Print ISSN: 2288-4637 / Online ISSN 2288-4645
doi:10.13106/jafeb.2021.vol8.no5.0707

COVID-19 Lockdown, Earnings Manipulation and Stock Market Sensitivity: An Empirical Study in Iraq

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Received: January 30, 2021 Revised: April 05, 2021 Accepted: April 15, 2021

Abstract

This article examines the potential impact of the Covid-19 Lockdown on earnings manipulation and stock market sensitivity to earnings announcements. It also explores the effects of earnings manipulation after the COVID-19 outbreak on the share price sensitivity to the earnings disclosures. The study uses a quantitative method to analyze the financial data consisting of 87 firms listed on the Iraq Stock Exchange for the period from 2018 to 2020, which constitutes a total of (174 observations). We used Ohlson (1995) model to estimate financial market reaction and sensitivity to earnings manipulation fluctuations and accounting information. The results show that companies practice earnings manipulation to maintain earnings over a time series, which means a negative impact of earnings manipulation on all earnings measures' value relevance (EPS, BVS, and CFS). Accordingly, earnings manipulation negatively influences investor behavior in the financial market, based mainly on financial reporting. The value relevance of financial reports has also decreased because of the COVID-19 outbreak and related economic Lockdown. These results reflect a long-term adverse impact of earnings manipulation on investor behavior and financial statements reliability.

Keywords: Economic Lockdown, COVID-19, Earning Manipulation, Stock Market Sensitivity

JEL Classification Code: E16, H83, M41, Q56

1. Introduction

After China announced several cases of COVID-19 at the end of December 2019, which was later identified as a new member of the coronavirus family, the global stock market was the first victim of this epidemic, and the Covid-19 virus exhibited widespread and remarkable shock waves in all Capital markets. After Europe and the United States, Iraq recorded the first case in early February 2020, which disrupted all country's economic and financial activities. This epidemic has shocked the entire global economy (Sun et al., 2021). On the one hand, it exposed the imbalances that have long characterized financial regulation. On the one hand, it negatively affected all financial aspects globally due to most countries' containment measures. Investors' positive behavior and the intervention of the supervisory authorities on the financial markets in terms of regulation and awareness of investors were among the main factors in managing the current global economic crisis (Lee, 2020). The novel coronavirus pandemic, which is also known as SARS-CoV-2, is causing a shock to the global economy, triggering an unprecedented economic sudden halt (Arfah et al., 2020). This time, the situation is different for at least two reasons. First, its impact on the overall economy is more significant than any catastrophic bouts of the past 40 years. The containment measures taken to limit the spread

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of the virus have brought the global economy to a standstill. Second, governments' economic responses worldwide are based on a set of policy strategies and measures, including, but not limited to, public health measures, fiscal measures, macroprudential measures, and monetary or market measures.

Regarding business and jobs, the markets responded to the Corona pandemic with sharp declines, and investor uncertainty rose to record levels which was not seen since the global financial crisis of 2007–2009. On the other hand, the financial market uses financial reporting information to evaluate the companies' future performance expectations, which is usually derived from past performances, through financial market perceptions of this information's reliability (Chen & Gong, 2019). Earnings per share should be appropriate in determining stock prices and influencing investor behavior when current activities reflect the company's success in employing its resources effectively (Kumar, 2018). Several studies such as by Burgstahler and Eames (2006), and Das et al. (2011) have examined the response of stock prices to a dividend declaration. The three most essential criteria for earnings in the financial market are the level of earnings and avoiding losses, changes in earnings related to its improvement and stability to some extent, and analysts' expectations about its performance. These criteria are used as the basis for evaluating corporate issuances, which are at the same time essential for investors to make their investment decisions. Therefore, managers may seek to meet these standards in reporting earnings and avoid losing any of them, even if it leads them to manipulate earnings. Stock prices in the financial market are much worse than the positive response performance. This response reflects an excellent knowledge and confidence in the financial markets and will help maintain current stock prices (Al-Wattar et al. 2019).

Managers may try to meet or exceed analyst expectations and avoid negative profit surprises or fluctuations. Therefore, managers will have an incentive to manipulate earnings to exceed expectations to achieve success for themselves and their organizations rather than not meeting analysts' expectations and gross profit criteria for negatively responding to stock prices, this could reduce the manager's annual bonus (Khaghaany et al., 2019). The administrative incentives system allowances may act as an incentive for managers to manipulate profits and provide a misleading picture of the reality of the financial position and the outcome of the company's business. This intentional misrepresentation of the financial statements and the results will inevitably be reflected in the quality of the accounting information disclosed in the financial reports (Ali et al., 2019). Numerous studies have shown that managers look for policies that support earnings, growth, and viability value. It will affect stock prices and investor and financial analysts' evaluation of the performance of these institutions. Earnings Manipulation will have short-term effects on the financial market (Lee & Sung, 2021).

Budagaga (2017) indicates that earnings and book value can express inventory values and variances in these values and can be computed as information with appropriate values. Koonce et al. (2011) also examined how investors react to profit trends which is based performance based on financial analysts' expectations and motivations over multiple periods. While it is based on the book value, its resources are directed to alternative uses better than the current situation. The results also indicate that investors use both metrics because they have found that both metrics provide information about the company's expectations and management credibility. In the current paper, we seek to determine the impact of the Corona epidemic's implications on stock prices' sensitivity to manipulating accounting numbers using an event study approach. None of the previous publications on our knowledge address the pandemic's impact on accounting numbers manipulation levels in the stock market. Therefore, our study attempts to fill a research gap related to the effect of the Corona pandemic's implications on the sensitivity of financial markets to the cases of fraudulent accounting declared by companies.

Accordingly, the contributions of this research can be summarized as follows:

- Determine the level and trend of manipulating accounting earnings to explain their motives, whether it is towards reducing or exaggerating those earnings to be higher than the entire group.
- We are examining the impact of the economic Lockdown resulting from the Corona epidemic's implications on stock prices' sensitivity to manipulating accounting earnings.

2. Literature Review

The manipulation of accounting earnings is one of the critical issues that has occupied an important place in accounting research and literature since the 1980s and still has differed opinions on its concept (Almagtome et al. 2020). Earnings manipulation is the intentional distortion of financial reports to alter their results and give stakeholders an unrealistic picture of their financial position. Usually, financial statements are manipulated to enhance the company's financial performance by over-measuring net profit (Almagtome et al., 2020). This trend is quickly reflected in the behavior of the financial markets, because stock prices are closely related to the profits declared in the financial statements of companies. As a result, the management seeks to maintain a high level of the company's share prices in the financial market that meets investors' expectations

by following methods of profit management (Amagtome & Alnajjar, 2020). These changes and manipulations' primary objective is to allow stakeholders to better understand its financial position and results (Zang, 2012). Therefore, companies seek to manipulate their earnings to show the results of their activity and economic situation that does not reflect the absolute reality of performance under their multiple motives. However, there is a discrepancy in the reasons that direct management to manipulate its earnings. Yet, these practices' behavior and their effects are reflected in income and book value of property rights and can have an effect on investors' action and significance and thus on the prices of shares which can lead to serious problems, including low operational efficiency and threat to the long-term continuity of companies.

The COVID-19 pandemic has had the most significant effect on the world's financial situation since the Great Depression. The International Monetary Fund expects a 3% decrease in global GDP, while the World Trade Organization predicts a 32% decrease globally (He et al., 2020). COVID-19 has had a more significant impact on the economy than all previous internal and important events combined. Unlike the 2008 financial crisis, the COVID pandemic has had a significant effect on global trade and financial markets in various countries of the world (Goh et al., 2021). Therefore, it is now imperative to study the impact of COVID-19 on global economic and financial activity. The global pandemic has forced many companies to close their knees. Multinational companies face an unprecedented crisis, and they must learn to get rid of its effects as soon as possible. Scientific research on the implications of COVID-19 has become a necessity for scientists. For example, La Gatta et al. (2020) used a machine learning model to predict virus spread and analyze how different Lockdown strategies affect the pandemic's space. Le et al. (2021) use an equation to determine the effect of carbon dioxide. Unlike most previous studies, this research differs significantly from earlier studies in that it seeks to understand the possible influence of the COVID-19 outbreak on investor behavior. Only a few research studies explore the impact of economic lockdowns on the stock market.

The main concern of these studies relates to the impact of the trading pilgrimage on the financial market and the price levels of the traded stock. Thus, in 1997, the Asian financial crisis significantly impacted tourism, as evidenced by Goh & Law (2002). Chen et al. (2007) confirm that SARS has caused Taiwan's hotel sector to lose value. The investigation reveals that the effects of the SARS crisis on the financial markets. McTier et al. (2013) examine influenza's impact on US stock markets and show that the flu reduces trading activities and stock returns. Covid-19 was a significant public health problem, and it had a negative long-term impact on national economies in all countries of the world, especially the economies of developing countries (Njindan Iyke, 2020). Phan and Narayan (2020) investigate the effects on markets and state governments in response to the COVID-19 outbreak. Alam et al. (2020) show that the markets responded positively at large, and investors anticipated the current Lockdown. Investors were thus more positive during it than in the time before. Khan et al. (2020) examined the global impact of COVID-19 pandemics on the stock markets. They show that the investors in these countries do not respond to the announcement of COVID-19 at the outset of the crisis.

On the other hand, Khanthavit (2020) analyzes how foreign investors trade in the Exchange of Thailand in COVID-19 to understand if their decisions contribute to exchange market instability. He reveals that the foreign trading volumes are extremely high, especially institutional investors. In the same context, Al-Mansour and Al-Ajmi (2020) argue that businesses should reconsider their strategies from three different points of view during the current COVID-19 crisis, including efforts to improve the personal qualities of their employees' implementation of multidisciplinary teams and development of long-term partnerships. In the recent study, we investigate the effects of COVID-19 on levels of earnings manipulation and the financial markets.

3. Model and Hypotheses

The accounting information shows the company's ordinary share price, the accounting profit is positively related to the share price, and net profit information is found. Previous studies have shown that sustainability of earnings, book value, cash flow, and profit predictability have additional effects on ordinary stock prices. Previous studies have shown that the more sustained earnings are in the future, the higher the economic feasibility of investment, the higher the quality of profit reporting, and the higher the earnings quality. A growing number of researchers illustrate the relationship between profit manipulation and the quality of accounting information used in stock analysis. Observations have been completed in developed financial markets, and ongoing studies still take place in emerging markets. The results were relatively mixed and generally indicated that earnings manipulation reduced the relevance of earnings, book value, and cash flows and reflected on stock prices unevenly. Typically, this is done more in the long term. Whelan and McNamara (2004) indicate that the manipulation of earnings through long-term discretionary accruals has reduced earnings value and negatively affected stock prices. Despite not affecting the importance of stock prices. It is suitable for markets and is essential for the country's macroeconomic indicators' accuracy in the long term. The explanation for this is the market and investors' orientation towards book value as an alternative source of information and moving away from earnings information

because it will represent a decrease of information disclosure due to profit manipulation.

Earnings manipulation reduces the suitability of the value of earnings to share prices and even proved that it reduces the relevance of the book value of the stock prices. The financial market looked for an alternative to the book value and earnings represented by cash flows that positively affect the shares prices. In the same context, Shan (2015) found similar results that show the negative impact of accounting information's relevance for companies that manipulate their earnings, proving that profit manipulation will reduce the level of value parity and will negatively affect the share price in the financial market. Daryaei et al. (2020) conclude that insider information manipulation did not affect stock prices, whether insider information or book value. Fatima, Haque, and Usman (2020) indicate a relationship between manipulating earnings towards an increase and manipulating them towards overstatement and the impact on the relationship between the value of earnings and share prices. Its results have found that following profit manipulation towards a reduction increases the suitability of earnings to share prices, and vice versa, reflecting the existence of an inverse relationship between the nature of earnings manipulation and the relevance of its value to the share prices. Therefore, we developed two main hypotheses to investigate the impact of COVID-19 Lockdown on the value relevance of earnings manipulation is as the following:

H1: *There is a statistically significant impact of earnings manipulation on the value relevance of accounting information.*

H1-1: *There is a statistically significant impact of earnings manipulation on the value relevance of operating earnings per share.*

H1-2: *There is a statistically significant impact of earnings manipulation on equity book value's value relevance per share.*

H1-3: *There is a statistically significant impact of earnings manipulation on the value relevance of operating cash flows per share.*

H2: *COVID-19 Lockdown has a statistically significant impact on the value relevance accounting information.*

H2-1: *COVID-19 Lockdown has a statistically significant impact on the value relevance of operating earnings per share.*

H2-2: *COVID-19 Lockdown has a statistically significant impact on the value relevance equity book value per share.*

H2-3: *COVID-19 Lockdown has a statistically significant impact on the value relevance of operating cash flows per share.*

This study examines how earnings in a company affect stock price appreciation. The research seeks to verify and test the added value related to calculating earnings, book value, and operating cash flows when manipulating reported earnings. Working capital management is quantitatively studied using the Miller 2007 model, which concentrates on measuring the change in operating cash flows from operations (CFO) and then correlates these changes with stockholder's financial growth (ΔW.C). It has been used in many previous studies if it is $(\Delta WC/WC/CFO)t - (\Delta WC/CFO)t-1 = 0$. It indicates no manipulation of the earnings in accounting terms. Still, if the result is $\neq 0$, this means manipulating accounting earnings, as measured (CFO) of the difference between operating profit and total receivables. The model (Ohlson 1995) is also used to measure the financial market's reaction and sensitivity to earnings and accounting numbers fluctuations. By using multiple regression analysis, the sensitivity of stock prices to changes in operating earnings was determined. Many researchers have used this technique before and will probably be used again in the future. Through evaluation, it can determine how accounting information is useful in various environments and over time. In general, this model measures the interpretive capacity of the R^2 selection factor from the decline of independent variables (profit, book value, operating cash flow) on the dependent variable (average share price).

To test both hypothesis 1 and 2, we use the following multiple regression models:

$$P_{it+1} = B_0 + B_1\text{EPS}_{it} + B_2\text{EMS}_{it} + B_3(\text{EPS}_{it} * \text{EMS}_{it}) + \varepsilon_{it} \quad (1)$$

$$P_{it+1} = B_0 + B_1\text{BVS}_{it} + B_2\text{EMS}_{it} + B_3(\text{BVS}_{it} * \text{EMS}_{it}) + \varepsilon_{it} \quad (2)$$

$$P_{it+1} = B_0 + B_1\text{CFS}_{it} + B_2\text{EMS}_{it} + B_3(\text{CFS}_{it} * \text{EMS}_{it}) + \varepsilon_{it} \quad (3)$$

$$P_{it+1} = B_0 + B_1\text{EPS}_{it} + B_2\text{COVID}_{it} + B_3(\text{EPS}_{it} * \text{COVID}_{it}) + \varepsilon_{it} \quad (4)$$

$$P_{it+1} = B_0 + B_1\text{BVS}_{it} + B_2\text{COVID}_{it} + B_3(\text{BVS}_{it} * \text{COVID}_{it}) + \varepsilon_{it} \quad (5)$$

$$P_{it+1} = B_0 + B_1\text{CFS}_{it} + B_2\text{COVID}_{it} + B_3(\text{CFS}_{it} * \text{COVID}_{it}) + \varepsilon_{it} \quad (6)$$

4. Data and Methodology

We consider March 16, 2020 as the primary date for the economic lockdown caused by the Corona pandemic outbreak in Iraq. A general curfew has been imposed in

Iraq, and many have realized that the discontinuation's economic effects will include all social groups. Since the announcement of Iraq's financial statements takes place after April 1 of any given year, the study period was defined as three intervening years. The dependent variable (share price) has two years, 2019 and 2020, to study the impact of the Corona outbreak's implications on the behavior of investors on the Iraq Stock Exchange before and after the event. In the final analysis, the study includes data for the years 2018 and 2019 on the variables that can be observed independently of the subject. Table 1 presents the sample distribution in the different industries.

Table 2 provides an explanation of each variable within the dependent variable and explanatory variables.

Table 1: Distribution of Sample Firms by Sector

#	Industry	No. of Firms in 2018	No. of Firms in 2019	No. of Firms in 2020
1	Banking	42	42	42
2	Telecommunication	2	2	2
3	Insurance	5	5	5
4	Investment	9	9	9
5	Service	9	9	9
6	Manufacturing	21	21	21
7	Hotels and tourism	10	10	10
8	Agricultural	6	6	6
Total Firms		**104**	**104**	**104**
Less missing data		(17)	(17)	(17)
Net available data		87	87	87

5. Results and Discussion

Table 3 indicates the statistical characteristics of the sample variables of the Iraqi firm's pre-COVID-19 outbreak (2018–2019) and post-COVID-19 outbreak (2019–2020) with a total time of three years. The average market value of the companies' shares in the study sample (P_{it} + 1), calculated as an average of the closing price on the first of April of each year, is about 1.60 per share of Iraqi companies. The standard deviation of (P_{it} + 1) is 1.26%, indicating that this variable appears acceptable in the sample. The statistics also show for the second earnings manipulation (EMS), calculated according to the accrual's method. The difference between the net operating income per share and the net operating cash flow per share is about 0.146. This result indicates relatively low importance of the cash flow per share. The average book value of equity per share (BVS) is around 1,177, and the minimum value is 0.772, while the maximum is 1.63 per share. The average operating earnings per share (EPS) is about 0.152, and the minimum value is –0.005, while the maximum is 0.943 per share. The average net operating cash flow per share (CFS) is about 0.384, and the minimum value is –1.217, while the maximum is 4,363 per share.

We used Pearson's R to explore the relationships between variables. This table shows the Pearson correlation between the variables. Table 4 shows the correlation coefficients between the variables investigated in the current study.

The correlations of the absolute value of earnings manipulation (EMS) and price of the share (P_{it+1}), earnings per share (EPS), and cash flow per share (CFS) were 0.245, 0.379, and 0.784, respectively, indicating significantly positive (+) correlations. Thus, an increase in the earnings manipulation will be reflected in the investor's behavior and then increase the value relevance of accounting numbers (EPS, BVS, and CFS). On the other hand, this chart

Table 2: Definitions and Abbreviation of the Variables

#Variable	Abbrev.	Description
Earnings manipulation	EMS	Earnings manipulation is quantified using the accruals approach, which determines CFS per share as multiple EPS
COVID-19 Lockdown	COVID	It is a dummy variable that determines the implications of COVID-19 Lockdown. It gives 1 for post-COVID-19 Lockdown and 0 for pre-COVID-19 Lockdown
Price of stock	P_{it+1}	The market price of the stock at year t + 1. It is measured using the mean cost of the stock in April of the following year
Book value of equity per share	BVS	Book value of equity per share at the end of year t
Operating Earnings per share	EPS	The operating earnings per share during year t
Operating cash flows per share	CFS	The operating cash flows per share during year t
Error	ε	Error at year t

Table 3: Sample Descriptive Statistics

Variables	No	Mean	Std. Dev.	Min	Median	Max
P_{it+1}	174	1.603	1.26	0.14	1.22	7.23
EMS	174	0.146	1.198	0.166	0.132	3.278
COVID	174	0.5	0.245	0	0.5	1
BVS	174	1.177	0.145	0.772	1.16	1.63
EPS	174	0.152	0.451	–0.005	0.125	0.943
CFS	174	0.384	0.962	–1.213	0.167	4.363

Table 4: Matrix of Pearson Correlation

	P_{it+1}	EMS	COVID	BVS	EPS	CFS
P_{it+1}	1					
EMS	0.245*	1				
COVID	–0.558**	–0.766**	1			
BVS	0.590**	0.219	–0.544**	1		
EPS	0.221	0.379**	–0.389**	0.387**	1	
CFS	0.545**	0.784**	–0.977**	0.581**	0.457**	1

Note: *Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

indicates a more favorable relationship between EMS and economic Lockdown. This number shows that, however, from this chart, we can deduce that the apparent inverse relationship of EMS and COVID impact during the outbreak of the COVID-19. There was a low correlation between the corporate earnings manipulation (BVS) and the book value of equity (BVS). The results of the correlation analysis show that the three variables: closing price ($p < 0.01$), book value (BV), and cash flow per share (CFS) have a significant relationship (with the price after the end of the fiscal year (four months)). Specifically, the price-price per share had a correlation coefficient of 0.590, CFS had a correlation coefficient of 0.545. COVID also shows a negative correlation with investment - a significant association such as the recent emergence of COVID-19 would increase the risks of investing, resulting in less investment in the Iraqi stock exchange. While, on the other hand, the coefficient of this variable on stock returns is positive. In contrast, the correlations between the remaining variables (EPS, BVS, and CFS) were negative ($p < 0.01$), suggesting that COVID-19 operating time loss has a significant negative implication for the real vision.

Table 5 illustrates the first main hypothesis's results using ordinary least squares regression models 1, 2, and 3. The results of model 1 suggest that $R^2 = 73.73.2\%$ is applied by EMS, and the F-value = 8.593. The p-value is 0.000 (significant at $p < 0.01$). As a result, EMS diminishes (to the tune of) 5%. As a result, accounting earnings manipulation gets a negative response from investors, which hurts information's reliability. It is in keeping with the hypothesis as higher the level of stock price manipulation goes, the lower the profitability of an enterprise is. Results from model 2 show that concerning R^2, 67.5% of the value is implied by EMS, and the value is 9.5554% via EMS. This model is significant, as the p-value is significant at the 0.01 level of significance. So, profit manipulation (profit distorting the figures) is (has the following) a 1% effect on results. Thus, the significance of accounting earnings manipulations in the financial market, the value of the book value information for property rights is reduced. Given this data, it is consistent with sub-hypothesis 1. The lower the level of manipulation of book profits, the more relevant information about its assets' value will be for the decision-maker. According to the R-squared value, CFS has an R^2 value of 53.1, and EMS describes 18.446% of the significance. As this model shows, the p-value is greater than 0.1, it is significant. Therefore, profit manipulation (profit distorting the figures) is (has the following) a 1% effect on results. As a result, accounting earnings manipulation receives a negative response from investors, which has a knock-on effect on the company cash flow disclosures. The data is consistent with sub-sub-hypothesis 1.3. Manipulation of profits leads to an inverse relationship between the operating cash flow and the substantive value of profits.

Table 5: The Effect of Earnings Manipulation on the Value Relevance of Accounting Information

Variables	Predicted Signs	Estimates (*t*-Value) Model (1)		Estimates (*t*-Value) Model (2)		Estimates (*t*-Value) Model (3)	
Intercept		1.386	1.364 ***	3.915	12.511***	8.416	14.153***
EPS	+	(–1.834)	(–1.713)***	(–1.869)	(–9.317)***	(–3.682)	(–8.064)***
BVS	+	(–0.217)	(–0.238)***	(–3.693)	(–11.317)***	(–7.004)	(–11.504)***
CFS	+/–	1.851	(–0.241)***	(–3.295)	(–0.909)***	(–1.314)	(–0.200)***
EPS * EMS	+/–	(–0.910)	(–0.813)***				
BVS * EMS				(–3.504)	(–0.720)***		
CFS * EMS						(–3.250)	(–0.772)***
R^2		0.732		0.6754		0.531	
F Value		8.593***		9.555***		18.446***	
N		174		174		174	

Note: Denote Statistical Significance: *p < 0.10, **p < 0.05, ***p < 0.01.

Table 6: Results Summary of Main Hypothesis 2

Variables	Predicted Signs	Estimates (*t*-Value) Model (1)		Estimates (*t*-Value) Model (2)		Estimates (*t*-Value) Model (3)	
Intercept		2.335	1.559***	1.542	2.286***	6.617	1.220***
EPS	+	(–1.317)	(–0.488)***	(–0.138)	(–0.278)***	(–1.173)	(–0.286)***
BVS	+	(–0.554)	(–0.643)***	(–0.426)	(–0.536)***	(–4.513)	(–0.691)***
CFS	+/–	(–1.406)	(–0.590)***	(–.087)	(–0.148)***	(–1.509)	(–0.369)***
EPS * COVID	+/–	(–0.651)	(–0.567)***				
BVS * COVID				(–1.533)	(–1.217)***		
CFS * COVID						(–1.211)	(–1.923)
Adjusted R^2		0.623		0.523		0.658	
F Value		5.408***		3.665***		7.823***	
N		174		174		174	

Note: Denote Statistical Significance: *p < 0.10, **p < 0.05, ***p < 0.01.

Table 6 summarizes the results using multivariate regression models (form algorithms) 4, 5, and 6. The results of Model 4, according to the R^2 value, indicate that 62.3% of the change in EPS is a result of the Corona pandemic outbreak, while the *F* value was 5.4%. As this model shows, the *p*-value is greater than 0.1, it is significant. Therefore, there is a marginal economic loss of 1% because of the Coronavirus outbreak (COVID). Investors, accordingly, respond negatively to the outbreak of the Corona pandemic, which diminishes the suitability of the information which Agrees with sub-sub-hypothesis 2. The consequences of the Coronavirus outbreak are constraining the usefulness. According to the coefficient of determination (R^2), 52.3% of the relevance can be explained by COVID, and whereas it appears that EVS is about 3.665. As this model shows, the *p*-value is greater than 0.1, it is significant.

On 1% of the population, a full outbreak of the Coronavirus (COVID) has a significant impact. As a result, the fear of negative accounting information impacts property rights. The value of book value information is negatively affected because of the economic disruption caused by the Corona pandemic. The findings are consistent with sub-sub-sub hypothesis 2. Property rights are diminished due to the Corona pandemic outbreak. Model 6 suggests that, with an *R*-squared value of 65.8%, 65.8% of the CFS value is explained by COVID, and *F* by 7.2%. As this model shows, the *p*-value is greater than 0.1, it is significant. Therefore, the Coronavirus pandemic has a -formal impact.

Consequently, it will harm the practicality of financial disclosures resulting from the Corona pandemic. This hypothesis follows from sub-up.sub. 2.3. With the outbreak of the Coronavirus, the economic relevance of cash flows declines.

5. Conclusion

This paper attempts to identify the global impact of Covid-19 on the stock exchanges and the main sectors that are impacted by the economic crisis which has been caused by the pandemic. This virus has completely disrupted the global stock trading activity. In a time of crisis and emergency, in any event, the outcome of any trouble—economic or otherwise, will impact the behavior of economic factors. The following categories of investors are contemplated in this proposal: current and potential. This paper explores the ways investors in the Iraq stock market may be affected by the Covid-19 pandemic. We are only concerned with the Corona flu pandemic's impact on the accuracy of accounting earnings on the Iraq Stock Exchange. Investors' behavior in Iraq's stock exchange regarding information manipulation and the post-corona disease can be condensed into three elements: EPS, EVS, and CFS. The paper addresses the gap in the current research literature related to the impact of the economic Lockdown caused by the outbreak of COVID-19 on the value relevance of accounting information, primarily as it occurred in the Iraqi stock market, which is considered an emerging financial market.

We found that the sample firms manipulate profits to maintain earnings during a series of periods; that is, corporate management wants to reduce fluctuations in profits to get a positive perception of the investors about the firm financial performance. Thus, the share price's sensitivity to good earnings news is higher, which creates a manipulation of investor impressions and deception involving long-term losses. Manipulating earnings toward overestimation made both profits, and operating cash flows increasingly crucial in responding to the explanation of the change in stock prices. These results indicate that the economic Lockdown resulting from the outbreak of COVID-19 has adverse effects on the appropriateness of the accounting numbers' value. All its components (EPS, EVS, and CFS) mean that investor behavior in the Iraq Stock Exchange can respond to high levels of risk of mispricing. Stocks are generally low due to which it reflects lower investor sentiment and behavior. These research results have important implications for shareholders, financial market regulators, academics, researchers, investors looking for profitable investment strategies. Therefore, preventive measures must be implemented to reduce these problematic practices. Therefore, further research on corporate stock prices' reactions requires the direction of corporate events and investors' behavior towards these events and the information they get indicators that enable them to evaluate their performance and determine their value in the financial market.

Further research can be conducted to understand how investor sentiment affects stock prices in financial decisions and pricing models and the process of decision making. Also, the behavioral dimensions of management, and their motives for manipulating earnings, can be studied, and accounting for intangible assets (e.g., a company's value) can also be determined. Cultural dimensions and their disparity between countries can also be reflected differently on pricing models. Therefore, these research areas should be studied and enriched with applied research in culturally diverse environments to reach results that serve multiple parties.

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