

The relationship between accounting conservatism and financial statements quality: Empirical Study of an External Auditor's and Accountant Expert's Sample in SidiBel Abbes Province

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Abstract :

This study aims at findings of the relationship between accounting conservatism and financial statements quality. To achieve study goals we run an empirical study for a sample of External Auditor's and Accountant Experts in Sidi Bel Abbes province.

The results shown that some companies don't rely on unconditional conservatism, the Pearson correlation test show the significant relationship at level 0.05 between accounting conservatism and financial statements quality. We concluded that the regression model find impact on the financial statements quality by 0.259% for the conditional conservatism, and 0.321% on the relevance and faithful representation of accounting information The regression model is acceptable and the $R^2=0.620$ and significant at level 0.05.

Keywords: Conservatism, Financial Statements Quality, Accounting Policies, Qualitative Characteristics, Pearson's correlation.

JEL classification codes: M41; L15,

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Introduction :

Financial statements and reports are known as the major important financial sources of users who try to make decisions. That's why the fundamentals of preparing financial statements are highly important. The underlying bases of preparing financial statements known as accounting standards should have formal characteristics and be consistent for financial statements. It would finally make the financial statements comparable.

The quality of information reported in financial statement should be able to help users in assessing the company's financial condition. Toward, to be useful in helping users to make an economic decision, information should be presented faithfully and contain no error and bias. In addition, information should be precise or enclose less uncertainty.

In the company's life cycle, uncertainty conditions are tough to avert. And this gives management opportunity to choose different accounting method and policies. As is often the case, opportunistic managers may choose different accounting method and policies to obtain personal goals. Their proceeding will finally conduct of earnings manipulation practices that result in bias and less precise.

Conservatism is one of the essential characteristics of financial reporting by which the quality of accounting and financial reporting has been at least enhanced from the beginning of the 20th century. Conservatism is a concept vastly used by the accountants as a constraining principle of accounting. However, it has maintained its position among the other accounting principles regardless the repeated criticism of this concept.

Due to focus accounting conservatism on disclosing more information about anticipated losses and expenses while ignoring anticipated revenues or income, has controversial opinions about its implementation while disclosing financial information of the company. Some believe of it distortion, of actual information while disclosing information, while others think of it as a positive practice of accountants.

Based on the above, the research problem is stated as follows:

What is the relationship between accounting conservatism and the quality of financial statements?

To study this problem the research based on three hypotheses as shown above:

Hypothesis n° 1: there is no acceptable level of accounting conservatism in financial statements

Hypothesis n° 2: there is no relationship between unconditional conservatism and financial statements quality

Hypothesis n° 3: there is no relationship between relevance and faithful representation of accounting information and financial statements quality

The importance of the study is that it sheds light on the concept of accounting conservatism, which is now a controversial topic due to its association with the financial statements Quality. Although this concept is widely known in the world, it is still limited in Algeria, but this has not prevented it from being addressed in order to enrich the discussion and research and to exploit accounting conservatism in a manner commensurate with the principle of caution and caution without exaggeration.

I. Theoretical Framework and Literature Review:

Financial statement reporting and the accounting system play critical roles in the finance market. Investors and consumers predict the future performance of a given company as a means to assign values to these companies. As a major feature of financial statement reporting, conservatism is a limiting principle of accounting that plays the key role of confining the optimistic behaviors of the managers the ones who provide the information.

1. Literature Review:

The Accounting Conservatism considers as one constrain related to level three (recognition and measurements) of the conceptual framework underlying financial accounting issued by Financial Accounting Standard Board (FASB) the conservatism is from the most important accounting concepts effect accounting disclosure and measurement. We review some studies on the impact of accounting conservatism on financial statements quality. The study of)Lobo , Zhou(2006 ; examined the effects of accounting conservatism on financial statements published before and after the 2002 Sarbanes-Oxley Act in the United States, which requires executives and financial managers of all listed companies to certify the physical accuracy and completeness of their companies' financial data. They found that the degree of discretion in published financial statements had increased significantly in the periods following the enactment of the Act compared with previous periods

(Givoly, Hayn, & Natarajan, 2007) examines also the degree to which the measure developed by Basu, 1997 - in differential timeliness, evaluates accounting conservatism, and they mentioned some factors that may affect this matter as; application of conservative accounting procedures underestimates asset valuation application of the lower-of-cost-or-market convention.

The Study of (Hamdan & Abzakh, 2011) aims at measuring the level of accounting conservatism in the financial statements issued by the companies listed on the Kuwait Stock Exchange. To achieve the objectives of this study, two methods were adopted in order to measure the level of accounting

conservatism and the factors influencing Kuwaiti companies. The models were: Basu 1997 model and Book-to-Market approach. The sample of the study comprises of (225) companies listed on the (KSE). They concluded with significant results which are: that the financial statements of small companies were conservative, while those of the big ones were not. Also they found out companies with lower debts were more conservative than those of higher ones. Moreover, the financial statements of the financial sector in Kuwait Stock Exchange were the most conservative.

Also (Alkurdi, Al-Nimer, & Dabaghia, 2017)intended to examine the impact of ownership structure on the level of accounting conservatism in Jordan; 99 of manufacturing and financial companies are included in the Amman stock exchange between 2005 and 2013. On one side, ownership structure was assessed by: Foreign; governmental; institutional; and concentration of ownership. On the other side, accounting conservatism was measured by accrual-based measures. This paper used the ordinary least square method (OLS) as the multiple regression analysis; the study's findings that there is a reverse effect of governmental ownership on accounting conservatism. Conversely, there is a significant and positive relationship between foreign and institutional ownership with accounting conservatism.

As (Al Jaloudi, 2018) run an investigation of the impact of conservatism policy on the reporting quality of banks in Jordan. It is examined whether of selected banks practice conservatism or not; and then the variable is operationalized in terms of a categorical variable having two main categories of conservatism and nonconservatism. For this purpose, data is collected for 15 Jordanian banks listed on the Amman Stock Exchange for a duration of 10 years from 2008 to 2017. The study findings show that Jordanian banks practice accounting conservatism while disclosing their financial information and such conservatism practice has a positive impact on their reporting quality.

(Kezzal, 2018) Tried in his study to identify the impact of accounting conservatism on the quality of financial information disclosed in the Algerian shareholding companies, as well as the extent to which this concept was used for profit management practice. And to achieve the objective of the study, three standard models were used to measure the quality of the custody level in the participating companies, a model of Jain and Rezaee 2004 model, Givoly and Hyan, 2000 model, and Ball and Shivakumar, 2006 model are used, in order to determine the positive form of earnings management practices. The study included a sample of 47 companies during the period lasting from 2011 to 2015, who found that accounting conservatism played a role in limiting the practice of profit management and not proving its use for income-leveling purposes, which was positively reflected in the quality of financial information.

2. Conservatism, and financial statements quality:

Accounting conservatism is one of the controversial concepts in accounting thought and practice. The pioneers of accounting used to use the concept of

"prudence and caution" to express an accounting conservatism when preparing financial statements.

Although the accounting conservatism is between the concepts that affect accounting practices, especially the measurement and disclosure processes, accounting professional organizations and bodies have not issued a specific formal concept for it. Foremost of which is the American Financial Accounting Standards Board (FASB). Where he sufficed with defining the accounting conservatism in Recommendation No. 2 that it is a "Careful behavior on the circumstances of uncertainty to ensure that the uncertainty and the risks inherent to it in the business environment are taken into account" (FASB, 1980, p. 06)

The International Accounting Standards Committee (IASB, 1989, p. 84) also defined that the accounting conservatism is to take caution and not to over-evaluate assets or income, and not to evaluate liabilities or expenditures less than they should be.

In addition to the specialized bodies, there are many definitions that economic writers have referred to (Basu, 2009, p. 3) defined the accounting conservatism is the accountant's tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses or the differential verifiability required for recognition of profits versus losses. In financial reporting bad news tends to be included faster in the financial statements than good news, this means that companies appreciate bad news much faster in their earnings than good news. And this does not imply that the firm must receive cash flows before recognizing the associated revenues: accountants recognize credit sales once the associated cash flows are verifiable (Pae, Thornton, & Welker, 2004, p. 4). While define ((Givoly, Hayn, & Natarajan, 2007, p. 106) define conservatism as a selection method between accounting principles that conducts To the minimization of cumulative reports earnings by slower revenue recognition, faster expense recognition.

As for the practical aspect of applying the accounting conservatism, it is recognized underestimated assets and revenues, overstated liabilities and expenses (Ahmadi & Bouri, 2016, p. 66) . Conservative accounting defines by (Penman & Zhang, 2002, p. 238) as the choosing accounting methods and estimates that keep the book values of net assets relatively low. Thus, LIFO accounting for inventories is considered conservative relative to FIFO (if inventory costs are increasing), expensing research and development expenditures instead of capitalizing and amortizing them is conservative, depreciation methods that consistently use short estimated asset lives (as accelerated depreciation) are

conservative, and considered policies that continually overestimate allowances for doubtful accounts, sales returns, or warranty liabilities are conservative.

The financial accounting system referred to the concept of accounting conservatism by the term "prudence" through Article 14 of Executive Decree 08-156 (Official Gazette n°27, 2008), that: the accounting must respond to the prudence principle that leads to a reasonable estimate of the facts in circumstances of doubt, in order to avoid the risk of existing doubts shifting to the future that would debt burdens the entity's property or its results. And considered it one of the accounting principles which governs the process of preparing the financial statements in case of uncertainty. Also stressed the reasonable estimate and not over-valuing, and that by implicitly without using the term accounting conservatism explicitly.

Conservatism does not imply that the firm must receive cash flows before recognizing the associated revenues: accountants recognize credit sales once the associated cash flows are verifiable. Rather, as the empirical literature recognizes (Pae, Thornton, & Welker, 2004, p. 4), conservatism is “the accountant’s tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses.

In accounting literature, the idea of conservatism is to use a less optimistic attitude in processing accounting dealing or events when varied alternatives are present. Thus, a sequence of accounting procedures based on conservatism has been developed to account for provisional expenses and potential losses in accounting practice (AKTURK & SENOL, 2008, p. 311).

Due to focus Accounting conservatism on disclosing more information about anticipated losses and expenses while ignoring anticipated revenues or income, has controversial opinions about its apply it while is disclosing financial information of the company. Some believe in it as a positive practice of accountants, as the companies that implement accounting conservatism considered are good in their information disclosure, because they disclose even about their future losses, it enhances the credibility of their information as compared to the ones not practicing (Al Jaloudi, 2018, p. 94). Prudence it is one component of qualitative characteristic that require a higher degree of caution in presenting information when uncertainty occur (Stefani & Ratnaningsih, 2016, p. 2).

Conservatism also can be means as the action to choose a decision that will less not overstating income and assets when dealing with uncertainty condition.

The need for accounting conservatism is related to the increase of credibility in accounting information, as the conservatism of declaring good results of the company increases accounting credibility and the ability to predict the future. As (Hamdan & Abzakh, 2011, p. 146) found that accounting conservatism improves on the quality of financial reporting through a clean opinion of an External Auditor. While others think of it distorts of actual information while Disclosure information.

Some have opposed this concept in terms of its negative impact on the quality of information included in the published financial statements; it conflicts with some principles and qualitative characteristics of accounting information, such as, comparability, stabilization, reliable representation and consistency. This it may conduct the perversion of accounting information and display it values differ from the true values (Al-Sakini & Al-Awawdeh, 2015, p. 233). The exaggeration in conservatism may harm some users of accounting information.

The conservatism made earnings management possible to reduce income tax expense. In the early 20th century, when countries began taxing corporations, corporations realized that by exercising unconditional conservatism they could limit their tax expense. Also the allowance for doubtful accounts figure is an estimate that was instrumental in income smoothing schemes. This reserve provides management an excellent backdoor way of conservatively estimating future bad debt management can release these reserves earnings to meet targets. Other methods such as accelerated depreciation methods that write down assets more quickly than their actual depreciation (meaning, the physical deterioration of the equipment) skew the perception investors have the company's fixed assets, expensing advertising costs (Garrison, 2015, p. 19). These methods all provide opportunities to deliberately mislead financial statement users, and contribute to an undervalued organization on the books. And these new methods influenced financial reporting.

Researchers generally distinguish between two types of accounting conservatism; namely the conditional and unconditional accounting conservatisms (BEAVER & RYAN, 2005, p. 269). The conditional conservatism (ex post conservatism or news dependent) (Neag & Maşca, 2015, p. 1117), means that refers to the asymmetric recognition in the profit and loss (Basu, 1997), which accelerate the recognition expected future losses, while delaying the recognition of expected future gains. The conditional accounting conservatism depends on asymmetric information about the treatment of loss and gain contingencies and accounting for inventory using the lower-of-cost-or-market convention

practices, whereas gains and appreciation must await their realization before being recognized in income (Ahmadi & Bouri, 2016, p. 68). Notably, most assets are subject to conditional conservatism in that they must be written down to fair value when their carrying value falls sufficiently below their fair value (García Lara, García Osma, & Penalva, 2011, p. 17) .

Unconditional conservatism does not rely on the eventide of certain facts, but does rely on the management's ability in the selection of conservative accounting policies correct (Alkurdi, Al-Nimer, & Dabaghia, 2017, p. 610). Examples of this type are either costs of research and development, or delaying the recognition of revenue or speed up the recognition of certain costs (e.g., through the use of accelerated depreciation or LIFO) (Ahmadi & Bouri, 2016, p. 68).

The financial statements give information about an entity's assets, liabilities, equity, income and expenses that are useful to users of financial statements in evaluating the prospects for future net cash inflows to the entity and in assessing management's handling of the entity's resources (IASB, 2015, p. 16).

Based on the qualitative characteristics, the quality of the financial reports is determined. The fundamental qualitative characteristics (relevance and faithful representation) are most important and determine the content of financial reporting information. If the financial statement of the company does not content, at least one of them, it cannot be of high quality. The enhancing qualitative characteristics (understandability, comparability, verifiability and timeliness) intended to improve the quality of relevant, truthful information submitted. (Beest, Braam, & Boelens, 2009, p. 4). The concept of "improving quality characteristics" means that these characteristics do not replace the fundamental characteristics. Even if improving characteristics of financial statements are on high level, but at the same time the financial reporting devoid of relevance or true presentation, it may not be of high quality.

Information is relevant if it can affect users reporting while decision-making, wherein financial reporting of companies It should not be only represented the impact of events and facts that have occurred, but also contain visionary information (Renkas, Goncharenko, & Lukianets, 2016, p. 3). To this effect, Conceptual Basis includes the concept of predictive value and confirmatory value. Thus, the information has predictive value if it helps users to evaluate possible effects of past, present and future events, and confirmatory value if it helps users to compare current performance and results from their preliminary estimates. The main goal of financial reporting is depicting economic occurrences effective on the situation and performance of the companies to a many of the external users to help them make economic decision (Kordlouie, Mohammadi, Naghshineh, & Tozandejani, 2014, p. 130).

Financial reports are the most important sources of acquiring information, so that the theoretical accounting fundamentals and financial reports intend to provide information about the financial aspect of the operations, transactions, and events influencing of the financial position and results of the entity. Therefore, many of the users are required to rely on the financial statements as the main source of financial information (MOHAMMADI, HEYRANI, & GOLESTANI, 2013, p. 190). So, the financial statements should make be provided for information available in accordance with their needs and requirements.

Companies are required to draw up a financial statement on the activities of an entity. Discusses relevant information about the assets and financial position, presents company results, and points to risk factors and possible risks (Franczak, 2019, p. 121). The financial statements include a balance sheet, statement of loss and gain, and cash flow statement, statement of changes in equity, additional information (consisting of the supplementary information and explanations).

The major objectives of financial and accounting reporting, include (Kordlouie, Mohammadi, Naghshineh, & Tozandejani, 2014, p. 130):

- 1) Financial reporters should be to provide the information that could help the current and prospective decision users in making financial decisions in an effective way.
- 2) Financial reporting is expected to provide investors, creditors, and others the evaluations and timing on the expected returns of firms.
- 3) Financial reporting is also expected to provide information on the economic resources of companies and also the resulting liabilities in return for the economic resources.
- 4) Finally, financial reporting is expected to reflect the economic achievements of companies in any given financial cycle.

II. Variable measurement:

This study depended in its measuring of variables on the previous studies, and it developed new measuring methods. Table 1 shows the measuring of the study variables and their expected sign.

Table 1: Study variables

Independent variable	Dependent variable
Accounting conservatism	Financial statements quality
Unconditional accounting conservatism	
Conditional accounting conservatism	
Relevance and faithful representation of Accounting Information	

Source: developed by researchers according to previous studies above.

The current study has developed a model to measure the effects of accounting conservatism to improve the level of financial statements quality; we have been used to indicate the accounting conservatism three indicators as unconditional Accounting Conservatism (UAC); Conditional Accounting Conservatism (CAC); and Relevance and Faithful representation of Accounting Information (RFAI).

1. Sample selection and description:

This section consists of an analytical description for the methodology of the study and view stages and followed steps to achieve the study goals. So this part start with mentioning a population and a sample of the study, resources of collecting the data, the information and the statistical methods used in analyzing this data.

2. The population and study sample:

The study carried on a population consists of the external auditors and accountant experts in SidiBel Abbes province, we used responses of sample individuals who's are experienced and checked and validated financial statements of several companies in SidiBel Abbes province, they have experience and tools to detect accounting conservatism, and our study covered the period of three years from 2018 to the end of 2020.

The collection of primary data for this study was carried through indirect observation, based on responses to a questionnaire conducted on a sample of experts who's dealing with companies financial statements and can judge their quality. Similar studies in this field used the questionnaire as a model of choice for data collection, or to analyze the interactive relationship between variables as shown in previous studies.

The questionnaires which began distribution in January 2021, were divided into two groups, namely, framing questions, which formed the basis for characterizing the sample, and general questions which sought to address the hypotheses raised in this study. The framing questions obtained from the uses of nominal scales are identified in Table n°2.

Table2: Framing questions

Age:		Last/ current level studies:	
Less than 35 years old		Bachelors degree	
Between 36 and 45 years old		Post-graduate degree	
Between 46 and 55 years old		Master degree	
More than 55 years old		Doctoral degree	
Years of experience:		Profession:	

Less than 10 years		Accountant Expert	
Between 11 and 20 years		External Auditor	
More than 20 years		Accountant	
Most relevant field:		Gender:	
Accounting		Male	
Auditing		Female	
Finances			

The second group of questions who's general; a questionnaire includes a first set of 37 questions based on the scale of Likert 5 identified in Table n°3.

Table 3: Likert scale used in the questionnaire

]1.00-1.80]]1.80-2.60]]2.60-3.40]]3.40-4.20]	More than 4.20
Strongly disagree	Disagree	Undecided	Agree	Strongly agree

Questions are distributed to the three variables measuring accounting conservatism as (UAC) from Q1 to Q12; (CAC) from Q13 to Q24; and (RFAI) from the question n° 25 to Q37.

3. Main results:

To analyze the interactive relationship between financial statements quality and accounting conservatism, this study has used multivariate techniques, which include reliability analysis and factor analysis. The objective of reliability analysis is to identify, based on the items (questions) of questionnaire, latent variables related to each accounting conservatism under study.

Table 4: Reliability analysis

Cronbach's Alpha	Number of items
0.879	37

Source: output of Spss 25.

Cronbach's Alpha is high and more than 0.6, we can confirm the reliability and credibility of our questionnaire.

Table 5: Issued of characterization results obtained

Item	Frequency	Percent (%)
Age	Less than 35 years old	5 13.5
	Between 36 and 45 years old	11 29.7
	Between 46 and 55 years old	17 45.9
	More than 55 years old	4 10.8
Gender:	Male	23 62.2
	Female	14 37.8
Last/ current level	Bachelors degree	5 13
	Post-graduate degree	10 27

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studies:	Master degree	19	51
	Doctoral degree	3	9
Years of experience:	Less than 10 years	12	32.4
	Between 11 and 20 years	15	40.5
	More than 20 years	10	27
Most relevant field:	Accounting	15	40
	Auditing	14	38
	Finances	8	22
Profession:	Accountant Expert	14	38
	External Auditor	12	33
	Accountant	11	29
Years of experience:	Less than 10 years	12	32
	Between 11 and 20 years	15	41
	More than 20 years	10	27

Source: output of Spss 25.

The general characterization of the sample which is included in the analysis of participation in the study around the variables age, gender, last/current level of studies, the most relevant fields of studies, profession and years of experience, we obtained that the age is between 46 and 55 years old, about 45.9%, followed them more closely those aged between 36 and 45 years old about 29.7%.

The male gender is about 62.2% and more than females (about 37.8); we can explain that by the nature of the profession and the Algerian company who's prefer males and work obligations and the mobility necessities. The last/ current level of studies show the Master degree (over 51%) and the results of the doctoral degree is about 9% and that improves the sample individuals are qualified and they try to complete their post-graduate studies.

Also the years of experience are for the interval between 11 to 20 years about 40.5%, so all individuals are experienced and we can count to their responses. The field of study refers on accounting by 40%: auditing 38% and finance 22%. All individuals are specialized and they can deal with questions. About 38% of sample individuals are accountant experts, 33% are external auditors and the last 29% are accountants, this result proves the importance of the responses and that individuals are all concerned by the financial statements quality and accounting conservatism, and they dialed with accounting information's.

Table 6: Survey questions and summary statistics

Questions	Mean*	Standard deviation	t-statistic (p-value)
Unconditional accounting conservatism (UAC)	3.13	0.98	Significant at 0.05
Q1: The accountant tends towards reducing the economic life of the asset.	2.20	0.71	0.201
Q2: The accountant tends toward measuring assets declared to the public at the lowest value among the possible values in conditions of uncertainty.	2.48	0.12	0.225
Q3: The company uses the historical cost in valuing assets.	4.30	1.197	0.142
Q4: The company uses discounted present value in valuing some assets (long-term cash inflows).	3.20	1.201	0.269
Q5: The company generally uses fair value in valuing assets (financial assets).	3.35	1.380	0.045
Q6: The company uses the accelerated depreciation method for fixed assets	2.55	1.202	0.369
Q7: The "LIFO" method is used for valuation of last term stock.	1.67	1.321	0.152
Q8: The financial instruments are valued according to the cost base or the market, whichever is lower.	2.98	1.315	0.321
Q9: The accountant tends to measure the value of the firm's liabilities at the highest value among the possible values in conditions of uncertainty.	3.28	1.354	0.041
Q10: The company tends to use the lowest possible discount rate in valuing non-current liabilities.	3.01	1.021	0.257
Q11: Accountants tend to recognize obligations as soon as they are received.	4.50	1.213	0.012
Q12: An accountant tends to recognize current liabilities at their undiscounted face value.	4.12	1.412	0.234
Conditional accounting conservatism (CAC)	3.74	1.51	Significant at 0.05
Q13: The accountant tends to show the value of the company's revenues and incomes at the lowest possible value for it in conditions of uncertainty	1.96	1.265	1.02
Q14: The company delaying the recognition of some revenue for the longest possible period of time under conditions of uncertainty.	2.79	1.029	0.79
Q15: The accountant tends to delay the recognition of potential (unrealized) profits.	3.89	1.265	0.86
Q16: The company tends to show the value of its expenses at the highest possible value.	3.16	0.95	2.65
Q17: The company recognizes some uncertain expenses.	2.54	0.96	3.14
Q18: The company recognizes its expenses in the shortest possible period of time.	3.89	0.78	2.65
Q19: The company recognizes the costs of research as an expense incurred in the period in which they occur.	3.07	0.48	7.24
Q20: The accountant tends to overestimate the allowance for doubtful accounts	2.57	0.24	2.03
Q21: The accountant tends to recognize the expected losses more quickly by creating an allowance for impairment.	4.12	0.45	2.89
Q22: The accountant tends to create provisions to meet a possible rise in the company's liabilities.	4.19	0.57	5.78
Q23: The accountant tends to immediately recognize potential losses as a result of lawsuits against the company.	4.02	0.51	3.14

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Q24: The company is keen annually to formulate regulatory reserves to meet possible future obligations.	5.13	0.54	4.12
Relevance and faithful representation of Accounting Information (RFAL).	4.01	0.54	3.27
Q25: The accounting information available in the companies' financial statements contributes to building expectations.	3.87	0.78	5.87
Q26: The companies' financial statements include relevant accounting information that increases its ability to influence the decision.	5.69	0.96	4.56
Q27: Published accounting information provides the ability to predict future profits and improve the making process the decision.	4.17	0.63	3.54
Q28: The companies' financial statements show every important accounting information that can influence a user's judgment.	3.99	0.47	3.68
Q29: The company's accounting information system takes into account the relative materiality of the information published.	3.99	0.68	8.74
Q30: Financial statements simplify financial and accounting data to be understandable and appropriate to the needs of users of the financial statements	3.89	1.45	9.25
Q31: Financial statements published by companies in their current status give users of financial statements the ability to assess and know the real situation of these companies	3.32	0.23	3.14
Q32: The company is keen to provide reliable accounting information	4.57	0.48	4.15
Q33: The company is keen to publish accurate accounting information that can be relied upon in making decisions.	3.74	1.64	2.14
Q34: The company is keen to present information that is transparent and complete.	3.81	1.19	2.65
Q35: The accounting information disclosed is free from errors.	3.58	1.78	3.45
Q36: The information system in the company provides financial statements that are distinguished by honesty and accuracy in representing phenomena and events economic report to be reported.	3.31	0.98	7.10
Q37: The available accounting information is characterized by neutrality and distance from bias, which helps in making decisions properly	2.76	0.74	4.12

*Answers to the survey questions are denoted in a Likert Scale of 1 to 5, with the highest score representing strongest agreement and the lowest score standing for strongest disagreement. Undecided view to each question is indicated by the score of 3.

Source: output of Spss 25.

This table reports the descriptive statistics for the variables employed in model study, differentiating between the responses of external Auditors and Accountant Experts. These descriptive statistics show that there are significant differences between statements measuring independent variables, in that the Unconditional accounting conservatism total mean is (3.13) that mean's the sample individuals have neutral view to the appliance of unconditional accounting in companies and his relationship between financial statements

quality. For that we find the lowest mean is for the Q7 (The "LIFO" method is used for valuation of last term stock) by (1.67) and the highest is for Q11 that's mean that accountant's tend to recognize obligations as soon as they are received. The second item about the Conditional accounting conservatism mean is (3.74) and significant at 0.05, that refers that the opinion of sample individuals is agree. The lowest mean is for the Q13 (1.96) so the accountant tends to show the value of the company's revenues and incomes at the lowest possible value for it in conditions of uncertainty. The highest question is Q24 referring to the company is keen annually to formulate regulatory reserves to meet possible future obligations by (5.13).

Fir the third item opinions for Relevance and faithful representation of Accounting Information is agree by mean of (4.01), also the lowest one is (2.76) for the Q37 about the available accounting information is characterized by neutrality and distance from bias, which helps in making decisions properly, and the highest mean is (5.69) for the Q26 for the response of companies' financial statements include relevant accounting information that increases its ability to influence the decision.

According to the descriptive results we can conclude that the first hypothesis said that there is no acceptable level of accounting conservatism in financial statements issued in SidiBel Abbes province is not true and the opinions of the study sample confirm that companies in SidiBel Abbes province practice accounting conservatism.

According to the Unconditional accounting conservatism results, we find that companies practice an acceptable level of this type of accounting conservatism, so the in next step we search any relationships between variables. Pearson correlation matrix was developed between dependent and independent variables as shown below.

Table 7: Pearson correlation matrix for the variables

Pearson correlation		F.S Quality	UAC	CAC	RFAI
F.S Quality	Pearson correlation	1	0.256	0.214**	0.565**
	Sig. (2-tailed)		0.671	0.000	0.000
UAC	Pearson correlation		1	(0.145)**	0.167
	Sig. (2-tailed)			0.000	0.514
CAC	Pearson correlation			1	0.176**
	Sig. (2-tailed)				0.000
RFAI	Pearson correlation				1
	Number				37

Source: output of Spss 25.

The Pearson correlation matrix results show that there are relationships between variables. The correlation surpasses 50%, but there is no relationship between financial statements quality and unconditional accounting conservatism

(no significant at 0.05). On the other side there is relationship between F.s Quality and CAC (21%) and RFAI (56%).

Also the significant level at 0.05 between UAC and CAC refer to the relationship of 14% between those variables. And there is also relationship between CAC and RFAI for 17%.

We can accept the second hypothesis said that there is no relationship between unconditional conservatism and financial statements quality

At this stage, we must analyze the regression between variables to know the effects of accounting conservatism practices on the financial statements quality, table n°8 show results.

Table 8: The effect of the accounting conservatism on financial statements quality

Variables	Coefficient	t-test	F-statistic	Decision
Constant	(1.651)	2.678	0.004	Significant
UAC	0.412	0.042	0.245	Not significant
CAC	0.259	3.587	0.000	Significant
RFAI	0.321	(1.415)	0.001	Significant
R-squared= 0.620				
F.S Quality= -1.651+0.412 UAC+ 0.259 CAC+ 0.321 RFAI+ ε				

Source: output of Spss 25.

According to table n°8 a statistical significant effect for the regression model related to the independent variables (unconditional conservatism, conditional conservatism, relevance and faithful representation of accounting information) on the dependent variable (financial statements quality). The value of (F=0.421) is not significant. Conditional conservatism effect the financial statements quality by 0.259% in a significant level of (F=0.000). Also the variable on relevance and faithful representation of accounting information is significant at (F=0.001) and that refer that it impact the financial statements quality by 0.321%. The constant coefficient is significant and negative

Also the amount of $R^2 = 0.620$ indicates the acceptance of the regression model and the explanation factor is significant at level 0.05. For that we can confirm the rejection of second hypothesis and also reject the third the third hypothesis said there is no relationship between relevance and faithful representation of accounting information and financial statements quality.

III. Conclusion and discussions:

The goal of this study was to find the interactive relationship between financial statements quality and accounting conservatism. As the impact of accounting conservatism is being tested on reporting quality, Empirical Study of an External Auditor's and accountant sample in SidiBel Abbes Province was run. The analysis of the statistical results indicates that there is a meaningful relationship between conservatism and the quality of financial reporting.

The first dependent variable is the unconditional conservatism. The results indicate that the Algerian companies do not apply the conservatism accounting to a high level, and their use was not clear, especially with regard to the unconditional conservatism. The reason is that the legislator did not provide to apply its policies on the one hand, and the content of this concept is not precisely clarified in the conceptual framework of the accounting and financial system on the other hand, and according to this results we accepted the first hypothesis, and the rejected the second and the third one.

According to the statistical results, indicates the respondents agreed with a high degree of using this method of evaluation mainly, and that their attitude was positive towards this statement. The reason for this is that the financial accounting system has indicated in decision dated July 26, 2008, which includes the rules for evaluation, accounting and preparation of financial statements, that the elements of the financial statements are presented at historical cost, and this as a general rule, although it allows the use of other valuation methods and alternative accounting treatments regarding the elements of assets. As fair value, achievement value and updated value under conditions Designated.

According to the statistical results, indicates the respondents does not agreed with a high degree of using this method of fair value in valuing assets (financial assets). This indicates that companies were not able to follow and apply all the methods of accounting evaluation that were mentioned in the financial accounting system.

Despite adopting the concept of fair value, the issue of applying it remains somewhat difficult in light of the current accounting environment in which companies operate. According to the opinions of the study sample, Algerian companies cannot measure some of their financial instruments at fair value due to the absence of an active market, which justifies the expansion of the use of the historical cost method.

The statistical results, indicates the respondents does not agreed with a high degree of follow the method of accelerated depreciation, although the

financial accounting system allowed its application, and this is due to one of the following reasons:

- The nature of the asset and its useful life;
- Linear depreciation is the simplest and easiest to apply.
- Accelerated depreciation requires permission from the Tax Authority and a justification of the reason for choosing the institution to use this method;

Also, the respondents did not agree to use the LIFO method in evaluating end-of-term stocks, and their trend was negative. This result was due to the fact that this method has been abolished in the framework financial accounting system

The second dependent variable is the conditional conservatism. The results indicate that Algerian companies most of the time implement conditional Conservatism and it significantly influences their reporting quality. Moreover, the positive coefficients and their significant values indicate that conditions conservatism has a positive impact on the reporting quality of companies in Algeria. The attitudes of the respondents were positive and they agree to a high degree that companies are keen annually on the formation of regulatory precautions to meet potential liabilities in the future. According to the sample's opinions, companies adhere to the text of the law by establishing these reserves, which represent annual deducted regulatory provisions and part of the company's legal obligations.

The sample members agree, to a high degree, that the accountant tends towards the speed of recognition of the expected losses by forming a allowance for impairment, as impairment allowance relate mainly to the allowance for doubtful debts, and the allowance for impairment of financial instruments' values to meet the expected decrease in value resulting from the decrease in the market value of its historical cost. This is confirmed by the financial accounting system in decision dated July 26, 2008, and this is the essence of the conservatism in accounting.

The companies seeking development need to improve the quality of their reporting in order for their customers and counterparts to predict the future course cash flow in the company. As accounting conservatism is most of the time considered as a positive practice for financial well being of organizations and their stakeholders so Algerian companies should implement such practices to gain positive results.

The third dependent variable is the relevancy and faithful representation of Accounting Information. This variable refers to the trust the users put in the basic financial statements. To make the information useful, it should be reliable. The information which is free of material tendencies and errors and faithfully represents the object it tries to describe is called reliable information. According to the statistical results, there is a positive association between conservatism and qualitative characteristic of relevancy and faithful representation of Accounting Information in financial statements. Based on the statistical computations, the findings reveal that there is a positive relationship between conservatism and the reliability of financial information. That is, the conservatism increases the reliability of the information provided in financial statements. The findings confirm the third subsidiary hypothesis. In other words, there is a positive relationship between accounting conservative and relevancy and faithful representation of the information. In general, Conservatism influences on the accounting information quality. That is, conservatism enhances the quality of the provided information and this might play an efficient role for the investors and other users of the financial statements.

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