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Article

The effect of ownership structure and board structure on accounting conservatism throughout financial reporting: Evidence from Jordanian industrial corporations

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The effect of ownership structure and board structure on accounting conservatism throughout financial reporting: Evidence from Jordanian industrial corporations

Khaled Eriej Aburisheh¹*, Ahmad Abdelrahim Dahiyat¹, Walid Omar Owais¹, Ayman Mohammad Al Shanti¹ and Laith Akram AlQudah¹

Abstract: This study is based upon constructing two models for quantifying the impact of ownership structure upon accounting conservatism and the impact of board structure upon accounting conservatism for the industrial enterprises registered with the Amman Stock Exchange ASE from 2011 to 2020. Moreover, the finding revealed that conservatism was at a low level among industrial enterprises in Jordan. Family ownership, board independence and large investor ownership have moral impact upon accounting reservations though not upon institutional ownership, managerial ownership, board size, dispersed ownership, board duality or board meetings. So that financial reporting accuracy can be preserved, the research urges against the abandonment of conservative accounting rule adoption, especially in the context of the current economic position of Jordan, with restriction and disclosure of ownership quantities in their various forms within industrial facilities within Jordan. Great attention should be paid to characteristics in boards of directors so that the various stakeholders that are engaged in the firm are protected and the beneficial behavior of the management can be limited.

Subjects: Finance; Corporate Finance; Accounting; Financial Accounting; Financial Management

Keywords: board structure; ownership structure; industrial corporations; accounting conservatism; Jordan

1. Introduction

Generally, conservatism has been characterized as those practices of accounting for which no profit is expected whilst also all losses are anticipated. It has been suggested by previous research that conservatism does not have a definition that is uniform, despite it being a significant and well-known aspect of GAAP (Generally Accepted Accounting Principles; Kempthorne & Terrizzi, 2021). It was explained by Haider et al. (2021) that accounting conservatism is accountancy requiring greater confirmation levels for the identification of encouraging news such as earnings rather than identification of negative news, e.g., losses. Conservative accounting was defined by Cui et al. (2021) as validity in differences between reporting of losses and profits. It is considered that accounting conservatism is amongst the evaluation roles within accountancy that are most interventionist (Hajawiyah et al., 2020).





Often, the extent of those issues has been determined by the ownership structure type, which is a primary agency cost determinant. The issues that can develop if ownership is spread tend to differ from the issues that would arise if there is a concentration of ownership, be it institutional, managerial, family, or major investor ownership (Asiriuwa et al., 2019, September). The need of protecting small investors from the opportunistic actions of the management in controlling accounting information has driven a focus of attention upon the governance of the company so that the supervisory role of the director boards is strengthened, and its competencies and powers exercised beyond executive management control. Both have emphasized that the independence that boards of directors have is significant, in addition to the non-duplication of the role of first executive director and development of special board of directors' committees to assist that director in undertaking particular responsibilities (Saona et al., 2020).

The requirement for accounting conservatism is contributed to by independence of board of director's members, their meeting frequency, availability of an appropriate size of members, independence, separation of functions of executive director and the chairman, and compliance to standards for accounting (Benkraiem et al., 2017). It was stressed by Salehi et al. (2021) that organizations that have high governance levels tend to have less opportunities to innovate in their accounting, and that increases the levels of accounting conservatism. Also, it was shown by Nguyen et al. (2020) that a favorable association exists between the strength of a board of directors and the accounting conservatism. Zhang et al. (2019) stick with the view that accounting conservatism policy is a control tool that limits the opportunistic actions of management to protect shareholder rights in general and company shareholders in particular, in addition to improving profit quality and increasing the levels of explanatory power.

Conservatism is considered a primary characteristic of financial reporting quality that is also utilized frequently by participants in the financial market for the measurement of the reported earnings of businesses (Shen et al., 2020). Furthermore, it is considered that accounting conservatism is a tool that is useful in the control of the exploitative conduct of executives (Sharma & Kaur, 2021). The incentives of executives for exercising earnings management are lowered by accounting conservatism. However, failures of global corporations and the financial fraud associated within them have occurred in most countries across the world and further concerns have been raised regarding the integrity in the operational and financial reporting systems of the major industrial businesses in Jordan. Accounting conservatism can be considered a concern on both a global and domestic scale.

With regard to the global scale, a number of scholars have raised objection to the low extent of conservatism, with claims that it can be considered the reason for huge corporations crashing across the world (Owais, 2021). At a local level for Jordan, industrial corporations have quite a low level of accounting conservatism (Hajawiyah et al., 2020). Amongst other things, poor policies of corporate governance have been given the blame for the lack of conservatism in listed industrial corporations in Jordan. Therefore, the levels of caution can give rise to a probability of fraud in financial statements with a greater opportunity of performing earning management. The indications are that discretionary accruals within corporate financial statements in Jordan are required to discover. On a continual pathway in this study, the governance practices of Jordan should be examined by the World Bank and it was concluded that the corporate governance in the country was still in its early stages. Many of those challenges have inspired the author in performing this research for the assessment of the impact that board structure and corporate ownership structure have upon accounting conservatism.

This study contributes to the existing body of knowledge in various ways. First, there are limited studies in the Middle East on the relationship between accounting conservatism, ownership structure, and board structure, making this study necessary. Second, examining Jordanian industrial organizations will be intriguing since Jordan's ownership structure and board structure are unusual. Jordan is also lacking in terms of law enforcement and investment protection. In fact,

Jordanian markets present a unique case study in the study of the relationship between ownership structure, board structure, and accounting conservatism, because, whereas corporate ownership and board structure are highly diffused in the US and the UK, ownership and board structure in Jordanian listed firms are highly concentrated. Because highly concentrated ownership and boards influence the kind of agency problem, particularly in Jordan, this feature can influence conservative activity in Jordanian industrial enterprises. Firms in a market-based system are subject to both internal monitoring (e.g., the board) and external market discipline (e.g., the market for corporate control), which is essentially non-existent in Jordan. Large shareholders' internal discipline is critical to Jordan's corporate governance. Jordan is deemed to not seek to prepare minority shareholders due to inadequate legal protection regulations and law enforcement processes. Subjects such as board diversity, intellectual capital, profitability, and auditing quality have been limited. Therefore, it will be fascinating to study how ownership and board structure impact conservatism accounting, particularly in contexts with significant ownership and board concentration and substantial knowledge asymmetry.

The structure of this document has the elements that follow. The theoretical foundation is established for the connection of the variables within Section 2. Section 3 outlines the model of the inquiry and Section 4 involves investigation of the data through use of a descriptive-analytical type of technique for the validation of the hypotheses and the drawing of conclusions. Within Section 6, the findings are delved into further, with potential practical and theoretical consequences discussed and acknowledgement given to the potential for future study.

2. Literature review and development of study hypotheses

Several studies have been undertaken for investigation of the effect that board structure and ownership structure have upon accounting conservatism within various countries. This section, then, has nine hypotheses that test the relationship between board structure (board meeting, board size, board duality and board independence), ownership structure (institutional ownership, managerial ownership, family ownership, large investors ownership and board independence) and control variables (industry type, firm size and financial leverage) and accounting conservatism.

2.1. Accounting conservatism and ownership structure

It is worth noting that in our hypothesis 1, conservatism is defined as imposing tighter verification requirements for recording positive news as wins than for recording negative news as losses. This is referred to as conservatism in the literature (Khalilov & Osma, 2020). Accounting conservatism may also be unconditional, such as the prompt expensing of R&D expenses when they are incurred, regardless of market news. Unconditional conservatism, like conditional conservatism, results in an underestimate of net assets, but it can also cause some agency issues if investment/ divestment choices are made based on earnings consequences. It is worth noting that conditional conservatism penalizes earnings for bad news immediately and defers full acknowledgment of positive news (Gutiérrez & Rodríguez, 20199). Conservatism, on the other hand, penalizes profits immediately by the whole cost while delaying any benefits, regardless of whether the expenditures are positive NPV (good news) or negative NPV (bad news) (bad news; Lafond & Roychowdhury, 2008). Managers may be less reluctant to invest in positive-NPV R&D initiatives as a result, particularly if their interests are less aligned with those of shareholders and they are concerned with short-term profits consequences. Conservatism agency difficulties are likely to complicate its connection with managerial ownership (Kim, 2014).

The degree that managerial ownership impacts upon the degree of accounting conservatism does vary according to viewpoint. Some consider there to be positive association in existence between degree of accounting conservatism and managerial ownership, based upon the idea of there being convergent interests (Song, 2015). Alkordi et al. (2017) consider that higher levels of managerial ownership lead to managers having a focus upon conservative standards of accounting as well in order to raise company share value and to earn the trust of investors. Others, meanwhile, consider there to be a negative link, with the idea that there is a so-called form of 'entrenchment management

(Song, 2015). Asiriuwa et al., 2019, September) consider that the degree of accounting conservatism, following an assessment of information asymmetry, does fall with higher levels of management ownership due to the management supervision being ineffective.

Moreover, a negative relationship was discovered by Kalbuana et al. (2020) between practices of profit management and management ownership in cases of low and high ownership levels, though a positive relationship when the ownership levels are medium, with a reduction of the practices of profit management through use of conservative policies of accounting; thus, Utomo et al. (2018) corroborated that in their discovery of a favorable association between profit quality and managerial ownership. As such, the researchers are able to posit the initial hypothesis as follows:

H1: There is a significant correlation in financial reporting between accounting conservatism and managerial ownership.

In the study undertaken by Ramalingegowda and Yu (2012) in regard to firms that were registered with the US Commission for Securities and Exchange, a link was discovered between profit quality and institutional ownership. Moreover, it was confirmed by Ajay and Madhumathi (2015) that ownership concentration in the shares of the company forces the management to become engaged within good practices of profit management as opposed to non-good practices of profit management that involve achieving the management of personal interests rather than the interests of all other parties within a corporation.

Moreover, it was discovered by Alkordi et al. (2017) that a significant correlation existed between increasing extent of conservatism within the financial reports of Jordanian corporations and decrease in percentage of the ownership of the investment institution in the shares of the company, where ownership concentration is within the hands of institutions that are large such as investment funds and banks, with others helping control of the management of the company to be increased and alleviation with reduction in opportunistic actions. To illustrate the link between institutional ownership and accounting conservatism. In comparison to other categories of investors, Wu (2022). finds that transitory investors' trading behavior is particularly sensitive to current earnings news. Transient investors trade to take advantage of the post-earnings release drift. Rustiarini et al. (2021) discover that the quarterly shift in institutional ownership is connected to the earnings surprise in the preceding quarter. Aghion et al. (2013) discover that enterprises with more transitory institutional ownership are more inclined to cut R&D expenditures in order to reverse a profit fall. Businesses with increased transitory ownership are more likely to achieve analyst estimates, indicating that managers do respond to transient investor trading. Therefore, the researchers are able to posit the second hypothesis, as follows:

H2: There is a significant correlation between accounting conservatism and institutional ownership within financial reporting.

Large investor ownership is when ownership is concentrated with a few strategic investors (major investors) who have control over such a share percentage that they can participate within managerial decisions and impact upon management activities. In accordance with numerous sections of executive rules for legislation for the capital market, a big shareholder is considered to be one with at least 5% shares in the company (Chen et al., 2009, December). Ding et al. (2007) consider there to be direct association between efficacy of control in relation to the management of the company and lowering of its methods of profit management and ownership concentration.

Moreover, in accordance with agency theory, if ownership is concentrated within significant shareholder hands, then there is a favorable influence upon the performance of the company

when possessing resources for exercising effective control over the opportunistic conduct of the management (Kouaib & Jarboui, 2014). Corporations with investor-share ownership, although having greater agency and information difficulties, find it simpler to get financing from banks due to the typically close relationship between investor-share firms and banks (Cullinan et al., 2012). As a result, when used as substitutive variables for agency and information issues, the degree of equity concentration and the equity character of being investors shares are inadequate. More and more research demonstrate that ultimate ownership might better represent agency and information concerns that businesses confront (Kim et al., 2019). Therefore, the researchers are able to posit a third hypothesis as follows:

H3: There is a significant correlation between accounting conservatism within financial reporting and ownership of large investors.

According to studies, family owners prefer to pursue non-monetary goals and tend to maintain and keep their SEW (Gomez-Mejia et al., 2014). Due to their large shareholdings and long-term involvement, family owners and their corporations have tight ties. As a result, owners frequently put their fears about future SEW loss over their commercial and financial interests (Carney et al., 2015). It was proven by Hsu, Hsu et al., 2021, August) that a combination of control and ownership within family businesses led to interests converging and that led to agency costs being reduced and company performance being improved. Ferramosca and Ghio (2018) consider that growth in family ownership results in cautious accounting methods being employed by management in order to acquire high voluntary disclosure levels. Moreover, it was discovered in applied analysis of banks of Malaysia that bank performance was influenced detrimentally by family ownership. Moreover, according to the work of Chen et al. (2014), familial tyranny within management may result from family ownership, along with the existence of courtesies, tolerance of a number of excesses, and absence of impartiality when selecting powers-all such matters undermine financial report quality. San Ong and Gan (2013) consider that the selection of conservative practices of accounting is not influenced by family ownership as the existence of imbalance between recognition of bad and good news is not affected. As noted previously, larger family owners have longer-term investment objectives and higher socioemotional gains owing to reputation enhancement than those with smaller ownership. They typically value corporate decisions that increase their lonaterm wealth; additionally, they are aware that because of the close relationship between the family and the firm (as a result of investing the majority of their wealth in the firm), family owners have more to lose than to gain from acting opportunistically for short-term gain at the expense of other stockholders (Gomez-Mejia et al., 2014). Therefore, the researchers are able to put forward the fourth hypothesis that follows:

H4: There is a significant correlation between accounting conservatism and family ownership within financial reporting.

If a free float were to occur, the dispersion and spread of ownership over a great number of shareholders can result in widespread issues for agency since the managers are afforded an ability to follow their interests at shareholder expense. Giner et al. (2013) consider that ownership dispersion can lead to shareholders having insufficient motivation for monitoring the actions of the company instead of engaging shareholders in policies or choices of management and may not monitor shareholder desires in the short term to gain profits. Moreover, a substantial, negative association was discovered by Lin et al. (2018) between profit quality and property dispersion, which showed that with a growth in ownership dispersion, there is an increase in the opportunistic behavior of managers.

Szilassi et al. (2010) investigated the link between the structure and quality of East Asian accounting earnings. They concluded that if shareholders have greater power, they are more

inclined to broadcast positive news and conceal bad news, and whitewash financial information, reducing accounting information robustness. Lafond and Roychowdhury (2008) discovered that, despite the company's highly distributed ownership in the United States, there is still a negative link between ownership concentration and accounting conservatism (Khalil et al., 2020). Therefore, the fifth hypothesis can be posited by the researchers as follows:

H5: There is a significant correlation between accounting conservatism and dispersed ownership.

2.2 Accounting conservatism and board structure

Opinions have ranged over the nature that the link has between board of director size, efficacy the board has in controlling, and the degree that conservative rules of accounting were employed. It was suggested by Abdul Manaf et al. (2014) that large board size could have greater effectiveness because members have expertise available, because of the potential for division of the board into committees that are specialized for monitoring the work of the management of the company and following up on it and because of executive management having difficulty controlling large boards. It was shown by Alves (2021), however, that size in relation to a big council could have less success because each of the members believes that other members, lots of whom undertake their responsibilities of oversight, will undertake their oversight duties, as well as it being difficult for consensus to be established in large councils.

With regard to the relationship between accounting conservatism and board size, no link was found by Muttakin et al. (2019) between employment of conservative procedures of accounting in the production of financial statements and board size. Al-Othman and Al-Zoubi (2019), however, found no correlation existed between board of directors' size and financial report quality and the accounting profits that were included therein. Obigbemi et al. (2016), however, found there to be clear association between board size and organization value through reduction of the methods of profit management. Therefore, the sixth hypothesis that follows can be put forward by the researchers:

H6: There is a significant correlation between accounting conservatism within financial reporting and board size.

The numbers of board meetings could indicate the efficiency and strength of the performance of the board and the increased awareness it has of conservative accounting policy application (Alves, 2021). It was shown by Rustiarini et al. (2021) that a positive relationship existed between board meeting periodicity and degree of control over company performance. The amended guide for governance standards and rules has shown that director boards shall have meetings every three months at least, and that the number of those meetings have to be disclosed within the annual company report.

According to Al Daoud et al. (2015), and Frias-Aceituno et al. (2013), the frequency of board meetings is an essential factor in successful corporate governance. Lisic et al. (2016) discover a positive relationship between the number of board meetings and internal control vulnerabilities. The accounts reporting process benefits from increased monitoring if directors attend board meetings on a regular basis. As a result of the above data, we may conclude that board meeting frequency and attendance enable directors to devote more time to discussing the financial reporting process (Shuto & Takada, 2010). Therefore, the researchers are able to put forward the seventh hypothesis that follows:

H7: There is a significant correlation between accounting conservatism within financial reporting and board meetings.

The independence of boards of directors has importance for reducing potential conflicts of interest that could occur between operators and shareholders since it improves the supervisory function performance of boards and enhances use of conservative accounting practices to reduce opportunistic behavior in management. Actual evidence has been put forward in lots of previous research regarding the significance that the independence of boards of directors has upon enhancement of amounts of accounting reserve that is exercised (Alves, 2021). Elshandidy and Hassanein (2014), then, found there to be a positive association in existence between effective director's board composition, as distinguished by the independence of its members, and increased extent of accounting conservatism. The study of Amran and Manaf (2014), however, discovered there to be a relationship that was direct between proportion of board members who were external and degree of accounting conservatism within financial reporting of Malaysian corporations.

Moreover, the Al-Saidi (2020) study investigated the influence of board characteristics as a mechanism of corporate governance upon degree of accounting conservatism, with the finding that a direct relationship existed between board member independence and degree of accounting conservatism, whilst an inverse relationship existed between executive members and board members.

H8: There is a significant correlation between accounting conservatism within financial reporting and board independence.

The merging or separation of the executive director post is a distinguishing feature of the board. The board of director's chairman post is considered a second or dual leadership role. The board chairman and the executive director have two distinct roles that the same individual ought not to hold (Le et al., 2022). Boussaid et al. (2015) note that excessive trust within management, in addition to the roles of board chairman and executive director being duplicated, leaves businesses under management from one person, which allows him/her to control the available information, presenting it to board members in a way that he/she considers suitable and in alignment with his/ her personal objectives.

Moreover, it was indicated by Salehi et al. (2021) that separation of the functions of executive director and board chairman could result in numerous outcomes including agency difficulty reduction. For corporate performance to be improved, due to the independence of decisionmaking so that effective control can be provided over the behavior and activities of management, more conservative procedures of accounting are used. With the roles of chairman of board of directors and executive director being separated, there is a tendency for conservative rules of accounting to be used to maintain the health financial growth of the company. So, as noted by Razzaq et al. (2016), duplication of the position of executive director leads to a weakening of the capacity and efficacy of the board in the monitoring of executive management (LaFond & Watts, 2008). The result is that it is becoming more common for accounting profit to be manipulated.

H9: There is a significant correlation between accounting conservatism within financial reporting and board duality.

2.3 Accounting conservatism and control variables

Various variables impact upon accounting conservatism apart from board structure and ownership structure and so a control variable was established by the researcher for regulation of the elements that could impact upon the degree of accounting conservatism. A statistically significant variable with the literature of accounting law that impacts upon accounting reserve amounts within released financial reports is organization size. There is a tendency for larger corporations to be politicized (price controls, higher taxes, environmental and social responsibilities) when compared with smaller firms. Accounting procedures and practices are employed by businesses.

Therefore, that permit for high levels of conservatism so that political expenses can be avoided, profits increased and tax savings gained (Yuliarti & Yanto, 2017). Geimechi and Khodabakhshi (2015), however, found that firm size had no moral impact upon extent of accounting conservatism within enterprises within Tehran. Within the same area, it was verified by Nasr and Ntim (2018) that an inverse link was present between size of firm and extent of accounting conservatism. Debt places a strain upon organizations, with increased likelihood that there will be financial failure that can cause inadequate standards of conservative accounting to be employed to maintain certain profit levels (Bani Mahd & Baghbani, 2010). Barzideh et al. (2015) consider that enterprises that rely more heavily upon debt for funding their assets tended to have financial reporting quality that was inferior because of inadequate adherence to principles of conservative accounting. Also, Salama and Putnam (2015) found there to be an inverse type of association between the level of accounting conservatism and debt ratio. By way of contrast, a positive association was discovered by Nguyen et al. (2020) between debt ratio of extent of accounting conservatism. Rules and practices of accounting can be impacted by the sector in which a firm sit, or the sort of activities involved.

Al Ani and Chong (2021) consider that accounting methods that are more cautious are used by financial firms when doubtful debt allowances are being assessed when compared to industrial firms. This could be due to the strict regulatory methods of the Monetary Agency of Jordan, in addition to the willingness of banks to adhere to international accounting standards. Moreover, employing the Pasu model, an examination was attempted by Lara et al. (2016) of the various levels of conservatism amongst a sample taken from various American corporations; dependent on nature of sector or industry within which the company sat, it was found that conservatism did differ between corporations. So, for example, corporations within industries that were hi-tech such as computers and telecommunications were more cautious in that regard when compared with corporations working within the food and agriculture sectors.

3. Methods

The study sought to investigate the influence of both ownership structure and board structure on accounting conservatism in the financial reports of firms listed on the Amman Stock Exchange. The researchers used the content analysis approach to accomplish this purpose. The financial reports of industrial enterprises registered with the ASE from 2011 to 2020 were examined in a horizontal crosssectional method. The test results were selected using a purposive sample technique based on author-created requirements, namely that the firms were listed on the Amman Stock Exchange and were obligated to provide their comprehensive financial accounts. The research community includes all industrial corporations listed on the Amman Stock Exchange with financial accounts due by the end of 2020. There are 56 businesses. The study sample consisted of 43 corporations, 10 were excluded for not having adequate data for the study period, and 3 were excluded during data processing because their data had aberrant values (Outliers). Accordingly, the study's sample should include Jordanian public joint stock industrial corporations registered on the Amman Stock Exchange that match the standards. First, during the research period, the company's shares should be traded on the financial market. Secondly, the company has all the necessary data to calculate the variables of the study model from the period 2011-2020. The timeframe of 10 years was chosen to give an optimal time frame for obtaining the results of testing the hypothesis. Furthermore, that was not available in the financial statements of industrial corporations in 2021 due to non-disclosure.

The study data were collected using secondary sources to meet the study's aims and test the hypotheses. Because all of the data used to measure the variables in this study came from secondary sources. These are the yearly financial reports of industrial corporations listed on the Amman Stock Exchange www.ase.com for the period 2016–2020, based on data available on the exchange's website. The researchers attempted to develop two models to measure the impact of

each of the ownership structure and board structure as independent variables on the level of accounting conservatism in the published financial reports of industrial corporations registered in the ASE as dependent variables, based on what was presented through the problem of the study and its contribution and requirements. Control variables were utilized in the study to control the link between independent and dependent variables. See Figure 1.

The regression following formula for regression analysis, which consists of both models—the effect of ownership structure on accounting conservatism throughout financial reporting and the effect of board structure on accounting conservatism throughout financial reporting—is as follows:

Model 1: the effect of ownership structure on accounting conservatism throughout financial reporting:-

$$\begin{split} \text{MTPit} = \beta 0 \ + \beta 1(\text{MAOW}) \ + \ \beta 2(\text{INSOW}) \ + \ \beta 3(\text{BLOOW}) \ + \ \beta 4(\text{FAMOW}) \ + \ \beta 5(\text{OWNDIS}) \\ & + \ \beta 6(\text{FSIZE}) \ + \ \beta 7(\text{LEV}) \ + \ \beta 8(\text{INDU}) \ + \ \epsilon it \ where \end{split}$$

MTPit: Accounting conservatism of the corporation (i) per year (t).

β0: The constant value represents the accounting conservatism procedures that are unaffected by independent variables and control variables.

 β 1- β 5: Regression coefficients of the ownership structure model.

 β 6- β 8: Regression coefficients of control variables.

εit: Random error item

Model 2: the effect of board structure on accounting conservatism throughout financial reporting:-

$$\begin{split} \text{MTPit} &= \beta 0 \ + \beta 1(\text{BSIZE}) \ + \ \beta 2(\text{BM}) \ + \ \beta 3(\text{BIND}) \ + \ \beta 4(\text{CCDUAL}) \ + \ \beta 5(\text{FSIZE}) \ + \ \beta 6(\text{LEV}) \\ &+ \ \beta 7(\text{INDU}) \ + \ \epsilon it \end{split}$$

Where:

 β 1- β 4: Regression coefficients of the board structure model.



Figure 1. Research framework and model the relationship between both the ownership structure and board structure and the level of accounting conservatism. B5- β 7: Regression coefficients of control variables.

4. Result and discussion

Table 2 presents a description of the study variables for the period (2011–2020), where the mean in industrial corporations for financial leverage was (.3700), with a standard deviation of (.04989), and reached the highest value in the years from 2011 to 2020 (.47), while the lowest value was (.31). As for the mean of the size of industrial corporations, it was (3.8850), with a standard deviation of (.18344), and the highest value was in the years from 2011 to 2020 (4.11), while the lowest value was (3.45).

Table 2 also presents a description of managerial ownership, where the mean in industrial corporations was (.0750), and with a standard deviation (.01581), and the highest value was in the years from 2011 to 2020 (.10), while the lowest value was (.05). As for institutional ownership, the mean in industrial corporations was (.1860), with a standard deviation (.00516), and the highest value was in the years from 2011 to 2020 (.19), while the lowest value was (.18). As for the ownership of big investors, the mean was (.0680), with a standard deviation of (.02440), and the highest value was in the years from 2011 to 2020 (.10), while the lowest value was (.03).

Table 2 presents a description of family ownership for the period (2011–2020), where the mean in industrial corporations was (.0750) with a standard deviation of (.01581) and reached the highest value in the years from 2011 to 2020 (.10), while the lowest value was (.05). And dispersed ownership with the mean of (.6380), and a standard deviation of (.08779), and the highest value was in the years from 2011 to 2020 (.77), while the lowest value was (.51). Table 1 also shows the characteristics of the board of directors. The size of the board of directors for industrial corporations came with a mean of (7.1450), and a standard deviation of (.13134), and the highest value was in the years from 2011 to 2020 (7.40), while the lowest value was (6.90).

The mean of the number of board meetings for industrial corporations was (2.8000), with a standard deviation of (.76012), and the highest value was in the years from 2011 to 2020 (4.50), while the lowest value was (1.90). As for the independence of the members of the Board of Directors for the same period, the mean in industrial corporations was (1.7325), the standard deviation was (1.7325), and the highest value in the years from 2011 to 2020 was (2.75), while the lowest value was (0.85). The board duality role of the CEO of industrial corporations was with the mean of (.7000), and a standard deviation of (.48305), and the highest value was reached in the years from 2011 to 2020 (1.00), while the lowest value was (.00). For the industry type variable, the mean was (.7840), the standard deviation was (.07720), and the highest value was in the years from 2011 to 2020 (1.00), while the lowest value was (.75). As for the dependent variable, the accounting conservatism reached the mean of (1.5940), with a standard deviation of (.33857), and the highest value was in the years from 2011 to 2020 (2.23), while the lowest value was (1.30) as shown in Figure 2.

4.1. Normal distribution test

This study used the Kolmogorov–Smirnov test within the SPSS program to verify the distribution pattern of the study data is a normal distribution for the continuous study variables: financial leverage, managerial ownership, institutional ownership, ownership of large investors, family ownership, dispersed ownership, size of the board of directors, number of board meetings, independence of board members, the board duality role of the CEO, type of industry, size of the company, accounting conservatism.

Table 3 illustrates that the probabilistic values of the related variables vary, which are greater than the significance level (0.05) indicating that they follow the normal distribution, while the rest of the variables are dummy variables with binary values that are not subject to the conditions of the normal distribution.

Table 1. The model equation f	or the study variables	
Acronyms	Variable name	Measurement method
MTPit	Accounting conservatism	Market-to-book ratio.
MAOW	Managerial ownership	The percentage of the corporation's shares owned by senior management or executive management.
INSOW	Institutional ownership	The percentage of a corporation's shares owned by banks, insurance corporations, investment funds, holding corporations, and other institutions to the total number of shares.
BLOOW	Large investors ownership	Large investors possess 5% or more of the corporation's stock.
FAMOW	Family ownership	Percentage of property owned by a single-family.
OWNDIS	Dispersed ownership	The percentage of the corporation's shares that are freely traded on the stock market is divided by the total number of shares of the company.
BSIZE	Board size	Several members on the board.
BM	Board meetings	Count of board meetings.
BIND	Board independence	Independent members of the board of directors are represented (number of independent members to the total number of board members).
CCDUAL	Board duality	A fictional variable that takes: (a) if the executive director is the chairman of the board of directors or (zero) otherwise.
FSIZE	Firm size	Total assets as a natural logarithm at the end of the year.
LEV	Financial leverage	Total liabilities as a percentage of total assets at the end of the fiscal year.
INDU	Industry type	An imaginary variable that takes (zero) if the corporation is engaged in commercial or service business: (1) if the company is engaged in industrial business, and (2) if the company is engaged in the high technology business.

4.2. Autocorrelation test

To ensure that the model is free from the problem of self-correlation, a Durbin-Watson test was conducted, and the calculated (D-W) value appeared for the study model 1 (2.440) and model 2 (1.108); thus, it falls within the ideal range, which indicates that there is no problem of self-correlation affecting the validity of the results. See Table 4.

Pearson's chi-square tests are legitimate statistical hypothesis tests to perform when a chisquare statistic is distributed under the null hypothesis. Table 5 shows the test results that indicate that there is no problem of error heterogeneity that may be included in the remaining data based

Descriptive sta	tistics				
Variable	N	Minimum	Maximum	Mean	Std. deviation
Financial leverage	10	.31	.47	.3700	.0498
Managerial ownership	10	.05	.10	.0750	.0158
Institutional ownership	10	.18	.19	.1860	.0051
Large investors ownership	10	.03	.10	.0680	.0244
Family ownership	10	.03	.10	.0600	.0230
Dispersed ownership	10	.51	.77	.6380	.0877
Board size	10	6.90	7.40	7.145	.1313
Board meetings	10	1.90	4.50	2.800	.7601
Board independence	10	.85	2.75	1.732	.6918
Board duality	10	.00	1.00	.7000	.4830
Industry type	10	.75	1.00	.7840	.0772
Firm size	10	3.45	4.11	3.885	.1834
Accounting conservatism	10	1.30	2.23	1.594	.3385
Valid N (listwise)	10				

2. Descriptive statistics of the related study	y variables (2011–2020)
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Smirnov)			
Continuous variables		Kolmogorov–Smirnov [®]	
	Statistic	df	Sig.
Financial leverage	.026	10	.279
Managerial ownership	.200*	10	.129
Institutional ownership	.000	10	.381
Large investors ownership	.200*	10	.128
Family ownership	.200*	10	.107
Dispersed ownership	.200*	10	.094
Board size	.115	10	.238
Board meetings	.200*	10	.196
Board independence	.200*	10	.186
Board duality	.000	10	.433
Industry type	.000	10	.421
Firm size	.030	10	.276
Accounting conservatism	.020	10	.286

Table 3. The normal	distribution of study	variables related to	o testing values	(Kolmogorov–
Smirnov)				

Table 4. The Durbin–Watson test	
Models	Durbin–Watson
Model 1	2.440
Model 2	1.108

Table 5. Pearson's chi-square test values

Chi-square tests		
Variables	Chi ²	Sig.
Financial leverage	394.	938.
Managerial ownership	271.	806.
Institutional ownership	265.	097.
Large investors ownership	256.	971.
Family ownership	304.	920.
Dispersed ownership	242.	997.
Board size	242.	997.
Board meetings	256.	971.
Board independence	283.	990.
Board duality	472.	306.
Industry type	254.	511.
Firm size	242.	997.

Figure 3. Pearson's chi-square test values.



on the value of Chi² when testing the null hypothesis, as it reached the minimum value of the variables (0.242) with statistical significance at the level (0.997). This indicates that there is no statistical distribution at the (.05) level as seen in Figure 3.

4.3. Model 1

Table 6 shows that there is no statistically significant correlation between accounting conservatism and each managerial ownership and institutional ownership; this test also shows the nature of the relationship, whether it is positive or negative. Table 5 shows that it is an indicator of the relationship between the dependent variable, which is the accounting conservatism, and other variables: managerial ownership and institutional ownership as being a positive correlation.

On the other hand, Table 6 shows that there is a statistically significant correlation of less than 0.05 for the dependent variable with the following variables: dispersed ownership, family ownership, and the ownership of big investors. As for the indicators of the correlation, it was as follows: There is a significant positive correlation with independence, while the correlation between accounting conservatism and dispersed ownership was negative and statistically significant. As for hypotheses testing of model 1, the researchers tested ordinary least squares linear regression to measure the following hypotheses:

Table 7shows that there is no effect of the following independent variables: managerial ownership and institutional ownership on the accounting conservatism as the statistical function of these variables was higher than (0.05). In detail, the table shows that the managerial ownership came with a statistical function of (.062), and as for institutional ownership, its statistical value was (.317).

On the other hand, Table 7 shows that there is a statistically significant relationship between the following independent variables: ownership of big investors, family ownership and dispersed ownership, and the dependent variable accounting conservatism. Where the table shows that all the values of the statistical function of these independent variables were equal to or less than (0.05), where the statistical function of the ownership of big investors was (.050), and the value of (f) = (5.314), and the family-owned was a statistical function of (.049) and the value of (f) = (5.371), followed by the dispersed ownership variable with a statistical function of its value (.047) and the value of (f) = (5.487).

The study also sought to identify the effect of financial leverage, company size, and industry type as controlled variables in the relationship between (managerial ownership, institutional

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				Correlat	tions					
		Accounting conservatism	Managerial ownership	Institutional ownership	Large investors ownership	Family ownership	Dispersed ownership	Financial leverage	Industry type	Firm size
Accounting conservatism	Pearson correlation	1	.608	.353	.632	.634*	638*	536	266	.017
	Sig. (2-tailed)		.062	.317	.050	640.	.047	.110	.458	.963
Managerial ownership	Pearson correlation	.608	1	.816**	.979**	.974**	985**	578	.073	.465
	Sig. (2-tailed)	.062		.004	000	000.	000.	.080	.842	.175
Institutional ownership	Pearson correlation	.353	.816**	1	.811**	.839**	853**	776**	.212	.282
	Sig. (2-tailed)	.317	.004		.004	.002	.002	.008	.557	.431
Large investors ownership	Pearson correlation	.632	.979**	.811**	1	.966**	993**	611	013	.432
	Sig. (2-tailed)	.050	000.	.004		000.	000.	.060	.972	.213
Family ownership	Pearson correlation	.634*	.974**	.839**	.966**	1	981**	665*	037	.336
	Sig. (2-tailed)	670.	000.	.002	000.		000.	.036	.918	.343
Dispersed ownership	Pearson correlation	638*	985**	853**	993**	981**	1	.655*	022	417
	Sig. (2-tailed)	.047	000.	.002	000.	000.		040.	.953	.231
Financial leverage	Pearson correlation	536	578	776**	611	665*	.655*	-	216	.312
	Sig. (2-tailed)	.110	.080	.008	.060	.036	.040		.548	.380

(Continued)

				Correla	itions					
		Accounting conservatism	Managerial ownership	Institutional ownership	Large investors ownership	Family ownership	Dispersed ownership	Financial leverage	Industry type	Firm size
Industry type	Pearson correlation	266	.073	.212	013	037	022	216	1	600
	Sig. (2-tailed)	.458	.842	.557	.972	.918	.953	.548		.981
Firm size	Pearson correlation	.017	.465	.282	.432	.336	417	.312	600.	Ч
	Sig. (2-tailed)	.963	.175	.431	.213	.343	.231	.380	.981	
*Correlation is sigr	nificant at the 0.05 l	level (2-tailed).							-	

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

family owners	hip, dispersed ov	vnership) on the	dependent varia	able (accounting	conservatism)				
				Coefficients					
W	del	Unstandardize	d coefficients	Standardized coefficients	t	R ²	L.	Sig.	Relationships
		B	Std. error	Beta					
1	(Constant)								
	Managerial ownership	13.022	6.010	.608	2.167	.370	4.695	.062	No Significant relationship
	Institutional ownership	23.167	21.685	.353	1.068	.125	1.141	.317	No Significant relationship
	Large investors ownership	8.765	3.802	.632	2.305	399	5.314	.050	Significant relationship
	Family ownership	9.292	4.009	.634	2.318	.402	5.371	670.	Significant relationship
	Dispersed ownership	-2.460	1.050	638	-2.342	.407	5.487	.047	Significant relationship

^aDependent variable: Accounting conservatism.

Table 7. Linear regression test: the impact of the following independent variables (managerial ownership, institutional ownership, large investors' ownership,

del		Unstandardize	ed coefficients	Standardized coefficients	t	Sig.	Relationships
		В	Std. error	Beta			
	(Constant)	27.495	5.136		5.353	.118	No significant relationship
	Managerial ownership	89.175	14.012	4.165	6.364	660.	No significant relationship
	Institutional ownership	-129.246	14.434	-1.971	-8.954	.071	No significant relationship
1	Large investors ownership	-37.290	10.653	-2.688	-3.500	.177	No significant relationship
1	Family ownership	-31.265	8.865	-2.133	-3.527	.176	No significant relationship
I	Dispersed ownership	-2.855	5.669	740	504	.703	No significant relationship
	Financial leverage	-18.777	2.909	-2.767	-6.454	860.	No significant relationship
	Industry type	-3.904	.477	890	-8.187	.077	No significant relationship
	Firm size	1.980	.546	1.073	3.623	.171	No significant relationship

Aburisheh et al., Cogent Business & Management (2022), 9: 21128	319
https://doi.org/10.1080/23311975.2022.2112819	

ownership, large investors' ownership, family ownership, dispersed ownership) and accounting conservatism. To answer this relationship, the study conducted a linear regression coefficient test as shown in Table 8.

Table 8 explains the role of the controlled variables: financial leverage, the type of industry and the size of the company affected the relationship between the independent variables related to the characteristics of the company's ownership (managerial ownership, institutional ownership, big investors' ownership, family ownership, dispersed ownership) and accounting conservatism, where the function of the statistic with a value greater than (0.05). Here, we can also say that the controlled variables are important and of value that must be paid attention to, because of the impact of the factors associated with the characteristics of the ownership of industrial corporations on the accounting conservatism process. The controlled variables were affected by this relationship and made it weak, as the value of the statistical function of the ownership of big investors was (.050) and it became a statistical function (.177), and the family's ownership, it was (.047) and became (.703), so the result became that there is no statistically significant effect between the ownership of large investors, family ownership, dispersed ownership, and accounting conservatism at the significance level greater than (0.05) as shown in Table 8.

Table 9 depicts the researcher's opinion on the effect of managerial ownership on the amount of accounting conservatism in financial reports. This implies that there is no moral influence, proving the first premise to be false. The outcome is consistent with the investigation of Alkordi et al. (2017); on the other hand, it contradicts with the study of Kalbuana et al. (2020). It was pointed out that increasing the share of managerial ownership increases management's motives to be conservative in financial reports, which is consistent with the motivation of management's self-benefit. It tends to reduce current profits to achieve multiple motives such as: reducing taxes that may be decided by the organization. Regarding the impact of institutional ownership on accounting conservatism, there is an indication of the absence of a moral effect and this is what proves the validity of the sound hypothesis, matching that result of the study (Alkordi et al., 2017). Increasing the proportion of institutional ownership contributes to activating the control over the behavior of the executive management and activating other mechanisms of governance such as the board of directors and various committees.

In terms of the influence of large investor ownership on accounting conservatism, the study revealed that there was a substantial effect of large investor ownership on the amount of accounting reserve in financial reports, proving the third premise false. This conclusion is consistent with the findings of previous research (Kouaib & Jarboui, 2014), which found a negative association between large investor ownership and enhanced profit quality. Concerning the influence of family ownership, the regression analysis revealed that there is a significant impact of family property on the degree of accounting conservatism in financial reports, proving the invalidity of the fourth hypothesis, and this result is consistent with the findings of the research (Ferramosca & Ghio, 2018). That family ownership necessitates the implementation of aggressive policies rather than conservative ones. The influence of distributed ownership on accounting conservatism in financial reports which demonstrates the correctness of the fifth hypothesis and is compatible with the study's findings (Lin et al., 2018). Distributed ownership has a favorable influence on conservative policy choices because it inhibits the majority's utilitarian behavior.

4.4. Model 2

Table 10 shows that there is no statistically significant correlation between accounting conservatism and each of financial leverage, size of the board of directors, number of board meetings, the board duality role of the CEO, type of industry, and as this equation shows the nature of the relationship, whether it is positive or negative. Table 10 shows that it is an indicator of the relationship between the variables. It presents that there is a negative correlation between accounting conservatism and (financial leverage, the type of industry, and the number of board

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Variables	Expected relationship of model 1 in both cases	Expected relationship of model 1 without control variables	Expected relationship of model 1 with control variables	Significant relationship of model 1 without control variables	Significant relationship of model 1 with control variables	Results without control variables	Results with control variables
Managerial ownership	+	1	1	Insignificant	Insignificant	Not accepting hypothesis	Not accepting hypothesis
Institutional ownership	+	+	1	Significant	Insignificant	Accepting hypothesis	Not accepting hypothesis
Large investors ownership	+	+	1	Significant	Insignificant	Accepting hypothesis	Not accepting hypothesis
Family ownership	+	+	1	Significant	Insignificant	Accepting hypothesis	Not accepting hypothesis
Dispersed ownership	+	I	1	Insignificant	Insignificant	Not accepting hypothesis	Not accepting hypothesis
Financial leverage	+	I	1	Insignificant	Insignificant		
Industry type	+	I	T	Insignificant	Insignificant		
Firm size	+	I	I	Insignificant	Insignificant		

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Correlations									
		Accounting conservatism	Board size	Board meetings	Board independence	Board duality	Financial leverage	Industry type	Firm size
Accounting conservatism	Pearson Correlation	1	.104	586	.655*	.436	536	266	.017
	Sig. (2-tailed)		.775	.075	.040	.208	.110	.458	.963
Board size	Pearson Correlation	.104	1	306	.191	667.	.254	.058	.282
	Sig. (2-tailed)	.775		.390	.597	.142	.478	.873	.429
Board meetings	Pearson Correlation	586	306	-	854**	545	.806**	081	.155
	Sig. (2-tailed)	.075	.390		.002	.104	.005	.823	.670
Board independence	Pearson Correlation	.655*	.191	854**	1	.267	726*	.027	.284
	Sig. (2-tailed)	.040	.597	.002		.456	.017	.941	.426
Board duality	Pearson Correlation	.436	667.	545	.267	1	184	441	232
	Sig. (2-tailed)	.208	.142	.104	.456		.610	.202	.519
Financial leverage	Pearson Correlation	536	.254	.806**	726*	184	-	216	.312
	Sig. (2-tailed)	.110	.478	.005	.017	.610		.548	.380
Industry type	Pearson Correlation	266	.058	081	.027	441	216	-	600.
	Sig. (2-tailed)	.458	.873	.823	.941	.202	.548		.981
									(Continued)

Table 10. The Pearson correlation matrix for the variables of the second study model

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Correlations

		Accounting conservatism	Board size	Board meetings	Board independence	Board duality	Financial leverage	Industry type	Firm size
Firm size	Pearson Correlation	.017	.282	.155	.284	232	.312	600.	1
	Sig. (2-tailed)	.963	.429	.670	.426	.519	.380	.981	

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed). meetings) with a statistical function of more than 0.05, and the other variables were insignificant positive correlations. On the other hand, Table 10 shows that there is a statistically significant correlation below 0.05 for the dependent variable with the following variable: independence of board members. As for the indicators of the correlation, it was as follows: there is a significant positive correlation with independence.

Table 11 shows that there is no effect of the following independent variables: the size of the board of directors, the number of board meetings, and the board duality role of the executive director on the accounting conservatism, as the statistical function of these variables, was higher than (0.05). In detail, the table shows that the size of the board of directors came with a statistical function of (.775), and the number of board meetings was its statistical value (.075), and for the board duality role of the executive director came to a function of value (.208). Table 11 also displays that there is a statistically significant relationship between the following independent variable: the independence of board members and the dependent variable accounting conservatism. As for the independence of the members of the board of directors, the statistical function was (040.) and the value of (f) = (6.004).

This study also attempted to examine the effect of financial leverage, firm size, and industry type as controlled variables in the relationship between the characteristics of the board of directors (the independence of the board of directors, the size of the board of directors, the number of board members, the board duality role of the CEO and accounting conservatism). To answer this relationship, the study conducted a linear regression coefficient test as shown in Table 12.

Table 12 shows that the controlled variables, namely: the financial leverage, the type of industry, and the size of the company affected the relationship between the independent variables related to the characteristics of the board of directors (the independence of the board of directors, the size of the board of directors, the number of board members, the dual role of the CEO) and the dependent variable accounting, where the function was a statistical value greater than (0.05). Here, we can say that the controlled variables are important and of value that must be paid attention to because of the impact of the factors related to the characteristics of management on the process of accounting conservatism. The value of the statistical function was (.040), but after linking the relationship with the presence of financial leverage, the type of industry, and the size of the company, the relationship was affected, so the result became that there is no statistically significant effect between the independence of the board of directors and the accounting conservatism at the significance level (.414) which is greater than (0.05).

In terms of the influence of the size of the board of directors on the number of accounting conservatism in financial reports, the regression analysis findings show that there is no moral impact. This demonstrates the invalidity of the sixth assumption andmatching this conclusion with the findings of the research (Al-Othman & Al-Zoubi, 2019). Furthermore, the inherent link between the size of the board of directors and the accounting conservatism in terms of the influence of the frequency of board meetings on the accounting conservatism, the regression analysis revealed no moral impact, proving the seventh premise to be false.

In terms of the impact of the independence of the board of directors on the accounting conservatism, the regression analysis through Table 13 revealed that the reference of the regression coefficient to a significant impact on the independence of the board of directors on the level of accounting conservatism in the financial reports, proving the validity of the eighth hypothesis and this result is consistent with the findings of *t*-value (Alves, 2021). The independence of board members is another measure of how effective the board is at establishing supervision and limiting impulsive conduct by management.

Concerning the impact of the separation of the chairman and the Chief Executive Officer, the regression analysis results showed that the reference of the regression coefficient to the absence

	Relationships			No significant relationship	No significant relationship	Significant relationship	Significant relationship
	Sig.			.775	.075	.040	.208
	ц.			.087	4.191	6.004	1.880
	R ²			.011	.344	429	.190
	t,			.296	-2.047	2.450	1.371
	Standardized coefficients	Beta		.104	586	.655	.436
	ed coefficients	Std. error		906.	.128	.131	.223
	Unstandardiz	B		.268	261	.320	.306
	del		(Constant)	Board size	Board meetings	Board independence	Board duality
Coefficients ^a	Wo		1				

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variable
^a Dependent

Table 11. The linear regression test: the impact of the following independent variables (board size, board meetings, board Independence, board duality) on the

dependent variable (accounting conservatism) for model 2

Table 12. The role	of controlled variable	s on the relationsh	ip between the cha	racteristics of the boc	ird directors and ac	counting conservat	iism for model 2
Model		Unstandardize	d coefficients	Standardized coefficients	t	Sig.	Relationships
		B	Std. error	Beta			
	(Constant)	-9.723	16.803		579	.621	No significant relationship
	Board size	2.016	2.933	.782	.687	.563	No significant relationship
	Board meetings	1.440	1.247	3.233	1.155	.368	No significant relationship
	Board independence	1.302	1.274	2.660	1.022	.414	No significant relationship
	Board duality	.472	.669	.673	.705	.554	No significant relationship
	Financial leverage	-6.646	12.583	979	528	.650	No significant relationship
	Industry type	117	3.584	027	033	. 977	No significant relationship
	Firm size	-1.841	2.297	997	801	.507	No significant relationship
^a Dependent variable: Aı	ccounting conservatism.						

conservatism.	
Accounting	
variable:	
pendent	

I dDIE TJ. KESUILS O	ir une nypounesis tesu	ung or the relationsh	iip perween the char	acteristics of the boo	ira oi airectors ana t	ne accounting conse	rvausm for model 2
Variables	Expected relationship of model 1 in both cases	Expected relationship of model 1 without control variables	Expected relationship of model 1 with control variables	Significant relationship of model 1 without control variables	Significant relationship of model 1 with control variables	Results without control variables	Results with control variables
Board size	+	1	1	Insignificant	Insignificant	Not accepting hypothesis	Not accepting hypothesis
Board meetings	+	I	1	Insignificant	Insignificant	Not accepting hypothesis	Not accepting hypothesis
Board independence	+	+	1	Significant	Insignificant	Accepting hypothesis	Not accepting hypothesis
Board duality	+	I	1	Insignificant	Insignificant	Not accepting hypothesis	Not accepting hypothesis
Financial leverage	+	I	I	Insignificant	Insignificant		
Industry type	+	I	I	Insignificant	Insignificant		
Firm size	+	-	I	Insignificant	Insignificant		

of a significant effect of the executive director's duplication of the role on the level of accounting conservatism in the financial reports, which proves the validity of the ninth hypothesis and matching that result with the study's findings (Razzaq et al., 2016). However, the administration employs conservative accounting policies due to the separation of the chairman of the board and the director, as well as the non-duplication of their roles.

7. Conclusion

In accordance with the study findings, there is no need for the utilization of the rules of conservative accounting to be renounced with budgets within their implementation. If applied exaggeratedly, the firm may be affected as a shareholder would feel that their investment would be in a less profitable organization that would cause him or her to dispose of shares at an undervalued level, i.e., deciding upon interest.

Furthermore, changes to the composition of the boards of directors in Jordanian industrial enterprises for inclusion of a better representation from experienced members of external boards are recommended since they can play a part in enhancing the supervision and capacity of boards, enhance the performance of senior management and their choices regarding accounting policies and reduce practices of profit management; the accounting reserve amount within financial reports is representative of that. Nevertheless, constraints of ownership shares within different types of industrial facilities in Jordan have been established. The responsibility of their disclosure for the safeguarding of the many stakeholders that have involvement with the institution serves to limit the advantageous conduct of management in accounting rule adoption and impact accounting practice levels.

Moreover, it is recommended to revise the accounting rules of Jordan so that obligatory constraints are imposed upon industrial businesses that conservative accounting practices are used. Also, the audit criteria ought to contain the disclosure of the auditor in their report revealing the degree to which the financial statements of the enterprise are qualified. It is recommended that there should be more research on accounting to provide additional explanations of accounting conservatism levels within financial reporting within the industrial environment, with importance given to use of other models of measurement including a Basu model to provide numerous potential explanations of conservatism and a Feltam type model.

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Correction

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