gaps and their effect on the risks of financial misrepresentation shows that the problem is not the absence of the accounting figure itself, but the lack of information that helps explain it. Failure to disclose debt aging and default and collection rates makes it difficult to distinguish between the current portion of receivables and the portion exposed to non-recovery risk. Likewise, the absence of disclosure about collateral, valuation methods, and assumptions used reduces the ability of financial statement users to estimate the item's actual economic value. The problem becomes greater when no sensitivity analysis or risk concentration analysis is available, because this may lead the carrying balance to be read as fully recoverable even though part of it may be affected by varying degrees of risk.

Accordingly, a disclosure gap does not necessarily mean that intentional misrepresentation exists, but it may increase the likelihood of forming an incomplete perception of the asset's true condition and risks. It is therefore appropriate to move to identifying the information that should be included more clearly in disclosure so that the value reported in the financial statements can be linked to the degree of risk surrounding it. The following table presents a proposed accounting disclosure model for high-risk receivables that can be used to reduce this gap and improve users' understanding of the nature of the balance.

Table (7): Proposed Accounting Disclosure Model for High-Risk Receivables

Item	Proposed information to be disclosed
Total receivables	Balance at year-end
Current debts	Value and percentage of total receivables
Overdue debts	Value and duration of delay
High-risk debts	Value and percentage of the balance
Distressed debts	Value and probability of collection
Expected losses	Amount and method of calculation
Collateral	Type and realizable value
Measurement method	Basis or model used
Key assumptions	Default, loss, and collection rates
Sensitivity analysis	Effect of changes in assumptions on the asset value

Table 8.

Source: Prepared by the researcher based on IFRS 7 and IFRS 13.

This proposed table represents the link between measurement and disclosure. It does not alter the accounting value arbitrarily; rather, it places the figure in context and explains the degree of risk surrounding it. This enables the user to distinguish between a balance with a high degree of recoverability and a balance carrying greater probabilities of loss, thereby reducing the likelihood of interpreting the carrying amount as a fully certain value.

3-6 Effect of Measurement and Disclosure in Reducing the Risks of Financial Misrepresentation

The effect of measurement and disclosure becomes clearer when the carrying amount of an item is compared with the amount it may become after taking a level of non-collection risk into account. For analytical purposes, the research uses the medium scenario from the previous model, amounting to 10% of the receivables balance, without treating it as the company's actual default rate. This assumption is intended to measure the sensitivity of the financial statements if part of the reported balance is not recoverable at its full carrying amount. The receivables balance was (327, 725, 912) dinars in 2022, then increased to (1, 841, 432, 316) dinars in 2023 and (2, 404, 086, 938) dinars in 2024.

Table (8): Effect of Risk-Adjusted Measurement on the Value of Receivables

Amounts in Iraqi dinars

Year	Carrying amount receivables	of Assumed measurement difference of 10%	Value after adjustment	Amount of decrease
2022	327, 725, 912	32, 772, 591	294, 953, 321	10%
2023	1, 841, 432, 316	184, 143, 232	1, 657, 289, 084	10%
2024	2, 404, 086, 938	240, 408, 694	2, 163, 678, 244	10%

Table 9.

Source: Prepared by the researcher based on Al-Mansour Company's receivables data and the assumptions of the proposed analytical model.

The table reveals that the monetary effect of risk does not remain constant even when the assumed percentage remains unchanged. The measurement difference increased from approximately 32.8 million dinars in 2022 to more than 240.4 million dinars in 2024 because of the growth in the receivables balance. This means that the importance of disclosing the quality of the balance increases as its value grows, because ignoring potential risks in a large balance produces a greater financial effect than the effect arising from a smaller balance.

The effect of the adjustment is not limited to receivables, as it would also be reflected in total assets if impairment of the asset were recognized. The following table shows the size of this effect:

Table (9): Effect of the Measurement Difference on the Company's Total Assets

Amounts in Iraqi dinars

Year	Total assets before adjustment	Measurement difference	Total assets after adjustment	Difference percentage of assets	as a total
2022	17, 126, 550, 518	32, 772, 591	17, 093, 777, 927	0.19%	
2023	19, 652, 673, 562	184, 143, 232	19, 468, 530, 330	0.94%	
2024	23, 297, 032, 242	240, 408, 694	23, 056, 623, 548	1.03%	

Table 10.

Source: Prepared by the researcher based on the company's balance sheet data and the assumptions of the proposed model.

It can be observed that the difference was not large relative to total assets in 2022, amounting to approximately (0.19%), but it increased to more than (1%) in 2024. These percentages do not constitute evidence of misrepresentation in the published statements; rather, they show the size of the difference that may remain unseen by users if collection risks exist and their effect is not reflected in measurement or disclosure.

The effect becomes clearer if the model assumes, for analytical purposes, that the impairment difference is charged to the result of operations in the same period.

Table (10): Potential Effect of the Measurement Difference on Pre-Tax Surplus or Deficit

Amounts in Iraqi dinars

Year	Surplus (deficit) before adjustment	Assumed measurement difference	Surplus (deficit) after adjustment	Effect of adjustment
2022	(799, 720, 872)	32, 772, 591	(832, 493, 463)	Increase in the deficit by approximately 4.1%
2023	46, 106, 188	184, 143, 232	(138, 037, 044)	Surplus turns into a deficit
2024	770, 982, 692	240, 408, 694	530, 573, 998	Decrease in the surplus by approximately 31.2%

Table 11. Prepared by the researcher based on the company's profit and loss account data and the assumptions of the proposed model. The company's account shows the pre-tax surplus or deficit for the years under analysis.

The significance of this table goes beyond a mere reduction in assets. In 2023 , for example , the pre-tax surplus was (46.106) million dinars , while the assumed measurement difference amounted to (184.143) million dinars , which—under the model assumption—turns the result into a deficit of (138.037) million dinars. In 2024 , the surplus falls from approximately (771) million dinars to approximately (530.6) million dinars. This demonstrates that ignoring the effect of risk , when such risk actually exists , affects not only the value of the asset but may also change the user's interpretation of the operating result itself.

Table (11): Sensitivity Analysis of Measurement at Different Risk Levels for 2024

Amounts in Iraqi dinars

Assumed risk rate	Measurement difference	Receivables adjustment	afterTotal assets adjustment	afterPre-tax surplus adjustment
5%	120 , 204 , 347	2 , 283 , 882 , 591	23 , 176 , 827 , 895	650 , 778 , 345
10%	240 , 408 , 694	2 , 163 , 678 , 244	23 , 056 , 623 , 548	530 , 573 , 998
20%	480 , 817 , 388	1 , 923 , 269 , 550	22 , 816 , 214 , 854	290 , 165 , 304

Table 12.

Source: Prepared by the researcher based on 2024 data and the assumptions of the proposed sensitivity model.

The sensitivity analysis shows that an increase in collection risk is quickly reflected in the reported figures. Under the highest scenario (20%) , the measurement difference reaches approximately 480.8 million dinars , and the pre-tax surplus according to the model assumption falls to approximately 290.2 million dinars. Users therefore need to know the quality of receivables and the assumptions surrounding their collection in order to understand the figure presented in the financial statement rather than treating it as a certain value.

From the disclosure perspective , the previous analysis showed that the available data satisfied only (3) of the (12) items adopted in the research index. The effect of the proposed disclosure model can be shown as follows:

Table (12): Effect of Applying the Proposed Disclosure Model in Reducing the Information Gap

Disclosure area	Available situation	Proposed model	Amount of improvement
Basic information about the asset	3 out of 3	3 out of 3	—
Collection and credit risks	0 out of 4	4 out of 4	+4
Measurement and valuation information	0 out of 3	3 out of 3	+3
Uncertainty and sensitivity analysis	0 out of 2	2 out of 2	+2
Total items	3 out of 12	12 out of 12	+9 items
Disclosure index	25%	100%	+75 percentage points

Table 13.

Source: Prepared by the researcher based on the results of the disclosure analysis and the proposed model in the research.

A rate of (100%) does not mean that the company will become free of misrepresentation risk. Rather , it means that all items in the index designed by the research have become available to the user. Here the combined effect of measurement and disclosure becomes apparent: measurement reveals the extent of the potential change in value , while disclosure explains the reason for that change and the assumptions and risks behind it.

Accordingly , the applied results show that reliance on the carrying amount alone may conceal a financial effect ranging , in the 2024 model , between 120.2 and 480.8 million dinars depending on the assumed level of risk , while expanded disclosure reduces the information gap in the research index from (75%) to zero.

3-7 Testing the Research Hypothesis and Discussing the Results

Testing the research hypothesis was based on comparing the values reported in the financial statements with the values resulting from the proposed model after taking collection risk into account , together with the results of the disclosure index constructed in the preceding section. The test here is not based on statistical regression because the research adopts an analytical accounting model; rather , it is based on the amount of change that occurs in the figures and information available to the user when measurement and disclosure are applied more broadly.

The study was based on the following main hypothesis:

(Fair value measurement and accounting disclosure of toxic assets , individually and jointly , contribute to reducing the risks of financial misrepresentation.)

The results of testing it can be summarized in the following table:

Table (13): Results of Testing the Research Hypothesis under the Proposed Analytical Model

Test area	Situation before applying the model	Result of applying the model	Significance
Measurement of receivables 2024	-2, 404, 086, 938	2, 163, 678, 244 assuming 10% risk	Revealed a potential difference of 240, 408, 694
Total assets - 2024	23, 297, 032, 242	23, 056, 623, 548	Decrease of 240, 408, 694
Pre-tax surplus - 2024	770, 982, 692	530, 573, 998	Decrease of approximately 31.2% under the model assumption
Measurement sensitivity 2024	-The effect of risk is not shown separately	Difference ranging between 120, 204, 347 and 480, 817, 388 at risk levels of 5%-20% assumptions	Shows the extent to which value is affected by changes in assumptions
Disclosure index	25% of the index items	100% in the proposed disclosure model	Addresses 9 items that were not shown
Information gap	75% of the index items	0% under the proposed model	Increase in the information available to interpret value and risks

Table 14.

The results reveal that the effect of measurement does not stop at reducing the value of a particular asset; it extends to the picture formed by the user about the financial position and operating result. In 2024, for example, assuming a (10%) reduction in the recoverability of receivables produces a difference exceeding (240) million dinars, an amount that reduces the pre-tax surplus—within the limits of the model assumption—by more than (31%). The importance of the result increases when the risk percentage changes, as the potential difference ranges from approximately (120.2) million dinars in the lower scenario to (480.8) million dinars in the higher scenario. This confirms that failure to show the degree of uncertainty surrounding an asset may cause the carrying amount to give an impression of greater stability than the actual risks allow.

From the disclosure perspective, the index showed that basic information about the asset is available, but the information explaining the degree of risk, quality of collection, and assumptions used in valuation was less clear in the material available for the research. Adding debt aging, default and collection rates, collateral, valuation methods, and sensitivity analysis therefore does not merely change the figure; it helps the user understand how reliable that figure is, which is difficult to achieve through measurement alone.

The comparison also indicates that the role of measurement and disclosure is stronger when they are combined. Measurement reveals the amount of potential decline in value, while disclosure explains the reasons for that decline and the extent to which it is affected by the assumptions used. In this way, the likelihood of treating the carrying amount as if it certainly represents all realizable economic benefits is reduced.

Based on the preceding results, which support the main research hypothesis through the findings of the analytical model, taking risk into account in measurement, together with more detailed disclosure, reduces the scope within which an incomplete financial picture of asset values and operating results may arise.

4- Conclusions and Recommendations

4-1 Conclusions

1. The analysis results showed that receivables are the item most closely associated with collection risk among the financial items examined. The balance increased from (327, 725, 912) dinars in 2022 to (2, 404, 086, 938) dinars in 2024, increasing the importance of verifying the quality of this balance and its recoverability.
2. The proposed model showed that considering collection risk can lead to noticeable differences between the carrying amount and the risk-adjusted value. Under the (10%) scenario for 2024, the measurement difference amounted to approximately (240.4) million dinars, indicating that ignoring potential risks may affect the picture of assets reflected in the financial statements.
3. The effect of measurement was not limited to the value of receivables but extended to the operating result. The model showed that the pre-tax surplus for 2024 could decline from approximately (771) million dinars to approximately (530.6) million dinars under the medium scenario, illustrating the sensitivity of financial results to the sound valuation of high-risk assets. The company's actual data show an improvement in pre-tax surplus during 2024 compared with previous years.
4. The disclosure analysis revealed that the available data focus on presenting aggregate item values, while information on debt aging, collection and default rates, collateral, valuation methods, and sensitivity analysis was less visible, limiting the user's ability to interpret the risks underlying the accounting figure.
5. The sensitivity analysis showed that changes in risk assumptions lead to substantial changes in asset value and results. The measurement difference for receivables in 2024 ranged from approximately (120.2) million dinars at a (5%) rate to approximately (480.8) million dinars at a (20%) rate, confirming that disclosure of the assumptions used is no less important than presentation of the value itself.
6. The results of the applied aspect supported the research hypothesis, showing that risk-sensitive measurement, accompanied by more detailed disclosure, contributes to reducing the likelihood of forming an incomplete financial picture or one that is more favorable than economic reality, while emphasizing that the model results do not

constitute proof of actual misrepresentation in the company's statements.

4-2 Recommendations

1. The company should analyze receivables balances periodically according to debt aging and the degree of collection risk , rather than merely presenting the aggregate balance in the financial statements.
2. Disclosure of high-risk items should be enhanced by presenting current , overdue , and distressed debts , collection rates , and available collateral , thereby helping financial statement users estimate the recoverable amount more realistically.
3. Valuation models that take into account the level of risk surrounding assets should be adopted when the carrying amount is insufficient to express their economic position , with the inputs and assumptions on which the estimate is based clearly explained.
4. Sensitivity analysis should be performed for assets whose values depend heavily on estimates , and the amount by which the value is affected by changes in default or collection rates should be disclosed , particularly when potential differences have a noticeable effect on assets and profits.
5. Accounting disclosure should be linked to the measurement process rather than treating the two as separate procedures. The greater the uncertainty in measurement , the greater the need to explain the bases underlying the reported figure.
6. An internal model for monitoring high-risk assets should be developed in line with the requirements of IFRS 7 , IFRS 9 , and IFRS 13 , thereby supporting early recognition of risks , improving the transparency of financial presentation , and reducing the possibility of overstating assets or results.
7. Financial managements and auditors should give greater attention to items showing unusual changes , particularly when receivables rise and liquidity declines , because reading these indicators in an integrated manner provides a better basis for identifying areas of risk than analyzing each item separately. The company's data showed an increase in receivables together with a substantial decline in cash during the research period.

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