Investigating the Dimension of Applying the Accounting Standard-Borrowing Costs-on International Monetary Fund (IMF) Loans by Purchasing Management

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***Abstract*-The discussion of the international standards in general, and the international accounting standards in particular are admittedly recognized as messing with de facto truths. Purchasing management for trading with the IMF is an essential issue which should be considered in the organization structure. This research has aimed to draw the attention of the Commission of international Accounting standards to a simple part within the international Accounting standard which is (borrowing costs). The fact that this criterion settled for identifying the practical steps in the description of the accounting treatment through the capitalization of borrowing costs and did not mention the accounting treatment for loans costs' that may be endured by the lender when the borrower fails to repay part or all of the loaned amount. As this part were not discussed under any item of the standard items, when there is doubt or failure of the borrower to pay the value of the debt (loan), and for the goal of protecting the lender on one hand and to integrate Accounting Standard - loan costs-on the other, therefore this study concluded the necessity of pointing out to adding a part to that standard or devoting a separate item for that topic (Inability to repay the loaned amount wholly or partially by the borrower). As this research presented how to handle this case from an accounting point of view, and also this research suggesting changing the name of that standard from Borrowing costs to loans costs, giving a wider meaning to the parties to the loan lender and the borrower.**

Keywords*: borrowing costs, International Monetary Fund, Loans, Purchasing Management.*

1. Introduction

The issue of acquiring sources of financing through borrowing is of great importance to the economic development of any country and any economic unit, as loans are Considered a double-edged sword, it contributes to the financing of new projects or the rehabilitation of the sustainability of old projects through the financial resources on one hand and on the other hand it is considered as one of the most important problems that might hinder the reform and economic development of the countries through the consequent borrowing costs. So the concept of borrowing costs was originally linked to loans that created them, if there is no loans consequently there will be no loans costs, when you hear The term borrowing costs the first thing come to mind is the cost of obtaining the loans, meaning that the cost of obtaining loans resulting in what is known as the loans interests (regardless of the amounts, ways of calculation, the dates of maturity and how to pay) And being a burden borne by the economic unit in the same fiscal year to meet the access to this loan ,meaning that they are earned expenses disclosed in the income statement which this is narrow and the old sense of borrowing costs .using the term (borrowing costs) with no (loans interest) has its significance because the abstract meaning of cost is the monetary sacrifice in order to get the benefit including the acquisition of assets, and In this context, the international accounting standard (borrowing costs) were created. To develop the practical steps in the description of the accounting treatment for the borrowing costs However, the loans are actually two parties lender and borrower and both of them bear the cost of a loan, but in Varying degrees , So research suggests the need to nominate accounting standard(loan costs)Being with a wider connotations and meaning than the presentation of both parties accounting practices, To provide a model for international donors for loans the researcher has chosen the International Monetary Fund as the best representative source of funding to lend to states, and also as It is the most important international institution concerned with the affairs of economic policies and regulation of international financial relations and seek to achieve

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macroeconomic stability and help struggling nations or the nations that experiencing economic problems. And the loans giving to Iraq has been viewed as an example of loans granted by the Fund.

Liquidity management in a seamless integrated system assists in monitoring cash flows from ensuring sufficient resources to cover payment obligations. In other words, the daily activities of a company include determining the current cash position by checking the balance of cash accounts, determining the openness of liquidity forecasts, manual payment advice notes. SAP Cash Management is part of SAP Financial Supply Chain Management with a range of other SAP modules. For example, the report of the liquidity forecast, which shows a medium / long term trend, is a combination of expected payments and payments, which receives information from modules such as FI, SD, MM.

2. Methodology

The purpose of developing standards is to provide general practices, allowed to be applied in different environments with the understanding that the implementation will be governed by the challenges of working within a complex and different organizations, on this base the slandered should be developed in much More comprehensive way to cover all aspects and possibilities of those practices, including loans, so When the developing of the borrowing costs standard requires taking into consideration all possibilities contained in the application of this standard, as we find that this standard ignored that the loan has two sides, first side is the loaner (the lender of the money) and the second side is the borrower (the loan recipient)Where it discussed the accounting treatment from the perspective of the borrower and expanded greatly on how to employ borrowing costs through the acquisition, construction or the production of assists ,However it drowsed the other side Represented in the loaner (the lender of the money). And how it should react when the second party are not able to pay(Although this is not the usual case when granting a loan, but it occasionally occurs) and in this case it will create another kind of borrowing costs related to the lender which were not discussed under any clause criteria items, and the question arises here - what are the accounting treatment provided by the accounting standard as a guiding evidence for the loaner to use in this case(Failure to meet payment of the loan principal value and interest by the borrower)?

The IAS (international accounting standard) where created to facilitate and regulate accounting practices, and the provision of appropriate and viable financial data for comparison to standardize the accounting work, It is the considered a link between the theoretical aspect of accounting and the practical side of it, Through the formulation of guiding rules reflect as much as possible the environmental considerations, conventions and norms prevailing, but there are a number of criteria that are in the same subject, this index may weaken the value and importance of the adoption and application of those criteria And contributes to the confusion of accounting work, and between these standards we are discussing in our research - Borrowing costs - there are IAS 23 Borrowing Costs, and International Accounting Standard in the public sector (5) borrowing costs, the US financial criterion (34) interest costs, and the accounting rule (3) the capitalization of borrowing cost (a local accounting standard in the Republic of Iraq), and the Egyptian accounting standard (14) the cost of borrowing (local accounting standard in the Arab Republic of Egypt), for example. And here raise several questions: Why is this diversity in the presence of accounting standards? Are all of them contributes to the organization of the accounting work? Did parameters work in unison and harmony with each other? So that one complements the other, or is there a sense of a common language between them? Or each works in its orbit! What is the point pluralism and diversity in the classification of standards if it aims to achieve the same purpose?

The importance of that research is derivative from having international character represented in discussing one of the topics of international accounting standards on one hand and the loans granted by one of the international organizations on the other hand And it highlights its importance in the seek to raise the level of compliance with international accounting standards and the standard of accounting - Borrowing costs - and its reflection on the increasing compatibility with the practical situations of the loans granted by the International Monetary fund to Iraq in particular, its impact and dimensions . This research includes a set of objectives represented by the following:

- Review the Accounting Standard - borrowing costs - in terms of its origins, its objectives, its content and focus on accounting treatments related to them.

- Identify the general framework of the International Monetary Fund through its inception, its goals, and its working mechanisms.
- Highlight the loans granted to Iraq by the International Monetary Fund.

This research depends in its preparation on the inductive approach, through the study of the accounting standard - borrowing costs - and mechanisms followed when granting loans to the Member States in the International Monetary Fund, and deductive approach by emphasizing on the accounting treatment of the borrowing costs in harmony with the generally accepted accounting principles.

3. Theoretical Framework

3. 1 : Analytical study of international accounting standards - borrowing costs.

3. 1. 1: The Origination of accounting standard - Borrowing costs:

On this basis, and among those differences the accountants emphasized on how to handle the borrowing costs. In March 1984, the International Accounting Standards Committee IASC issued for the first time the twenty third International Accounting Standard entitled "capitalizing cost of borrowing," where the IAS left for the economic unit the freedom to follow the accounting treatment according to what they saw as appropriate from time to time without any limitation or condition. there was an amendment to International Accounting Standard (23) in December 1993 to become titled as "cost assumption," has given this amendment the priority to consider interest as earned expense and to considered a capitalization cost of borrowing is the alternative treatment under tighter conditions than the original standard, on condition that this amendment becomes effective for financial statements prepared after the first of January 1995. [1] and that standard has set two treatments: first treatment (basic treatment) loading borrowing costs to the income statement and considered as an earned expense in the case, regardless of how the use of borrowing, while the second treatment (allowed alternative treatment) capitalizing the cost of borrowing and stressed to be linked directly to the acquisition, construction or being out of capitalist production expense. [2]

By the end of year 2000, The International Accounting Standards Committee IASC was replaced by the IASB (International Accounting Standard Board) which in April 2001 has adopted the same International Accounting Standard (23) borrowing costs issued originally by the comity.

At March 2007, the International Accounting Standards Board issued the revised International Accounting Standard IAS (23) which abolished the immediate recognition of the option of borrowing costs as expenses, so the standard kept developing practical steps in the description of the accounting treatment of the capitalization of loans related to construction or acquisition or production of assets costs and that It was the amendment becomes effective as of 01.01.2009 until today. [3-5]

3. 1. 2: Study accounting standard - Borrowing costs:

The goal of the standard: describing the accounting treatment of borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. And other costs are recognized as an expense. [6] which means giving the description of the accounting practice of the relevant borrowing costs and that not all borrowing costs combined with acquiring assets, since the costs are capitalized for the construction or acquisition or production of assets considered as part of the cost of these assets, since not all borrowing costs are considered for capitalization. Accordingly, it should be noted that the timing of the recognition of borrowing costs is determined by the time in which the asset (the one we have been borrowing for) is done and thus accountancy recognized. since the general rule is to recognize borrowing costs when there are economic benefits or during the period has been extinguished in the performance of activity, then it is required to distinguish between two types of borrowing costs: [7, 8].

- The cost of borrowing - used to setup or prepare, construct or manufacture an asset, it would be considered part of the cost of that asset until it is ready for use within the economic unit operations, this is expressed in the capitalization of borrowing costs which is a part of the assets costs that appear on the balance Sheet. it’s also called the costs that cannot be avoided, because if you didn’t setup the preparation process, construction, building or assets manufacturing, the unit will not bear these costs and you will not need to borrow, so it affects more than one accounting period and that one here is recognized based on the distribution (allocation) costs at different intervals.

- The cost of borrowing - to be endure by the economic unit after the asset became valid for use within the unit's operations, and this is expressed in borrowing costs as an earned expense within the period in which they appeared and expressed on the income statement, so the impact is limited to the accounting period in which they are spent and thus are recognized on Instant Upload basis.

Concepts linked to the standard of borrowing costs: There are several terms that the standard dealt with to focus on them and get to know their meanings and absorb its content, Including:

- Borrowing costs - Is the cost of interest and other expenses incurred by the Economic Unit connection with the borrowing of funds? [9]

and as we can see that this concept has been limited to borrowing money only, and it was better to refer to the borrowing and lending money to give a broader meaning because those costs will be endured by both the borrower (loan recipient) and the lender (grantor of the loan) to varying degrees, meaning that all of the interests and the costs and endured by the economic unit and as a result of its borrowing and lending of funds is the cost of loans, not borrowing costs because it means assigning to borrow without lending full form.

- Qualifying asset: The Asset that necessarily requires a long period of time to be ready for its intended use or sale. (International Standards for reporting 2015:1010)

In other words, any qualifying asset necessarily requires a long-term period. So, Ready or manufactured routinely or frequently in short-term period for the purposes of possession for use or sale of assets not considered qualifying assets.

In this regard, we must point out the main characteristics that must be met in assets, since the absence of one or more of these three properties is incompatible with the existence of the asset: [10]

- The existence of future economic benefits: The ability of the asset directly or indirectly, to provide economic unit service or benefit, either alone or in combination with other assets to achieve positive cash flows in the future.
- Economic Unit's ability to control or control over these benefits: a correlation between the unit and the asset to be able to obtain benefits and services for themselves or to enable third parties of them whenever they want.
- The ability to control the benefits and services is a result of the events or transactions has already happened in the past: the processes and events which entitles Economic Unit the right to access or control over future benefits had occurred.

3. 1. 3: Borrowing costs eligible for capitalization:

The borrowing costs associated with ownership, construction or production of an asset, if it was difficult to determine a direct correlation between certain borrowing process and a specific qualifying asset, in this case it would require some personal judgment in order to determine borrowing costs to be capitalized, which means that the purpose of borrowing is to obtain a specific asset, other borrowing costs are treated as earned expenses endured by the economic unit during the physical year, and so on, that stander keep discussing how the capitalize the borrowing costs from its initiation, suspending or stopping it, and in this study we do not want that aspect to be explained by the stander.

Proposed loan costs: show the other side of the cost of loans, in this part We will discuss the accounting treatment of the costs of loans from the lender’s point of view, that may be endured by the lender in the case of the borrower's failure to repay the loan amount in whole or in part with its interest, which requires to assign a separate clause for it to be singly discussed in more details, protecting the lender from loan costs requires some guidance to describe the accounting treatment for this situation, so the lender should be cautious if there is any doubt in the non-fulfillment of the borrower for repayment, but before that it must be pointed out that the loan registry account is at the nominal values (outstanding value) in the records of the lender taking into consideration two main components:[11].

- Classification: includes determining the period for each loan account, the loan which is expected within a year or collectible operating cycle - whichever is longer - classified as current assets, while the rest are classified within the long-term assets.

- Calendar in the balance sheet: The loan accounts are based on net realizable value, which is net expected cash collected, which does not necessarily equate with the legal collected amount. So, it needs -on a regular basis- for all loans to provide data based on the expected realizable value of the loan.

Taking into consecration that data analysis for evaluating the loans require the availability of data from different sources in addition to what has been covered by the financial statements because financial statements may not be sufficient to determine the loans uncollectible value. There are lots of categories related to loans and non-performing loans and generally denominated loans can be identified into three types: [12]

- Ordinary loans: you will not face any problems in its Recovery and these loans are called usually good loans or performing loans.
- Bad loans: exhausted all means possible and legal procedures to claim and could not recover and remains pursue debtors where to repaid in the case of the emergence of any money.
- Non-performing loans: stands between regular loans and bad loans.

It is for donors of the loan to take into account the principle of caution through dedicating doubtful account in case of loss or failure to meet payment of the expected / doubtful loans, as is the case in the debtors account is scheduled to organize loans (debt) - taking into consideration that the value of the loan amount does not change before or when scheduling the organization of loans or after The scheduling organize loans through:

- Set a new timetable for commitment to loans (New History of entitlement).
- A new interest rate or any burdens or costs incurred by the unit benefiting from the loan rate.
- In the loan contracts Display the net carrying value of the loan, less any provision loss or failure to meet payment of doubtful loans due to the borrower fails to meet its financial obligations.

Here comes the role of the accounting and in accordance with the generally accepted accounting principles, When approved that there is a doubt or failure possibility in the collection of the loan amount, resorting to a plenary two methods that can be adopted because of the borrower fails to meet its financial obligations stipulated in the loan contracts, so as not to reduce the value of loans: [13, 14] Direct reduction method: written off loans when you make sure that the loan account has become uncollectible and then recorded a loss-making loans accounts payable and expense of debt owed.

- Allowance Method: where we estimate the Expected non-collectible loan amounts by reducing the outstanding loan amount through the reorganization of debt officially, reflect this accounting practice, which braced for anticipated losses using the provisions for loan losses and handle loan losses as an expense when the borrowing unit is calculating gains and losses.

Some may criticize what had been reviewed on the allowance for doubtful loans, through raising a question "If there is doubt or uncertainty in obtaining the loans granted to different Entities of both countries and economic units, why they are granted those loans? "Because it will lead to the creation of allowance for doubtful loans, and thus the donor will bear the same burdens because of granting those loans?" The answer to this question is justified by the same principle Or idea that justified creating the allowance for doubtful accounts, as the doubt or uncertainty in obtaining the value of loans were not generated at the moment or during the granting of loans-the same as the case for credit sale-the expectation of the inability to collect the value of the goods through the accounting period does not exist, and if that expectation existed at that time there will be no loan or credit sale originally, so loans has its own terms and conditions just like sales, so both sides has to fulfill their obligations ,so the doubt will rise in case of delay or failure to comply and to put that in accordance with accounting terms allowance for doubtful account was created as mentioned before .Thus, we have discussed all Aspects of the potential loan costs from the lender's and the borrower's point of view, which we hope will be part of the content of the proposed accounting standard-borrowing costs.

3. 1. 4: Borrowing and its impact on the financial statements:

- The impact on the results of the income statement: the capitalization of borrowing costs leads to immediate improvement to net profit in the years of creating the asset by the amount of capitalized interests minus the tax savings on these interests. On the contrary considering interests as an earned expense as it will lead to decrees in net profit for the years in which interests burden on the used loans whether it's for creating the asset or for other use. But in the long term and after the completion of the creating the asset and start using it, the impact will be reversed Due to the decline in net profit increased by amortization of interest previously capitalized.

- The impact on the list of retained earnings: Retained earnings are affected by the net profit imported from the income statement, which creates the effect of following the Earnings capitalization policy by increasing the net profit, and vice versa in the case of considering interests Earned expenses, retained earnings list is considered a link between income and financial position since net profit will get to Balance sheet (through Retained earning list) right next to owner's Equity.
- The impact on the Balance Sheet: following- the capitalization of interest cost -policy affects the balance sheet in two directions, the first direction is- to increase the cost of assets because of capitalized interest is charged to the cost of assets and merge with it the second direction is-increasing owner's Equity through increasing Retained Earnings which was affected by income statement before which we can consider as an indirect influence and On the contrary, in the case of considering borrowing costs Earned expense for the year that happened to them, assets will not be affected by the value of the accrued interest on the loans for the creation of the asset itself, and also owners' equity value will drop lower by the amount of retained earnings which was affected by the income statement before.
- The impact on the cash flow statement: The impact of the borrowing costs policy affects operating activities sector and investment activities sector as follows:

- The effect on operating activities: which explains this sector and this change in cash resulting from operating activities , whether by amending the net profit through items that result in the cash increase or cash decrees, such as amortization, sale of fixed assets gains or losses, and also adjusts to changes in short-term assets and short-term liabilities, as it if you follow the capitalization policy the generated cash from operations will be higher by the difference between net profit and an increase in tax payments, so considering interest as Earned expense which will lead to reduced net profit, which in turn reducing the cash generated from operating activities.
- The effect on an investing activities: The capitalization of borrowing costs affects the output of the operational activities through affecting the cash out-flow for long term investment directly, and then lead to a decrease in cash flows from the activities, and the final impact on the cash flow statement is a decrees of net cash flows because of increased tax payments.
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4. The general framework of the International Monetary Fund.

4.1: The emergence of the International Monetary Fund:

The ideas and proposals started coming in to avoid a repeat of the failed economic policies that contributed to the Great Depression in the thirties of the twentieth century disaster and after the end of World War II, the Allied countries saw the pursuit of the need to build a new economic order, and one of the most prominent proposals submitted in 1943 was of the British John Maynard Keynes the founder of Keynes macroeconomic regarding the establishment of the International Clearing Union, but it relied heavily on the proposed subtended by the US expert, Harry Dexter White, which is the real designer of the international Monetary Fund, as the basic philosophy of the two proposals are similar and almost characterize liberalism in relations international and establishing a comprehensive international system based on fixed exchange rates with the simple adjusted percentages right ,aim of achieving equilibrium in the balance of payments and the provision of loans to the affected States and avoids setting barriers and restrictions on foreign exchange, equity and justice in dealing with the states. [15]

The declared aim of the conference lies in the formulation of the foundations of a new economic order lends stability to the global economy, as the system was based on gold and the US dollar-denominated gold, which gave it a central system role. In December 1945, the International Monetary Fund came into existence at the signing of 29 countries on an establishment agreement. And their first meeting was held in the city of Savannah - Georgia in March 1946 [16, 17]. After nearly 25 years on the Fund, specifically in 1969 and after the tremors which landed from the US dollar in global financial markets, the Fund was forced to find a new mechanism to provide international liquidity needed, so there was a trend towards finding an international currency called the Special Drawing Rights SDR [18, 19]

Thus, the first act performed by the Fund since its inception. In the year 1978, included second amendment, especially the gradual reduction of the role of gold as a reserve international and greater reliance on Special Drawing Rights to become the principal reserve currency in the international system.

The International Monetary Fund and the World Bank started to think about establishing an organization working to promote global trade liberalization, and that was achieved only after 1995. and it was called the World Trade Organization, and since that time the world is witnessing the evolution of the monetary system and global economy, which requires the fund to adapt to these developments and requirements, and thus increased the responsibility of the Fund as a result of the breadth of its members on one hand and the importance of its objectives on the other hand. [20]

4.1.1: The definition of The International Monetary Fund

It is symbolized by (IMF) Multilateral organization that aims to promote international monetary cooperation, exchange arrangements, economic growth and provide temporary financial assistance to help countries facing balance of payments difficulties. [21].

4.1.2: The most important specialized agencies of the United Nations, has been entrusted with overseeing the management of the international monetary system to mitigate the effects of international payment systems and exchange rates on global commercial and financial transactions. [22]

And it was also identified in its annual report for the year 2016 ((a global organization with a membership of 189 countries, and was established to improve the condition of the global economy. The fund aims to promote international monetary cooperation, secure financial stability, facilitate international trade, promote increased employment and economic growth sustainable and reduce poverty worldwide)).

Through the presented above you can determine the major features of the International Monetary Fund

- International organizations of the United Nations.
- Has a collection of a worldwide Members under its banner.
- Cares for the global macro-economic policies.
- Aimed at stabilizing the financial system and the global economy.

4.1.3: The International Monetary Fund objectives: Article 1 of the founding of the International Monetary Fund Agreement "Bretton Woods" states that the objectives of the Fund are as follows: [23]

- Encourage international cooperation in the field of monetary policy.
- Facilitate the expansion and growth in international trade.
- Working to achieve stability in the exchange rates, and support for Member States exchange arrangements, and to avoid competitive devaluation of currency exchange between the countries.
- Work on the establishment of a multilateral payments system for current transactions between members and to work for the abolition of foreign exchange restrictions that hinder international trade.
- Strengthen trust between the member countries by providing them with resources of the Fund in exchange for appropriate guarantees, without resorting to damaging the national or international prosperity measures.
- Work to correct the imbalances in the international payments of Member States through the reduction of the duration and degree of misuse of those balances.

And the ability of members borrowing from the fund is determined by two factors: First- the credit boilerplate arrangements, second - the Member's voting power within the fund, the larger the share Lists provided to fund the state, the largest number of its votes.

4.1.5: The Fund's borrowing Mechanisms: The International Monetary Fund offers a variety of policies or facilities that have evolved over time to meet the needs of member countries, and different loan amounts and duration and terms of repayment in each of these facilities by types of problems facing balance of payments and the circumstances you are dealing with among these facilities we choose the following: (lending from the international Monetary Fund) and [24]

- **Stand-By Arrangements**: It represents the essence of the lending policy of the Fund, which helps its Members to address the financial problems facing balance of payments on a short range of about 12-24 months, to be made within 3-5 years, and enjoys a degree of flexibility in determining the stages of the exchange, with the possibility of loan disbursement concentration as appropriate.
- **Extended Fund Facility**: This financing facilitation help member countries to address the medium-term and long problems facing their balance of payments, where the term doesn't exceed three years upon approval in the ordinary course of events, and the Prolonged adjustable character is due to the Achieved macroeconomic stability, and with the sufficient guarantees about the ability of the member ,and the readiness to implement structural reforms deep and continuously, and these facilities is repayable within 4-10 years from the date of exchange.
- **Complementary Financing Facility**: The Granted Loans are characterized by the long-extended repayment periods to fit with the member's ability to repay them, in addition to providing aid as concessional factor to the low-income member countries and nations like decreasing interest rates.
- **Compensatory and Contingency Financing Facility**: And it's also provided as compensation in case of a sharp unexpected drop in the expected outcome of the country's exports of the member, or an emergency, when faced with adverse external shocks such as an increase in the prices of imports and fluctuations in interest rates, to be paid within a period not exceeding 5 years, which reflects the Fund's look to the temporary nature of the imbalance that the balance of payments stage.
- **Oil Facility**: It provides soft loans to lower income Member States which imports oil, which suffers from a severe deficit in the balance of payments, to be paid within a period not exceeding 3 years

4.1.6: The reality of loans granted to Iraq.

The Iraqi economy is facing serious challenges under the current circumstances, due to the dependence of the economy by a large margin on oil imports and lack of diversity of sources of funding, the decline in global oil prices on one hand and the war on terrorism in Iraq on behalf of the world on the other hand and also the suffering of the financial and administrative corruption and continuous wastage of public money in the Iraqi state institutions is a third factor, has contributed to the instability of the political and security situation and poor investment and business climate, and caused high unemployment and poverty rates, according to estimates released by the Iraqi government, the poverty rate has reached 22.5% for the year 2014 on for Iraq as a whole, but as for the provinces affected by the military operations, it is estimated that the direct effects of the economic and social security disorder had caused the doubling of the poverty rate to reach 41.2% . as well as the sharp decline of economic growth rates, and the continuation of a growing deficit in the federal budget rates, which means the government's inability to insure the complete needs of the community, and the table (1) reflects public revenues planned and included in the general budget during the last ten years, and it was found to be insufficient to cover the total public expenditure which is expected to be paid during the year, causing scheme deficit over 2006- 2016, all of these reasons combined prompted the Iraqi government to search for sources of funding represented in loans, as the primary goal of borrowing was to fill the state budget deficit.

Table (1) ratio of the budget deficit contained in the federal budget for the laws of the Republic of Iraq for fiscal years 2006 to 2016, except for 2014

year	public budget revenues	public budget expenses	Ratio of budget deficit to total public budget expenditures
2006	45392304000	50963161392	%10
2007	42064530267	51727468005	%19
2008	50775081193	59861973548	%15
2009	50408215839	69165523835	%27
2010	617353132500	84657467556	%27
2011	80934790500	96662766700	%16
2012	102326898000	117122930150	%13
2013	119296663096	138424608000	%14
2015	94048364139	119462429549	%21
2016	81700803138	105895722619	%23

Prepared by the researcher depending on the laws of federal budget for the Republic of Iraq for the financial years 2006-2016, except for 2014 there is no available information around it. It should be noted that the Iraqi project represented in the Administration Law of Finance and public debt, No. 95 of 2004 amended within Annex (a) Section (4) the general provisions-point (14) permits the possibility of "financing the budget deficit through cash budget of federal government, represented in short-term loans, Foreign and local loans or issuance of government debt loans ,and short-term loans can be used for the purpose of securing liquidity for a period that doesn't exceed six months, as well as it authorizes the Minister of Finance the powers of borrowing, according to what was approved in the public budget low for the years mentioned for the purpose of deficit coverage, and thus it Legitimized borrowing from abroad.

after the events of 2003 the Iraqi government has sought to address the issue of external debt, which was estimated at the time at more than 130 billion dollars Iraq owed to 51 State, as a great efforts were made by entering into negotiations with related parties to find means to ease the volume of debt and direct harm to the state budget, it has resulted in the government's efforts to sign the agreement of the Paris Club on 21.11.2014 and according to it 80% of Iraq's debt was written off, so total debt on Iraq to countries that fall under the Paris Conference up to $ 9 billion, as well as 10 countries outside the Paris Club, which Iraq owes to them about $ 6 billion approximately, and there is also the international private sector companies that Iraq owes them $ 2.7 billion. (Ministry of Finance - Public Debt Department – PET In August 2016 the Economic Adviser to the President of the Iraqi Council of Ministers, pointed out the lack of official accurate statistics about the amount of the Iraqi debt, but there is an estimated amount of external and internal debt owed by Iraq as the external debt has been estimated by $ 7 billion, and internal debt of nearly 34 billion dollars.

As noted by the previous review the existence of a genuine problem, represented in two aspects the first: the lack of action mechanisms to determine the amount of total debt of Iraq, which means that it lacks transparency as some believe that the issue of identifying the amount of debt is one of the things that affect the economic security of the country, that is why this topic is prevented, and the second aspect is: the failure to formulate and implement a sound credit policy limiting those debts, since the amount of continuous deficits over a decade and has never seen any plan or radical reform to the problem of the budget deficit program.

In spite of this, and in order to give a picture of the government borrowing levels in Iraq after 2003, according to the available information that has been obtained from the Iraqi Finance Ministry, as summarized in Table (2) type, amount and duration of loans granted to Iraq and interest rate and its purpose. It must be noted that all the borrowing agreements, performing and signing it is the jurisdiction of the Iraqi Federal Government exclusively, based on Chapter IV - Article 110 of the Iraqi Constitution of 2005, and the Minister of Finance-on behalf of the Government of Iraq - is the only one authorized to sign foreign loans.

Table (2) loans granted to Iraq, as shown by the Iraqi Ministry of Finance

Loans type	Year	Loans amount	Interest rate	Loans duration	Loans purpose
Japanese loan	2003	5 billion US Dollars	0.65 with a commitment commission of 0.1	4 years with 10 years grace period	Iraq's reconstruction - development assistance program.
IBRD International Bank for Reconstruction and Development	-	500 Million US Dollars	Administrative service 0.75% with0.5% as commitment commission	35 year includes 10 years as grace period	To finance infrastructure projects.
The Italian loan	2008	400 million Euro	20%	16 year includes 8 years as grace period	100 million to support the agricultural sector, 300 in favor of the Ministry of Transport.
IBRD International Bank for	2010	250 Million US Dollar	Ibor with a fixed margin of	15 year includes 4years as grace period	To support the general budget

Reconstruction and Development			0.6% each 6 Months		
international monetary fund(IMF) loan	2010 – 2011	2376 Billion SDR	administration cost 05% with 15% as commitment commission	5 year includes 3 years as grace period	To support the general budget
IBRD International Bank for Reconstruction and Development	2014	355 million US Dollar	Ibor with approximate margin of 1.5% annually	15 year includes 5 years as grace period	For the Ministry of Construction and Housing
Islamic Development Bank loan	2014	217 Million US Dollar	Ibor with 135 points semiannually	10 year includes 4 years as grace period	For the Ministry of Construction and Housing
The German loan	2017	500 Million EUR	No available information	15 year includes 5 years as grace period	For the development of Iraq and restore stability in the liberated areas and to facilitate the return of displaced persons to their areas
The British loan	2017	10 billion pounds sterling	No available information	10 years	Finance infrastructure projects

Source: prepared by the researcher depending on data gleaned from the official website of the Ministry of Finance, public funds, public debt, and borrowing - the Republic of Iraq. The continuation of the government borrowing from abroad with the absence of the ability to pay will generate interest and delay penalties and be presented to political blackmail on one hand and creates a new financial burdens affect the rights of future generations on the other hand [25].

We were not able to identify the date of admitting Iraq as a member of the International Monetary Fund, but we were able to get details of the loans granted to Iraq by the Office of Financial Supervision, as the IMF gave three loans to the Republic of Iraq with different amounts and dates and for different reasons also. Table (3) is a summary of those loans and when you make a comparison between the size of the loans granted to Iraq with what has been reviewed in the table (2) loans granted to Iraq, as shown by the Iraqi Ministry of Finance you will find that there is variation in the granted loan amounts, and this is a pointer to the inaccuracy of the information presented by the Ministry of Finance on one hand and what was obtained by the Office of financial supervision on the other hand, so there is transparency and clarity in the disclosure of the Loans policy for Iraq

Table (3) the volume of loans granted to Iraq by the International Monetary Fund

Loan	year	Amount	Reason
1st	2010	SDR 1069560000	to offset the budget deficit
2nd	2015	SDR 891300000	Financial assistance within the Rapid financing program
3rd	2016	SD 455000000	To support the government's economic reform program

That Table is the work of the researcher based on the book a number of 5/3/4165 to 19/10/2016 the Iraqi Central Bank - Investment Department - Investment accounts section.

It is agreed that the IMF gives loans to Iraq as lump sum and it will be repaid in payments after three years of receiving the loan, note that the loan repayment process is conducted by the Ministry of

Finance as the beneficiary of IMF loans, and the central bank is considered as the guarantor of the Iraqi Ministry of Finance to repay the loan value.

It is worth mentioning that the general budget of the Federal Republic of Iraq Law Chapter II Article (2) Second deficit paragraph (b) defines the entities that will be borrowing from during the year and the amount of borrowing and also grants annually jurisdiction to the Federal Minister of Finance authorizing him to continue borrowing for the purpose of offsetting the expected shortage in the budget. for more clarification, in the federal budget law, for example, for the years 2010- 2015, except in 2014 a phrase was repeated in those budgets authorizes the Minister of Finance and the international Monetary Fund of 4.5 billion Dollar, it was confirmed by the Director General of the Department of public debt in the Ministry of Finance of Iraqi "that it represents authorizing the Minister of Finance to approach the international Monetary Fund to make a loan, and the amount shown in the budget law represents a ceiling that we can move through it to seek loans from the Fund, and therefore it does not represent the loan amount, given that it does not offer a loan until after entering into his financial programs, and according to it the loan volume that can be offered will be identified. The General Director of Public Debt Department at the Iraqi Ministry of Finance also stressed that "All the loans granted to Iraq is intended to support the federal budget and all of its amounts included in the public treasury of the state, and used to fund the public expenditures included in the general budget of public spending, also that the IMF loans does not provided for the financing of projects. Accordingly, these loans do not conform to the standard of accounting borrowing costs as the standard discusses the borrowing costs related to construction or acquisition or production of assets and consider it as part of the asset cost.

Finally, the report issued by the International Monetary Fund in December 2016 due to the current circumstances in Iraq, pointed out that the IMF Executive Board agreed in July 2016 to allow Iraq to get 3831 million units of Special Drawing rights (230% of the membership of Iraq's share)

In this context, the Executive Council also agreed to Iraq's request to be exempted from the declaration of non-compliance with the maximum new continuous external arrears, and the request to amend the performance criteria. The Council also agreed to exempt Iraq from the applicability of the end September goals of the four performance criteria related to the minimum total international reserves and the maximum net domestic assets of the Central Bank of Iraq and the maximum balance outstanding arrears owed to international oil companies and the maximum balance of total public debt, in addition to the request of Amending the stages of the Agreement implementation.

The aim of the Iraqi economic reform program- which is supported by the standby credit agreement- is to fix the urgent needs of the balance of payments program, and reaching a commensurate spending level with the decline in global oil prices, and to ensure the dept. continuity within the affordable limits. The program also includes measures to protect the poor, strengthening public financial management, and to support the stability of the financial sector, and curb corruption. Iraq will need the support of the international community to implement these policies.

5. Conclusion

Loans have two sides just like a coin, the first - the lender (loan donor) and II borrower (loan recipient) and borrowing costs endured by both parties but in varying ratios and degrees, therefore we need to rename the International Accounting Standard (23) loan costs as it is more comprehensive than the current label borrowing costs because the label is limited to only the borrower without the lenders, and it's also required that at least part of the standard should focus on the possibility of the borrower not being able to repay the loan amount in whole or in part, and strive towards the adoption of the accounting treatment that have been developed in the study.

Loans are double-edged sword, as directing loans towards investment projects or for the sustainability of existing projects returning economic benefits on economic units or on the level of borrowing countries, in this case loan is not considered as source of danger to their borrowers being directed at those projects. other than that Loans are considered a burden and a source of danger, just like the case in Iraq as all the three granted loans by the international Monetary Fund since 2010 - to this day has been directed towards the financing of the Iraqi budget to cover the deficit, which is a source of concern and a sign of weakness in the cash management and financial policy of the state.

The widespread economic, industrial and commercial transformation of the present time has forced businesses to participate actively in network-based and network-based economies. The trend towards this approach, although having advantages and profits for the member firms of the networks and supply chains, also has many problems and complexities for managing financial flows, liquidity and working capital of enterprises and their business partners, along with had. To overcome these problems, along with the development of the concepts of supply chain management and logistics, supply chain management has also been developed to minimize financial system inefficiencies in the supply chain by using financial, engineering and management approaches, and effectively manage funds Provide cash flow and working capital across the supply chain using various chain financing tools and techniques. Accordingly, by changing the approach and role of financial service providers from a supplier of funds to commercial partnerships, businesses and businesses have led the bulk of the management tasks of cybercurrency and chain operations to interact with financial service providers and, in view of the capacities and capabilities of banks and financial institutions, to be implemented more desirably. Accordingly, in this paper, due to the importance of financial flow management along the chain, and using the principles and foundations of the research, we tried to find and investigate the method. By examining the evidence and practical experience in this field, a framework for the effective use of Financial flow management system as well as its principles and foundations.

The multiplicity of the existence of accounting standard - borrowing costs - in the international accounting standards (23) and international accounting standards in the public sector (5), the US financial criterion (34), and the accounting Iraqi rule (3), and the Egyptian Accounting standard (14) For example, was based on the multiplicity of organizations or institutions that deal in the accounting affairs at the international or local level for each country, which emerged from this diversity in the standard, and generally the resort to applying local standards at the inability of economic units in the country to the application of standards international, it was observed by studying the borrowing costs of these organizations that there is no difference in the essence of the concept of the standard, and there is almost a consensus by all the concerned organizations that there accounting standards were derived depending on the same concepts adopted by the IAS (international accounting standard) represented by the Council of the international accounting standards as the funding source to All international standards and the leader organization, and some may go and writes directly that this standard "is derived mainly from IAS 23 borrowing costs, so there is no variation in accounting treatments for borrowing costs on the informational content of the financial statements, and that everyone contributes to raising the level of commitment to the application of the standard, and the organization of work in the field of accounting borrowing costs, so as to push in the performance of the accounting profession.

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