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Examining the Impact of Information Disclosure Quality and Conservatism on Accounting Information of Companies Listed on the Tehran Stock Exchange

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ABSTRACT

Regarding the expansion of economic activities, today, development of financial markets and stimulation of investment in capital markets, especially in stock exchange by natural and legal persons, are the most important tools to make the right decisions and gain expected and optimum use of financial resources, access to accurate information, timely, accurate, and realistic analysis of information. Besides, it is expected that in efficient capital markets, all the available information is quickly reflected in the prices of securities. The aim of this study is to investigate the role of financial information disclosure quality, conservative company management, and their mutual impact on the relevance of accounting information. As in previous studies, the impact of systematic risk (beta) and the ratio of book value to market value on the relevance of accounting information have been approved, in this study, each of these variables are considered as control variables of the model and their impact on the relevance of accounting information will be controlled. The statistical population of this study consisted of 101 companies listed on Tehran Stock Exchange during the period from 2004 to 2014, and panel model was used in this study. The results of this study showed that there is a positive and significant relationship among quality levels of financial information, including scores of timeliness, reliability, and final score of disclosure quality, and relevance of accounting information; while there is a negative and significant relationship between the conservatism of company's management and the relevance of accounting information. Moreover, the results of this study indicated that there is a negative and significant relationship among the mutual impact of the final score of financial information disclosure quality and the conservatism of company's management on the relevance of accounting information.

Keywords: Disclosure Quality, Conservatism, Relevance of Accounting Information
JEL Classifications: C32, O13, O47

1. INTRODUCTION

The term conservatism is often used in the sense that accountants should report the lowest value for assets and earnings and the highest value for debt and expenses. Conservatism also means that costs should be identified earlier and earnings can be later (Mojtahedzadeh and Farshi, 2012).

The use of disclosed information, namely, the correct decision in the securities market, is possible when the information is timely, relevant and understandable. If the information disclosed does not have these features or some of them, then, there is no doubt that the mechanism of price discovery in the market will not function properly and the pricing of the bonds will not be done in a desirable manner (Broberg et al., 2010).

To have sufficient information on the market and the timely and prompt reflection of information on the price of securities are closely related to the performance of the market. Disclosure of information improves the mechanism of discovery of prices and, as a result, optimum pricing and increases the possibility of logical prediction of price trends (Abrazy and Derakhshideh, 2013). For the healthy functioning of capital markets, it is essential to have the qualified accounting information. Accounting information is considered to be a relevant time that can respond quickly to the needs of users (Chardolli, 2014).

Information must be relevant to the users' decision making needs in order to be usable. The information then has relevance quality that can affect their economic decisions by helping users to evaluate the past, present or future events, or by

approving or modifying their past evaluations (Chardolli, 2014).

The financial reports make it possible to assess the past and present events, and predict the future and provide a good basis for decision making. Accounting and financial information must be relevant, reliable and timely to lead to proper decisions. The financial information provided by the company can influence the market outlook on the company and the financial condition of the company; therefore, the maximum amount of information should be given effort and accuracy. Financial statements should provide information about the underlying assumptions and accounting estimates (Conover et al., 2008).

Timely identifying the losses can be a warning for Board of Directors to examine the source of bad news and weak function, and reduce the agent costs resulting from executive managers' function. Therefore, it is expected that a more powerful system of governance leads to a better monitoring of the performance of managers, including their obligation to observe conservative approaches to protect the interests of shareholders and creditors (Mojtahedzadeh and Farshi, 2012).

Given that the correct flow of information in the capital market leads to the adoption of sound and reasonable decisions by the participants, and on the other hand, given that conservative practices can lead to unrealistic accounting information and its relevance to economic decisions also, if the disclosed information does not create more certainty in the expectations and estimates of investors and creditors of the minimum income, there is no doubt that the mechanism of price discovery in the market will not function properly and the pricing of the securities will not be done in a desirable manner. Therefore, in this study, we examine the relationship between the disclosure quality of financial information and the conservatism of managers with the relevance of the accounting information of listed companies in Tehran Stock Exchange.

2. THEORETICAL FRAMEWORK

2.1. Quality of Information Disclosure

Generally speaking, the increased transparency of disclosure can help investors to assess corporate earnings financial statements (Jo and Kim, 2007).

Better disclosure of information improves the coordination and partnerships between companies and investors with regard to investment decisions based on the price of investment which is due to higher balance rate of expected future cash flows. Capital market is efficient in determining the true value of company's disclosure in long-term. Spending information includes the greater intrinsic value of company's disclosure. It is expected that spending information is similar to the same information of the competitors with market conditions but for firms with low disclosure and transparency, this spending information will be less (Francis and Schipper, 1999).

The main advantages of full disclosure and better reporting include:

- More management creditability,
- More long-term investment,
- More turnover,
- More liquidity,
- lower volatility, reduced bid-ask spread,
- Higher analysis,
- Better access and lower cost of capital,
- Improved relations with investment communities,
- Higher stock prices (Khatami, 2016).

2.2. Conservatism

Conservatism in financial reporting is the result of some economic reasons that are included in four factors: (1) The contractual agent, (2) the legal claim, (3) tax, (4) the accounting rules (Khadamipour and Mahani, 2011).

Watts and Zimmerman (2002) defines accounting conservatism as:

The differential verifiability required for recognition of profits versus losses. According to this definition of conservative, anticipation of future profits should be more verifiable than future losses. Accounting conservatism can generally be classified into three categories as follows:

A. Behavioral category: Pessimism is preferred over optimism. For example, according to accountant's guidelines, potential liabilities (potential losses) are recognized under certain conditions while these guidelines cannot be applied on potential assets (potential profits).
B. Time category: It is better to show the losses and the costs earlier than to show them later while it is better to show profits and earnings later than to show them earlier.
C. Value category: It is better to understate the profits and the earnings than to overstate them while it is better to overstate losses and costs than to understate them.

Accounting conservatism is an accounting concept that results in a reduction in accumulated earnings reported through late recognition of income and a quicker recognition of cost, low asset valuation and high debt appraisal. So far, criticisms have been made by groups such as capital market activists, academics and academic researchers of conservatism. One of these criticisms is the disproportionate behavior in identifying revenue and losses. The reason for the criticism of these groups is that if in the current period the profits due to the use of accounting conservatism result in less recognition of net assets, then profits will be recognized in the future period that there is no relation to that period (Watts, 2003). To measure conservatism, two criteria of time asymmetry were used to identify the profit and loss and accrual-based criteria and to assess the relevance of accounting information to stock values, two price and returns were used. The results of the test of research hypotheses show that the relevance of accounting information to stock values in companies is not significantly different with high and low conservatism. In other words, the degree of conservatism of companies does not affect the information content of their accounting variables. Additional tests moderated these results to some extent, suggesting that firms with moderate and high degree of conservatism provide relatively more relevant accounting information to stock values (Kordestani

and Iranshahi, 2012), moreover, conservative behavior creating more confidence in the expectations and estimates of investors and creditors of the least income and thereby increasing the reliability of accounting information (Balachandram and Mohanram, 2011).

3. LITERATURE REVIEW

Hossain et al. (1995) examined the relevance of the value of voluntary and compulsory disclosure of accounting information in the Egyptian capital market. They showed that by controlling the size and profitability of companies, the mandatory disclosure of the accounting information has a significant and inverse relationship with the value of the company. However, voluntary disclosure of this information is not significant even with a direct relationship with the value of the company. Ho et al. (2015), in a study examined "CEO gender, ethical leadership, and conservative accounting." And argue that since executive managers are more dominant in big companies for leadership and management, senior management decisions will be more male-dominated. Research on the biological and psychological performance of women and men shows that the leadership characteristics of female executives are largely unknown. Risk and Ethical Sensitivity are two key features associated with accounting issues such as conservatism in financial reports that are opposed to any fraud. In this study, we examine the relationship between CEO gender and accounting and conservatism in finding a positive relationship between both. In powerful and large companies, it is necessary to implement a conventional and rational lawsuit to avoid confronting dangers. The study highlighted the benefits of gender in maintaining financial integrity and reporting. Mironiuc et al. (2015) conducted a study entitled "Reviewing the Analysis, Reporting Information provided by Financial Markets, and reviewed the degree to which the information provided by Romanian companies was reported through their financial statements." The results show a low correlation between accounting information produced by the stock market, which indicates the limited impact of information provided by the financial statements on investment decisions. However, it may be possible to look at a higher level of solidarity analysis, both in auditing documents synthesized by endowments, and in the context of prior audit opinions, with specific resources. In dynamics, the development of the relationship between the two sources of information can be explained through the process of developing the Romanian capital market. Mayorga and Trotman (2015), conducted a study entitled "The Impact of the Logical Investor Perspective and Disclosure Policy of the Company on Disclosure Judgments of Managers," and the findings suggest that experienced managers may have disclosed when they suggest the adaptation of the rationale investor's perspective is encouraged compared to when it is not triggered, and this effect is more stable when the former disclosure policy of the company is unknown. Gajewski and Li (2015) conducted a study entitled "The Effect of Internet Based Disclosures on the French Stock Market by Analyzing the Relationship between Information Asymmetry and Internet Disclosure Techniques." The research findings indicate that since January 2007, the French financial organization has asked Paris-based companies to disclose all compulsory financial information to enhance the transparency of information through the Internet. Measuring information asymmetry through the expansion and probability of a given deal show that more web-based disclosure reduces the asymmetry of information in the French financial market.

Poorzamani and Mansouri (2015) carried out a research under the title "the impact of conservatism and disclosure on the cost of equity capital". The results of hypotheses analysis using panel data regression method show that the cost of equity is diminished with the increasing disclosure quality. The survey results of this study can be explained from the perspective of contract theory of conservatism and the theory of information asymmetry. Khatami (2016) studied "the relationship quality of accounting information and accounting conservative with stock prices crash risk." Research models using panel data estimation results show that there is no significant relationship between unconditional conservatism and future stock price crash risk. Moreover, the level of unconditional conservatism does not limit the role of conditional conservatism in preventing future stock price crash risk. In addition, any significant relationship was not found between higher quality audit and future stock price crash risk.

Mashayekh and Nassiri (2016) investigated "the impact of financial reporting transparency on value relevance of accounting information." In order to measure financial reporting transparency in this paper, three important qualitative proxies of accounting information, specially earning were used which improve financial reporting transparency. These proxies are unsmoothing, earning predictability, accrual quality. In order to make assurance of results on each proxy and provide a general result about reporting transparency, component index was made. The findings indicate that financial accounting transparency has significant and positive effect on value relevance of accounting information. The results could encourage managers, who are interested in attracting more capital at lower costs, to improve the level of financial reporting transparency. This may lead to store investor confidence and increase the number of investors in Tehran Security Exchange and ultimately, bring growth and prosperity for the community.

4. RESEARCH HYPOTHESES

This study attempts to answer the following three assumptions:

First hypothesis: The quality of financial information disclosure and conservatism of the manager of enterprise has mutual influence on the relevance of accounting information.

Second hypothesis: There is a significant relationship between the quality of financial information disclosure and the relevance of accounting information.

5. RESEARCH METHODOLOGY

The study is applied in terms of purpose and is descriptive-correlational in terms of method which examines the correlation of variables and also is ex post facto in terms of the temporal dimension for historical data of sample companies are used to test the hypotheses. Moreover, the design of this study is

quasi-experimental and sampling is conducted using systematic elimination. Furthermore, this research is a descriptive in the field of PAT research which is done using multivariate regression econometric models. In this study, hypotheses are based on pooling data and are tested using Eviews9 Software.

6. SAMPLE AND POPULATION

Companies listed on Tehran Stock Exchange during the period from 2004 to 2014 consist of the statistical population of this study.

Statistical sample is selected from all companies of statistical population that meet the following conditions using elimination sampling:

1. Selected company must have been listed on stock since the beginning of 2004.
2. Financial statements and other data recorded from 2004 to 2014 which are required for this study must be available.
3. Trading interruption for more than three months must not exist in designated range.
4. Selected company must not belong to stock industry including "banks, credit institutions, and other financial institutions," "Other financial intermediations," "financial investors", and "multidisciplinary industrial companies."

Considering above conditions, the total number of 101 of listed companies was selected as the sample. The data required for measuring the research variables was collected through desk method. This data has been extracted through the official website of the Tehran Stock Exchange, Codal site, as well as Tadbir Pradaz software.

7. RESEARCH MODELS

Regression patterns will be used to examine the research hypothesis. According to theoretical foundations and experimental research background, the appropriate models for testing the hypotheses will be presented as follows.

First, we consider the relevance of the research using the model (Ohlson, 1995) as follows:

Model 1:

$$P_{it}=\beta_0+\beta_1 BVS_{it}+\beta_2 EPS_{it}+\varepsilon_{it}$$

Then, based on the remaining disruptive factors, a VR_{IT}-related criterion will be placed in the Easton and Harris model and tested according to the model below.

Model 2:

$$VR_{it}=\alpha+\beta_3 CONSV_{it}+\beta_4 De_{it}+\beta_5 (Deco_{it})+\beta_6 Dar_{it}+\beta_7 Dara_{it}+\beta_8 Beta_{it}+\beta_9 BTM_{it}+e_{it}$$

Where,
P_{it} is market value of each share at the end of the fiscal year t for company I, EPS is the interest for each share, BVS represents the book value of each share, CONSV is conservative amount, D_e represents the final score of disclosure quality, Dar rating of the timeliness of the disclosure quality of the company, Dar is corporate reliance rating, VR_{it} is relevance index, Beta $_{it}$: Beta of the company's market and BTM_{it}: The ratio of book value to stock market value.

8. RESEARCH RESULTS

Table 1 shows descriptive statistics of the data related to the variables used in this research.

The present study is estimated using a combination of data method in 101 companies. Before estimating the model using the combined data, we need to decide on the appropriate method for the application of these data in the estimation. First, it must be determined that there is a need to consider the structure of the data panel in principle, or whether pooling data can be used and used to estimate the model. In the single-equation estimates, the F (Limer) test statistic is used to obtain the final decision. According to the results of this test, it is decided to reject or accept the equivalence hypothesis of certain firm specifics and ultimately decide on the choice of the classical method or method of panel data. If the probability of a F Limer test is less than 5%, the panel data will be used, and otherwise, the combined data will be used. Table 2 shows the results of the F Limer test of the model.

Given the probability value obtained below 0.05, panel data is used.

As explained in the previous chapter, the Hausman test is used to select between the random effects model and the fixed effects. The results of the Hausman test for the research model are described in Table 3.

The results of the Table 3 indicate that the hypothesis model used in the research should use the random effects method.

For self-correlation detection, one of the existing tests is Waldrige's test. This test is provided by Waldrige and its advantage is compared with the Durbin-Watson test, in which, in addition to self-correlation, other types of self-correlation are detectable, and when the data is of a composite type, this test can also be used. In Table 4, the results of the self-correlation test are presented for the model test. Given that the probability value in Table 4 for the model is less than the significance level of 5%, the model has self-correlation.

The results of the variance test for testing the hypothesis model are presented in Table 5. If the probability value is <5% significant level, then the zero assumption of the variance equation is not accepted and the model has an inconsistency of variance. Given the fact that the probability value in the Table 5 is <5% significant level, the model has heterogeneity of variance.

The results of the model indicate that there is the problem of autocorrelation between variables and heteroscedasticity in the residuals. The first order autoregression process AR (1) was used

Table 1: Descriptive statistics related to the variables of this research

Variable	Relevance	Conservatism	Score assigned to timeliness	Score assigned to reliability	Final score of disclosure quality	Final score of conservatism
Mean	0.06	−2.395	61.944	54.793	107.15	−132.218
Median	−1.91	−0.598	63.860	63.086	68.666	−42.478
Maximum	4.985	23.579	99.302	99/801	296.000	700.323
Minimum	−6.731	−1017.197	−3.162	0.000	−2.347	−38803.13
Standard deviation	0.631	41.903	26.274	33.543	86.898	1599.697
Coefficient of skewness	−0.558	−1.536	−0.399	−0.462	0.853	−1.93
Coefficient of enlargement	2.12	2.64	2.243	1.84	2.323	2.132

Table 2: Results of test F (Limer) to select pooling or panel method

Model	Null hypothesis	F statistic	Probability	Test result
Model (1), dependent variable: Market value per share at the end of fiscal year	Pooling method is appropriate	3.3	0.000	H0 is rejected Panel data method is selected
Model (2), dependent variable: Relevance index	Pooling method is appropriate	2.1	0.000	H0 is rejected Panel data method is selected

Table 3: The results of Houseman test to select either fixed effects model or random effects model

Model	Null hypothesis (H0)	χ^2 statistic	Probability	Test result
Model (1), dependent variable: Market value per share at the end of financial year	Random effects method is appropriate	3.09	0.062	H0 is rejected Random effects method is appropriate
Model (2), dependent variable: Relevance index	Random effects method is appropriate	4.52	0.339	H0 is rejected Random effects method is appropriate

Table 4: The results of Wooldridge test of research model

Wooldridge test		
Test result	**Probability**	**Statistic**
Autocorrelation exists	0.02	5.544

Table 5: The result of heteroscedastic test of research model

LR test		
Test result	**Probability**	**Statistic**
Heteroscedastic exists	0.000	1475.88

to fix the autocorrelation and weighted regression is used in Eviews software to fix heteroskedasticity in residuals.

Before testing the hypotheses, first relevance is estimated with regard to research using Feltham and Ohlson (1995) model as follows: The result of model estimation (market value per share at the end of financial year) is depicted in Table 6.

9. RESULTS OF TESTING THE FIRST HYPOTHESIS

The results of the research hypothesis test are described in the following Table 7. After performing the F limer and Hausman tests and selecting the fixed effect model for model estimation, the results of the model estimation are presented in the following Table 7. In this model, the coefficient of determination (R2) is 0.26. The coefficient of determination is the standard that describes the relationship between the independent and dependent variables. The value of this coefficient actually determines how many percent changes of the dependent variable are explained by the independent variable. Therefore, it can be said that 26% of the variation of the dependent variable is explained by independent variables. First, the existence or absence of self-correlation must first be determined. Durbin-Watson test (Durbin-Watson) is one of the most popular tests for self-correlation detection. When the Durbin-Watson is about two (about 1.5-2.5), it indicates that there is no correlation itself, but higher or lower than two values indicate that the error sentences did not occur accidentally, and therefore, the results are unrealistic. Correlations of errors are called self-correlation or (serial correlation). For self-correlation, the correlation is used to estimate errors (i.e., et). In general, self-correlation expresses the relationship between e with interruptions. The regression model should have a width from the source. One of the classic assumptions in the OLS estimation was not the relationship between waste (residuals or errors) in different periods of time; the violation of this assumption creates a correlation with the problem itself. In other words, the classical model assumes that the disturbance component of a view is not affected by the disturbance component of another observation. According to this test, if its value is close to 2, its solidarity problem will not exist. Since Watson's camera is closer to 2, its model is not correlated and the results of the model are reliable.

10. RESULTS OF TESTING THE HYPOTHESES

Hypothesis 1: There is a significant relationship between the quality of disclosure of financial information (including timeliness, reliability, and final score) and the relevance of accounting information.

The positive coefficient of the variable of the final score of the disclosure quality indicates the positive relationship of this

variable with relevance, which is calculated with respect to probability value ($P < 0.05$). This relationship is statistically significant. Therefore, the H0 hypothesis is based on the absence of a meaningful relationship between the final score of the disclosure quality and relevance. In other words, the hypothesis of the research is confirmed and there is an indirect and significant relationship between the final score of the disclosure quality and relevance.

Positivity of the variable coefficient of the rating on time indicates the positive relationship of this variable with relevance, which is calculated by considering the probability value ($P < 0.05$). This relationship is statistically significant. Therefore, the H0 hypothesis is based on the absence of a meaningful relationship between timeliness and relevancy. In other words, the research hypothesis is confirmed and there is an indirect and significant relationship between the rate of timeliness and relevance.

The positive coefficient of the reciprocity rating coefficient indicates the positive relationship of this variable with the relevance, which is calculated by considering the probability value ($P < 0.05$). This relationship is statistically significant. Therefore, the H0 hypothesis is based on the absence of a significant relationship between reliance and relevancy rating. In other words, the hypothesis of the research is confirmed and there is an indirect and significant relationship between the degree of reliance and relevancy rating.

Table 6: Results of estimating $P_{it}=\beta_0+\beta_1 BVS_{it}+\beta_2 EPS_{it}+\varepsilon_{it}$

Variable	Name of the variable	Coefficients	Statistic t	p>|z|
BVS_{it}	Book value per share	−0.07	−3.23	0.001
EPS_{it}	Profit per share	−0.11	−2.97	0.0003
	R^2=0.32			
	DW=2.16			

Second hypothesis: There is a meaningful relationship between the conservatism of managers and the relevance of accounting information.

The negative coefficient of the final score in conservatism represents the negative relation of this variable with relevance, which is calculated by considering the probability value ($P < 0.05$). This relationship is statistically significant. Therefore, the hypothesis that there is no significant relation between the final score in conservatism and relevance is rejected. In other words, the research hypothesis is confirmed and there is an indirect and significant relationship between the final score in conservatism and relevance.

The negative coefficient of conservative variable indicates the negative relation of this variable with relevance, which is calculated according to the probability value ($P < 0.05$). This relationship is statistically significant. Therefore, there is a hypothesis that there is no significant relationship between conservatism and relevance. In other words, the research hypothesis has been confirmed and there is an indirect and significant relationship between conservatism and relevance. Therefore, it can be concluded that high conservatism companies are generally less relevant than accounting firms with lower conservative levels.

The positivity of the beta variable is a positive correlation of this variable with relevance, which is calculated according to the probability value ($0.05 > P$). This relationship is statistically significant. Therefore, the H0 hypothesis suggests that there is no significant relationship between beta score and relevance. In other words, the research hypothesis is confirmed and there is an indirect and significant relationship between beta and relevance.

The positive coefficient of the ratio of book value to stock market value indicates the positive relationship of this variable with relevance, which is calculated by considering probability value ($P < 0.05$). This relationship is statistically significant. Therefore,

Table 7: Results of estimating model (1)

Variable	Name of the variable	Coefficients	Statistic t	p>[Z]
CONSV	Conservatism	−0.0327	−3.977	0.000
DE	Final score of disclosure quality	0.0008	8.447	0.000
DECO	Final score of conservatism	−0.0009	−6.845	0.000
DAR	Score of timeliness	0.0012	3.312	0.000
DARA	Score of reliability	0.0013	4.919	0.000
Beta	Beta	0.002	3.211	0.0003
BTM	Ratio of book value to stock value	0.11	4.002	0.0012
	AR (1)	−0.015	−0.927	0.354
	R^2=0.82			
	DW=2.13			

Table 8: The summary of the results of hypothesis tests

Hypothesis	Hypothesis description	Result of hypothesis test
First hypothesis	There is a significant negative relationship between the mutual effect of final score of financial information disclosure quality and the conservatism of company manager on the relevance of accounting information	Approved
Second hypothesis	There is a significant positive relationship between the levels of financial information disclosure quality including (score of timeliness, reliability, and final score of disclosure quality) and the relevance of accounting information	Approved

the H0 hypothesis is based on the absence of a meaningful relationship between the ratios of book value to the relevant stock market value. In other words, the research hypothesis has been verified and there is an indirect and significant relationship between the ratio of book value to stock market value and relevance.

11. CONCLUSION

Given that disclosure is one of the most important issues affecting the quality of accounting information and the increased focus on the information needs of users of financial reports has led to an increase in the relevance of the information along with those reports (such as book value and earnings per share), it was expected That the relative profitability and book value of each share increase, along with the increase in the level of discretionary disclosure. Some of the qualitative features of accounting information, such as conservatism, may reduce the relevance of stock accounting information. Conservatism on the one hand affects the freedom of action and optimism of managers, protects stakeholder rights, and resolves many of the problems of representation and information asymmetry, and increases the reliability of accounting information. On the other hand, conservatism can lead to unrealistic accounting information and reduce its relevance to economic decision-making. Accordingly, in this research, the conservatism effect on the relevance of accounting information to stock values or the information content of accounting variables was investigated. According to the findings of this research, it can be said that Tehran Stock Exchange does not show a significant difference between the relevance of accounting information to the value of the shares of conservative and less conservative firms, which can be attributed to the lack of conservative relationship with the content Information on accounting figures. But what has been said can not be taken as an absolute conclusion because, by performing additional tests, accounting information for medium and high conservative companies usually has higher relative information content. Thus, it can be said that by applying conservative accounting with all the unequal advantages that reduce the information asymmetry and modify the managers' opportunistic behavior in applying accrual accounting and ultimately enhance the reliance of information. The impact is not important in the relevance of accounting information to share value, and perhaps because of the role of conservatism in reducing the sustainability and quality of profit and reducing the relevance and usefulness of accounting information for stakeholder decision-making. The results from the test of the second hypothesis show a significant and significant relationship between the conservatism of the company management and the relevance of accounting information (Table 8).

12. RESEARCH SUGGESTIONS

Practical suggestions of this study are as follows:

- Empirical findings of recent study indicate the favorable impact of conservatism on the quality of information disclosure. Therefore, it is suggested that accounting standards setting bodies (National Audit Office) continue their practice on the compilation and obligation of accounting standards with conservative procedures as before and if there is the will to move towards accounting standards contain non-conservative procedures, this movement should be quite gradual so that on the one hand, users of financial statements can benefit from the advantages of using conservatism during impressive period and on the other hand, they can begin to coordinate their decision-making process with the outputs of new accounting and financial reporting system gradually.

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