

# The Effect of Tax System on Shareholder Decisions when Choosing a Accounting Principles

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**Abstract:** This paper aims to identify the factors that affect the decisions of the tax system to choose the accounting principles in Iraqi companies. The focus is on managing perceptions of the impact of the tax system on cost and the views of stakeholders in accounting principles. In a Real data, we pick Final budgets end of the year data of the 2 most important companies in Iraq, and the statement of their views on the impact of the figures reported by stakeholders in the companies and how to track companies specific targets linked to profit. According to the participants in the real data accounting figures and the impact of corporate perceptions of stakeholders and selection of accounting principles, tracking corporate goals for profit is not consistent with the objective of minimizing the tax system for companies.

Despite taking some measures to reduce response bias, one cannot rule out the possibility of introducing some bias in the responses. It will provide more empirical investigations based on annual reports for more information on evidence of factors that affect the reporting policies of the companies. This study helps researchers to determine the tax systems that determine the accounting principles for companies operating in countries with similar environment to those in Iraq. In addition, the results of this study can facilitate professionals who are doing an international financial analysis. The results of this study can contribute to explain the contributions of Iraqi company's decisions. Given that the Iraqi tax system is similar to that prevailing in many neighboring Gulf countries, the Gulf States; this study can provide an insight into the factors affecting the financial reporting of companies operating in these countries.

**Keywords:** Tax system, shareholder decisions, accounting principles, Iraq.

## 1. INTRODUCTION

The effect of tax system on shareholder decisions when choosing a accounting principles is one of the newly emerging variables in the literature. Many studies have been conducted to identify the factors that influence this tow variable. The findings literature was categorized into four categories. The findings of the study indicated that there are many constructs that have been used intensively in the literature of the effect of tax system on shareholder decisions when choosing a accounting principles. The accounting principles included direct costs (costs associated directly with building the capital infrastructure associated with the AGS) and indirect costs (contingencies, professional services, environmental mitigation, and utility relocations). Indirect costs are expressed as a percentage of the direct costs. (AZTEC, 2011). One of the most important approaches in analyzing the impact of the tax system on the decisions of shareholders when choosing the accounting principles. Is the distinction between two country groups? First, countries where corporate financial statements have been reported in accordance with accounting rules and principles without tax system intervention; and secondly, those countries where the financial statements are heavily affected by tax rules. This dual

approach led to a discussion on whether accounting rules and taxation rules should be independent or independent (Gallego, 2004). The decisions of shareholders in the company are made based on the tax consequences of the alternative system. The choice of your company's reporting system have tax consequences when: changes change in the rules used to calculate the numbers cost distribution of cash flows of the company or the wealth of Parties that use those numbers to contract or decision-making assessment. In addition to its use in the contract between the various parties in the company agreements, the accounting figures reported affect the cash flows of the company (Tzovas, 2006).

## 2. LITERATURE REVIEW

This section presents a summary of ten articles that have investigated The effect of tax system on shareholder decisions when choosing a accounting principles.

### Tax System

It has been dealing with payroll and income tax systems in Iraq since its inception

Income from wages and salaries and shareholder decisions differently. This distinction

It was necessary because of the absence of a third party? Company. In tax collection The process of self-

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employed. While wage earners have incomes And payroll taxes that employers blocked by, the self-employed must bear it Responsibility individually (Bruce, 2000).

**Shareholder Decisions**

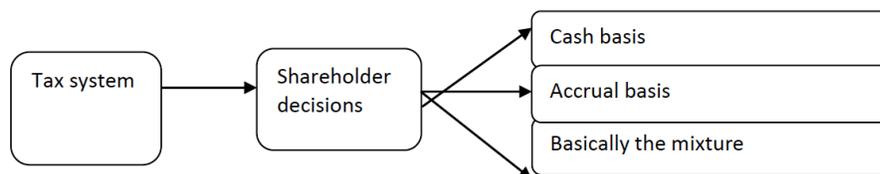
We find a significant increase in the variance in the extraordinary return of total shareholders over the date of the announcement, which indicates that HR decisions provide information to the stock market. The events associated with increasing variance in total valuable shareholders are permanent staff reductions and closure / conversion (John M. Abowd, 1989).

**Accounting Principles**

One important feature that is unique to this text is the use of the “Dual-Track” accounting approach. This approach is a carryover from earlier editions. It helps students understand how financial data are recorded in the fund and government-wide journals as transactions occur (Khondkar E. Karim, 2010).

**3. RESEARCH METHODOLOGY**

The researcher used the descriptive analytical approach based on statistical methods known to reach logical results support theoretical assumptions contained in this study (AL-Hashimy, 2017).



**Theoretical Framework**

**Table 1: Study Data: Information Extracted from the Company's Books x Contracting for the Year Ended in 12/31/2016**

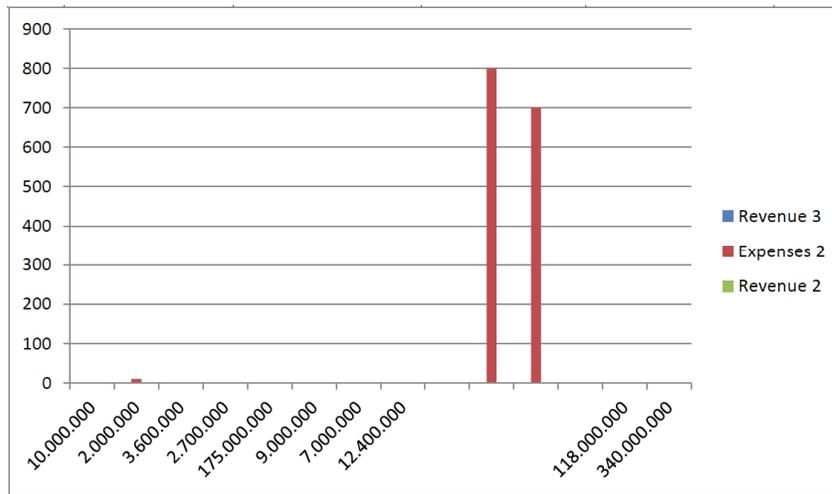
62.000.000	Cars
70.000.000	Scenery
80.000.000	Current Bank
29.000.000	Customized services under implementation
340.000.000	Fees
10.000.000	Stationery
2.000.000	Car expenses
3.000.000	Expense fund
46.000.000	Total Customer (s)
90.000.000	furniture
55.000.000	Bank customers
29.000.000	Services under implementation
3.600.000	Water and electricity
2.700.000	Telephone expenses
175.000.000	Salaries and wages
60.000.000	Payments on behalf of customers
55.000.000	Total Customers (Safe)
264.300.000	Equity capital
800.000	Secretary's salary for the month of December 2016 was not paid
700.000	The value of water and electricity was not paid
10.000.000	Services under implementation at 31/12/2016
20.000.000	Services due and ending on 31/12/2016 were not billed.
10%	Furniture consumption and decoration rate
20%	Consumption of the car at a rate of

**Table 2: Study Data: Information Extracted from the Books of Y Contracting Company for the Year Ended 31/12/2016**

34.000.000	Land
67.000.000	Right of invention
88.000.000	Current Bank
65000.000	Customized services under implementation
440.000.000	Fees
20.000.000	Stationery
2.000.000	Car expenses
3.000.000	Expense fund
45.000.000	Total clients (fees)
90.000.000	Machines
34.000.000	Cars
45.000.000	Bank customers
65.000.000	Services under implementation
3.600.000	Water and electricity
2.700.000	Telephone expenses
175.000.000	Salaries and wages
60.000.000	Payments on behalf of customers
45.000.000	Total Customers (Safe)
185.300.000	Equity capital
1.100.000	The Personnel Manager's salary for the month of December 2016 was not paid
900.000	The rent value was not paid
11.000.000	Services under implementation at 31/12/2016
22.000.000	Services due and ending on 31/12/2016 were not billed.
10%	Consumption of machinery at a rate
20%	Consumption of the car at a rate of

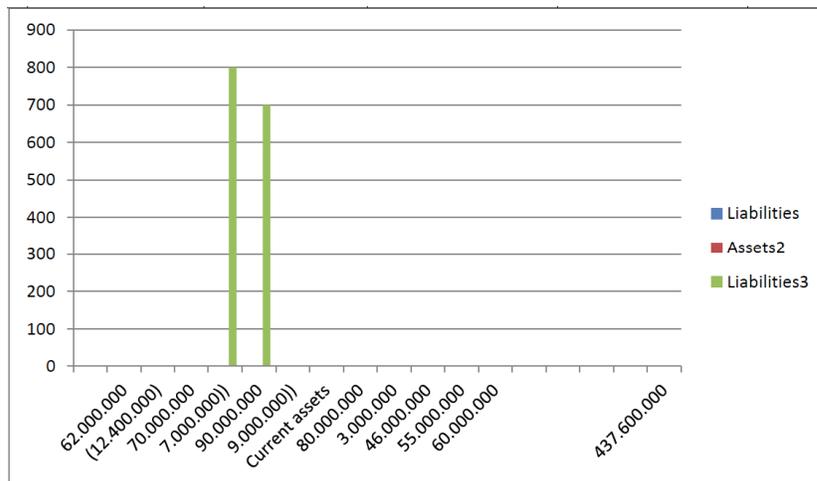
**outcomes****1. Results of X**

The account of the revenues and expenses of X for the year ended for the year ended on 1/12/2016					
Basically the mixture		Accrual basis		Cash basis	
Revenue 1	Expenses 1	Revenue 2	Expenses 2	Revenue 3	Expenses 3
340.000.000	10.000.000	340.000.000	29.000.000	340.000.000	10.000.000
	2.000.000	20.000.000	10.000.000		2.000.000
	3.600.000	10.000.000	2.000.000		3.600.000
	2.700.000	19.000.000	3.600.000		2.700.000
	175.000.000		2.700.000		175.000.000
	9.000.000		175.000.000		9.000.000
	7.000.000		9.000.000		7.000.000
	12.400.000		7.000.000		12.400.000
	800.000		12.400.000		
	700.000		800.000		
			700.000		
	116.800.000		136.800.000		118.000.000
340.000.000	340.000.000	389.000.000	389.000.000	340.000.000	340.000.000



(Jones, 2004)

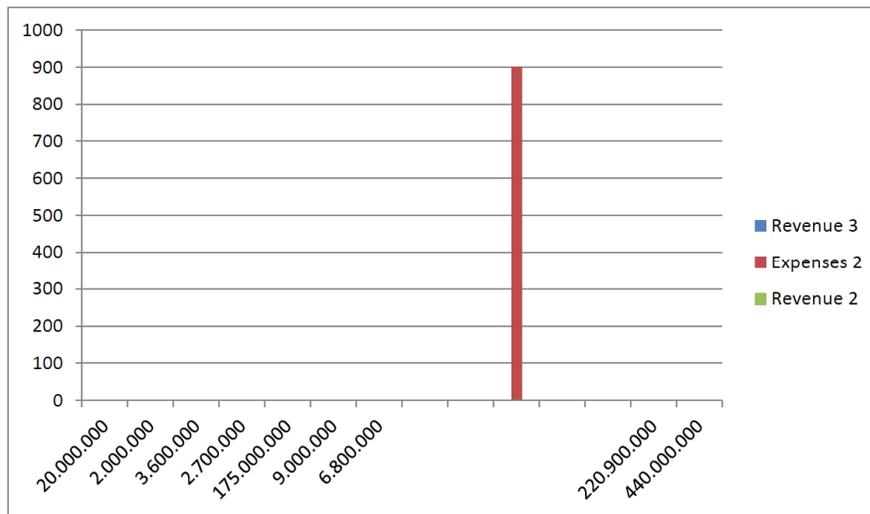
Financial position of the company X for the year ended 12/31/2016					
Basically the mixture		Accrual basis		Cash basis	
Liabilities 1	Assets 1	Liabilities 2	Assets 2	Liabilities 3	Assets 3
264.300.000	62.000.000	264.300.000	62.000.000	264.300.000	62.000.000
116.800.000	(12.400.000)	136.800.000	(12.400.000)	118.300.000	(12.400.000)
55.000.000	70.000.000	55.000.000	70.000.000	55.000.000	70.000.000
800.000	7.000.000))	800.000	7.000.000))		7.000.000))
700.000	90.000.000	700.000	90.000.000		90.000.000
	9.000.000))		9.000.000))		9.000.000))
	Current assets		Current assets		Current assets
	80.000.000		80.000.000		80.000.000
	3.000.000		3.000.000		3.000.000
	46.000.000		46.000.000		46.000.000
	55.000.000		55.000.000		55.000.000
	60.000.000		60.000.000		60.000.000
			20.000.000		
437.600.000	437.600.000	457.600.000	457.600.000	437.600.000	437.600.000



(SEMINOLE, 2015)

2. Results for Company Y

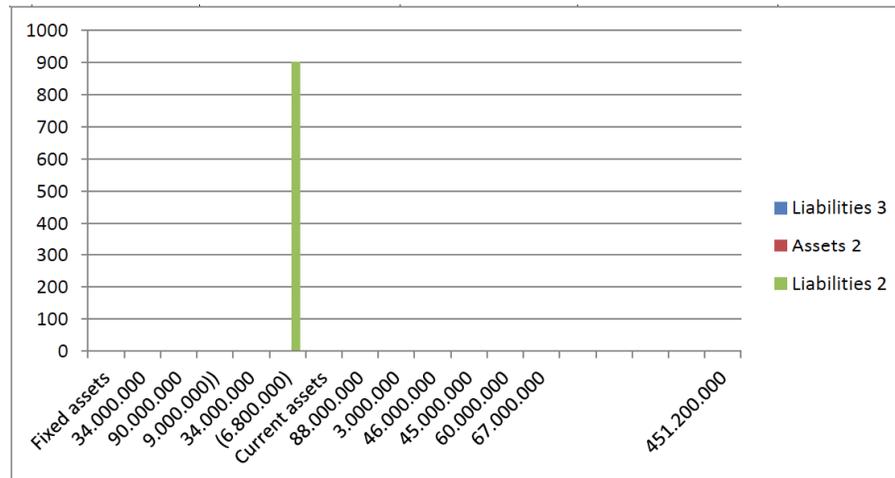
Income and expenses of the company Y account for the year ended for the year ended 01/12/2016					
Basically the mixture		Accrual basis		Cash basis	
Revenue 1	Expenses 1	Revenue 2	Expenses 2	Revenue 3	Expenses 3
440.000.000	20.000.000	440.000.000	65.000.000	440.000.000	20.000.000
	2.000.000	22.000.000	20.000.000		2.000.000
	3.600.000	11.000.000	2.000.000		3.600.000
	2.700.000	54.000.000	3.600.000		2.700.000
	175.000.000		2.700.000		175.000.000
	9.000.000		175.000.000		9.000.000
	6.800.000		9.000.000		6.800.000
	1.100.000		6.800.000		
	900.000		1.100.000		
			900.000		
	218.900.000		240.900.000		220.900.000
440.000.000	440.000.000	527.000.000	527.000.000	440.000.000	440.000.000



(IMINVEST, 2016)

Financial position of the company Y for the year ended 31/12/2016					
Basically the mixture		Accrual basis		Cash basis	
Liabilities 1	Assets 1	Liabilities 2	Assets 2	Liabilities 3	Assets 3
	Fixed assets		Fixed assets		Fixed assets
218.900.000	34.000.000	240.900.000	34.000.000	220.900.000	34.000.000
45.000.000	90.000.000	45.000.000	90.000.000	45.000.000	90.000.000
185.000.000	9.000.000))	185.300.000	9.000.000))	185.300.000	9.000.000))
1.100.000	34.000.000	1.100.000	34.000.000		34.000.000
900.000	(6.800.000)	900.000	(6.800.000)		(6.800.000)
	Current assets		Current assets		Current assets
	88.000.000		88.000.000		88.000.000
	3.000.000		3.000.000		3.000.000

	46.000.000		46.000.000		46.000.000
	45.000.000		45.000.000		45.000.000
	60.000.000		60.000.000		60.000.000
	67.000.000		22.000.000		67.000.000
			67.000.000		
451.200.000	451.200.000	473.200.000	473.200.000	451.200.000	451.200.000



(SADORSKY, 1996)

### Analysis of Result

1. According to the cash basis, it is not taken into account income and expenditure in the business and services that have not yet paid account, despite the expiration of the term or maturity.
2. In calculating the income and expenses for each financial year in accordance with the maturity profile, all income and expenses relating to the financial year are taken into consideration whether received, paid or not. We note that all revenues and expenses not received or disposed of are also excluded from all revenues and expenses for the fiscal year that has been allocated or disbursed
3. The basis of the mixture is taken into account in the case of expenses where all the expenses paid or payable are considered unpaid. That is the basis of the mixture is taken as a basis for cash on the basis of income and expenses on an accrual.

### RECOMMENDATIONS

The main objective of the project or profession is to apply the accounting systems in its project or

profession as a result of its activity during a specific period of time, a year in most of the brotherhood, in order to know what has achieved its activity of increase or decrease as well as knowledge of its financial position at the end of each period. Preferably for Iraqi construction companies to prepare final accounts according to the accrual basis Hset is easier for managers to extrapolate the financial reality and make the right decisions.

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