CAPITAL UNIVERSITY OF SCIENCE AND TECHNOLOGY, ISLAMABAD

Corporate Governance and Accounting Conservatism: Empirical Evidence from Emerging Markets of South Asia

by

Muhammad Bilal Saeed

A thesis submitted in partial fulfillment for the degree of Doctor of Philosophy

in the

Faculty of Management & Social Sciences
Department of Management Sciences

2020

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By

Muhammad Bilal Saeed

(PM 121004)

Dr. Ayoib B Che Ahmed, Professor

University Utara Malaysia, Malaysia

(Foreign Evaluator 1)

Dr. Devendra Kodwani, Professor

The Open University, UK

(Foreign Evaluator 1)

Dr. Muhammad Mazhar Iqbal

(Supervisor)

Dr. Syed Kashif Saeed

(Co-Supervisor)

Dr. Mueen Aizaz Zafar

(Head, Department of Management Sciences)

Dr. Arshad Hassan

(Dean, Faculty of Management & Social Sciences)

DEPARTMENT OF MANAGEMENT SCIENCES

CAPITAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

ISLAMABAD

2020

To all Friends and Family

CAPITAL UNIVERSITY OF SCIENCE & TECHNOLOGY ISLAMABAD

Expressway, Kahuta Road, Zone-V, Islamabad
Phone:+92-51-111-555-666 Fax: +92-51-4486705
Email: info@cust.edu.pk Website: https://www.cust.edu.pk

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This is to certify that the research work presented in the thesis, entitled "**Corporate Governance and Accounting Conservatism: Empirical Evidence from Emerging Markets of South Asia**" was conducted under the supervision of **Dr. Muhammad Mazhar Iqbal**. No part of this thesis has been submitted anywhere else for any other degree. This thesis is submitted to the **Department of Management Sciences, Capital University of Science and Technology** in partial fulfillment of the requirements for the degree of Doctor in Philosophy in the field of **Management Sciences.** The open defence of the thesis was conducted on **January 13, 2020.**

Student Name :	Mr. Muhammad Bilal Saeed (PM121004)	

The Examination Committee unanimously agrees to award PhD degree in the mentioned field.

Examination Committee :

(a)	External Examiner 1:	Dr. Syed Muhammad Amir Shah, Professor AIOU, Islamabad	
(b)	External Examiner 2:	Dr. Muhammad Khalid Sohail, Associate Professor Bahria University, Islamabad	
(c)	Internal Examiner :	Dr. Nousheen Tariq Bhutta Assistant Professor CUST, Islamabad	
Supervisor Name :		Dr. Muhammad Mazhar Iqbal Professor CUST, Islamabad	
Name of HoD :		Dr. Mueen Aizaz Zafar Professor CUST, Islamabad	
Name of Dean :		Dr. Arshad Hassan Professor CUST, Islamabad	

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Dated: January, 2020

Registration No : PM-121004

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Dated: January, 2020

Registration No : PM-121004

List of Publications

It is certified that following publication(s) have been made out of the research work that has been carried out for this thesis:-

1. Saeed, M. B., & Saeed, S. K. (2018). Corporate Governance and Accounting Conservatism: Moderating role of Audit Quality and Disclosure Quality. *Business & Economic Review*, 10(2).

2. Saeed, M. B.,Iqbal, M. M., & Saeed, S. K. (2018). Corporate Governance Mechanisms and Accounting Conservatism: Evidence from Pakistan. *NICE Research Journal of Social Sciences*, 11(1),18-38.

3. Saeed, M. B., & Saeed, S. K. (2018). Characteristics of Shariah Supervisory Board, Corporate Governance mechanisms and Efficiency of Islamic Banks: Evidence from listed banks in Asia. *Journal of Islamic Business and Management*, 8(1), 116-138.

Muhammad Bilal Saeed
(PM121004)

Acknowledgements

I would like to thank all those who helped me out during the thesis.

Abstract

This study investigates the relationship between corporate governance and accounting conservatism. Additionally, it investigates the moderating role of disclosure quality on the association between corporate governance and accounting conservatism. It employs panel data of three hundred firms from Bangladesh, India and Pakistan for the period from 2009 to 2015. Hundred firms are selected from each country on the basis of market capitalization as well as availability of data. Accounting Conservatism is measured via six measures. Corporate Governance is examined at two levels. First corporate governance mechanisms are examined. Afterwards, a composite score of firm's governance is developed by employing principal component analysis and its impact is evaluated. The considered corporate governance mechanisms include audit committee independence, board activity, board independence, board size, CEO duality, CEO turnover, gender diversity on board, institutional shareholding, managerial shareholding and type of the auditor. The empirical results show that, among the considered governance measures only institutional shareholding and CEO duality have an impact on accounting conservatism in case of Bangladesh. In case of India, board activity and audit committee independence are found to be associated with accounting conservatism. In case of Pakistan, board activity, gender diversity on board and institutional ownership are found to be associated with accounting conservatism. A positive relationship is also found between composite score of firm governance and accounting conservatism along side the moderating role of disclosure quality in case of three considered data sets. Some additional analyses are also the part of this study that report mixed results. This findings of this study offer an empirical evidence of existence of agency as well as positive accounting theory in three emerging economies of South Asia. It has implications for policy makers, regulators, analysts, researchers and other users of financial statements especially in the context of emerging economies of South Asia that are the subject matter of this study.

Key words: Accounting Conservatism, Corporate Governance, Disclosure Quality.

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Abbreviations

AC	Accounting Conservatism
ACACC	Accruals based first measure of AC
ACI	Audit Committee Independence
ACCIC	Accruals based second measure of AC
ACCIE	Earnings based measure of AC
ACCOMP	Composite measure of AC of a firm
ACSKEW	Skewness based measure of AC
ACSOE	Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News
BA	Board Activity
BBVA	Banco Bilbao Vizcaya Argentaria
BEI	Bangladesh Enterprize Institute
BG	Bad Governance
BI	Board Independence
BS	Board Size
BSEC	Bangladesh Securities and Exchange Commission
CG	Corporate Governance
CEOD	CEO Duality
CEOT	CEO Turnover
CSFG	Composite Score for Firm's Governance
DQ	Disclosure Quality
EPS	Earnings Per Share
FS	Firm Size
GDB	Gender Diversity on Board

GG	Good Governance
GROS	Growth in Sales
INSO	Institutional Shareholding
LEV	Leverage
MANO	Managerial Shareholding
MG	Moderate Governance
PROF	Profitability for firm
P	Share price
SBP	State Bank of Pakistan
SEBI	Securities and Exchange Board of India
SECP	Securities and Exchange Commission of Pakistan
TAUD	Type of the Auditor

Chapter 1

Introduction

This chapter introduces the topic. It begins with background of the study. Next, it discusses the research gap that paved the way for this investigation. Afterwards this chapter overviews the theoretical explanation of the relationship between Accounting Conservatism (AC) and Corporate Governance (CG). At the end, this chapter presents the objectives of this study followed by significance and scope.

1.1 Background of the Study

Managers and shareholders are two significant piers of any firm. The success of any firm is inherent in the strength of the bond between these piers. Greater access to firm related information offers managers an edge over shareholders. Shareholders have to rely on financial statements that are prepared by managers to make strategic decisions (Nasr and Ntim, 2017). These statements are prepared in congruence with financial reporting standards. The inability of professional standards to cover all aspects of financial reporting offers mangers the freedom to use their judgment in providing accounting estimates (Chung et al., 2002). The evolution of corporate world has paved the way for emergence of new forms of corporate entities and altered the conventional structure of transnational firms. This has resulted in increased interest of managerial discretion in financial reporting, thus yielding neutral, aggressive or conservative accounting estimates. Existing literature, both empirically and theoretically supports the employment of conservative

accounting estimates by mangers to harness the benefits of reduced agency problems. (For example, (Nasr and Ntim, 2017); (Mohammed et al., 2017); (Caskey and Laux, 2017); (Huang and Wang, 2017); (Boussaid et al., 2015); (Elshandidy and Hassanein, 2015); (Ahmed and Henry, 2012); (Ahmed and Duellman, 2007) etc.)

The firms are considered to be the producers of goods and services. These firms have specific corporate structures that help in maneuvering these corporate entities. One significant feature of these structures is the separation of ownership and control of assets of the firm. It is a documented fact that the ownership of the firm is spread out among many owners thus limiting them from contributing in major decisions of the firm. The managers are responsible to manage the firms in the light of guidance set forth by the owners. It is necessary that both owners and managers remain on the same page otherwise the difference of interests will lead to conflicts thus jeopardizing the very existence of the corporate entity. This conflict not only weakens corporate structure of the firm but also affects the employees, suppliers, distributors as well as all other stake holders. In order to prevent the firms from this fatal fate, different mechanisms have been installed. One such mechanism is CG. This mechanism is a means to reduce the conflict of interest or in much simple words a connection that is built to bridge the gap between owners and managers. CG is thus seen as the set of principles, rules, regulations, policies, procedures or guidelines employed to help managers understand their responsibilities thus reducing the conflict and bridging the gap between management and stakeholders (Monks and Minow, 2001). There are no two opinions over the matter that if a firm is unable to install effective CG, the consequences are severe (Lavelle, 2002). One of the many consequences is the vulnerability of firms to operational risks. This exposure can jeopardize the very existence of firms. The investors these days are much informed. They employ various means to evaluate the risks associated with their investment decisions. Common means employed include; understanding the corporate structures, quality of governance, performance etc. All these measures are employed to evaluate the true position of the firm thus mitigating the risk inherent in their investment decisions. Besides

the deployment of these mechanisms the world has to witness some huge corporate collapse. These include the fall of WorldCom and Enron in United States, collapse of Harris Scarface, HIH and One Tel in Australia, crumbling of Polly Peck in Europe and some other corporate failures in Asia. When investigated, it is found that most of these corporate collapses occur as a consequence of failure of CG mechanisms and earnings manipulation. Lavelle (2002) argues that the failure of Enron is a consequence of poor CG structures. Later on Horwath (2003) while investigating the reasons of corporate collapses in Australian listed firms also set forth a similar argument.

A huge lump of evidence can be found that stress the significance of CG in efficient working of firms (For example, (Shehzad and Haan, 2015); (Adams and Mehran, 2012); (Yeh et al., 201). If the firms are efficient so is the capital markets thus arising opportunity for investors. In case of a corporate crumble, investors lose huge amount of money that weakens their confidence and trust. This feeble confidence and trust jeopardizes the capital market. In order to mitigate the factors that can erode the confidence as well as trust of the investors, the regulatory bodies set forth new regulations continuously. These measures intend to address the dissolution of investors confidence and prevent future fall downs (Adams and Mehran, 2012). It is interesting to note that most of these mechanisms have failed to address their desired goals. One reason can be the inability of these measures to address governance problems faced by the firms. Another reason can be the difference in capital markets structure. This is the need of the hour to better understand governance perspective of corporate entities and set forth as well as implement mechanisms that can improve CG.

Most of the empirical studies try to address the connection between CG and performance of the firm only (For example, (Bhatt and Bhatt, 2017); (Lozano et al., 2016); (Pandya, 2011)). All of these researchers have empirically examined the impact of CG. However it is very interesting to note that these studies report mixed results and are inconclusive in most cases. One of the possible reasons for this failure by researchers can be the involvement of conservative accounting practices in firms having effective CG mechanisms.

AC is defined as the recognition of revenues only when they are assured of being received whereas the recognition of expenses even when there is an uncertainty of outcome involved (Bliss, 1924). Basu (1997) defines conservatism as the propensity to demand excessive investigation for identification of good news rather than bad news while reporting earnings. Givoly and Hayn (2000) consider conservatism as an accounting tool that leads to faster recognition of expenses and slower recognition of revenues. Conservatism is simply defined as the asymmetric timeliness in recognizing losses versus gains (Watts, 2003). One cannot overlook the concept of conservatism especially with reference to Accounting. The conservatism can hence be defined in these words that, if there is a lack of conviction in any transaction, one should identify and record all possible losses but should not identify and record all possible revenues.

A large number of researchers are of the view that it is the Accounting Standard Bodies that pave the way for AC (Chung et al., 2002). They argue that Accounting Standards are too dense thus cannot be fully comprehended by managers. This imperfect comprehension leads to dismal flow of information about the financial condition of a firm. The users of financial statements i.e. investors, creditors, regulators etc. thus are sometimes confused about the true performance of the firm. This confusion may be caused by two reasons. First is the inability of the managers to understand the ways how they should account for major financial affairs of the firm. Second is the permitted use of manager's discretion in reporting accounting estimates(Chung et al., 2002). The managerial discretion in reporting these estimates can lead to AC (Ramanna and Watts, 2007). This demand for conservatism is more often backed by its role in reducing information asymmetries (LaFond and Watts, 2008).

Lu and Trabelsi (2013) argue that AC can only improve information environment if comparatively credible or neutral information is provided. Since one of the consequences of conservatism is an understatement of various accounting estimates especially in the long run, thus paves the way for providing nonneutral information. The regulatory bodies have taken upon themselves a responsibility to ensure the flow of credible information. In their quest to achieve neutrality, the regulatory

bodies try to limit conservatism in financial reporting (Lu and Trabelsi, 2013). This argument is rooted in various criticisms of AC that have surfaced over time. Hendriksen (1977) is one of the first critics on AC. He argues that the use of conservative practices can lead to flow of information that is both biased and inaccurate. Later on Belkaoui (2001) working separately also argue that conservatism results in dissemination of misleading information. Another very interesting view point is set forth by Penman and Zhang (2002). They claim that AC result in reducing the earnings quality thus playing a consequential role in earnings management.

Witteveen (2013) is of the view that earnings management and accounting conservatism are deeply influenced by the discretion of managers over the financial reporting. Healy and Wahlen (1999) and Stolowy and Breton (2004) are the researchers who define earnings management. According to them it is simply the altering of financial statements with a goal of misleading the users of these statements and are backed by the intentions of reporting favorable outcomes of the contracts or showing even wealth distributions. AC on the other hand as defined by Basu (1997), deals with the recognition of bad news quickly than good news. Simply put, conservatism is a phenomenon that involves a high degree of verification while recognizing a good news as gains in comparison to the recognition of a bad news as losses.

Witteveen (2013) argues that managers discretion over the measurement and reporting of accounting estimates empowers them to use their discretion to generating misleading accounting records. The demand for AC on the other hand can backed by internal or external motives. By internal we mean that, managers (having discretion) can impose upon themselves the use of conservatism because of its advantages in contractual agreements and the benefits that they offer in case of litigation.

The external motivators for increased demand of conservatism include the restrictions imposed on managers by regulatory bodies or creditors. Whatever the case may be, the stature of governance plays a significant role in shaping reporting environment of the firms. Ball and Shivakumar (2005) report that CG plays a remarkable role in defining reporting practices of a firm. So it is important for

the researchers, investors, fund managers, managers and policy makers as well as regulators to understand that whether CG complements conservatism or not.

1.2 Research Gap

This section holds the discussion of gaps that prompted the need for this examination. It is divided into five sections. The first four sections hold the discussion on research gaps and the last section summarizes the shared discussion.

1.2.1 Absence of Theoretical and Empirical Research in South Asian Economies

The first gap is a contextual gap. Most of the studies that strive to address the connection between AC and CG are limited to few develop and developing economies. These studies do not address the understudy connection in South Asian economies. For example, Mohammed et al. (2017) analyze the role of CG in AC in Malaysia. Caskey and Laux (2017) and Elshandidy and Hassanein (2015) attempt to analyze the impact of directors independence along side other firm's governance mechanisms on AC in FTSE listed firms. Rodriguez (2010) analyzes the connection between the presence of a big auditors and conservatism in Spanish listed firms. Shuto and Takada (2010) and Kung et al. (2010) investigate the role of ownership structure on AC in Japanese and Chinese listed firms. Ahmed and Duellman (2007) examine the role played by attributes of board in persuading firms to follow conservative accounting in US listed firms. Another study that examines the impact of composition of board on conservative accounting practices in UK firms is carried out by Beekes et al. (2004). Hence there exists a gap regarding the investigation of link between CG and AC in developing economies of South Asia. The reason for the existence of this gap is the difference between CG frameworks that exist in those economies form other countries. All the three economies that examined and regarded as developing in South Asia differ from developed as well as those economies or markets that are already tested or investigated with respect to

the existence of connection between CG and AC. The discussion on the difference between these economies is presented in the sections below. However, for reference it can be written that these three economies differ in institutional framework, inclination and awareness about CG and development of CG infrastructure in the country. Hence, this study strives to address this issue and analyze the impact of CG on AC in three developing economies of South Asia.

1.2.2 Absence of Examination of Various Attributes of CG and Development of Composite Measure for Firm's Governance

Another compelling factor that prompted to go for this investigation is that the literature on the connection between CG and AC is also limited to analyzing some attributes of CG. To address this issue some of the studies included different CG attribute in the composite score or indices developed by them. For example, Lara et al. (2009) develop and use a composite measure of board characteristics and analyze its impact on AC in case of Spanish firms. Two gaps are found to exist with respect to CG attributes. The first gap is regarding the inclusion of some new attributes of CG which have never or rarely been investigated before. The second gap is regarding the development of composite score for firm governance. As far as this measure is concerned there are three problems that can be addressed to fill the gap.

The first problem is that most of the composite scores or indices are developed by taking weighted average of some CG attributes. These weights are mostly assigned on the basis of subjective criteria i.e. mostly by asking financial experts or fund managers about the importance of a certain factor in CG. Second these composite scores and indices are developed by considering only some CG factors mostly depending upon the discretion of the researcher. A few studies attempt to address this issue by developing the index or composite score by using factors loadings for every major factor calculated by employing principal component analysis. But still there exist a gap as these studies mostly address the financial sectors and

developed economies only. No single study has yet developed the composite score or index for CG for emerging economies in South Asia.

1.2.3 Absence of Direct Examination of Effect of CG on AC and Employment of Few Measures of Firm's Conservatism

A prompting factor for this investigation is indirect estimation of relationship between CG and AC and employment of limited measures of AC. Nasr and Ntim (2017), Mohammed et al. (2017), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Lim (2011), Lara et al. (2009) and Ahmed and Duellman (2007) are a few who examine the impact of corporate governance on accounting conservatism but they all employ indirect estimation procedure. By indirect estimation procedure, it is meant that the AC variable is not measured only its effect is examined. The approach that is followed is found in the literature with the name of, "reverse regression" and is based on Basu (1997) model. Moreover these studies are also limited to earnings based and accruals based measures. These two gaps are addressed in this study as the connection is studied via direct approach and all existing measures i.e. earnings based, accruals based, skewness based and also some composite measures are employed.

1.2.4 Absence of Examination of Moderating Role of Disclosure Quality on the Association between CG and AC

Last but not the least, the role of disclosure quality in moderating the relationship between CG and AC has never been explored before. Existing studies are limited to exploring the relationship only and do not involve any moderator even though the theoretical justification exist for its investigation.

For example, Aburaya (2012), Khodadadi et al. (2010) Soheilyfar et al. (2014), Belkaoui (2012) and Sajadi et al. (2009) are among the few who have investigated

the role of CG in improving disclosure quality of firms listed in different countries across the globe. All these studies are limited to only exploring the existence of relationship but never attempted to explore the nature of this relationship. Hence there exists a gap to explore the role of disclosure quality as a weakening factor in the relationship between CG and AC.

1.2.5 Summary

This study address four gaps. These gaps are found to exist by reviewing the existing literature. First this study attempts to examine the role of governance mechanism of firms that are listed in three emerging economies of South Asia namely Bangladesh, India and Pakistan on the level of conservatism employed by them. Second, this investigation explores the effect of CEO turnover on firms conservatism. Third gap is related to estimation procedure that is being employed by existing studies to explore the role of governance mechanisms of conservatism. Lastly, this study attempts to explore the moderating role of disclosure quality on the relationship between AC and CG.

1.3 Theoretical Justification

This section encompasses two things. First is the account of relevant theories and second is the discussion on link between CG and AC.

1.3.1 Agency Theory

Agency theory is considered to be a surmise in explaining the relationship between principals and agents. This theory deals with addressing the issues or problems that exist in case of principal agent relationship. The principal agent relationship is of much importance the owners who are actually the principals sit outside of the organizations. On the other hand the agents are managers who run the firms on behalf of owners. The agency viewpoint talks about the conflict of interest between the two parties.

According to this theory this disagreement may be because of two reasons. First the owners and agents can have different directions. One can say that the agent is the driver of the car named as firm. The principal is the owner of the car and is also sitting in the back seat or is virtually present with the driver at all times. The problem can arise if the driver i.e. the manager and the owner have two different destinations in mind. The second factor that might contribute to the fire that already exists is the difference in risk approaches of the two parties. This type of conflict arises whenever the principal hires an agent to stir in his place.

One can argue that the disagreement on the direction as well as the level of risk exposure can arise because of inadequate exchange of information between them. Whenever the type of relationships that exists in any firm are discussed, two important forms of relationships that exists in any corporate entity sprung in mind. These include the relationships between managers and stakeholders and the relationships between managers and creditors. This argument which we today known as, Agency Theory was set forth by Jensen and Meckling (1976).

The assumption upon which the foundations of this theory are built is that the agents may not act in accordance of the wills of the principals hence paving the way for conflicts. Despite lack of sharing of complete information between agents and principals, sometimes the uncertainty is also regarded as the cause of agent principal conflict or disagreement (Subramaniam, 1978). One of the possible solutions whose ability in resolving this conflict is being tested in developed economies is the development and implementation of effective structural as well as regulatory frameworks in the firms working in developing economies.

Most of the research studies conducted to address the issues of governance in firms hold agency theory at their base (Abdullah, 2006). There are no two opinions over the matter that whenever a principal or the owner hires a manager or in much better words the agent, both the parties i.e. the managing end and the controling end, indulge themselves in the creation of the agency relationship and the strength of this relationship is determined by the actions of both parties. The CG keep these actions in check and pave the way for reducing conflicts between the two parties (Subramaniam, 1978).

1.3.2 Stewardship Theory

Stewardship theory offers alternative approach to principal-agent relationship as discussed by Agency Theory. This theory was proposed by Donaldson and Davis (1989). According to this theory, a manager is not an opportunist rather he is a steward. And like most of the stewards, the manager is just a person who wants to do his job in an excellent manner. The manager is actually a steward having inner feeling towards the firms to protect and safeguards the interests of its shareholders. These people feel themselves accountable and work to maximize the wealth of shareholders. These stewards are motivated by organizational performance and so this viewpoint focuses on delegating more authority to the managers. If the stewards feel more autonomous they are more likely to contribute more towards the organizational success because of trustworthy moral behavior towards the firms and its shareholders (Davis et al., 2007). Davis et al. (1997) also argue that a steward is motivated intrinsically to achieve organizational goals hence is bound to add values to the firms they are serving in. .

1.3.3 Stakeholders Theory

The shareholders theory addresses the impact of various actions of corporations on her stakeholders. Freeman (2010) argue that it is the companys stakeholders who actually pull the weight of the firms. These stakeholders can be categorized into internal and external. The internal stakeholders include directors, employees and all those who are actually involved in framing governance structure of the firm. The external stakeholders include creditors (both individual and institutional), customers, suppliers, whole sellers, retailers, distributors, regulatory bodies, countrys government and other participants that shape the working environment of the firms. According to this theory, it is the responsibility of the governance end to take into account the interests of its stakeholders. The stakeholders comprise of those entities who influence or are influence by governance structures installed in firms. This influence has its roots in the expectations of stakeholders who look to the firms as the units that create value for them and hence to keep them satisfied

is important for successful working of firms. Freeman (2010) is a strong believer that if a firm needs to be healthy, it surely has to keep a keen sight of interests of its stakeholders. The inability of any firm in safeguarding the interests of its stakeholders ultimately opens a doorway to its own doom. In a nutshell, the firm is like a boat with all its stakeholders as its boatmen. If they fail to row or paddle the boat together, the boat will not be able to come ashore safe and sound. Hence to row the ever angry waters of competitive business environment, the stakeholders concerns need to be addressed by those who are steering the firms.

1.3.4 Resource Dependency Theory

This theory addresses the role of governing end of firm in generating adequate resources for firms. It was set forth by Pfeffer and Salancik (1978) and argues that firms require resources and these resources are to be generated from the environment they operate. The external environment encompasses all those entities who have the resources needed by firms. These resource providers more often enjoy power over the firms and it is the responsibility of managers to deal with such issues. It can hence be stated that if the managers have strong linkages with resource providers they can access resources well in time and play a significant role in improving performance of the firm.

1.3.5 Positive Accounting Theory

Positive accounting theory deals with the importance or significance of Accounting in a firm. This theory is an attempt to describe as well as anticipate the use of a particular accounting method in a firm. It is interesting to note that this theory does not provide complete insight to which accounting method should be employed in a firm (Watts and J., 1986). One cannot deny the fact that every organization either profitable or not, is a nexus of contracts. Most of these contracts are done to reduce the agency costs. The cost of contract as well as the agency costs is determined on the basis of accounting numbers (Watts and J., 1986). It is often argued that the managers can make use of such accounting

procedures to calculate the accounting number that will overstate the accounting profits with an intention of reward thus jeopardizing the very function of accounting as a procedure to report the current stature of the firm. If this case exists, the managerial decisions have to face the wrath of agency conflict hence the concept of AC emerges as a mechanism to restrict the opportunistic behavior of the managers (Lara et al., 2009). Though this theory is of western origin its application is same in case of developing economies. A significant problem in developing economies is the existence of concentrated ownership i.e. some participants or groups have more power than others. This tug of war between the concentrated owners and managers sometimes persuade the managers to indulge in such procedures so as to manipulate the earnings and show a good picture of the firm. The conservatism is thus a tool that prevents the right of the shareholders by limiting the use of income increasing accounting policies.

1.3.6 Accounting Conservatism and Corporate Governance

The link between CG and AC can be explained in the light of five theories i.e. the agency theory, the stewardship theory, the stakeholders theory, the resource dependency theory and the positive accounting theory.

There are no two opinions over the matter that the managers are acting as agents on behalf of the owners who hold the principal position in firms. The owners require the managers to act in accordance with their interests. To ensure that their interests are safeguarded properly certain rules, procedures, guidelines etc. are set forth. These rules, policies, procedures etc. provide guidelines to the managers to act in line with the interest of the owners and limit them to act in their own interest. The managers are the ones who are running the firms. The investors are sitting outside of the firms but require complete information. This need of the investors to remain informed compel them to set forth such guidelines or install such mechanisms that support conservatism (Ahmed and Henry, 2012). LaFond and Watts (2008) discuss that the use of conservative accounting reduces the information asymmetry between the managers and investors. They argue that if proper procedures are installed, the managers recognize the losses timely hence improving

the reliability of the financial reporting process. Pope and Walker (1999) also list the advantages of employing conservative accounting practices in firms. this view point links CG and AC in the light of contractual agreement between owners and management. The owners in their quest to limit the opportunistic behavior of managers install such mechanisms that pave the way for more conservatism. The managers are inclined to show their loyalties to the owners as well. Thus, they employ conservatism to avoid losses that can deprive them of their compensations that are based on their performance.

The link between AC and CG can be addresses in the light of stewardship Theory. This theory strives to align the principals and agent within a contractual setting but unlike other contracts that are backed by opportunistic motives this contract is a psychological one. The steward, feels a close connection or bond with the organization and indulge in those efforts that would ultimately add value to the firm. The existence of this psychological contract reduces the problems of less motivation at the governing end. This also motivates the managers to recognize the losses as early as possible so that the firm might not get hurt and it is this motivation that compels the managers to go for employing accounting conservatism.

According to the Stakeholder theory perspective, AC and CG can be linked with each other as a consequence of increased demand of AC by the stakeholders. The dynamic business environment has increased the need to address concers of stakeholder as these are the entities who are directly or indirectly affected by the affairs of the firms. Chi et al. (2009) state that conservatism is an effective way to deal with problems that may arise because of dissemination of asymmetric information. LaFond and Watts (2008) are of the view that escalated demand of the stakeholders to know more compels the governing end to employ more AC. One can state that the focus of managers to make such decisions that adhere to the interests of stakeholders alongside the raised demand of more information from stakeholders escalate the employment of AC. The connection between AC and CG can also be explained in the light of Resource Depending Theory especially in the context of developing economies (Ren, 2014). According to this theory the managers play a significant role in generating resources. It is the responsibility of the manager

to bring both tangible and intangible resources to the firm. The resources are to be generated from external sources and more often these resource providers enjoy power over the firms. The reliance of firms on these resource providers in conjunction with the role of managers compels the firms to employ AC.

Another viewpoint that tries to address the link between CG and AC is the positive accounting theory. This perspective is linked with the importance of Accounting in any firm. No one can deny that there are numerous contracts in a firm. The first and the foremost contract is between the managers and the owners. The owners require complete information and Accounting is a way to provide them with this information. The owners evaluate the performance of the managers on the basis of accounting numbers and then decide about the compensation that should be offered to them. In the absence of AC the managers can overestimate the profits and assets thus concealing the true picture and attempt to demand more compensation. The owners via the board of directors try to limit the creation of such agency conflict by demanding conservatism (Deegan, 2009). It is also a fact that the tenure of any managers is limited and the managers hold more information about the firm than the owners. This advantage of the managers can allow them to manipulate the earnings in their favor. The use of conservative accounting limits the manager from doing so, hence reducing the causes that could lead to agency conflict and thus prevents jeopardizing the efficient working of firms (Lara et al., 2009).

Another very important type of contracts is debt contracts. The debt holders are always concerned about the efficient working of the firms. The reason is obvious. To a debt holder the firm is its investment. If the firm fails to meet its obligation the debt holder can be at risk. Debt is an essential part of the capital structure of a firm. To keep the debt holders satisfied such mechanisms are set in place that support conservatism. To summarize the above discussion and report the missing link between AC and CG, it can be stated that the need to practice conservatism can arise form employment contract or governance reasons. The stimulus for managers to suppress the losses can arise from their fear of being fired from employment even before the completion of their tenure. The manages

are also frightened that if they admit the losses and that they have invested in negative NPV projects this can lead to their banishment. The AC speeds up the recognition of losses and compels the board of directors and shareholders to investigate the reasons for those losses. The consequence of such an investigation can be the dismissal of the manager from his office and elimination of negative NPV projects. The motivation of manager to report positive NPV projects paves the way for conservatism (Garcia et al., 2007).

Another stimulus can be regarded as an internal one. The managers can be internally motivated to do a good job for the firm. This internal/psychological motivation can compel the managers to recognize losses early in order to strengthen the firm performance and increase its value (Davis et al., 2007). Another explanation for this study is inherent in the role that is to be played by the managers in satisfying the stakeholders. The contended stakeholders are significant for the efficent working of the firms. The managers to keep the stakeholders in check are motivated to employ AC LaFond and Watts (2008).

In case of emerging economies, (like the ones considered for this empirical examination) the managers role as information disseminator and bridge maker between resource providers and firms also supports the argument of looking into the role of CG in AC. This argument is inline with that theoretical justification that talks ablout the dependence of the firms on resources. Last but not the least the significant role of governance in Accounting paves the way for this investigation. This role is important to be understood and discussed as it shapes the path of the firms towards efficiency. It is also interesting to note that if there is weak governance framework in a firm, the mangers are reluctant to disclosure transparent information to the shareholders and go for employing conservatism so that the information symmetry could be maintained to reduce agency conflict. Though this view point is not entirely incorrect but is slightly short term. If the manager of the firm is clocking the weaknesses by employing more conservative accounting estimates while reporting accounting estimates, the improved disclosure quality helps to mitigate the agency conflict in the long run. Hence, the role of DQ in impacting the AC-CG relationship needs to be examined.

1.3.7 Accounting Conservatism, Corporate Governance and Disclosure Quality

The motivation for examining the role of DQ as moderator in CG-AC relationship is backed by the empirical evidence set forth by Lam and Lee (2012) and Cho and Kim (2007). These studies argument and then empirically prove that the existence of some mechanism in the firms actually reduce the effectives of corporate governance. For example, Lam and Lee (2012) set forth their argument that if the ownership of the government of the state or a country is more in a firm, it should compel the firm to install such CG mechanisms that can improve its performance rather it is empirically found that the existence of such motivators reduce the effectiveness of CG in improving performance thus playing the role of moderator in weakening the beneficial role of CG. Agency theory theorizes that the managers are running the firms on behalf of owners. The owners demand symmetric information and this demand paves the way for conservatism. However, it can also happen that the agents employ more and more conservatism in reporting by themselves because they know that their benefits and compensations are linked with the information they share with the owners. This opportunistic behavior of the managers need to be checked. If the disclosure quality is held up than the effectives of CG in giving away conservative information can be kept in check. Thus, it can be inferred that disclosure quality can moderate the CG-AC relationship. Furthermore, the stewardship theory considers managers to be the stewards. These people thus are always internally motivated to do good for the owners. There is a chance that this internal motivation of the managers becomes so strong that they unintentionally indulge in employing AC. The use of disclosures can limit this, always doing good behavior of the managers while acting as internally motivated stewards. Moreover, the demand of the shareholders to have a symmetric information paves the way for the installation of such CG mechanisms that pushes the firms towards employing conservatism. The improved disclosure quality can be used as a tool to reduce the efficacy of corporate governance in paving the way for AC. The dependence of firms on external sources for resources also paves the way for conservatism and the improved DQ can limit the use of CG to effectively pave the way for flowing

symmetric information to the resource providers. Lastly, the importance of AC in contracting cannot be overlooked. The firms in order to reap the benefits related to accounting in case of contracts employ more conservatism. The disclosure quality if improved can limit this role of CG in deploying AC.

1.4 Problem Statement

Reporting conservative accounting estimates has become a general practice in many firms. This behavior deviates their financial reporting process from neutrality. However, it also offers certain benefits like reduction in moral hazard problems and improved firm value. This gain-loss situation of firms require more comprehension. There is a need to examine those factors that compel the firms to report conservative accounting estimates. Existing literature shows that various mechanism are being employed to govern the firms. These mechanisms can be categorized into characteristics of the board, CEO characteristics, ownership structure, audit quality and disclosure quality. The stature of governance is found to be affected by size, activity, independence and gender diversity of the board, separation of CEO and chairman, CEO turnover, percentage of shares held by institutions and managers, independent audit committees, engagement of big auditor and installation of adequate measures to improve disclosures. Evidence show that these governance mechanisms have a strong impact on the extent of conservatism employed by firms. This might be because of the use of these mechanisms to manage agency conflicts. Besides this, some external as well as internal motivators also compel the managers to employ conservative accounting practices. The empirical evidence is scarce in emerging economies. Though there are some studies who try to address the relevance of governance stature of the firms in employing conservatism but are limited to emerging economies of South Asia. Moreover, the existing studies are also limited to exploring the impact of a few governance mechanisms. So far, no study has examined the role of major governance mechanisms in shaping conservative accounting practices especially in contest of three emerging economies of South Asia namely Bangladesh, India and Pakistan.

Some studies report that board size, independence and number of meeting held and attended by board members impact conservatism. But again the literature is limited with respect to role played by the presence of female members on the board in shaping reporting practices of firms especially with reference to emerging economies of South Asia. Most of the existing studies attempt to examine the impact of governance mechanisms on the level of conservatism by employing Basu (1997) reverse regression approach. This approach limits the direct examination of impact of CG on AC. A few studies, though try to address this issue by employing other measures like skewness based measures. Yet again, one cannot find any study that can address all existing approaches to measuring conservatism and afterwards quantifying its impact in case of the considered set of markets.

Furthermore, it is interesting to note that in case of South Asia, the stature of governance is considered to be weak in comparison to developed markets across the globe. One of the reason is the existence of controlling shareholders. Even than a better understanding of those factors that compel the firms to employ conservatism is required. The role played by regulatory bodies in limiting the employment of conservatism by introducing strict disclosure practices in firms alongside the governance practices compel to look for the moderating role of improved disclosures on the relationship between governance and conservatism. Exploring the role of various governance mechanisms in conservatism can help to better understand and comprehend corporate governance theories and also offer assistance to other users of financial statements like regulatory bodies, financial analysts etc. This study aims to explore the impact of stature of corporate governance of a firm on the level of conservatism employed by firms listed in three emerging economies of South Asia. Also, the moderating role played by the disclosure quality in shaping the governance-conservatism relationship is the subject matter of this study.

1.5 Accounting Conservatism (AC)

Bliss (1924) is considered to be the first one who defines the term, Accounting Conservatism. According to him, AC is a mechanism that involves prolepsis of

all losses but prolepsis of no profits. Basu (1997) has on his credit the interpretation of this definition. Basu (1997) also recognizes that conservatism exists in two forms. It would either be conditional or unconditional conservatism. Conditional conservatism is defined as the identification of anticipated losses but not gains whereas unconditional conservatism is the asymmetric timely identification of actual losses and gains. It is interesting to note that most of the studies that try to study conservatism consider conditional conservatism only. One reason could be the very concept of conditional conservatism. This type of conservatism is also sometimes referred to as the news based conservatism. It is called so because it involves timelier recognition of losses as compared to gains thus providing new information.

Various approaches are employed to capture conditional conservatism. As far as the subject matter of this study is concerned it focuses on conditional conservatism. The reason that only conditional conservatism is considered in this study is presented by Ball and Shivakumar (2005). They assert the fact that it is only the conditional conservatism that plays a role in contracting and not the unconditional conservatism. Hence, this study only considers conditional conservatism. The foremost contract in corporate world is between owners and managers. The role of conditional conservatism in reducing the agency problems is important to be discussed.

Watts (2003) also discusses that conditional conservatism plays a significant role in preventing corporate collapse. He supports his argument by stating that if the losses are identified timely it provides an opportunity to stakeholders i.e. shareholders, debt holders, top management, board members etc. to take necessary actions and prevent further losses. In order to understand the view point, consider an example of a firm that is indulged in a negative NPV project. Now if the loss is timely recognized the owners can advise to replace or bring to an end this project thus preventing further losses. The debt holders can also evaluate the firm and if they seem necessary can limit the firm from taking more debt. This significant role of conditional conservatism prompts to investigate further in this paradigm therefore this study only takes into account conditional conservatism.

1.6 Corporate Governance (CG)

CG is a term that stands for the structural as well as relational stature of the corporate entity. This structural and relational framework sets the direction of the firm and is also responsible for its performance. The board of director lies at the base of this framework. The association and interaction of this board with all the stakeholders i.e. the employees, suppliers, customers, competitors etc. play a consequential role in determining the way the corporate entity works. There are no two opinions over the matter that this framework is developed and depend upon the environment in which the firm works. According to Blair (1995) the governance of a firm is a tricky task as it involves the collection of cultural, institutional and legal frameworks positioned in such a way so as to direct the firm or corporate entity. This set also determines the right to control or manage along with the power to make strategic decisions in the organization. Another definition that exists in literature, focus on the salient features of CG in directing the corporate entity to a particular path thus making it a milestone in accomplishing goals of the firm (Monks and Minow, 2001).

It is interesting to note that some critics are of the view that whether gathering intelligent manpower and making them act as one unit in the form of the board will suffice i.e. will it be enough to meet the goals of the firms or there is a need of some other framework as well. The answer to this critics view is also present in literature. These mechanisms are set into motion to help the firms manage their scarce resources more efficiently by keeping the managers accountable for these resources. These mechanisms will keep in check that the participants present on three sides of the corporate environment remain on the same page i.e. the corporate entities, individuals and society (Cadbury, 1992).

Over time CG has emerged as a vast field of knowledge. One of the probable reasons is its significance in managing the firms by assisting the managers in understanding the ways they should employ the organizational policies and procedures. One of the many implications is from the view point of financial analysts. They consider CG to be a means of enhancing financial performance of a firm.

Financial analysts are of the view that since this structural as well as regulatory framework shapes the managers behavior, it is central to earning more returns (Mathiesen, 2002). A common term that surfaces in the literature very often is, Agents. It is largely argued that managers are agents who are working on behalf of the owners. These owners are called, Principals. One way to understand CG is to look at it as a set of procedures, processes or methods used to guide the agents to manage the corporate entities in the interests of stakeholders. The term stakeholder stands for all those who are directly or indirectly affected by the affairs of the firms. The most important stakeholder is the owners. Other stakeholders include corporate partners, employees, distributors, suppliers, retailers, customers etc. These processes once installed are thought to safeguard the interests of all the stakeholders of the firms. In essence the term stands for the way the organizations are being governed, managed or simply orchestrated. Another significant aspect that needs attention is the role of such mechanisms in bridging the gap between various stakeholders. The literature focuses on the ability of this framework in mitigating the gap between agents and principals (Baker and Anderson, 2011). CG is a way or mode that is employed to bridge the gap between managers and owners thus playing a significant role in reducing agency conflict (Goergen, 2012).

1.6.1 CG in Bangladesh

Bangladesh, a developing economy standing among the emerging economies of South Asia houses the second largest textile industry in the world. During the last two decades the country has shown exponential growth in pharmaceutical, lathers and shipbuilding industries. It is interesting to note that the stature of CG in Bangladesh is relatively weak. It can also be stated that this country is far behind even when compared to its nearest neighbors, in developing as well as implementing governance mechanisms at the corporate level (Gillibrand, 2004). One of the possible reasons for not being motivated towards the implementation of these structural as well as relational frameworks might be the existence of many family owned businesses. Another factor might be the lack of motivation at the corporate level to share information as well as install governance mechanisms.

Due to lack of motivation no legal or regulatory framework exist to address all the stakeholders. Hence, one can say that the corporate world of Bangladesh offers weak governance framework.

It is interesting to note that the economy of Bangladesh was made aware of the regulatory framework in 1982 when the ownership reforms were initiated in the financial sector. One can easily state that it the financial sector i.e. mostly the banks that introduced some governance procedures in the country. The denationalization of two major banks and entry of commercial banks in the country is seen as the milestone in moving towards the introduction of proper mechanism for governing the corporate bodies.

The story of introduction of corporate reforms can be traced back to 2003. The reports compiled and then made public by BEI in 2003 criticized the quality of exiting governance in firms especially those that are listed in non-financial sector. Most of the non-financial firms are family owned and hold little inclination towards the introduction of CG mechanisms in their firms. The lack of motivation along with the difference in regulatory and legal frameworks drives the need to investigate in the paradigm of CG.

Mahtab and Islam (2015) while describing the state of CG in Bangladesh emphasize the need to understand as well as implement the governance mechanisms that are proven to improve the efficiency of firms. They also argue that, it is these set of principles that guide firms regarding the disclosure of information to stakeholders. Most of the companies listed in two major stock exchange markets in the country i.e. Dhaka Stock Exchange and Chittagong Stock Exchange are family owned enterprises. This concentration of ownership with the family creates hindrance in the installation of fair, accountable and transparent mechanisms in the corporate bodies (Karim et al., 2010). One of the possible reasons might be the fact that family members are dominating the boards and are also actively participating in the management of the business (Ahmed et al., 2008). The existence of those directors on the board that call themselves independent or non-executive is only symbolical or a need for some licensing activity. These so called independent directors are far from protecting the interests of the shareholders (Bangladesh

Enterprise Institute 2003). The enforcement of rules and regulations set forth for the directors, managers and employees is also very weak thus paying the way for need to develop structural mechanisms for improvement of regulatory framework within the corporate bodies (Ahmed et al., 2008).

It is also very interesting to note that the firms listed in the country focus on the disclosure of some items more than the rest e.g. the disclosures are more concerned to the compensation or remuneration offered to the committees while less importance is extended to the disclosure of some items (Sarkar and Ahmed, 2007). The motivation of the companies to comply with the governance principles is also less in case of Bangladesh as evident form noncompliance of most of the firms with SECs guidelines (Sarkar et al., 2007).

Existence of weak regulatory framework is also regarded as a hurdle in the implementation of guidelines set forth with the intention of good governance of a firm (Bangladesh Enterprise Institute 2003). The committees on the board that are thought to improve the effectiveness of operations are also absent in most of the firms especially the remuneration or nomination committees (Bangladesh Enterprise Institute 2003). The code of governance has been developed and attempts are made to implement it in true letter and spirit. However, there are some difficulties in its implementation because of the ownership structure of listed firms, weak regulatory mechanisms and the like. It is not difficult to visualize the stature of CG in Bangladesh in the light of the discussion provided. Hence it is necessary to examine the relationship between CG and AC in case of Bangladesh.

1.6.2 CG in India

India with its title head of, Newly Industrialized Country is an emerging economy of South Asia. It is again very interesting to know that this country also has shown very less interest for governance frameworks for the corporate entities till 2012. It was in December 2012 when Lok Sabha, the lower house of the constituted system passed the Companies Bill 2012. This bill includes new provisions to address the issue of improvement of regulatory framework for the firms working in the country.

An interesting thing that might pop up whenever someone try to trace back the development of regulatory framework in the country is that this framework has its roots in the Anglo Saxon model that was set forth to address the governance issues in the United Kingdom. A major difference between corporate environment in two countries i.e. India and United Kingdom is the existence of concentrated ownership. In case of India the ownership is concentrated with families and with the government whereas in case of United Kingdom the ownership is relatively dispersed. The evidence of the existance of such type of ownership structure can be found by looking at the number of shares held by family members as well as government in many profitable firms. Even in the presence of this distinction, the structural as well as regulatory framework for companies working in the country seemed to have been adopted form United Kingdom. A lot many questions are raised about this issue.

The regulatory body of Indian market known as the Securities and Exchange Board of India also came into play and also encouraged the proponents of CG to debate over the issue of establishment of sound governance mechanism for the Indian market. This board of India seems confident that it will not only be able to explore but also implement those legal as well as institutional mechanisms that will strengthen the governance stature of the market as a whole. The major issues this board wants to address are related to the appointment of directors, their trainings and remunerations and the like. However the board is clear that the country cannot base its CG principles on Anglo Saxon model.

One of the reasons is the motivation to attract foreign investment that will flow more in that economy having strong CG stature. As far as the current status of CG is concerned the Indian market is in a transition phase as the central government with the consent of SEBI is looking forward to establish such institutions that can make sure that proper regulatory frameworks/mechanisms are developed and installed to boast the confidence of local as well as foreign investors. However, the comparison of CG in India with a developed economy i.e. USA has been discussed in the preceding sections that will help to understand better the context of CG in India and its distinctions form other economies.

1.6.3 CG in Pakistan

CG matters for the financial development of country since it increases the flow of capital to the market. The fact that draws the attention of a large number of researchers towards significance of CG with special reference to developing economies like that of Pakistan is the East Asian financial crisis. A milestone in the history of development of corporate policies and procedures is a set of principles set forth by Organization for Economic Corporation and Development (OECD) in 1999. This inscription now lies at the foundation of the CG statue in Pakistan. Same as the case with Bangladesh, the banking industry of Pakistan is thought to be the first one in developing governance mechanisms for corporations working in the country. In this regard the role played by State Bank of Pakistan (SBP) must be highly appreciated. SBP not only acted as a regulator of banking industry but also played its active role in developing as well as deploying legal and regulatory frameworks in commercial banks in the country (Khalid and Hanif, 2005).

Though the role is significant the outcomes are still in progress. It is still to be seen that how these regulatory mechanisms can reduce default risks for firms. As a continuum on the path of introduction of regulations, SECP issued the Code of CG in 2002. This code actually restructured the state of governance in Pakistani listed firms. It is also considered as a significant step towards introducing governance reforms in the corporate entities working in the country. This code provides guidelines to the listed firms on the subject matters like the board, disclosures, audits etc. To go further down the road another code was issued in 2012. Some new policies, rules and procedures were set forth in this document to help the organizations working in the country understand governance mechanisms in much better way and use these principles as their guiding beacon.

1.7 Disclosure Quality

Disclosure is defined as the process whereby the companies release all information related to the company. This information is taken into consideration by users of

financial decisions in making informed decisions. The regulatory bodies in almost all the countries of the world have developed mechanisms to guide companies to disclose all relevant information in an organized manner. Many studies have examined the association between quality of disclosures and governance structures of the firms. The developers or reporting requirements setters pave the way for the development of transparent financial records. It is interesting to note that if there are better governance structures in place in firms, the efficiency is increased, the access to capital is improved and risks are mitigated. But all these benefits of improved firm's governance cannot be accounted for if the financial records lack transparency. Hence the role of improved disclosure quality cannot be overlooked. Wallace and Naser (1995) defines disclosure as the medium of comprehension and transference of economic, financial, quantitative and any other form of firm related information to the users of financial statements in a transparent and symmetric manner. According to Wallace and Naser (1995), the disclosure can be voluntary or involuntary in nature. He further explains that whenever the firms disclose information in the absence of any regulators, rules and procedures, the process is recognized as voluntary disclosure and when the information is disclosed under the umbrella of some redefined regulations and rules, the disclosure is regarded as involuntary. This study attempts to analyze the role of disclosure quality in moderating the relationship between CG and AC.

1.8 Similarities and Differences among Bangladesh, India and Pakistan

This section discusses certain similarities and differences among the three economies that are the subject matter of this study. It is these similarities and differences that shape the course of this study.

First the similarities among the three economies are discussed. For one, all the three are emerging or developing economies. This status is extended to them by BBVA (Banco Bilbao Vizcaya Argentaria) institute. Based on the fact of

being developing, these economies are different from developed economies like US etc. Second, these economies are similar with respect to the fact that the listed companies are governed by laws formulated by central/federal government. Unlike in many developed and developing economies where the states or provinces or autonomous units within a country formulate separate laws to govern the firms. Third, in all three countries the reporting requirements are set by government agencies unlike in other economies where the reporting requirements are set by private bodes for example by FASB in the US.

The considered three economies, though having similarities are quite different from one another in many aspects. As stated earlier all three are emerging economies but their pace of emergence is very different from one another. Out of the three, India secures the first position in economic development followed by Bangladesh who now has reported more economic growth as compared to Pakistan. This can better be understood by looking at the industrial development in these economies. For example, Bangladesh has shown exceptional growth in its textile and leather sectors over the past few years. Similarly, India also has shown tremendous growth in telecommunication, automobile and pharmaceutical sectors. However, significant growth is not seen in various economy driving sectors (e.g. textile) in case of Pakistan over the past few years.

It is also worth mentioning that though the companies in these economies are governed by laws set forth by their respective central/federal governments (For example, by company rule in India, the companys act (1994) in Bangladesh and companies act 2017 in Pakistan), there is still a huge difference in their institutional framework. The laws, rules and regulations set forth by the federal governments of each country are significantly different from one another. This difference can be more evident by deeply analyzing these acts/ordinances.

Lastly, though the reporting requirements are set forth by government agencies and not by private agencies in these economies, the reporting requirements are far apart. This distinction can be explained by looking at the reporting practices that are followed in the considered three economies. In case of Pakistan, SECP under the companies act 2017 set froths the accounting requirements for registered

companies. Pakistan has partially adopted the International Financial Reporting Standards (IFRSs). In case of India the Indian Accounting Standards (Ind AS) are employed where as in case of Bangladesh, the Bangladesh Financial Reporting Standards (BFRS) are followed. There is a huge difference with respect to many factors that are the part of mandatory and non-mandatory disclosures under each financial reporting framework.

1.9 Research Questions

The questions which this study strives to answer are presented as follows:

1. Does the Corporate Governance impact Accounting Conservatism?

2. Does Disclosure Quality moderate the relationship between Corproate Governane and Accounting Conservatism?

However the above stated question can be classified into few themes and are as follows:

Characteristics of the Board

1. Does the Board Size influence Conservative Accounting?

2. Does the Board Activity impact Conservative Accounting?

3. What is the relationship between Board Independence and Conservative Accounting?

4. Does the Gender Diversity on Board influence AC?

CEO Characteristics

5. Does CEO Turnover influence Conservative Accounting?

6. Does CEO Duality influence Conservative Accounting?

Ownership Structure

7. Does the Institutional Ownership impact Conservative Accounting?

8. Does the Managerial Ownership influence AC?

Audit Quality

9. Does the Audit Committee Independence influence AC?

10. What is the relationship between Big Four Auditor and Conservative Accounting?

Corporate Governance

11. Does the Composite Governance score for a firm influence Conservative Accounting?

Disclosure Quality

12. Does the quality of disclosure moderates the connection between CG and AC?

1.10 Research Objectives for this Study

The major objective of this study is to examine the impact of corporate governance on accounitng conservatism alnog side the exploration of existance of moderating role of disclsoure quality on the connection between CG and AC.

The above stated objective can be structured down as follows:

Research objective 1

To examine the impact of Board Size on AC.

Research objective 2

To explore the impact of Board Activity on AC.

Research objective 3

To explore the effect of Board Independence on Conservative Accounting.

Research objective 4 To examine the influence of Gender Diversity on AC.

Research objective 5 To explore the effect of CEO Turnover on Conservative Accounting.

Research objective 6 To inspect the effect of CEO Duality on Conservative Accounting.

Research objective 7 To investigate the impact of Institutional Ownership on AC.

Research objective 8 To investigate the effect of Managerial Ownership on Conservative Accounting.

Research objective 9 To explore the effect of Audit Committee Independence on Conservative Accounting.

Research objective 10 To investigate the impact of Big Four Auditor on AC.

Research objective 11 To analyze the relationship between Composite Governance Score for a firm and AC.

Research objective 12 To examine the moderating role of disclosure quality on the relationship between CG and AC.

1.11 Contribution of this Study

The pursuance of this empirical examination is motivated by several contributions offered by this study. These contributions can be listed down as follow:

1.11.1 Accounting Conservatism and Corporate Governance in Developing Economies of South Asia

As stated, one of the objectives of this investigation is to test the existence of connection between AC and CG in the firms listed in three emerging economies of South Asia. This section strives to address the importance of understanding the need to study the relationship in case of emerging economies of South Asia. A lump of literature can be piled that investigates the connection between CG and AC in developed economies i.e. in USA, UK, France etc. Some evidence can also be found that address this relationship in developing economies like Iran, Jordan, Malaysia etc. but this relationship has never been tested for developing economies of South Asia. One cannot undermine the importance of these economies as the economies therein are among the fastest emerging economies in the world. The following

section describes the contextual difference between CG in emerging economies of South Asia and the developed economies of the world that paves the way for the this investigation.

The discussion on the contextual difference between Bangladesh, India, Pakistan and the developed economy like US can be built on the difference in the institutional framework of the two sets. In USA, the companys law is governed by individual state laws that are different for each state whereas in case of Bangladesh, India and Pakistan the companies are governed by the central government law i.e. Companies Act of 1994, Act of Companies 1956 and Companies Act 2017 respectively. The government owned companies are not publically traded where are in case of the three developing economies of South Asia under discussion those corporations having huge ownership of government are traded publically. Well defined regulations for stock exchanges issued by Securities and Exchange Commission since 1934 are in place in USA. There exists a long history of regulations as compared to the Bangladesh Securities and Exchange Commission established in 1993, Securities and Exchange Board of India in 1992 and Securities and Exchange Commission of Pakistan established in 1999.

Another important context of CG that differentiates USA from that of the emerging economies under discussion is the ownership structure. Most of the listed corporations in the United States have very little share of founders or owners in their ownership structure where as in case of Bangladesh, India and Pakistan the businesses are mostly family owned and even if some are not there ownership structures are mostly dominated by certain groups. Provisions of litigation are also another aspect that differentiates most of the developing economies from that of the developed ones. As in case of USA litigations provisions are well defined and are in practice whereas in case of three developing economies in South Asia there is no provision for litigation. In case of Companies listed in USA, only two types of directors exists i.e. independent and non-independent whereas in case of the economies focused in this study three types of directors exist i.e. Executive, nonexecutive, or independent. The last aspect of institutional framework that differ the two groups under discussion in this section is the setting of Accounting

Standards. In USA the Accounting Standards are set by private sector i.e. by FASB whereas in case of Bangladesh, India and Pakistan the government set Accounting Standards via the BSEC, SEBI and SECP. Because of the facts presented above we can conclude that the stature of CG in the three economies of South Asia varies from that of developing countries hence offering a chance to investigate the relationship in this new setting.

1.11.2 Corporate Governance Attributes and Accounting Conservatism

Most of the attributes of CG are already discussed with respect to their relationship with AC. A significant contribution of this study is the investigation of relationship between CEO Turnover and AC. No one can deny the fact that CEO turnover offers a new paradigm for AC. The reason is simple. Both the incoming and departing CEOs have their own perceptions as well as motivations for the use of conservatism. No study has yet tested this relationship. Some studies try to investigate the association between earnings management and CEO turnover (e.g. Choi et al. (2012)) but this variable has never been tested before with respect to its relationship with AC. Another contribution of this study is the investigation of relationship between gender diversity on the board and AC. Though this connection has been investigated by Boussaid et al. (2015) for French listed firms there is still a lot of room for testing of the existence of this relationship in both developed as well as developing economies. They based the argument of their investigation on the fact that the female presence on the board improves monitoring efficiency of the boards thus impacting the demand for conservatism. The need to verify the existence of such relationship in developing economies setting is important. All the major characteristics of female directors as discussed in literature i.e. risk aversive behavior, reduced proneness to overconfidence while making decisions, independent thinking, trust building leadership style etc. that contribute to increasing effectiveness of the board vary with cultural, social as well as the economic fabric of a country. It is therefore important to investigate the impact of gender diversity on the board on AC.

1.11.3 Composite Score of Firm Governance and Accounting Conservatism

As mentioned in the previous section two new attributes of CG are tested with respect to their relationship with AC. The inclusion of these two new attributes in CG score of a firm marks another viable contribution as this addition creates a new composite score of firm governance that is different from previously developed versions. It has long been argued that the need of the development of an index or a composite score arise from the limitation of using any single measure of governance of a firm. Most of the prior studies that try to develop this index are limited by two things. First with respect to the weights that are assigned to individual factors and the second with respect to the inclusion of relevant factors in the index. The method employed to develop a composite score to represent governance in a firm in this study also marks a signature of contribution. The reason of such a strong belief is that this measure involves new attributes and proper assignment of weights via principal component analysis. Thus this study significantly adds to the theory as well as methodology for the development of composite score.

1.11.4 Corporate Governance and Composite Measure of Conditional Conservatism

The fourth contribution of this study is the development of a composite measure of AC. One must be thinking that why there is a need to develop the composite measure and if developed, is this measure different from the composite measures already developed. The answer to the first question is set forth by Donovan et al. (2015) in their study that is published in the Accounting Review Journal. They argue that there is a lack of consensus among the researchers on the issue of measure of conservatism hence it would be better to develop an empirical measure that could capture conditional conservatism. They are not the only ones to develop the composite measures some other researchers have also developed it. The answer to the second question i.e. how the measure developed for this study is different from others is that it includes some factors that are not the part of the

composite measures developed earlier. The discussion on the development of this new measure is presented in the methodology section.

1.11.5 Corporate Governance, Accounting Conservatism and Disclosure Quality

The fifth contribution of this study is the examination of moderating role of disclosure quality on the relationship between CG and AC. Soheilyfar et al. (2014), Belkaoui (2012) and Sajadi et al. (2009) are a few who examine the association between CG mechanisms and disclosure quality in different markets. Some of them report an existence of significant positive relationship between various governance attributes and the quality of diclosed information. A significant contribution of this study is that it examines the moderating role of disclosure quality in three emerging economies of South Asia.

1.12 Significance of the Study

This section discusses the significance of existing study. It is divided into various sections. Each section enlists the significance of this study with respect to various users of financial statement.

1.12.1 Addition to Literature with Respect to Estimation Procedures and Context

This study expands the literature that addresses the influence of governance mechanisms installed in the firms with the extent of conservatism exercised in reporting accounting records. This study provides implications for emerging economies of South Asia.

A significant feature of this study is the discussion on various governance attributes and afterwards their inclusion in the development of an index or a composite score. This study is helpful for the researchers in understanding theories that are

discussed above in this study with special reference to the interaction between governance mechanisms installed in the firms and the conservatism they practice especially in the context of developing economies. A significant outcome of this study is unveiling of the fact that whether the installation of effective governance mechanisms or procedures in a firm supports the use of conservative accounting estimates or not. This study tests two arguments. First, whether the governance at the corporate level is linked with conservatism or not especially in case of developing economies of South Asia. Second, if the firms listed in these economies can employ conservatism as a tool to mitigate agency conflict or not. The exploration of the current state of governance in a firm is also a signifying aspect of this study. Some prior studies conducted in this regard employ short data sets. The advantage of using panel data, as in this case renders a chance to create more generalizable results thus providing meaningful implications.

1.12.2 Extension of Insight to Regulatory Bodies

The findings of this study offer deep insight to the regulatory bodies working in Bangladesh, India and Pakistan to formulate policies and procedures in the very best interests of the firms working in these economies. These regulatory bodies include central banks (in case of Bangladesh), securities and exchange boards as well as the CG institutes (in case of India and Pakistan) established to develop as well as implement structural frameworks for the better governance of the firms so that the goal of prevention of interest of the stakeholders could be met. This study helps these regulatory bodies to revisit the listing requirements, disclosure reports etc.

1.12.3 Improvement in Analytical Skills of Analysts

As stated, a very important set of users is the analysts. This study offers the analysts an insight to improve their analytical and examination skills. Financial analysts are the ones who evaluate the firms and tag them to be fit for investment. A large number of stakeholders rely their investment decisions on the evaluations

that are made by these analysts becasue they consider them to be more suitable for analyzing the firms. The findings of this study can help the analysts to understand how CG supports the use of conservatism in firms, how they should evaluate them, what the extent of this influence is and how the true picture of the accounting estimates can be seen in the presence of specific governance mechanisms that are installed in the firms.

The justification for this contribution is hidden in the fact that finanical analysts mainly rely on financial statements along side other firm specific specific information while evaluating the firms. They must have a clear idea that if CG compels the firms to employ more conservatism or not. This is becasue, if the accounting estimates are reported in a conservative manner becasue of the CG stature, it could lead to misleading users and also affect the confidence of the investors. Therefore, it is important for the analysts to have a clear idea about those mechanisms of CG that can impact AC.

1.12.4 Aiding Investors in Making Informed Decisions

This study offers aid to investors as well. Being a significant user of financial statements, they are always concerned about the efficiency of firm as well as accounting information that is delivered to them. The findings of this can study help them unveil the role played by governance stature in reporting conservative estimates thus helping them make informed investment decisions. Investors employ company specific information that is readily avaibale in the form of financial statements and other reports that are issued by the firms time to time. This accuracy of this information has deep imprints on the investment decision of investors. There are no two opinions over the matter that if there is an opportunistic management of earnings, this could lead to misleading the users of financial statements. This behavior has dark implications on the confidence of investors. Conservatism is seen as a tool that limits this opportunistic earnings management thus ensuring the flow of reliable and accurate infromation and it is important for the investors to understand those factors that impact the AC employed by firms to make informed investment decisions.

1.12.5 Supporting Creditors in Evaluating Firms

It offers insight to creditors. The creditors are the entities that extent funds to the firms. The findings of this study can help them understand that how they should evaluate the firms before extending capital to them.

1.12.6 Insight to Managers and Executives

This study pronounces to help managers in comprehending the governance procedures that compel them to exercise conservatism. This study is also helpful for executives in many ways. Frist it helps them understand conservatism. Secondly it helps them analyze the influence of governance mechanisms on conservatism. Third, they can better understand that if the firms are employing conservatism or not.

1.12.7 Summary

This study is intended to equip the users of financial statements with more insight with special reference to the emerging economies of South Asia. This study adds to the academic literature with respect to context as well as estimation procedures both for AC and CG. This study offers insight to regulatory bodies with respect to procedures. It helps analysts in improving their skills and also other users of financial statements while evaluting firms for various purposes.

1.13 Scope of the Study

The scope of this study is limited to emerging economies of South Asia. According to the list issued by BBVA Group only three counties qualifies to be emerging in this region. These include Bangladesh, India and Pakistan. This study is limited to these economies only. The reason is that the fund managers and investors who want to diversify their investments at a global scale are more concerned about developing economies. If any of these investors is looking at South Asia, the

considered three economies qualify to be emerging. Moreover the understudy relationship is limited to non-financial sector. This limitation is imposed because of the difference in reporting between financial and non-financial sectors. The time period of this study is limited to 2009 to 2015. The reason for this limitation is the availability of annual reports of the companies listed at three stock exchanges. It is quite interesting that initially this study started off with the intention of comparing three economies. But later on, the understanding of similarities and differences among these economies compel to impose a limitation on this study. This study is not a comparative study, rather it examines the problem understudy in each country separately. The motivation for imposing this limitation is rooted in the similarities and differences among the considered set of countries. This discussion is presented in a separate section i.e. section 1.6 just before the theoretical justification section of this study.

1.14 Organization of the Study

This study is divided into five section. Followed by the first section of introduction is the review of literature that addresses two things. One the account of work done and other the development of hypotheses. This second section is followed by methodology of research that encompasses the details of methods applied for this investigation. The next section is of results and discussion. Last is the section of conclusion and recommendations that not only concludes this study but also offers concrete recommendations to the major users of financial statements that are followed by future research directions.

Chapter 2

Literature Review and Hypothesis Development

This section encompasses two things. First is the review of previous work done on the subject matter of AC and CG. Second, the hypothesis development is presented.

2.1 Literature Survey

The literature survey is structured in a way that it first presents the discussion of works on AC and afterwards it moves to linking CG with AC. Afterwards the account of those stuides that examines the role of various mechanisms on of CG in AC is presented. Existing literature on AC is ladden with the duscussion on significance of its use. It is argued that the use of AC produces more reliable accounting statements thus reduces information asymmetry. This reduction in asymmetry help the firms in securing debts easily because of improved credit ratings by creditors. Beneish (1998) and Ahmed et al. (2002) support this viewpoint. Watts (2003) also supports the argument of improved information symmetry but he discusses it with respect to the importance of employing AC in compensation contracts. Karamanou and Vafeas (2005) support the Watts idea by stating that mangers in case of profitable projects employ more conservatism. Zhang (2008)

also supports the idea of significance of AC in debt contracts. The viewpoints of Lara et al. (2009), Chi et al. (2009), Iyengar and Zampelli (2010), Sun and Liu (2011), Kung et al. (2010) support the role of AC in reducing asymmetry and its importance in contracting. The first mile stone on the road to understanding conservatism is set by Beneish (1998). They report that creditors favor conservatism especially in case of debt contracts. Shleifer and Vishny (1986) state that in order to better understand CG, one should look at it as the method via the firms can make sure of their return on the finances supplied to them.

Another explanation for the employment of AC is related to its significance with respect to reporting earnings. Kim and Jung (2007) argue that the conservative accounting estimates improve the predictability or forecasting power of the earnings. Dalton and Daily (1999), Brown et al. (2006), support this argument by stating that AC improves value relevance of earnings. However, Ahmed et al. (2006) do not support this viewpoint. They state that AC has no role in improving predictor or forecasting power of earnings.Kung et al. (2010) are of the view that AC reduces earnings informativeness. The studies who try to address the connection between AC and CG renders mixed results thus paves the way for this investigation.

CG assumes that there is always a difference in the thinking patters of managers and shareholders Jensen and Meckling (1976). According to John and Senbet (1998), the owners shape the behavior of managers by using CG. This view point is in line with the OECDs concept of CG. Graham et al. (2002) look upon CG as a protective measure having a well define list of rules and procedures. Ahmed et al. (2002) prove that conservatism is important because the firms using conservative accounting are ranked higher whenever it comes to debt ratings. The importance of conservatism is also evident from a survey by Graham et al. (2002). One of the outcomes of that survey is that whenever the conservative accounting is employed, the financial reports look better because the use of such a phenomenon renders somewhat clean accounting estimates thus making the statements look better.

The significance of conservatism can be discussed as a governance tool, especially in case of debt and managerial compensation contracts (Watts, 2003). It is interesting

to note that if a firm is filing for liquidation than in that case the conservative measures are used. The reason is the need to determine the value of net assets of the firm by considering all possible losses and leaving out the gains (Watts, 2003). The significance of conservatism in managerial compensation is understandable. If the decision of the managers lead to potential losses this decision is visible in accounting reports thus, preventing extension of compensation to the managers (Watts, 2003).

Beekes et al. (2004) demonstrate that it is the configuration of the board and ownership pattern that notably influence the extent of conservatism. They show that the extent of AC employed by firms is significantly affected by the structure of the board as well as the percentage of shares held by managers. This evidence is similar to that is set forth by many other researchers thus again supporting the idea of existence of a positive connection between CG and AC. AC prevents the firms from reducing their value by refraining excessive payments to the mangers and indulging in negative NPV projects. These potential benefits are one of the reasons for the existence of empirical evidences supporting the existence of positive relationship between AC and CG. Many empirical studies show that CG mechanisms have a detrimental role in shaping the information environment of the firms (Ball and Shivakumar, 2005)

Lin (2006) shows that conservatism is a valid tool in divulgence of important information whenever a project undertaken by the firm is evaluated. This study argues that in case of a good project the manager employ conservatism with the intention of earning more compensation whenever the project earns positive cash flows. If the case is opposite i.e. the manager has accepted a bad project he will hesitate to use conservatism because it reveals the true status thus depriving the manager from earning more compensations. Brown et al. (2006) discuss another view point. According to them the value relevance of earnings is limited. The reason stated by them is simple. They say that if the managers in a firm are indulged in selecting those accounting choices that could offer those benefits than this opportunistic behavior of managers can reduce the earnings value relevance. It is further stated that conservatism is applied as a tool to limit such behavior of

managers. Kim and Jung (2007) set forth their argument that if the bad news is recognized timely while reporting earnings, this may affect the ability of the firm to generate future cash flows. To test their claim they divide the firms into two groups. The first group contains the firms that belong to those industries in which the conservatism is used very often and the second group contains those firms that belong to those industries in which the employment of conservatism is less. Their findings show that the descriptive ability of the earnings of the firms to forecast future cash flow is enhanced in case of the former group than later group. On the basis of their argument it can be concluded that the use of conservatism improves the predictors ability of future cash flows.

Chen and Hsu (2009) are also of the view point that the use of conservatism mitigates the managers power to manipulate earnings. According to them the managers indulge themselves in earnings manipulation in order to meet the investors expectations as well as to reduce the adverse effects of any kind on the share price of the firms. Rutherford et al. (2007) contradicts this viewpoint. They argue that there is no role of AC in improving symmetry of information especially when it is employed in case of contracting.

Ball et al. (2008) investigate that IPO firms have more tendency to go for conservatism. The reason is understandable. The demand for timely recognition of losses is more in case of these firms as these firms are going public for the first time. Another view point regarding the relevance of conservatism in debt contracts is of Zhang (2008). He shows that the use of conservatism offer benefits to the lender as the signal of debt contract violation can be early recognized.

There are no two opinions over the matter that the tenure of the managers is limited therefore they sometimes consider themselves to be less accountable and go for making weak decisions thus jeopardizing the goal of maximizing the wealth of stakeholders (Lafond and Roychowdhury, 2008). Some firms however try to limit this behaviour by employing various mechanisms.Mashayekhia and Bazazb (2008) while examining the Iranian firms, report that out of the considered CG factors like board size, leadership, independence and institutional shareholding, only board independence effect the efficient working of firms.

Lara et al. (2009) prove that the wealth of stakeholders is at stake if the opportunistic behavior of its managers is not mitigated in due time. They set forth this argument by examining the behavior of bankrupt firm in the United Kingdom and further state that these firms employ less conservative and more aggressive earning management strategies before filing for bankruptcy. Chi et al. (2009) report that AC is a tool employed to diminish unpredictability and asymmetry of information as a replacement of internal governance mechanisms. They therefore support the viewpoint that conservatism can be employed to reduce the agency conflicts between the participants in a firm. They support the view that if a firm has a weak governance structure, it employs more conservatism. Their belief is rooted in the argument that AC reduces informational uncertainty and can offer considerable other benefits.

Iyengar and Zampelli (2010) prove that use of conservatism is tied to producing more accurate and reliable financial reports. A very interesting fact is shared by Francis and Martin (2010). They find that if the firm is indulged in profitable investment projects, its financial statements are more conservative. They prove that the indulgence of a firm in good project is evidenced by the returns as well as the performance of the firm meaning that the conservatism can be used by managers as it encourages wealth maximization.

The demand for increased AC can to be backed by the desire of having more reliable and quality financial reports so that the monitoring and overseeing the affairs of firms can be improved (Mohammed et al., 2017). The literature though supports the use of AC but is limited with respect to those firms who face serve agency conflicts and where there are large number of minority shareholders involved. Sun and Liu (2011) report that firms employ more conservative mechanisms when they are closely observed by financial analysts. Lim (2011) conducts a comparative study of Australian firms for the periods 1998 and 2002. He analyzes the role of various governance mechanisms like size of the board, presence of independent directors, CEO duality and presence of Big four auditor in determining AC. Lim report that there is no relationship between the considered governance variables and conditional conservatism. Ahmed and Henry (2012) also analyzing the Australian listed

firms from 1992 to 2002 report the existence of association between board size, independent directors and audit committee characteristics. Most of the literature stands with the view point that CG is a success factor for the firms. If the firms can deploy efficient mechanism, they can attract local as well as foreign investors and thus enhance their efficiency (Subramaniam, 1978). For example, Gou and Kumar (2012) while analyzing the impact of CG on performance of firm in case of Sir Lanka report similar results. To dig deeper, many studies examine the role of various aspects of CG.

Elshandidy and Hassanein (2015) study the role of board size, board independence and CEO duality in AC in UK listed firms. They fail to find any significant relationship of size of the board with conservatism. However they report the existence of weak positive impact of board independence and CEO duality with conservatism.

Huang and Wang (2017) investigates the relationship between board gender diversity alongside other governance variables and conditional AC in case of Finland. They argue that the global shift of focus on female involvement in strategic decisions has affected the corporations. The increase in female directorships and their role in various board committees has shaped many significant decisions of the firm thus affecting conservatism. On the other hand, Berardino (2016) report that it is the ownership structure of the firm that plays a pivotal position in enhancing the performance of the firms. Berardino (2016), while conducting a comparative discussion on the CG practices of different countries in South Asia report that the literature is relatively rich with respect to certain developed and European markets and is relatively thin for Asian economies. But still the role of CG is significant in shaping the working environment of the firms. Shahwan (2016) is of the view that one of the measures of quality of CG is the disclosure of financial statements by the firms. The reports, if properly audited can render a rather significant set of information for all the users.

Caskey and Laux (2017) develop a unique model to analyze how CG affects financial reporting choices of firms as well as intentions of managers in manipulating accounting reports. They support the argument of many researchers that it is

the CG itself that paves the way for conservative accounting estimates. Most of the studies that attempt to understand the significance of CG render the result that CG improves the performance of firms (Chauhan et al., 2016). But it is not always the case. Mostly when the role is examined in developing economies, the argument of Chauhan et al. (2016) does hold. Hooy and Hooy (2017) render the results that reinforce the positive role of disclosure quality in improving efficiency of firms. Mohammed et al. (2017), while examining the relationship between AC and CG in Malaysia employed various measures of conservatism. They report that various board characteristics like board size and independence has a positive association with conservatism. However, the managerial ownership is negatively related with AC. (Nasr and Ntim, 2017) investigate the impact of CG mechanisms like board size, board independence, separation of chairman and chief executive officer (CEO) and external auditor type on the level of AC in case of Egypt. They report that board independence is positively associated with accounting conservatism whereas board size and auditor type are negatively associated with AC. According to them separating the chairperson and CEO roles has no significant impact on AC. The significance of this study is inherent in the fact that it is the first study that attempts to analyze the relationship between CG and AC in a developing economy i.e. Eqypt. Nakpodia and Adegbite (2018) argue that CG is linked with agency theory and it offers such mechanisms that guides and control the firms. The impact of disclosure quality on the performance of firms is evident from the fact that most of the listed companies try to implement sound disclosure practices.

2.2 Hypothesis Development

This section encompasses the conceptual framework followed by the debate on hypotheses formulated in the light of the discussion presented above. The conceptual models are presented in figure 2.1 and 2.2 as follows:

There are twelve hypotheses that are developed for this study. It is worth mentioning here that all the hypothesis that are developed below are directional in

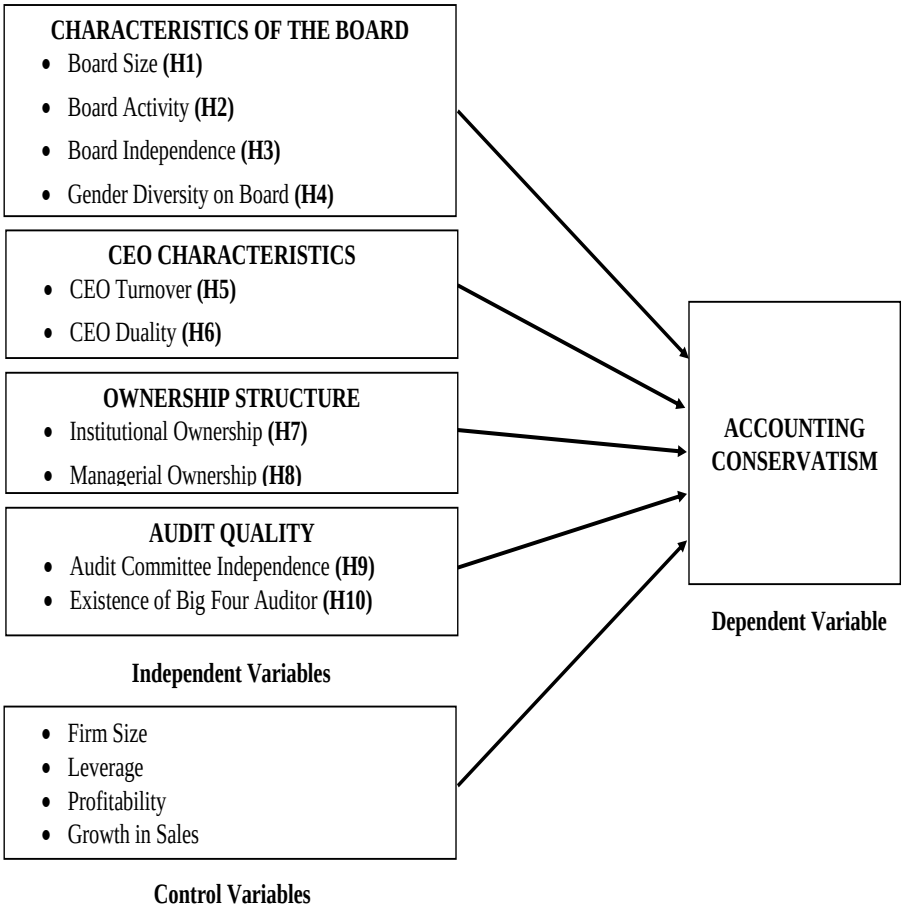

FIGURE 2.1: Conceptual model of the study

nature. The reason is simple. All these hypothesis are predictions that are made regarding positive or negative change or relationship between two variables of a specific population. These predictions are based on past studies that are presented above in the review of literature review section.

2.2.1 Board Size and AC

It is being argued by many researcher that large boards take more time in making decisions and rather not discuss much about the performance of these boards.

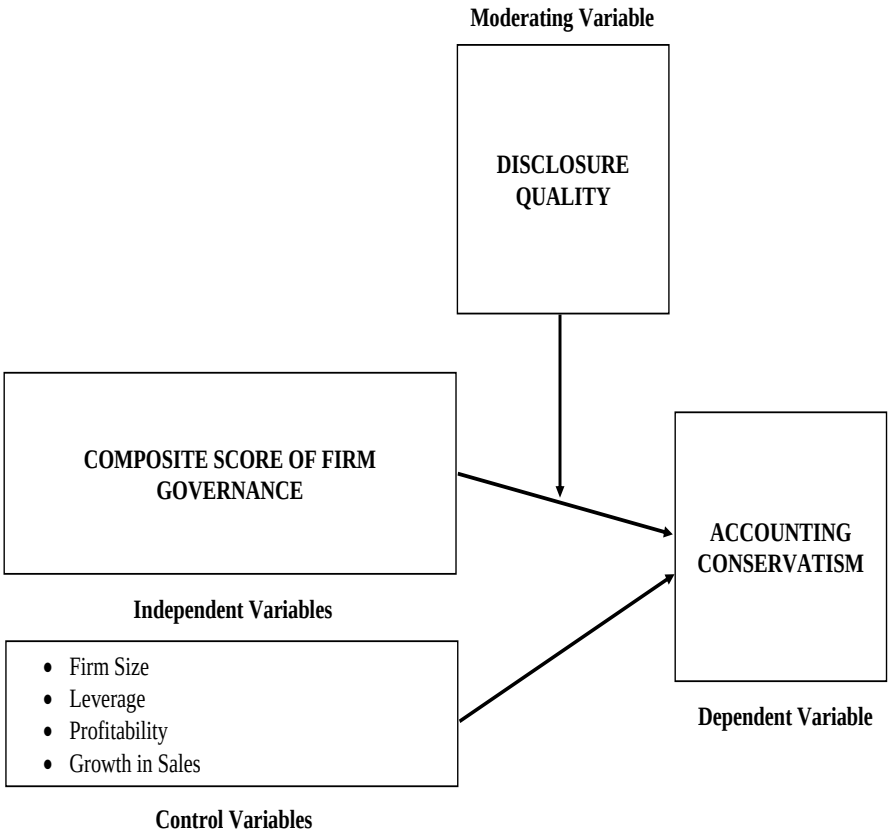

FIGURE 2.2: Conceptual model on Moderaitng effect of Disclosure Quality

However, they are also of the view point that large boards do possess more expertise. But still some costs arise because of the problems associated with large boards (Yermack, 1996). Lipton and Lorsch (1992) indicate a common problem with large boards. They argue that if the board is comprised of more than ten persons, the members are found to be indulged in expressing their own ideas instead of discussing those opinions that can be beneficial for the firms in board meetings. This attitude reduces the managerial inclination to employ conservatism. Based on agency theory and following Mohammed et al. (2017), this study argues that, greater the size of the board, less is the efficiency. Though it is sometimes argued that larger boards have a pool of expertise and knowledge but the problems like

delayed decision making, existence of free riders etc. reduce the efficiency of large boards. Such a type of board is less likely to look into the decision making process carried out by top managers hence does not demand conservatism. On the basis of this argument a large number of researchers have empirically proved that there exists a negative association between size of the board and AC.

H1:There is a negative relationship between board size and AC.

2.2.2 Board Independence and AC

Hermalin and Weisbach (2003) consider board independence important and discuss its effectiveness in decision making of the firm. While examining the firms listed in Hong Kong, Jaggi et al. (2009) report that there exist a positive association between independence of board and AC. It is interesting to note that after two years i.e. in 2011 Kung et al. (2010), while inspecting Chinese listed firms for the period from 2007 to 2009 also report the existence of similar association. Beekes et al. (2004) and later on Ahmed and Duellman (2007) also set forth the argument that having more independent directors on the board result in increased levels of AC. Mohammed et al. (2017) and Nasr and Ntim (2017) argue that greater the number of independent directors on the board, greater is the efficiency of the board. This increased efficiency may be because of the fact that these directors are more experienced and possess understanding as well as knowledge to judge the decisions of the board from various dimensions. The reason of having this confident in the expertise of these directors is hidden in the fact that being the part of various boards alongside being independent offers them the will and freedom to pinpoint any discrepency in the operations of the firms. It is less likely a chance that these directors are unaware of the benefits offered by conservatism. Hence they demand more conservatism while reporting accounting estimates. On the basis of this argument a large number of researchers have empirically proved that there exists a positive association between board independence of the firm and AC.

H2: There is a positive relationship between board independence and AC.

2.2.3 Board Activity and AC

Adams and Mehran (2012) alongside other researchers argue that attendance of board members in board meetings is an undoubtable indicator of diligence of the directors. The directors can have timely and regular access to information thus offering them a chance to monitor the managerial activities timely and closely. This close monitoring compel the managers to employ more conservatism. Boussaid et al. (2015) argue that active boards improve efficiency. This increased efficiency is because of the fact that the directors review the affairs of the firm periodically in board meetings. Hence the demand for conservatism will be more. On the basis of this argument a large number of researchers have empirically proved that there exists a positive association between board independence and AC.

H3: There is a positive relationship between board activity and AC.

2.2.4 Gender diversity on Board and AC

Campbell and Minguezvera (2008), Adams and Mehran (2012), Srinidhi et al. (2011) and Huang and Wang (2017) are all those who argue that the presence of female on the board improves efficacy. Most of them have argued that the female presence result in more powerful boards and bold decisions as female directors tend to pay more attention to monitoring the performance of the firm as compared to their male counter parts. This innate ability of female directors compel managers to go for conservative accounting practices. Boussaid et al. (2015) also support this argument and state that greater the presence of female on the board, greater is the efficiency and monitoring performance of the board. According to literature, the reason for this improved efficiency is that the female are more risk averse, less prone to over confidence bias as compared to males, are independent thinkers especially in case of decision making and focus on trust building leadership style thus improves the efficiency and monitoring capabilities of the board. On the basis of this argument only a few studies test the link between gender diversity on board and conservatism in accounting. The existing study is one such attempt and formulates the following hypothesis:

H4: There is a positive relationship between gender diversity on board and AC.

2.2.5 CEO Turnover and AC

No single study has yet formulated nor tested this type of hypothesis. There are no two opinions over the matter that departing and coming CEOs different preferences over the matter of conservatism that should be practiced. However one can agree that if CEO Turnover is more, the more is the conservatism. The justification of such thinking is simple. The CEOs are not changed frequently meaning that the CEO who has departed is most likely to have been working for some time with the firm hence on the basis of his skills and expertise will be aware of the benefits of conservatism and will be inclined towards it. On the other hand the incoming CEO will want to send positive signals to the stakeholders thus will demand conservatism. On the basis of this argument the following hypothesis can be developed.

H5: There is a positive relationship between CEO Turnover and AC.

2.2.6 CEO Duality and AC

The idea behind CEO duality is the mere separation between ownership and control of the firm (Brickley et al., 1997). It is argued in literature that both the ends i.e. owners and controllers have their own agendas and motives. It is very interesting to note that most of the researchers are of the view point that the demarcation between control and ownership, though increases the costs but these costs are far less than the benefits it offers. For example, Wei (2007) argues that CEO duality reduces the observatory capabilities of the directors. Yeh et al. (201) indicate that CEO duality has no role in the firm's exposure of fraud. They present this argument after analyzing 39 set of firms that are matched to be fraudulent and non-fraudulent. Krishnan and Visvanathan (2008) are among those researchers who show the separation of CEO and chairman of the board pave the way for the employment of more conservatism.

Boussaid et al. (2015), Mohammed et al. (2017) and (Nasr and Ntim, 2017) argue that if a CEO also holds the position of chairman of the board, less conservatism is demanded. The reason is obvious. Holding the two positions means more power in the hands of a single person. The board loses its effectiveness so as the benefits attached thus demanding less conservatism. Another viewpoint is that, the Chairman of the Boards sometimes close their eyes on the matter of manipulating accounting estimates in positive or upward direction to gain the benefit of increased compensation as CEO. On the basis of these arguments a large number of researchers have empirically proved that there exists a negative relationship between CEO Duality and AC.

H6: There is a negative relationship between CEO Duality and AC

2.2.7 Institutional Ownership and AC

Kim and Jung (2007) argue that if the ownership of the firm is not dispersed among outsiders, this reduces the quality of financial reporting which in turn has adverse effects of firm's efficiency and performance. Lin et al. (2014) and later on Mohammed et al. (2017) while addressing the role of ownership with respect to the level of conservatism in listed firms, argue that greater the number of shares held by the outsiders (i.e. by institutions, foreign investors etc.), greater is the demand for quality in financial reporting. This demand compels the managers to go for conservative accounting estimates. On the basis of this argument a large number of researchers have empirically proved that there exists a positive association between institutional, foreign and family ownership and AC.

H7: There is a positive relationship between Institutional ownership and AC.

2.2.8 Managerial Ownership and AC

Ding et al. (2007) report that the owners manage earnings in upward direction. Young et al. (2008) empirically prove that ownership structure is negatively related to conservatism. Kung et al. (2010) examine listed companies in China and

report that, firms with concentrated owners deploy less conservatism in reporting accounting information. The reason is that the owners can solve conflicts of interest personally hence reduced conflict of interests means reduced agency conflict and hence decreased conservatism.

Lafond and Roychowdhury (2008) set forth the evidence of existence of a negative association between conservatism and management ownership. Their argument is simple. They say that if the managerial interest is not aligned with that of shareholders, the demand for conservatism is increased. Mohammed et al. (2017) argue that, greater the number of shares held by the managers in a firm, lower is the demand for conservatism. The reason is simple. The managers are more informed about the resources as well as position of the firm. They can use this information to gain personal benefits through inefficient allocation of scarce resources available to the firms. Hence they demand less conservatism. Another viewpoint is that in case of more managerial ownership the agency conflict is less thus there is no need of using conservatism. On the basis of this argument a large number of researchers have empirically proved that there exists a negative relationship between managerial ownership and AC.

H8: There is a negative relationship between Managerial Ownership and AC.

2.2.9 Audit Committee Independence and AC

There is a lot of evidence that audit committee independence plays an important role in maintaining high quality financial reporting. For example, prior research shows that an independent audit committee is important in preventing opportunistic earnings management (Klein (2002);Yang and Krishnan (2005); Davidson et al. (2005)). Most of the empirical studies suggest that audit committee independence intensify the virtue of financial reports. Zain and Subramaniam (2007) set forth their arguments that the internal auditors consider independent directors as more knowledgeable and look to them for council. This thinking compel the auditors to put more trust in independent directors that they can themselves

indicate any problem in the financial reporting process. One of the implications discussed by that study is that the presence of independent auditor on the committee is a symbol of more reliable accounting reporting process (Rose and Rose, 2008). Rosilda (2009) proves empirically the positive role of independent audit committee in following conservative accounting practices. Greater the number of independent members on the audit committee greater is the demand for conservatism. The reason is very simple. Independent audit committee is more effective in monitoring the managers as well as concerned about the quality of financial reporting process hence demand more conservatism. On the basis of these arguments a large number of researchers have empirically proved that there exists a positive relationship between Audit Committee Independence and AC.

H9: There is a positive relationship between Audit Committee Independence and AC

2.2.10 Big Four Auditor and AC

Huang and Wang (2017) find that fourth quarter earnings are more conservative than earlier quarter earnings and the difference in conservatism between the fourth and earlier quarters is higher in periods of high auditor liability. This result is consistent with the idea of auditors adopting conservatism to reduce litigation costs. It is assumed that the assurance is more credible if it comes from big accounting firms because they need to maintain their reputation, are subject to greater public scrutiny and have high litigation risks (Chung et al., 2002). Previous studies show that large auditing firms are more effective in curbing opportunistic earnings management and are more conservative than small auditing firms.

Huang and Wang (2017) and Chung et al. (2002) find that earnings of those firms that employ big four auditors reflect bad news earlier than good news (Chung et al., 2002). They find that the big four auditors are more effective than the non-big four auditors in monitoring income increasing accruals choices but are less effective than the non- big four auditors in monitoring income decreasing accruals choices. This result suggests that the big four auditors are more conservative than

their non- big four counterparts. (Nasr and Ntim, 2017) support the agency theory view point in this regard. Their argument is similar to that of many researchers like Ramanna and Watts (2007) who state that the big auditor offers more creditability and this need of confided assurance increase demand for conservatism. This link can be explained by a simple argument. The auditors are motivated to employ conservatism to mitigate litigation costs. One can find a huge lump of literature discussing the influence of auditor on the financial reporting process. For example, (Subramaniam, 1978) offered an empirical evidance that firms with big auditors employ more conservatism. The reason is simple. The big auditors demand more conservatism becasue they have a risk of losing their reputation or a legal action in case of any audit failure. On the basis of this argument a large number of researchers have empirically proved that there exists a positive relationship between Big Four auditor as the external auditor and AC.

H10: There is a positive relationship between the existence of Big Four Auditor and AC.

2.2.11 Composite Score of Firm Governance and AC

CG complements conservatism in facilitating contracting. The reason is that it is not possible for any corporate entity to enforce any contract in complete spirit and the use of conservative accounting estimates provides them with a small edge to clear their position as the managers hold enough information and power to manipulate accounting numbers (Fama and Jensen, 1983). Hart (1995) provides a theoretical model that shows CG is required when contracts are incomplete and agency problems exist. Lara et al. (2009) examine the understudy association in Spanish context. They employ the data of sixty nine non-financial Spanish listed firms from 1997 to 2002. They use a composite measure of CG by aggregating some major governance factors in the formation of index. The governance factors that are considered include denominations of directors, size of the board, proportion of non-executive directors as compared to total board members, number of independent directors, board meetings held and attended by members, CEO duality, the existence of audit committee as well as nomination or remuneration

committees. They empirically prove that the firms with strong boards deploy conservative accounting as a governance tool.

Suleiman and Anifowose (2014) examine the effect of CG mechanisms on conditional conservatism. They develop and use a composite measure or score of CG composing four internal governance proxies namely the CEO/Chairmanship separation the size of the board its board composition along with the directors shareholding and presence of an audit committee. They infer that firms having sound and consistent governance mechanisms significantly improve implementation of conservatism in financial reporting.

More effective the stature of governance in a firm, the greater is the demand for conservatism. This relationship is in line with the theoretical justifications set forth to link CG with AC. The agency theory perspective considers conservatism as a tool that can be employed to reduce agency conflict. Thus the managers are motivated by structural as well as relational mechanism within the firms to demand conservatism.

The positive accounting theory perspective considers conservatism as an effective accounting tool that can be employed to gain the benefits in case of contracts. Thus the managers while engaging into contracts are persuaded by governance frameworks installed within the organizations to demand more conservatism because of its significance in accounting.

The resource dependence perspective considers conservatism as a tool that sends a positive signal to other organizations regarding the efficient monitoring of the firm thus is helpful in obtaining resources. The managers are thus compelled to demand more conservatism. The stewardship theory perspective considers conservatism as an obligation of the steward. The manager if acting as steward is compelled to go for conservative accounting. On the basis of this argument a large number of researchers have empirically proved that there exists a positive association between CG and AC.

H11: There is a positive relationship between composite score of firm governance and AC.

2.2.12 CG, AC and Disclosure Quality

Brown et al. (2006) examine the relationship between disclosure quality and AC. They report a negative relationship between conditional conservatism and disclosure quality. They argue that if the disclosure quality is better, the information asymmetry is less. LaFond and Watts (2008) argue that it is the information asymmetry between notified and non-notified investors that lead to conservatism. They empirically prove that if quality of disclosed information is improved, more and more investors switch to the notified investors side thus reducing the level of conservatism. This improvement in disclosure quality is tied to the governance stature of firms.

Artiach and Clarkson (2013) study the relationship between AC and cost of equity in two sub samples. These sub samples include firms with high disclosure quality and firms with low disclosure quality. They find that there exist a negative relationship between the level of conservatism and cost of equity in case of firms having high disclosure quality. Nvrvsh and Hosseini (2009) investigate the relationship between disclosure quality and earnings management. They show that there is a significant but negative relationship between disclosure quality and earnings management. Following them, Chen et al. (2013) examine the relationship between disclosure quality, earnings management, conditional and unconditional conservatism. They report a positive significant relationship between disclosure quality and conditional conservatism and a negative significant relationship between disclosure quality and unconditional conservatism.

In the countries like Pakistan and Bangladesh, the ownership is concentrated and the line between ownership and control is thin. The managerial end in order to save their skin employ conservatism. The level of conservatism employed can be reduce by improving disclosure quality. The following hypothesis can hence be formulated.

H12: There is a moderating effect of Disclosure quality on the positive relationship between Governance of firm and accounting conservatism.

2.2.13 Control Variables and AC

Four control variables are also the part of this study. These include; Firm Size, Leverage, Growth in Sales and Profitability. According to Watts and J. (1986), the greater the size of the firm, the greater is its exposition to various costs and thus adopts more conservatism. It is interesting to note that these costs many vary in firms. In some cases these might be just political costs that are sujbect to information asymmetric effects. LaFond and Watts (2008) are of the view that if the size of the firm is greater, it will disseminate more public information as compared to its smaller counterparts thus there will be less information asymmetry. It can hence be concluded that larger firms have less information asymmetries and are exposed to lower political costs therefore the need for deploying conservatism in accounting is less. Thus, a negative relationship is expected to exist between firm size and conservatism.

There are no two opinions over the matter that the demand for conservatism is backed by the extent of debt contracts in a firm (Ahmed and Duellman, 2007). The reason is simple. Those firms that are highly levered may employ more conservatism in order to reduce the conflict of interest between the creditors and owners. Ahmed and Duellman (2007) are also of the view that some firms use conservatism as a tool to reduce the conflicts in the firms thus reducing the costs of debt. Thus, a positive relationship is expected to exist between leverage and conservatism.

Ahmed et al. (2002) set forth his argument that the growth in sales affects the accruals based measures of conservatism. This affect can be becasue of the role of growth in sales in changing accruals especially inventories and receiveables. If the sales of the firm are declining it is expected that such a firm will employ more conservatism. Thus a negative association is expected between growth in sales and conservatism.

Lastly, profitability is employed as a control variable. The reason for considering this variable is rooted in the argument of Ahmed et al. (2002), Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008). They report that less profitable firms are less likely to adopt conservatism as they cannot afford the

costs of the conservative choices they make. Ren (2014) and Yunos (2011) have empirically proved that there exist a positive relaitonship between profitability of the firm and level of conservatism it employs. Hence, one can state that in case of profitable firms, the reduction in profits becasue of employed conservatism will be relatively cheap. Therefore, a positive association is expected between profitability and conservatism.

Chapter 3

Research Methodology

This chapter includes four things. First the data description is presented. Afterwards the variable specification followed by a section on models of this study is presented. At the end of this chapter is the section that entails the method that is used for estimation and analyzing the subject under discussion.

3.1 Data Description

3.1.1 Population

Since this investigation is spanned over three countries, the data is collected from each country and estimated separately. The reason is simple. All the three markets are different in market mechanisms, currencies and frameworks, hence there is a need to analyze these three markets separately. The population thus encompasses the listed firms in these economies. The discussion on population is divided into three parts. First the discussion on firm listed in Bombay Stock Exchange is presented. Afterwards the acoount of listed firms in Dhaka Stock Exchange and Pakistan Stock Exchange is placed. There are 7757 companies listed on Bombay Stock exchange as per the information collected at the time of this study. Out of these listed companies 4310 enjoy the active status whereas all remaining companies have either been delisted or suspended. These 4310 companies are

classified into 125 industries. There are 559 companies listed on Dhaka Stock Exchange as per the information collected at the time of study. These companies are categorized into 22 different industries and include 194 non-financial and 365 financial firms.There are 883 companies listed on Pakistan Stock Exchange (former Karachi Stock Exchange) as per the information collected at the time of study. These companies are categorized into 39 different industries and include 446 non-financial firms and 436 financial firms. The names as well as classification of firms from each of the countries from whom the sample is taken is presented in appendix.

3.1.2 Sample and Sampling Technique

Three samples each having 100 firms are taken from each country. Each of these samples is taken from non-financial listed firms. The reason of collecting data from non-financial sector is that there is a significant difference between the structures and accounting practices of financial and non-financial companies (Wei, 2007).

The time period of this study is from 2009 to 2015. Only those firms are made the part of the sample whose market capitalization is high and whose data is available for the period under study. Secondary data is employed for the purpose of estimation and is collected from the annual reports of the individual firms. However some missing data set is also collected from companys websites and other published reports.

3.2 Model Specification

As stated, this study inspects the connection between CG and AC that exists in the firms listed in three emerging economies of South Asia followed by the moderating role of disclosure quality on this relationship. The significant feature of this investigation is that it takes into account major CG attributes that are discussed earlier with reference to their relationship with AC and also a new variable i.e. CEO turnover. A composite score of firm governance is developed. Thus the

relationship that is to be tested can be written down as follows:

$$\begin{aligned} AC_{i,t} = \beta_0 + \beta_1 BS_{i,t} + \beta_2 BA_{i,t} + \beta_3 BI_{i,t} + \beta_4 GDB_{i,t} + \beta_5 CEOD_{i,t} + \\ \beta_6 INSO_{i,t} + \beta_7 MANO_{i,t} + \beta_8 ACI_{i,t} + \beta_9 TAUD_{i,t} + \beta_{10} CEOT_{i,t} + \\ \beta_{11} FS_{i,t} + \beta_{12} LEV_{i,t} + \beta_{13} GROS_{i,t} + \beta_{14} PROF_{i,t} + \varepsilon_{i,t} \end{aligned} \tag{3.1}$$

Where:

$AC_{i,t}$ = AC Measure for firm i in year t

$BS_{i,t}$ = Size of the Corporate Board for firm i in year t

$BA_{i,t}$ = Activity of the Corporate Board for firm i in year t

$BI_{i,t}$ = Independence of Corporate Board for firm i in year t

$GDB_{i,t}$ = Gender Diveristy of Board for firm i in year t

$CEO_{i,t}$ = CEO Duality for firm i in year t

$INSO_{i,t}$ = Institutional Ownership for firm i in year t

$MANO_{i,t}$ = Managerial Ownership for firm i in year t

$ACI_{i,t}$ = Audit Committee Independence for firm i in year t

$TAUD_{i,t}$ = Auditor Type for firm i in year t

$CEOT_{i,t}$ = CEO Turnover for firm i in year t

$FS_{i,t}$ = Size of the firm for firm i in year t

$LEV_{i,t}$ = Leverage for firm i in year t

$GROS_{i,t}$ = Growth in Sales for firm i in year t

$PROF_{i,t}$ = Profitability for firm i in year t

$$\begin{aligned} AC_{i,t} = \beta_0 + \beta_1 CSFG_{i,t} + \beta_2 DQ_{i,t} + \beta_3 FS_{i,t} + \beta_4 LEV_{i,t} + \beta_5 GROS_{i,t} + \\ \beta_6 PROF_{i,t} + \varepsilon_{i,t} \end{aligned} \tag{3.2}$$

$$\begin{aligned} AC_{i,t} = \beta_0 + \beta_1 CSFG_{i,t} + \beta_2 DQ_{i,t} + \beta_3 CSFGXDQ_{i,t} + \beta_4 FS_{i,t} + \\ \beta_5 LEV_{i,t} + \beta_6 GROS_{i,t} + \beta_7 PROF_{i,t} + \varepsilon_{i,t} \end{aligned} \tag{3.3}$$

Where:

$CSFG_{i,t}$ = Composite Score of Firm Governance for firm i in year t

$DQ_{i,t}$ = Disclosure Quality for firm i in year t

$FS_{i,t}$ = Size of the firm for firm i in year t

$LEV_{i,t}$ = Leverage for firm i in year t

$GROS_{i,t}$ = Growth in Sales for firm i in year t

$PROF_{i,t}$ = Profitability for firm i in year t

3.3 Variable Specification

This section describes the variables employed. As the above models indicate, AC is the dependent variable in this study. It is interesting to note that different types of measures are employed by researchers to assess conditional conservatism in Accounting. These measures can be categorized into Earnings based Measures, Accrual based Measures, Skewness based measures and a composite measure of firms conservatism. Following Donovan et al. (2015), the measures of conditional conservatism as developed by Zhang (2008) and based on Basu (1997) are used. The reason is that most of the existing studies that try to examine the understudy relationship in different economies by employing different measures of conservatism render differernt results. Hence, it is decided that various measures of conservatism are to be considered for this study. The calculation of measures is presented in the following sections.

3.3.1 Sensitivity of Earnings to Bad News Relative to Sensitivity of Earnings to Good News (ACSOE)

The first measure out of the two earnings based measures employed is based on the idea of Basu (1997). He defines conservatism as the unevenness in verification of gains versus losses. Basu (1997) is the first one to use the asymmetric timeliness measure of conservatism. His argument is simple. He states that, if the unexpected

returns of a firm are positive, this represents good news and if the unexpected returns are negative this is an indication of bad news. It means that earnings of a firm are more susceptible to negative unexpected return as compared to positive returns thus the earnings returns model can be employed to gauge AC. The model that is set forth by Basu (1997) is presented as follows:

$$EPS_t/P_t = \beta_0 + \beta_1 NEG_t + \beta_2 RET_t + \beta_3 NEG * RET_t + \varepsilon_t \tag{3.4}$$

where

EPS_t = Earnings per share for firm

P_t= Beginning period stock price for firm

NEG_t = Dummy variable that is equal to 1 if RET is negative and 0 otherwise

RET_t = Return on the firm from 9 months before fiscal year end to three months after fiscal year end

ACsoe is the first measure of AC employed for the investigation of relationship understudy. This measure is calculated as follow:

ACSOE = Sensitivity of Earnings to bad news/Sensitivity of Earnings to good news

$$ACSOE = (\beta_2 + \beta_3)/\beta_2$$

ACSOE is computed by following the steps as given below.

1. Run the regression equation 3.5
2. Estimate β_2 and β_3, since the first coefficient i.e. β_2 written here represents sensitivity of earnings of a firm to good news whereas the sum of two coefficients i.e. β_2 and β_3 shows sensitivity of earnings of a firm to bad news.
3. Compute ACSOE by using above equation as (β_2 and β_3)/β_2. This estimate represents sensitivity of earnings to bad news relative to good news hence

capturing conservatism. If this estimate is high the more is the conservatism employed by the firm.

3.3.2 Coefficient of the Term $D\triangle EPS_{t-1}$*$\triangle EPS_{t-1}$ (ACCIE)

The limitation of above presented model is that returns can be affected by disclosure as well as other factors, for example discretion of managers hence cannot fully capture economic income . However, Beaver and Ryan (2000) and Lai and Taylor (2008) argue that contemporaneous return is still the best measure of economic income than the other two alternative models that use earnings changes and cash flows. Ball et al. (2000) set forth their own views about the impact of earnings on returns. According to them there exists a chance that the stock returns of a firm might be affected by earnings but even if this phenomenon exists the effect is not significant in nature. The model presented in above equation is termed as the Earnings Returns model. Basu (1997) present another model to supplement his first model. This new model estimate conservatism on the basis of changes in earnings. This model is as follows:

$$\triangle EPS_t = \beta_0 + \beta_1 D\triangle EPS_{t-1} + \beta_2 \triangle EPS_{t-1} + \beta_3 D\triangle EPS_{t-1} * \triangle EPS_{t-1} + \varepsilon_t \tag{3.5}$$

where:

$\triangle EPS_t$ = Change in earnings per share for firm

$\triangle EPS_{t-1}$ = Change in earnings per share for firm

$D\triangle EPS_{t-1}$ = 1 if $\triangle EPS_{i,t-1}$ is negative (less than 0) and 0 otherwise.

The coefficient of Dummy variable that takes the value of 1 if $\triangle EPS_{t-1}$ is negative and 0 otherwise is expected to be negative meaning that the economic losses that are to be faced by a firm are recognized timelier than the gains that are to be received by the firm. ACcie is the third measure of AC employed for the investigation of relationship understudy. This measure is calculated by using the measure

that was set forth by him in 1997. The steps in its calculation are summarized below.

1. Run the regression equation 3.6.

2. Compute ACCIE from the above equation as the coefficient of the interaction term i.e. β_3 in this case. This estimate represents the extent to which economic losses are recognized timelier than economic gains hence captures conservatism. If this estimate is high the more is the conservatism employed by the firm.

3.3.3 Averaged Accruals Multiplied by (-1) (ACACC)

This mesure is the first out of the two measures that are based on accruals. It is set forth by Givoly and Hayn (2000) and is based on the argument that the years in which net income of a firm exceeds the amount of cash flow from operations. If it is expected that negative accruals incur in the following years, the firms as it might have been known cover their negative accruals generated in any year with the cash flows from operations in the subsequent years. Therefore if a firms is consistent in generating negative accruals it might be taken as an indicator of conservatism.

ACACC is the fourth measure of AC employed for the investigation of relationship understudy and is estimated as follows:

Accruals = (Income + Depreciation expense - Operating Cash Flows)/Total Assets
Accruals = (Accruals averaged over 3years) x (-1)

3.3.4 Coefficient of the Interaction Term $DCFO_{i,t}$*$CFO_{i,t}$ (ACcic)

The second measure based on accruals is derived from Ball and Shivakumar (2005) work. ACcic is the fourth measure of AC employed for the investigation of relationship understudy. This measure is calculated by using the model that is set

forth by Ball and Shivakumar in 2005 as follows:

$$Accruals_t = \beta_0 + \beta_1 DCFO_t - 1 + \beta_2 CFO_t + \beta_3 DCFO_t * CFO_t + \varepsilon_{i,t} \quad (3.6)$$

Where:

Where $Accruals_t$ = Accruals for firm i in year t

CFO_t = Cash flow from operations for firm i in year t

$DCFO_t$ = Dummy variable that takes the value of 1 if CFOit is negative and 0 otherwise.

The coefficient of the interaction term $DCFO_t$*CFO_t measures conservatism. The steps in its calculation are summarized below.

1. Run the regression equation 3.7
2. Compute ACcic from the above equation as the coefficient of the interaction term i.e. β_3 in this case. This estimate represents extent to which accruals generated in a firm during a certain time period are timely in capturing cash flows. According to them conservatism simply means earlier identification of positive cash flows as compared to negative cash flows. Negative cash flows are recognized earlier than positive cash flows gains hence captures conservatism. If this estimate is high the more is the conservatism employed by the firm.

3.3.5 Skewness Based Measure of AC (ACSKEW)

ACskew is the third measure of AC employed for the investigation of relationship understudy. It captures the difference between the skewness of operating cash flows and earnings, following Beatty et al. (2008). At least three annual observations are required to compute Skewness. When bad news is recognized in earnings more quickly than good news, earnings will be negatively skewed in relative to the cash flows of the firm. Greater the level of Skewness the more conservative a firm is.

The reason for employing this measure is inherent in the idea of Beatty et al. (2008). According to them the use of income escalators are associated with the extent to which the firm will employ conservatism. Hence, the skewess or oprating cash flows and earnings can be used to guage conservatism.

3.3.6 Composite Measure of AC of a Firm (ACCOMP)

ACcomp is the fourth measure of AC employed for this investigation. Following the argument set forth by Donovan et al. (2015) that there is a lack of consensus in the empirical literature especially with reference to the measure of conditional conservatism, this study first employs specific conservatism measures and then develops a composite measure to capture conditional conservatism. This composite measure is developed by calculating the weighted average of all the measures. The weights are being assigned by principal component analysis. The reson for using principal component analysis is rooted in the fact that it is considered as one of the tools used to reduce the multidimensional data to lower dimensions while keeping most of the information that the data represents. The composite measure is estimated as follows:

$$ACcomp_{i,t} = \sigma(w_1 ACacc_{i,t} + w_2 ACcic_{i,t} + w_3 ACcie_{i,t} + w_4 ACsoe_{i,t} + w_1 ACskew_{i,t})$$

A high value of all these measures depict more conservatism. The weights that are being assigned to each reported measure and calculated by employing principal component analysis are given in Table 3.1.

3.3.7 Corporate Governance Mechanisms

Ten CG mechanisms are employed as IVs in this study. These are Board size ($BS_{i,t}$), Board Independence ($BI_{i,t}$), Board Activity ($BA_{i,t}$), Gender Diversity on board ($GD_{i,t}$), CEO Duality ($CEOD_{i,t}$), CEO Turnover ($CEOT_{i,t}$), Institutional Ownership ($INSO_{i,t}$), Managerial Ownership ($MANO_{i,t}$), Audit Committee Independence ($ACI_{i,t}$) and Type of the Auditor ($TAUD_{i,t}$). These variables are

TABLE 3.1: Weights of AC Measures

	Bangladesh	**India**	**Pakistan**
Variables	**Weightss**	**Weights**	**Weights**
ACacc	0.566	-0.089	0.684
ACcic	0.619	0.692	-0.169
ACcie	0.535	0.704	-0.069
ACsoe	0.091	0.124	0.684
Acskew	-0.021	0.015	0.169

measured by using the proxies employed by Nasr and Ntim (2017), Mohammed et al. (2017), Huang and Wang (2017), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Lim (2011), Chi et al. (2009) and Ahmed and Duellman (2007).

Board Size is captured as the number of members on the board of the firm. The Board Independence is captured by calculating a ratio of Independent directors to total directors in the board. The Board activity is calculated by the percentage of attendance of board members in the board meetings. The gender diversity is calculated by using a ratio of number of female members on the board to total board members. CEO turnover is represented by a dummy variable that takes the value of 1 if the turnover takes place and 0 otherwise. A dummy variable is used to capture CEO Duality. This dummy takes the value of, 1 if CEO and Chairman are same and, 0 otherwise.

The institutional ownership is the ratio of number of shares held by the institutions to total number of shares of a firm. The managerial ownership is captured by using a ratio. This ratio is estimated by dividing the number of shares held by directors on the board to total number of firms shares. The audit committee independence is also captured by calculating a ratio of number of independent directors on the audit committee to total number of audit committee members. At last the type of auditor is also captured by Dummy that takes the value of, 1 if the external auditor is among the Big Four and, 0 otherwise. All of these proxies are also employed by Nasr and Ntim (2017), Mohammed et al. (2017), Huang and Wang (2017), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Lim (2011), Chi et al. (2009) and Ahmed and Duellman (2007).

3.3.8 Composite Measure of Firm Governance

The composite score of firm governance is also employed as IV. The development of CG Index or composite score is a significant feature of this study. Most of the studies conducted in this regard developed the index or scores to capture CG. As mentioned earlier these measures have two problems. First is that most of the measures are developed by taking the weighted average of different CG indicators. The problem is not with the method but with the assignment of weights. Mostly the weights are assigned by using the subjective criteria. These criteria include the judgment of a financial expert, an old board member, experienced broker or a regulatory authority official. Second problem is with the selection of CG indicators that are to be made the part of the index or score. Till date the issue of which CG indicator should be made the part of the index is addressed by the will of the researcher as most of the studies take into account only a limited number of CG indicators. This study is an attempt to address this problem. The CG indicators employed in this study have been derived from OECD Principles that act as the basic framework for providing guidelines to CG code setters. The weighted average of these indicators is used to capture the effect of CG but the weights are assigned by using principal component analysis. The CG index is developed as follows:

$$CSFG_{i,t} = \Sigma(w_1 ACI_{i,t} + w_2 BA_{i,t} + w_3 BI_{i,t} + w_4 BS_{i,t} + w_5 CEOD_{i,t} + w_6 CEOT_{i,t} + w_7 GDB_{i,t} + w_8 INSO_{i,t} + w_9 MANO_{i,t} + w_1 0 TAUD_{i,t})$$

The weights in the above equation are calculated by employing principal component analysis and are presented in Table 3.2.

3.3.9 Disclosure Quality

Following Cheung et al. (2010), we develop a disclosure index and use it as a proxy for disclosure quality. The maximum score that a company can obtained on this index is 1. The score estimation is divided into five aspects which are combined to make an aggregate score for each company. These aspects are presented in appendix.

TABLE 3.2: Weights of CG Mechanisms

	Bangladesh	**India**	**Pakistan**
Variables	**Weightss**	**Weights**	**Weights**
ACI	-0.085	0.587	-0.135
BA	-0.119	0.186	0.275
BI	0.498	0.533	0.411
BS	0.083	-0.211	0.459
CEOD	0.316	0.028	-0.529
CEOT	0.154	0.443	-0.005
GDB	0.154	0.451	0.188
INSO	0.172	0.041	0.180
MANO	-0.393	0.094	0.094
TAUD	0.624	0.412	0.412

3.3.10 Control Variables

Four control variables are employed in this study. These include Firm Size ($FS_{i,t}$), Growth in Sales ($GROS_{i,t}$), Leverage ($LEV_{i,t}$) and Profitability ($PROF_{i,t}$). The firm size is calculated by taking natural logarithm of total assets. The growth in sales is measured by estimating sales growth. The leverage is calculated by dividing total debt by total equity of the firm. Last but not the least the profitability is measured by calculating Return on Assets of the firm. Ren (2014) and Yunos (2011) are of the view that Return on Assets is a more appropriate measure of proftability and this is the reason that this proxy is employed. Most of these variables are measured in the same manner as measured by many studies mentioned earlier who examine similar relationships.

3.4 Method

3.4.1 Panel Data Analysis

This study is an attempt to investigate the extant of relationship therefore regression analysis is employed. However the nature of the data supports the use of

panel data regression as the method for estimating the existence of relationship understudy. It is not unique to say that panel data analysis is a method that has produced propounding results in the studies conducted by many social scientists across the globe.

One of the many reasons for this profound significance is the ability of this estimation procedure in taking into account the data involving different cross sections as well as time periods. The panel data consists of a set of different time series for each cross section element present in the data. Ahmed and Duellman (2007) and Watt in 2007, Ming and Gee (2002), Yunos (2011) are a few researchers who have employed Panel data methodology for the purpose of similar analyses.

One of the motivating factors to employ panel data is hidden in its ability to account for both subject as well as time invariant variables in it. Besides this another reason that persuades the researches to go for using panel data is its ability to handle the problem of omitted variables Wooldridge (2002). The simple OLS regression presumes that the firms that are made the part of the sample are homogenous in nature so it does not address the heterogeneity involved. This problem could only be solved by employing panel or pooled regression. A supporting argument is set forth by Jager (2008). He empirically proves that the results estimated by employing simple OLS and Panel regression on the same data set yield significantly different results. Hence concluding that if a researcher whose data nature supports the employment of panel regression if go for employing simple OLS is at the losing end since this leads to making false claims. Panel data observations cannot presume to be independently distributed across time. The reason is the existence of such factors that do not change over time. So, it is clear that a simple regression that assumes homogeneity if employed on panel data leads to misleading conclusions (Wooldridge, 2002).

The panel data regression models are classified into common effect models, fixed effect models and random effect models. In case of common effect model a single intercept is estimated for all cross sections. One can argue that having the constant intercept means that there is no distinction between different cross sections. It is interesting to note that such a type of estimation is helpful in the case if the data

set has homogeneity in it (Wooldridge, 2002). In case of fixed effect model the intercept is group specific. It means that this model sets forth different intercepts for each group. Least squares dummy variable is the name that is also sometimes granted for the estimator of this model. This name is not unique as this model offers a dummy variable for each group. The selection of the model requires an F test. In case of F test the null hypothesis that all the intercepts are same is tested. If the F estimates is greater than F critical, the null hypothesis is rejected. An important characteristic of this type of model is its ability to capture the effects that are specific and do not change over time. It means that if there is a panel of firms, this model accounts for things like operating income, expenditures etc. that change with each firm and not over time.

One of the limitations associated with this model is set forth by Wooldridge (2002). He argues that fixed effect model is impractical in case if there are many cross sections involved. Later on Allison (2009) set forth his argument that it sometimes becomes difficult for the available accounting software to properly estimate this model, thus posing an estimation limitation. The precedence being given to employing random effects model instead of fixed effects model is because of the fact that the former model offers an intercept that is not fixed for each groups instead it is a random number. There are two advantages of employing this model. The first one is that this method involves estimation of fewer parameters as compared to fixed model. The second advantage of using this model is its ability to allow the inclusion of dummies.

One of the limitations of employing this model is the creation of assumptions regarding the distribution of random component. In order to understand the difference between fixed and random effect models consider the example of different firms that are part of the data set. In former case it is presumed that the firm varies in its intercept whereas in later case it is presumed that each firm varies in its error term. In order to make a choice that which model should be employed out of fixed or random models, the Hausman Test is employed. As stated by Greene (2008) the distinction between fixed and random effect model is that whether the error term is correlated with independent variables or not. In case of Hausman Test the

null hypothesis that unobserved effect is correlated with independent variables is tested against the alternative that there does not exist any such correlation. The Hausman test is then run and the p-value is estimated. If the p-value is significant than the null hypothesis stating correlation is rejected indicating that fixed effect model should be employed.

3.4.2 Diagnostic Tests

Before proceeding to the estimation stage some diagnostic tests are performed. These tests include examining the normality, existence of multicolinearity, auto-correlation, cross sectional dependence and heteroskedasticity. Skewness, kurtosis and jarque bera are among the common tests for normality. However a few econometricians have ruled out these techniques to be sufficient especially in case of large data sets like the one employed in this study. The answer to these critics lies in the development of a normal probability distribution plot. To check the normality of the data skewness, kurtosis and jarque bera are estimated along side the normal probability plot. To check the exitance of multicolinearity in our three data sets, Pearson correlations are estimated. To test the existence of cross sectional dependence also known as contemporaneous correlation for panel data are employed. These include Breusch-Pagan LM test, Pesaran scaled LM test, bias-corrected scaled LM test and Pesaran CD test. Baltagi (2008) argue that the presence of heteroskedasticity could result in consistent but inefficient estimates. The existing study employs modified Wald statistic by using relevant syntax in STATA. Lastly to check the existence of serial correlation also known as autocorrelation relevant syntax in STATA is employed.

Chapter 4

Results And Discussion

This chapter encompasses two parts. The first portion presents the results of econometric techniques employed for three countries separately. The sections than follow are of the discussion of these results again specified by country. Afterwards separate sections are added under each country that entails summary of the additional analyses performed. The detailed results and discussion of additional analyses are however presented in appendices.

4.1 Results of Bangladesh

The following section presents descriptive statistics, correlation matrix as well as multivariate regression analyses for Bangladesh.

4.1.1 Descriptive Statistics

Table 4.1 reports descriptive statistics for a sample of 100 companies from the first data set i.e. Bangladesh and comprising a total of 700 observations.

It is evident from table 4.1 that the mean ACCOMP is -1.030 which is far less than the values reported by Nasr and Ntim (2017), Mohammed et al. (2017), Caskey and Laux (2017), Huang and Wang (2017), Elshandidy and Hassanein (2015), Ren (2014), Yunos (2011), Krishnan and Visvanathan (2008) and Ahmed and

TABLE 4.1: Descriptive Statistics

Variables	Mean	Maximum	Minimum	Std. dev
ACACC	0.046	1.701	-1.589	0.601
ACCIC	-1.871	0.698	-4.518	0.936
ACCIE	-0.005	2.059	-2.098	0.759
ACSOE	-0.023	2.065	-2.138	0.714
ACSKEW	0.020	1.221	-1.122	0.452
ACCOMP	-1.030	1.460	-3.782	0.931
ACI	0.377	0.967	0.000	0.227
BA	0.696	1.000	0.155	0.199
BI	0.242	1.000	0.000	0.157
BS	7.613	11.000	5.000	1.740
CEOD	0.181	1.000	0.000	0.355
CEOT	0.097	1.000	0.000	0.277
DQ	0.497	0.840	0.165	0.124
GDB	0.117	0.600	0.000	0.122
INSO	0.187	0.750	0.000	0.134
MANO	0.260	0.690	0.000	0.175
TAUD	0.234	1.000	0.000	0.401
CSFG	0.804	1.705	0.177	0.358
FS	3.305	5.131	1.724	0.654
GROS	0.069	0.369	-0.228	0.120
LEV	0.604	1.608	0.001	0.340
PROF	0.064	0.213	-0.086	0.056

ACACC = Accruals based first measure of AC, ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEW = Skewness based measure of AC, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, DQ = Disclosure Quality, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor , CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Duellman (2007). Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008) report a mean value of 0.010 for US market where as Yunos (2011) and Ren (2014) present the mean values of accrual based conservatism measures of -0.006 and -0.014 for Malaysian and Chinese markets respectively. It may be inferred

that the firms listed in Bangladesh employ less conservatism as compared to the firms listed in US, China and Malaysia. Nasr and Ntim (2017) report the value of conservatism to be -0.018 in case of Egypt.

The mean values of ACACC, ACCIC, ACCIE, ACSKEW and ACSOE are 0.046, -1.871, -0.005, 0.020 and -0.023 respectively. Again by looking at most of these values, it is clear that firms in Bangladesh employ less conservatism. However, some of the means are more than that of US, China and Malaysia. Because of the confusion that might arise as a consequence of estimation of various measures, a composite measure is developed and by evaluating its mean, the less level of conservatism employed by non-financial firms listed in Bangladesh is evident.

The mean audit committee independence is 0.377 meaning that 37 percent of the audit committee is composed of independent directors. The results are far less than that are reported by Mohammed et al. (2017), Ren (2014) and Yunos (2011). Mohammed et al. (2017) and Yunos (2011) report that 70 percent of the audit committee is composed of independent members in case of firms listed in Malaysia.

The mean board activity is 0.696 meaning that 69 percent of the meetings are attended by at least 80 percent of the board members. This value is similar to many reported values. For example, Lim (2011) and Chi et al. (2009) also report approximately similar values.

The mean value of 0.242 represents that 24 percent of the board on average is comprised of independent directors. This value is far less than that is reported by Nasr and Ntim (2017), Mohammed et al. (2017), Ren (2014), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Yunos (2011),Lim (2011) while examining various developed and developing markets.

The average board size found is eight. This number is in line with many studies conducted in developing markets for example by Nasr and Ntim (2017), Mohammed et al. (2017), Rahman and Ali (2006) and Haniffa and Hudaib (2006) who report similar values while analyzing developing economies.

It is found that approximately 18 percent of the board are those where the responsibilities of CEO and the office of the chairman are held by same person. This number is also fairly high than 4.8 percent as reported by Mohammed et al. (2017) and Yunos (2011) for Malaysian firms.

The average of CEOT is 0.09 and of GDB is 0.117. The later shows that on average only 11.7 percent of the board is comprised of female directors. This value is also less than the values of gender diversity on board as reported by Boussaid et al. (2015) and Huang and Wang (2017). They both report a female presence of around twenty percent in the economies they examined.

The institutional ownership and managerial ownership on average is 18 percent and 26 percent respectively. This shareholding patter implies that the ownership is dispersed as stated by Claessens et al. (1999) that the shareholding around 20 percent can be regarded as a symbol of dispersed ownership as is the case in Bangladesh.

The values of institutional and managerial ownership are very much similar to that are reported by Nasr and Ntim (2017), Mohammed et al. (2017) and some other researchers who also examine developing or emerging economies.

About 23.4 percent of the sample is found to be audited by big four auditors. This number is less than that is reported by Mohammed et al. (2017), Ren (2014), Yunos (2011) and Yatim et al. (2006) and for some emerging economies like Malaysian and some developed economies like China.

The mean of the composite measure for firm governance is 0.804. These values are also different from those reported by Mohammed et al. (2017), Ren (2014) and Yunos (2011). The reason is that they have mostly examined the developed economies.

4.1.2 Correlation Analysis

Table 4.2 presents the correlation matrix and is evident that there does not exist any problem of multicolinearity between the explanatory variables.

Table 4.2: Correlation Analysis

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ACI	1														
BA	0.025	1													
BI	0.051	0.012	1												
BS	-0.068	0.065	0.045	1											
CEOD	0.135	0.043	-0.014	-0.160	1										
CEOT	-0.031	0.001	0.039	0.041	-0.050	1									
DQ	0.056	-0.049	-0.486	-0.033	0.053	-0.059	1								
FS	0.017	-0.020	0.046	0.173	-0.139	-0.026	-0.011	1							
GDB	0.105	-0.043	0.335	0.003	0.046	-0.031	0.661	0.028	1						
GROS	0.063	-0.034	0.035	-0.057	0.124	-0.021	0.096	-0.001	0.134	1					
INSO	0.026	-0.028	0.080	-0.120	0.040	0.064	0.050	-0.132	0.123	-0.051	1				
LEV	0.006	0.169	-0.136	-0.004	0.150	0.008	-0.017	-0.037	-0.135	0.017	0.046	1			
MANO	0.088	0.105	-0.028	-0.030	0.256	-0.103	0.275	-0.096	0.272	0.002	-0.017	-0.078	1		
PROF	0.039	-0.045	-0.090	-0.130	0.089	-0.014	0.045	0.108	-0.029	0.177	0.031	0.040	0.042	1	
TAUD	-0.034	-0.055	0.477	-0.008	0.177	0.051	-0.291	-0.017	0.096	-0.008	0.126	-0.104	-0.333	-0.005	1

Table 4.3: Results of AC and CG mechanisms

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Constant	0.842	0.863	-1.641	-2.521**	0.428	0.75	0.005	0.011	-0.864	-0.73	0.117	0.116
ACI	0.191	1.791*	0.101	1.021	-0.124	-1.617	0.023	0.317	0.039	0.247	0.107	1.238
BA	0.047	0.217	-0.142	-0.69	0.17	1.215	0.003	0.017	-0.1	-0.296	0.049	0.216
BI	-0.217	-0.918	-0.312	-1.188	-0.142	-0.542	-0.14	-0.498	-0.447	-1.158	-0.217	-0.728
BS	0.061	1.727*	-0.012	-0.352	-0.036	-0.974	0.034	1.318	-0.032	-0.493	0.023	0.519
CEOD	0.235	2.627**	0.261	2.702***	0.066	0.58	-0.052	-0.951	0.12	0.97	0.249	2.001**
CEOT	-0.022	-0.311	0.013	0.155	-0.061	-0.773	0.145	3.205***	-0.199	-1.52	0.059	0.649
GDB	0.029	0.049	1.159	1.678*	0.804	2.095**	-0.616	-1.394	0.577	0.622	0.656	0.859
INSO	0.281	0.611	1.677	6.998***	0.245	1.491	0.509	1.679*	-0.121	-0.332	1.239	3.569***
MANO	0.801	1.18	0.825	1.624	-0.826	-1.132	0.818	1.152	1.25	1.089	0.372	0.458
TAUD	-0.035	-0.233	0.139	1.701*	0.178	1.545	-0.051	-0.513	-0.224	-1.212	0.218	1.212
FS	-0.46	-1.680*	-0.169	-0.9	-0.037	-0.274	-0.131	-1.046	0.202	0.662	-0.479	-1.771*
GROS	0.174	0.658	-0.054	-0.348	-0.103	-0.49	-0.157	-1.187	-0.048	-0.153	0.012	0.055
LEV	-0.054	-0.587	-0.134	-1.488	-0.072	-0.851	-0.031	-0.491	0.263	1.722*	0.153	2.277**
PROF	-1.119	-1.508	-1.672	-2.502**	0.05	0.069	0.242	0.556	1.588	2.114**	2.138	4.035***
Adj R^2		0.439		0.731		0.646		0.442		0.044		0.641
F-Statistic		5.839***		17.832***		12.293***		5.900***		1.287***		12.046***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.1.3 Diagnostic Tests

The estimates of normality tests and normal probability plots for Bangladeshs data set indicate slight deviations from normality. This slight deviation is negligible and may not distort the results of this study as Haier et al. (2006) state that if the data sets are large like the ones considered in this study, slight deviation may not distort the results. The correlation matrix show no evidence of the existence of the multicolinearity problem in the data.The results of Breusch-Pagan LM test, Pesaran scaled LM test, bias-corrected scaled LM test and Pesaran CD test show the presence of cross sectional dependence. The test results of modified Wald statistic confirm the presence of heteroskedasticity. The test results for the detection of autocorrelation show its existence. The literature also supports the employment of the used tests as appropriate procedures to check various issues related to data.

In a nut shell, the diagnostic tests detect the presence of cross sectional dependence, heteroskedasticity and serial correlation in all the models estimated. In order to produce robust standard errors the contemporaneous correlation and heteroskedasticity are corrected by employing cross-section SUR(PCSE) coefficient covariance method. Following Abbott et al. (2007) and Yunos (2011), this study employs firm fixed effects models to produce estimators that are robust to cross sectional dependence and heteroskedasticity.

4.1.4 AC and CG

The first two columns of Table 4.3 shows the results of fixed effect regression for ACACC with CG mechanisms. The adjusted R squared is 0.439 meaning that 43.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only ACI, BS and CEOD are significant with sign of ACI that is hypothesized.

The next two columns show the results of fixed effect regression for ACCIC with CG mechanisms. The adjusted R squared is 0.731 meaning that 73.1 percent of the

variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only CEOD, GDB, INSO and TAUD are significant with signs of GDB, INSO and TAUD that are hypothesized.

The next two columns show the results of fixed effect regression for ACCIE with CG mechanisms. The adjusted R squared is 0.646 meaning that 64.6 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only GDB is significant with sign that is hypothesized.

The next two columns show the results of fixed effect regression for ACSKEW with CG mechanisms. The adjusted R squared is 0.442 meaning that 44.2 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only CEOT and INSO are significant with signs that are hypothesized.

The next two columns show the results of fixed effect regression for ACSOE with CG mechanisms. The adjusted R squared is 0.318 meaning that 31.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only ACI, BA, CEOD, INSO and TAUD are significant with signs of BA, CEOD, INSO and TAUD that are hypothesized.

The last two columns of Table 4.3 show the results of fixed effect regression for ACCOMP with CG mechanisms. The adjusted R squared is 0.642 meaning that 64.2 percent of the variation in dependent variable is because of the considered independent variables. Since the dependent variable is a composite measure of AC, it can be stated that the overall level of conservatism can be adequately explained by the considered independent variables.

The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only CEOD and INSO are significant with signs of INSO that are hypothesized.

Table 4.4: Results of ACACC, CSFG and DQ

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Step 1												
Constant	1.536	1.879*	-2.334	-3.250***	-0.234	-0.412	0.077	0.125	-0.684	-0.687	-0.472	-0.552
CSFG	0.188	1.042	0.385	2.538**	0.169	1.038	0.048	0.372	-0.279	-1.27	0.495	2.268**
DQ	0.424	0.742	1.289	2.476**	0.768	1.297	-0.055	-0.115	0.847	1.173	0.982	1.318
FS	-0.512	-1.949*	-0.005	-0.024	-0.012	-0.08	-0.023	-0.144	0.124	0.421	-0.355	-1.374
GROS	0.227	0.804	-0.058	-0.343	-0.081	-0.394	-0.222	-1.642*	0.036	0.124	0.021	0.084
LEV	-0.005	-0.05	-0.061	-0.627	-0.073	-1.046	-0.023	-0.387	0.289	1.988**	0.172	2.585***
PROF	-0.945	-1.308	-1.436	-2.316**	0.03	0.042	0.366	0.867	1.586	2.157**	1.901	3.765***
Adj R^2		0.426		0.71		0.645		0.421		0.046		0.632
F-Statistic		5.946***		17.306***		13.122***		5.845***		1.319***		12.429***
Step 2												
Constant			-3.757	-4.711***							-1.897	-2.216**
CSFG			1.933	3.581***							2.044	2.901***
DQ			7.132	3.755***							6.826	2.624***
CSFGXDQ			-6.059	-3.576***							-6.062	-2.702***
FS			-0.032	-0.169							-0.384	-1.476
GROS			-0.071	-0.444							0.005	0.025
LEV			-0.069	-0.717							0.171	2.489**
PROF			-1.553	-2.441**							2.019	3.878***
Adj R^2			0.716								0.637	
F-Statistic			17.642***								12.622***	

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, DQ = Disclosure Quality, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.1.5 AC, CSFG and DQ (as Moderator)

The first two columns of Table 4.4 shows the results of fixed effect regression for ACACC and DQ with CSFG. The adjusted R squared is 0.436 meaning that 43.6 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated.

The next two columns shows the results of fixed effect regression for ACCIC and DQ with CSFG. The adjusted R squared is 0.707 meaning that 70.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. This column also shows the results of fixed effect regression for ACACC and CSFG with moderating role of DQ. The adjusted R squared is 0.709 meaning that 70.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized. The next two columns shows the results of fixed effect regression for ACCIE and DQ with CSFG. The adjusted R squared is 0.645 meaning that 64.5 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated.

The next two columns shows the results of fixed effect regression for ACSKEW and DQ with CSFG. The adjusted R squared is 0.421 meaning that 42.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated. The next two columns shows the results of fixed effect regression for ACSKEW and DQ with CSFG. The adjusted R squared is 0.048 meaning that only 4.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good

fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated. The last two columns of the Table 4.4 shows the results of fixed effect regression for ACCOMP and DQ with CSFG. The adjusted R squared is 0.628 meaning that 62.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. This column also shows the results of fixed effect regression for ACCOMP and CSFG with moderating role of DQ. The adjusted R squared is 0.629 meaning that 62.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is insignificant with sign that is hypothesized.

4.2 Additional Analyses for Bangladesh

Two additional analyses are being performed for Bangladesh. The results along with their discussion are presented in appendices. The first portion encompasses the examination of impact of good, bad and moderate CG on AC. Panel regression is employed as the econometric procedure. Each of the measures of AC are tested to show the presence of any relationship with categorical forms of CG. Following Shah (2007) the dummies are created for good, bad and moderate CG by employing normal curve methodology on composite score of firms governance for each country separately. The second portion encompasses the results of impact of CG on categorical form of AC. AC is converted into the form: highly conservative, moderately conservative and less conservative.

It is interesting to note that in this case these three options follow a natural ordering of the alternatives. The reason of this ordering is that it starts with highest and goes to the weakest or lowest. Highly conservative measns that high AC is employed and is clearly different than moderately conservative and this in turn is different than less conservative. Hence, in this case ordered probit model is employed to obtain appropriate estimates. Here it is important to understand

the difference between logit and probit models. Though both of the econometirc procedures rarely produce different results, the probit model is considered to be better while addressing the situations like that is at hand. The reason is that probit model examines the variables through cummulative normal distribution and since natural ordering of categories is involved, orderd probit is employed as the estimation procedure. The results are presented in appendix.

4.3 Results of India

The following section presents descriptive statistics, correlation matrix as well as regression analyses for India.

4.3.1 Descriptive Statistics

Table 4.5 reports descriptive statistics for the sample of 100 companies from India and comprising a total of 700 observations.

It is evident from table 4.5 that the mean ACCOMP (composite measure of AC) is -0.224 which is far less than the values reported by Nasr and Ntim (2017), Mohammed et al. (2017), Caskey and Laux (2017), Huang and Wang (2017), Elshandidy and Hassanein (2015), Ren (2014), Yunos (2011), Krishnan and Visvanathan (2008) and Ahmed and Duellman (2007). Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008) report a mean value of 0.010 for US market where as Yunos (2011) and Ren (2014) present the mean values of accrual based conservatism measures of -0.006 and -0.014 for Malaysian and Chinese markets respectively. It may be inferred that the firms listed in India employ less conservatism as compared to the firms listed in US, China and Malaysia. Nasr and Ntim (2017) report the value of conservatism to be -0.018 in case of Egypt.

The mean values of ACACC, ACCIC, ACCIE, ACSKEW and ACSOE are -0.128, -0.338, 0.035, 0.124 and -2.095 respectively. Again by looking at most of these values, it is clear that firms in India employ less conservatism. However, some of the means are more than that of US, China and Malaysia. Because of the confusion

TABLE 4.5: Descriptive Statistics

Variables	Mean	Maximum	Minimum	Std. dev
ACACC	-0.128	1.256	-1.45	0.486
ACCIC	-0.338	0.209	-0.854	0.211
ACCIE	0.035	2.061	-2.066	0.838
ACSOE	-2.095	4.569	-6.969	1.795
ACSKEW	0.124	1.608	-1.474	0.596
ACCOMP	-0.224	1.452	-1.721	0.583
ACI	0.361	0.800	0.000	0.153
BA	0.648	1.000	0.260	0.120
BI	0.458	0.864	0.121	0.118
BS	8.150	12.000	5.000	1.272
CEOD	0.396	1.000	0.000	0.489
CEOT	0.184	1.000	0.000	0.388
DQ	0.648	0.992	0.285	0.109
GDB	0.076	0.280	0.000	0.07
INSO	0.186	0.785	0.000	0.151
MANO	0.159	0.397	0.000	0.092
TAUD	0.631	1.000	0.000	0.483
CSFG	2.690	3.445	1.999	0.224
FS	3.965	7.045	2.017	1.055
GROS	0.268	33.388	-0.999	1.624
LEV	0.434	3.071	-0.3	0.307
PROF	0.102	0.574	-0.202	0.104

ACACC = Accruals based first measure of AC, ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEW = Skewness based measure of AC, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, DQ = Disclosure Quality, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor , CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

that might arise as a consequence of estimation of various measures, a composite measure is developed and by evaluating its mean, the less level of conservatism employed by non-financial firms listed in India is evident. The mean audit committee independence is 0.361 meaning that 36 percent of the audit committee is composed of independent directors. The results are far less than that are reported by Mohammed et al. (2017), Ren (2014) and Yunos (2011). Mohammed et al. (2017)

and Yunos (2011) report that 70 percent of the audit committee is composed of independent members in case of firms listed in Malaysia. The mean board activity is 0.648 meaning that approximately 65 percent of the meetings are attended by at least 80 percent of the board members. This value is similar to many reported values. For example, Lim (2011) and Chi et al. (2009) also report approximately similar values. The mean value of 0.458 represents that 46 percent of the board on average is comprised of independent directors. This value is near to the value that are reported by Nasr and Ntim (2017), Mohammed et al. (2017), Ren (2014), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Yunos (2011), Lim (2011) while examining various developed and developing markets. The average board size found is eight. This number is in line with many studies conducted in developing markets for example by Nasr and Ntim (2017), Mohammed et al. (2017), Rahman and Ali (2006) and Haniffa and Hudaib (2006) who report similar values while analyzing developing economies.

It is found that approximately 40 percent of the board are those where the responsibilities of CEO and the office of the chairman are held by same person. This number is also fairly high than 4.8 percent as reported by Mohammed et al. (2017) and Yunos (2011) for Malaysian firms. The average of CEOT is 0.184 and of GDB is 0.076. The later shows that on average only 7.6 percent of the board is comprised of female directors. This value is also less than the values of gender diversity on board as reported by Boussaid et al. (2015) and Huang and Wang (2017). They both report a female presence of around twenty percent in the economies they examined.

The institutional ownership and managerial ownership on average is 18 percent and 16 percent respectively. This shareholding patter implies that the ownership is dispersed as stated by Claessens et al. (1999) that the shareholding around 15 to 20 percent can be regarded as a symbol of dispersed ownership as is the case in India. The values of institutional and managerial ownership are very much similar to that are reported by Nasr and Ntim (2017), Mohammed et al. (2017) and some other researchers who also examine developing or emerging economies. About 63.1 percent of the sample is found to be audited by big four auditors. This number

is in line with that are reported by Mohammed et al. (2017), Ren (2014), Yunos (2011) and Yatim et al. (2006) for some emerging economies like Malaysian and some developed economies like China. The mean of the composite measure for firm governance is 2.690. This means that the CG stature is far better in India as compared to many other South Asian economies.

4.3.2 Correlation Analysis

Table 4.6 presents the correlation matrix and is evident that there does not exist any problem of multicolinearity between the explanatory variables.

4.3.3 Diagnostic Tests

The estimates of normality tests and normal probability plots for Indias data set indicate slight deviations from normality. This slight deviation is negligible and may not distort the results of this study as Haier et al. (2006) state that if the data sets are large like the ones considered in this study, slight deviation may not distort the results.

The correlation matrix show no evidence of the existence of the multicolinearity problem in the data.The results of Breusch-Pagan LM test, Pesaran scaled LM test, bias-corrected scaled LM test and Pesaran CD test show the presence of cross sectional dependence. The test results of modified Wald statistic confirm the presence of heteroskedasticity. The test results for the detection of autocorrelation show its existence.

In a nut shell, the diagnostic tests detect the presence of cross sectional dependence, heteroskedasticity and serial correlation in all the models estimated. In order to produce robust standard errors the contemporaneous correlation and heteroskedasticity are corrected by employing cross-section SUR(PCSE) coefficient covariance method. It is one of the methods presented in literature that can address the issue at hand. Following Abbott et al. (2007) and Yunos (2011), this study employs firm fixed effects models to produce estimators that are robust to cross sectional dependence and heteroskedasticity.

Table 4.6: Correlation Analysis

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ACI	1.000														
BA	0.144	1.000													
BI	0.447	0.113	1.000												
BS	0.056	0.032	0.005	1.000											
CEOD	-0.097	-0.067	-0.150	-0.194	1.000										
CEOT	0.023	-0.009	0.016	0.022	-0.038	1.000									
DQ	-0.035	0.014	-0.099	-0.081	0.030	-0.053	1.000								
FS	-0.073	0.044	-0.079	-0.017	0.090	-0.016	0.737	1.000							
GDB	0.373	-0.009	0.197	-0.072	-0.022	-0.034	0.033	-0.023	1.000						
GROS	-0.017	-0.129	-0.040	-0.072	0.006	-0.064	-0.074	-0.039	0.079	1.000					
INSO	0.079	-0.021	0.194	-0.093	-0.147	0.108	-0.075	-0.129	0.114	-0.059	1.000				
LEV	0.012	0.068	-0.112	-0.008	-0.145	-0.043	0.364	0.293	-0.035	-0.011	-0.040	1.000			
MANO	-0.017	-0.033	0.008	-0.077	0.197	-0.098	-0.090	-0.081	0.254	0.062	-0.065	0.030	1.000		
PROF	-0.218	-0.066	0.012	0.016	0.066	0.080	-0.531	0.062	-0.151	0.064	0.005	-0.264	-0.036	1.000	
TAUD	0.187	0.071	0.010	-0.136	0.067	-0.080	0.185	0.124	0.076	-0.039	-0.040	0.147	-0.014	-0.144	1.000

Table 4.7: Results of AC and CG mechanisms

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Constant	1.126	2.748***	-0.351	-3.423***	-2.682	-3.254**	-1.576	-2.071**	-1.217	-0.382	-2.341	-3.722**
ACI	0.278	0.852	0.121	1.407	1.179	2.006**	0.661	1.959**	-0.87	-1.015	0.99	2.418**
BA	0.178	0.538	0.06	1.13	0.711	1.977**	0.195	0.524	1.009	1.099	0.585	2.065**
BI	0.008	0.046	-0.12	-1.391	0.193	0.549	-0.106	-0.306	1.705	1.782*	0.072	0.254
BS	-0.023	-1.024	-0.01	-1.384	0.021	0.576	-0.077	-2.345**	-0.023	-0.216	-0.003	-0.103
CEOD	0.065	1.424	-0.003	-0.203	0.087	1.433	-0.078	-1.104	-0.046	-0.203	0.05	1.118
CEOT	-0.006	-0.117	-0.001	-0.091	-0.025	-0.36	0.071	1.006	0.433	1.745*	-0.003	-0.058
GDB	1.286	2.223**	0.323	2.642***	0.743	1.045	0.255	0.284	0.791	0.285	0.795	1.463
INSO	0.087	0.333	0.105	2.470**	0.343	1.174	0.222	0.686	0.216	0.237	0.348	1.576
MANO	0.848	1.597	0.403	2.396**	0.1	0.144	0.546	0.802	0.108	0.045	0.441	0.933
TAUD	0.192	0.822	-0.099	-1.806*	-0.249	-0.758	0.056	0.086	0.73	0.853	-0.224	-0.745
FS	-0.409	-4.019***	0.001	0.059	0.421	3.273**	0.45	2.553**	-0.553	-0.814	0.342	3.254**
GROS	0.681	2.297**	-0.187	-1.605*	0.551	1.672*	-0.646	-1.426	1.874	1.397	0.222	0.786
LEV	-0.005	-0.124	-0.009	-1.033	0.1	2.447**	-0.072	-1.02	0.429	2.835***	0.061	1.752*
PROF	0.055	1.121	0.002	0.18	0.221	4.483***	-0.006	-0.097	0.383	1.515	0.162	4.385***
Adj R^2		0.43		0.664		0.691		0.093		0.213		0.611
F-Statistic		5.661***		13.212***		14.824***		1.636***		2.669***		10.732***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.3.4 AC and CG

The first two columns of Table 4.7 show the results of fixed effect regression for ACACC with CG mechanisms. The adjusted R squared is 0.430 meaning that 43 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only GDB is significant with sign similar to that is hypothesized. The next two columns show the results of fixed effect regression for ACCIC with CG mechanisms. The adjusted R squared is 0.664 meaning that 66.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only GDB, INSO, MANO and TAUD are significant with signs of GDB and INSO that are hypothesized. The next two columns show the results of fixed effect regression for ACCIE with CG mechanisms. The adjusted R squared is 0.691. Out of the ten considered CG variables only ACI and BA are significant with signs that are hypothesized. The next two columns show shows the results of fixed effect regression for ACSKEW with CG mechanisms. The adjusted R squared is 0.093 meaning that 9.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only ACI and BS are significant with signs that are hypothesized. The next two columns show the results of fixed effect regression for ACSOEP with CG mechanisms. The adjusted R squared is 0.213 meaning that 21.3 percent of the variation in dependent variable is because of the considered independent variables. Out of the ten considered CG variables only BI and CEOT are significant with signs that are hypothesized. The last two columns of Table 4.7 shows the results of fixed effect regression for ACCOMP with CG mechanisms. The adjusted R squared is 0.611 meaning that 61.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only ACI and BA are significant with signs similar to that are hypothesized.

Table 4.8: Results of ACACC, CSFG and DQ

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Step 1												
Constant	1.48	3.351***	-0.505	-6.643***	-1.917	-3.209***	-2.009	-3.657***	-0.01	-0.003	-1.935	-4.061***
CSFG	0.049	0.276	0.083	1.885*	0.403	1.485	0.471	1.884**	0.808	0.707	0.414	2.009**
DQ	0.182	1.924**	0.12	2.412**	0.193	1.199	-0.128	-0.54	0.716	1.445	0.205	1.592
FS	-0.465	-4.077***	-0.021	-0.626	0.378	2.778***	0.489	2.504**	-0.867	-1.288	0.299	2.580**
GROS	0.727	2.399**	-0.17	-1.535	0.567	1.834**	-0.624	-1.38	1.815	1.373	0.247	0.946
LEV	-0.028	-0.808	-0.013	-1.545	0.059	1.374	-0.077	-1.154	0.406	2.586**	0.028	0.789
PROF	0.111	2.332**	0.043	2.389**	0.286	3.718***	-0.059	-0.567	0.656	2.124**	0.23	3.917***
Adj R^2		0.427		0.661		0.683		0.094		0.212		0.601
F-Statistic		5.958***		13.968***		15.352***		1.690***		2.795***		11.013***
Step 2												
Constant			-0.491	-5.149***			-2.7	-4.159***			-2.163	-3.996***
CSFG			0.06	0.549			1.545	2.318**			0.768	2.471**
DQ			0.11	1.46			0.364	0.876			0.367	2.440**
CSFGXDQ			0.015	0.215			-0.697	-1.654*			-0.23	-1.677*
FS			-0.02	-0.611			0.473	2.395			0.294	2.554**
GROS			-0.171	-1.553			-0.577	-1.334			0.262	1.012
LEV			-0.013	-1.508			-0.07	-1.087			0.03	0.849
PROF			0.043	2.376**			-0.057	-0.535			0.231	3.954***
Adj R^2				0.66				0.098				0.601
F-Statistic				13.814***				1.714***				10.915***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, DQ = Disclosure Quality, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.3.5 AC, CSFG and DQ (as Moderator)

The first wo columns of Table 4.8 show the results of fixed effect regression for ACACC and CSFG with DQ as independent variable. The adjusted R squared is 0.427 meaning that 42.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not eatimated. The next two columns show the results of fixed effect regression for ACCIC and CSFG with DQ as independent variable. The adjusted R squared is 0.661 meaning that 66.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns show the results of fixed effect regression for ACCIC and CSFG with moderating role of DQ. The adjusted R squared is 0.660 meaning that 66 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is insignificant with sign similar to that is hypothesized so step 2 is not estimated.

The next two columns show the results of fixed effect regression for ACCIE and CSFG with DQ as independent variable. The adjusted R squared is 0.683 meaning that 68.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated. The next two columns show the results of fixed effect regression for ACSKEW and CSFG with DQ as independent variable. The adjusted R squared is 0.094 meaning that 9.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns show the results of fixed effect regression for ACSKEW and CSFG with moderating role of DQ. The adjusted R squared is 0.098 meaning that 9.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant

meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized.

The next two columns show the results of fixed effect regression for ACSOE and CSFG with DQ as independent variable. The adjusted R squared is 0.212 meaning that only 21.2 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated. The next two columns show the results of fixed effect regression for ACCOMP and CSFG with DQ as independent variable. The adjusted R squared is 0.601 meaning that 60.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns show the results of fixed effect regression for ACCOMP and CSFG with moderating role of DQ. The adjusted R squared is 0.601 meaning that 60.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized.

4.4 Additional Analyses for India

Two additional analyses are being performed for India. The results along with their discussion are presented in appendices. The first portion encompasses the examination of impact of good, bad and moderate CG on AC. Panel regression is employed as the econometric procedure. Each of the measures of AC are tested to show the presence of any relationship with categorical forms of CG. Following Shah (2007) the dummies are created for good, bad and moderate CG by employing normal curve methodology on composite score of firms governance for each country separately. The second portion encompasses the results of impact of CG on categorical form of AC. AC is converted into the form: highly conservative, moderately conservative and less conservative. It is interesting to note that in this

case these three options follow a natural ordering of the alternatives. The reason of this ordering is that it starts with highest and goes to the weakest or lowest. Highly conservative measns that high AC is employed and is clearly different than moderately conservative and this in turn is different than less conservative. Hence, in this case ordered probit model is employed to obtain appropriate estimates. Here it is important to understand the difference between logit and probit models. The probit model is considered to be better while addressing the situations like that is at hand becasue it examines the variables through cummulative normal distribution and since natural ordering of categories is involved, orderd probit is employed as the estimation procedure. The results are presented in appendix.

4.5 Results of Pakistan

The following section presents descriptive statistics, correlation matrix as well as regression analyses for Pakistan.

4.5.1 Descriptive Statistics

Table 4.9 reports descriptive statistics for the sample of 100 companies from Pakistan and comprising a total of 700 observations.

It is evident from table 4.9 that the mean ACCOMP (composite measure of AC) is 0.169 which is far greater than the values reported by Nasr and Ntim (2017), Mohammed et al. (2017), Caskey and Laux (2017), Huang and Wang (2017), Elshandidy and Hassanein (2015), Ren (2014), Yunos (2011), Krishnan and Visvanathan (2008) and Ahmed and Duellman (2007). Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008) report a mean value of 0.010 for US market where as Yunos (2011) and Ren (2014) present the mean values of accrual based conservatism measures of -0.006 and -0.014 for Malaysian and Chinese markets respectively. It may be inferred that the firms listed in Pakistan employ more conservatism as compared to the firms listed in US, China and Malaysia. Nasr and Ntim (2017) report the value of conservatism to be -0.018 in case of Egypt.

TABLE 4.9: Descriptive Statistics

Variables	Mean	Maximum	Minimum	Std. dev
ACACC	0.058	1.243	-1.123	0.469
ACCIC	-0.170	1.825	-2.092	0.714
ACCIE	0.080	2.149	-2.161	0.797
ACSOE	0.393	1.010	-0.794	0.445
ACSKEW	0.059	1.243	-1.123	0.470
ACCOMP	0.169	1.860	-1.638	0.0.686
ACI	0.320	0.822	0.056	0.181
BA	0.605	1.000	0.265	0.122
BI	0.667	0.929	0.125	0.185
BS	8.357	14.000	5.000	1.673
CEOD	0.236	1.000	0.000	0.425
CEOT	0.076	1.000	0.000	0.265
DQ	0.497	0.738	0.300	0.092
GDB	0.051	0.670	0.000	0.115
INSO	0.184	0.820	0.000	0.255
MANO	0.065	0.156	0.000	0.060
TAUD	0.496	1.000	0.000	0.500
CSFG	2.952	5.021	1.423	0.613
FS	3.013	4.111	0.693	0.643
GROS	0.065	0.921	-0.793	0.322
LEV	0.641	2.030	0.000	0.441
PROF	0.111	0.497	-0.290	0.103

ACACC = Accruals based first measure of AC, ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEW = Skewness based measure of AC, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, DQ = Disclosure Quality, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor , CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

The mean values of ACACC, ACCIC, ACCIE, ACSKEW and ACSOE are 0.058, -0.170, 0.080, 0.059 and 0.393 respectively. Again by looking at most of these values, it is clear that firms in Pakistan employ more conservatism. However, some of the means are less than that of US, China and Malaysia. Because of the confusion that might arise as a consequence of estimation of various measures, a composite

measure is developed and by evaluating its mean, the greater level of conservatism employed by non-financial firms listed in Pakistan is evident. The mean audit committee independence is 0.320 meaning that 32 percent of the audit committee is composed of independent directors. The results are far less than that are reported by Mohammed et al. (2017), Ren (2014) and Yunos (2011). Mohammed et al. (2017) and Yunos (2011) report that 70 percent of the audit committee is composed of independent members in case of firms listed in Malaysia. The mean board activity is 0.605 meaning that approximately 61 percent of the meetings are attended by at least 80 percent of the board members. This value is similar to many reported values. For example, Lim (2011) and Chi et al. (2009) also report approximately similar values. The mean value of 0.667 represents that 67 percent of the board on average is comprised of independent directors. This value is near to the value that are reported by Nasr and Ntim (2017), Mohammed et al. (2017), Ren (2014), Elshandidy and Hassanein (2015), Ahmed and Henry (2012), Yunos (2011), Lim (2011) while examining various developed and developing markets. The average board size found is eight. This number is in line with many studies conducted in developing markets for example by Nasr and Ntim (2017), Mohammed et al. (2017), Rahman and Ali (2006) and Haniffa and Hudaib (2006) who report similar values while analyzing developing economies. It is found that approximately 24 percent of the board are those where the responsibilities of CEO and the office of the chairman are held by same person. This number is also fairly high in comparison to what is reported by Mohammed et al. (2017) and Yunos (2011) for Malaysian firms. The average of CEOT is 0.076 and of GDB is 0.051. The later shows that on average only 5.1 percent of the board is comprised of female directors. This value is also less than the values of gender diversity on board as reported by Boussaid et al. (2015) and Huang and Wang (2017). They both report a female presence of around twenty percent in the economies they examined. The institutional ownership and managerial ownership on average is 18 percent and 7 percent respectively. This shareholding patter implies that the ownership is dispersed as stated by Claessens et al. (1999). The values of institutional are very much similar to that are reported by Nasr and Ntim (2017), Mohammed

et al. (2017) and some other researchers who also examine developing or emerging economies. About 50 percent of the sample is found to be audited by big four auditors. This number is in line with that are reported by Mohammed et al. (2017), Ren (2014), Yunos (2011) and Yatim et al. (2006) for some emerging economies like Malaysian and some developed economies like China. The mean of the composite measure for firm governance is 2.952. This means that the CG stature is far better in Pakistan as compared to many other South Asian economies.

4.5.2 Correlation Analysis

Table 4.10 presents the correlation matrix and is evident that there does not exist any problem of multicolinearity between the explanatory variables.

4.5.3 Diagnostic Tests

The estimates of normality tests and normal probability plots for Pakistans data set indicate slight deviations from normality. This slight deviation is negligible and may not distort the results of this study as Haier et al. (2006) state that if the data sets are large like the ones considered in this study, slight deviation may not distort the results. The correlation matrix show no evidence of the existence of the multicolinearity problem in the data.The results of Breusch-Pagan LM test, Pesaran scaled LM test, bias-corrected scaled LM test and Pesaran CD test show the presence of cross sectional dependence. The test results of modified Wald statistic confirm the presence of heteroskedasticity. The test results for the detection of autocorrelation show its existence. In a nut shell, the diagnostic tests detect the presence of cross sectional dependence, heteroskedasticity and serial correlation in all the models estimated. In order to produce robust standard errors the contemporaneous correlation and heteroskedasticity are corrected by employing cross-section SUR(PCSE) coefficient covariance method. Following Abbott et al. (2007) and Yunos (2011), this study employs firm fixed effects models to produce estimators that are robust to cross sectional dependence and heteroskedasticity.

Table 4.10: Correlation Analysis

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ACI	1.000														
BA	0.025	1.000													
BI	-0.030	0.098	1.000												
BS	-0.042	0.056	0.130	1.000											
CEOD	-0.038	-0.017	-0.286	-0.153	1.000										
CEOT	0.001	-0.006	-0.076	0.055	-0.019	1.000									
DQ	0.823	-0.040	-0.052	-0.237	0.056	-0.008	1.000								
FS	0.032	0.110	0.155	0.045	0.023	0.044	-0.011	1.000							
GDB	0.104	-0.026	-0.083	0.140	-0.055	-0.011	-0.027	-0.053	1.000						
GROS	-0.019	0.032	0.023	-0.080	-0.009	0.057	0.003	0.066	-0.013	1.000					
INSO	-0.040	-0.086	0.130	0.027	-0.178	0.001	-0.062	-0.145	0.096	-0.020	1.000				
LEV	0.033	0.043	-0.057	0.023	0.014	0.015	0.075	-0.091	-0.081	-0.030	0.076	1.000			
MANO	0.102	0.009	0.071	-0.001	-0.068	-0.014	0.051	-0.024	0.093	-0.027	-0.027	0.070	1.000		
PROF	0.063	0.137	0.157	0.024	0.043	-0.023	0.054	0.056	-0.049	-0.007	0.020	0.156	0.015	1.000	
TAUD	-0.038	0.215	-0.194	-0.014	-0.071	0.081	0.117	0.080	-0.125	-0.108	-0.022	-0.049	-0.022	-0.049	1.000

TABLE 4.11: Results of AC and CG mechanisms

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Constant	0.137	0.608	-0.422	-1.086	-0.178	-0.642	0.168	0.736	0.517	2.383**	0.379	1.266
ACI	-0.054	-0.641	0.148	1.177	0.25	2.090**	-0.065	-0.759	-0.102	-1.403	-0.14	-1.128
BA	-0.415	-1.755*	0.45	1.455	-0.683	-2.147**	-0.427	-1.787*	-0.356	-1.714*	-0.666	-2.076**
BI	0.172	1.761*	0.26	1.802*	0.101	0.6	0.154	1.541	-0.09	-1.006	0.157	1.074
BS	0.023	1.503	0.035	1.169	0.025	1.178	0.021	1.404	-0.002	-0.187	0.022	1.141
CEOD	0.043	0.933	0.162	2.218**	-0.061	-0.656	0.047	1.024	0.136	1.961*	0.062	0.982
CEOT	-0.022	-0.317	-0.026	-0.214	0.084	1.322	-0.014	-0.202	-0.009	-0.105	-0.028	-0.273
GDB	-0.371	-1.864*	0.521	2.609***	0.329	1.285	-0.363	-1.835**	0.643	2.581***	-0.504	-1.926**
INSO	0.308	3.069***	-0.66	-4.217**	-0.01	-0.093	0.308	3.076***	0.895	7.647***	0.685	4.275***
MANO	0.451	1.903**	0.564	1.537	0.362	1.135	0.439	1.845*	-0.066	-0.294	0.478	1.39
TAUD	0.04	0.349	-0.293	-2.201**	0.351	1.811*	0.04	0.354	-0.29	-3.505**	0.031	0.22
FS	-0.068	-1.805*	-0.096	-1.687*	0.004	0.064	-0.066	-1.783*	0.041	2.184**	-0.069	-1.213
GROS	-0.045	-0.96	0.023	0.253	0.093	1.122	-0.046	-0.972	-0.04	-1.126	-0.079	-1.261
LEV	-0.044	-1.385	-0.159	-2.239*	0.111	2.297**	-0.041	-1.258	-0.021	-0.611	-0.042	-0.906
PROF	0.245	1.264	0.199	1.051	0.195	0.902	0.221	1.14	0.1	1.205	0.289	1.054
Adj R^2		0.425		0.454		0.613		0.426		0.466		0.434
F-Statistic		5.576***		6.141***		10.791***		5.589***		6.404***		5.743***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.5.4 AC and CG

The first two columns of Table 4.11 show the results of fixed effect regression for ACACC with CG mechanisms. The adjusted R squared is 0.425 meaning that 42.5 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only BA, BI, GDB, INSO and MANO are significant with signs of BI and INSO that is hypothesized. The next two columns show the results of fixed effect regression for ACCIC with CG mechanisms. The adjusted R squared is 0.454 meaning that 45.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only BI, CEOD, GDB, INSO and TAUD are significant with signs of BI and GDB that are hypothesized. The next two columns show the results of fixed effect regression for ACCIE with CG mechanisms.

The adjusted R squared is 0.613 meaning that 61.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only ACI, BA and TAUD are significant with signs of ACI and TAUD that are hypothesized.The next two columns show the results of fixed effect regression for ACCOMP with CG mechanisms. The adjusted R squared is 0.467 meaning that 46.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only BA, CEOD, GDB, INSO and TAUD are significant with signs of GDB and INSO that are hypothesized.

The last two columns of Table 4.11 show the results of fixed effect regression for ACCOMP with CG mechanisms. The adjusted R squared is 0.434 meaning that 43.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only BA, GDB and INSO are significant with sign of INSO that is hypothesized.

Table 4.12: Results of ACACC, CSFG and DQ

	ACACC		ACCIC		ACCIE		ACSKEW		ACSOE		ACCOMP	
Variables	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**	**Coeff**	**t- Stat**
Step 1												
Constant	-0.03	-0.227	0.159	0.504	-0.595	-2.277**	-0.015	-0.109	-0.258	-0.94	-0.061	-0.29
CSFG	0.077	2.293**	0.032	0.482	0.067	1.04	0.074	2.196**	0.117	2.642***	0.113	2.579**
DQ	0.153	0.755	-0.255	-0.757	0.692	2.476**	0.135	0.67	0.569	2.388**	0.29	0.953
FS	-0.068	-1.909*	-0.082	-1.613*	0.014	0.274	-0.066	-1.890**	0.015	0.721	-0.076	-1.402
GROS	-0.016	-0.328	-0.036	-0.47	0.095	1.125	-0.017	-0.349	0.028	0.73	-0.018	-0.262
LEV	-0.052	-1.686*	-0.125	-1.950*	0.108	2.266**	-0.05	-1.56	-0.054	-1.652*	-0.065	-1.412
PROF	0.214	1.174	0.308	1.923**	0.144	0.703	0.191	1.05	0.099	0.926	0.232	0.889
Adj R^2		0.411		0.421		0.611		0.412		0.333		0.405
F-Statistic		5.644***		5.842		11.447***		5.661***		4.318***		5.530***
Step 2												
Constant	-1.083	-2.147**					-1.066	-2.123**	-1.951	-2.448**	-1.52	-2.027**
CSFG	0.447	3.023***					0.444	3.011***	0.713	2.820***	0.626	2.747***
DQ	2.51	2.348**					2.491	2.343**	4.36	2.835***	3.557	2.226**
CSFGXDQ	-0.82	-2.386**					-0.82	-2.391**	-1.319	-2.673***	-1.137	-2.225**
FS	-0.074	-2.086**					-0.072	-2.072**	0.005	0.249	-0.085	-1.544
GROS	-0.024	-0.49					-0.025	-0.51	0.015	0.412	-0.029	-0.423
LEV	-0.054	-1.766*					-0.053	-1.637	-0.057	-1.696*	-0.068	-1.475
PROF	0.231	1.233					0.208	1.112	0.125	1.1	0.255	0.955
Adj R^2		0.414						0.415		0.343		0.408
F-Statistic		5.658***						5.674		4.442***		5.536***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACCOMP = Composite measure of AC of a firm, DQ = Disclosure Quality, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

4.5.5 AC, CSFG and DQ (as Moderator)

The first two columns of Table 4.12 show the results of fixed effect regression for ACACC and CSFG with DQ as independent variable. The adjusted R squared is 0.411 meaning that 41.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns also show the results of fixed effect regression for ACACC and CSFG with moderating role of DQ. The adjusted R squared is 0.709 meaning that 70.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized. The next two columns show the results of fixed effect regression for ACCIC and CSFG with DQ as independent variable. The adjusted R squared is 0.421 meaning that 42.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so step 2 is not estimated.

The next two columns show the results of fixed effect regression for ACCIE and CSFG with DQ as independent variable. The adjusted R squared is 0.611 meaning that 61.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is insignificant with sign that is hypothesized so model 2 is not estimated. The next two columns show the results of fixed effect regression for ACSKEW and CSFG with DQ as independent variable. The adjusted R squared is 0.412 meaning that 41.2 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns also show the results of fixed effect regression for ACACC and CSFG with moderating role of DQ. The adjusted R squared is 0.415 meaning that 41.5 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant

meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized. The next two columns show the results of fixed effect regression for ACSOE and CSFG with DQ as independent variable. The adjusted R squared is 0.333 meaning that only 33.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated.

The same two columns also show the results of fixed effect regression for ACSOE and CSFG with moderating role of DQ. The adjusted R squared is 0.343 meaning that 34.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized. The last two columns of Table 4.12 show the results of fixed effect regression for ACCOMP and CSFG with DQ as independent variable. The adjusted R squared is 0.405 meaning that 40.5 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized so step 2 is estimated. The same two columns also show the results of fixed effect regression for ACCOMP and CSFG with moderating role of DQ. The adjusted R squared is 0.408 meaning that 40.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is significant with sign that is hypothesized.

4.6 Additional Analyses for Pakistan

Two additional analyses are being performed for Pakistan. The results along with their discussion are presented in appendices. The first portion encompasses the examination of impact of good, bad and moderate CG on AC. Panel regression is employed as the econometric procedure. Each of the measures of AC are tested to show the presence of any relationship with categorical forms of CG. Following

Shah (2007) the dummies are created for good, bad and moderate CG by employing normal curve methodology on composite score of firms governance for each country separately. The second portion encompasses the results of impact of CG on categorical form of AC. AC is converted into the form: highly conservative, moderately conservative and less conservative. It is interesting to note that in this case these three options follow a natural ordering of the alternatives. The reason of this ordering is that it starts with highest and goes to the weakest or lowest. Highly conservative measns that high AC is employed and is clearly different than moderately conservative and this in turn is different than less conservative. Hence, in this case ordered probit model is employed to obtain appropriate estimates. Here it is important to understand the difference between logit and probit models. Though both of the econometirc procedures rarely produce different results, the probit model is considered to be better while addressing the situations like that is at hand. The reason is that probit model examines the variables through cummulative normal distribution and since natural ordering of categories is involved, orderd probit is employed as the estimation procedure. The results are presented in appendix.

4.7 Endogenity Among Variables

Rosilda (2009) is of the view that examination of various factors of AC may be infected with endogenity bias. This is becasue more often the factors that are considered to be related to AC have a bi-directional relationship. Few researchers have presented their theoretical argument that AC and profitability can have a bi-directional relationship. It is however very interesting to note that most of the empirical literature only supports the existance of positive relationship between AC and profitability (For example, Ahmed et al. (2008) and Ahmed and Duellman (2007)). It is also theoretically presented that AC has a bi-directional relationship with DQ (Disclosure Quality taken as moderator in this study). In order to be sure that no such relationships exist between the considered variables, this study employs Hausman Test. Hausman test qualifies to be an appropriate test to check

the existance of endogenity. This test is employed by using the three distinct data sets each comprising 100 companies from Bangladesh, India and Pakistan. First the PROF is examined as regressor and afterwards DQ is examined as regressor. The results of Hausman Test for each country are presented in Table 4.16. The results show that all three data sets that are employed for this study are free from endogenic bias. The Hausman Test Statistics are insignificacnt in all three countries and for both the testings meaning that bi-directional rlationships between AC and PROF and AC and DQ do not exist. These results forbade to go for employing GMM (Generalized method of Moments), however following some previous studies this study employs GMM. The only reason for the application of GMM is that few researchers are of the view that in order to check the rubustness of the results various techniques can be employed. The results are presented in appendix.

TABLE 4.13: Hausman Test

	Bangladesh	**India**	**Pakistan**
Regressor Tested with AC	Prof	Prof	Prof
Hausman Test Statistic	0.859	0.011	0.376
Regressor Tested with AC	PROF & DQ	PROF & DQ	PROF & DQ
Hausman Test Statistic	1.093	4.292	5.783

4.8 Comparative Results for Three Countries Using Composite Measure

Tables 4.17 and 4.18 show the results of all three countries where in the composite measures of AC i.e. ACCOMP and CG i.e. CSFG are presented.

Table 4.14: Results of ACCOMP and CG mechanisms

	Bangladesh		India		Pakistan	
Variables	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**
Constant	-0.117	-0.116	-2.341	-3.722**	0.379	1.266
ACI	0.108	1.239	0.990	2.418**	-0.140	-1.128
BA	0.050	0.216	0.585	2.065**	-0.666	-2.076**
BI	-0.217	-0.729	0.072	0.254	0.157	1.074
BS	0.024	0.520	-0.003	-0.103	0.022	1.141
CEOD	0.249	2.000**	0.050	1.118	0.062	0.982
CEOT	0.059	0.649	-0.003	-0.058	-0.028	-0.273
GDB	0.656	0.860	0.795	1.463	-0.504	-1.926**
INSO	1.240	3.569***	0.348	1.576	0.685	4.275***
MANO	0.372	0.458	0.441	0.933	0.478	1.390
TAUD	0.218	1.212	-0.224	-0.745	0.031	0.220
FS	-0.479	-1.771*	0.342	3.254**	-0.069	-1.213
GROS	0.012	0.055	0.222	0.786	-0.079	-1.261
LEV	0.153	2.277**	0.061	1.752*	-0.042	-0.906
PROF	2.138	4.035***	0.162	4.385***	0.289	1.054
Adj R^2		0.642		0.611		0.434
F-Statistic		12.042***		10.732***		5.743***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 4.15: Results of ACCOMP, CG and DQ

	Bangladesh		India		Pakistan	
Variables	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**
Step 1						
Constant	-0.472	-0.552	-1.935	-4.061***	-0.061	-0.29
CSFG	0.495	2.268**	0.414	2.009**	0.113	2.579**
DQ	0.982	1.318	0.205	1.592	0.29	0.953
FS	-0.355	-1.374	0.299	2.580**	-0.076	-1.402
GROS	0.021	0.084	0.247	0.946	-0.018	-0.262
LEV	0.172	2.585***	0.028	0.789	-0.065	-1.412
PROF	1.901	3.765***	0.23	3.917***	0.232	0.889
Adj R^2		0.632		0.601		0.405
F-Statistic		12.429***		11.013***		5.530***
Step 2						
Constant	-1.897	-2.216	-2.163	-3.996***	-1.52	-2.027**
CSFG	2.044	2.901	0.768	2.471**	0.626	2.747***
DQ	6.826	2.624	0.367	2.440**	3.557	2.226**
CSFGXDQ	-6.062	-2.702	-0.23	-1.677*	-1.137	-2.225**
FS	-0.384	-1.476	0.294	2.554**	-0.085	-1.544
GROS	0.005	0.025	0.262	1.012	-0.029	-0.423
LEV	0.171	2.489	0.03	0.849	-0.068	-1.475
PROF	2.019	3.878	0.231	3.954***	0.255	0.955
Adj R^2		0.638		0.601		0.408
F-Statistic		12.622***		10.915***		5.536***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACCOMP = Composite measure of AC of a firm, DQ = Disclosure Quality, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 4.16: Summary of Hypothesis Testing

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	+ (S)	- (NS)	- (NS)	- (NS)	+ (NS)	+ (NS)
H2	There is a positive relationship between board independence and AC	- (NS)	- (NS)	- (NS)	- (NS)	+ (NS)	- (NS)
H3	There is a positive relationship between board activity and AC	+ (NS)	- (NS)	+ (NS)	+ (NS)	+ (S)	+ (NS)
H4	There is a positive relationship between gender diversity on board and AC	+ (NS)	+ (S)	+ (S)	- (NS)	- (NS)	+ (NS)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	+ (NS)	- (NS)	+ (S)	+ (NS)	- (NS)
H6	There is a negative relationship between CEO Duality and AC	+ (S)	+ (S)	+ (NS)	- (NS)	- (S)	+ (S)
H7	There is a positive relationship between Institutional ownership and AC	+ (NS)	+ (S)	+ (NS)	+ (S)	+ (S)	+ (S)
H8	There is a negative relationship between Managerial ownership and AC	+ (NS)	+ (NS)	- (NS)	+ (NS)	- (NS)	+ (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	+ (S)	+ (NS)	- (NS)	+ (NS)	- (S)	+ (NS)
H10	There is a positive relationship between existence of Big Four Auditor and AC	- (NS)	+ (S)	+ (NS)	- (NS)	+ (S)	+ (NS)
H11	There is a positive relationship between composite score of firm governance and AC	+ (NS)	+ (S)	+ (NS)	+ (NS)	+ (S)	+ (S)
H12	High disclosure quality moderates the association between CG and AC	(NA)	- (S)	(NA)	(NA)	(NA)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

4.9 Discussion of Results of Bangladesh

This section discusses the results of Bangladesh. Table 4.16 shows the summary of results of Panel regression analysis.

4.9.1 Board Size and AC

The results show that board size does not play any role in determining the level of conservatism employed by firms in Bangladesh. These findings are consistent with that of Elshandidy and Hassanein (2015), Lim (2011) and Ahmed and Duellman (2007). They all report similar results while examining various markets. One of the possible reasons for the absence of such relationship could be the focus of every firm to keep board size adequate, as it is seen as the first step towards creating strong investor protection stature. The findings are inconsistent with two sets of findings in literature. The first set is comprised of two studies by Mohammed et al. (2017) and Ahmed and Henry (2012). They report a positive impact of board size on AC. The reason for the existence of such a relationship is inherent in a relatively good stature of CG and strong investor protection environment in the markets examined. The second set also encompass two studies i.e. of Nasr and Ntim (2017) and Chi et al. (2009) who report the existence of negative relationship between board size and AC. The reason could be the poor investor protection laws and weak CG stature in the markets examined.

4.9.2 Board Independence and AC

The results show that board independence does not determine conservatism practices in Bangladesh. The findings are inconsistent with those of Nasr and Ntim (2017), Mohammed et al. (2017), Ahmed and Duellman (2007) and Beekes et al. (2004) who report the existence of negative association between board independence and AC. They argue that greater the presence of independent directors on board, greater is the effectiveness of board and less is the chance of occurrence of asymmetry in information. The results are also not in consistent with that of

Beasley and Salterio (2001) who argue that the presence of outside directors on board reduce the tendency to manage earnings and accruals thus reducing the chances of accounting numbers frauds and improve audit quality. However, the results of existing study are consistent with that of Lim (2011), Rahman and Ali (2006) and Abdullah (2004) who argue that the existence of outside directors does not necessarily imply that they possess skills and expertise that limit the firms from employing financial reporting manipulation practices hence the existence of no relationship between the number of outside directors on board and level of AC is justifiable.

4.9.3 Board Activity and AC

The results show that good attendence ot board meetings does not improve quality of financial statements in Bangladesh. The results that BA is not related to the level of conservatism employed by firms is consistent with that of Krishnan and Visvanathan (2008) and Ismail et al. (2008), who also report the absence of empirical evidence on the relationship between frequency of meetings and quality of financial reporting. However the results are not in harmony with that of Abbott et al. (2007) who show that frequency of meetings improve the quality of financial reporting process. Boussaid et al. (2015) also report the greater board activity leads to employment of more conservatism. The results of this study are not consistent with that recent study as well.

4.9.4 Gender Diversity on Board and AC

The results show that the presence of more female members on the board has no effect on the level of conservatism employed by firms in Bangladesh. These results are not consistent with that of Boussaid et al. (2015) who report that greater the number of female members more is the conservatism. According to them there are three reasons for the existence of such a relationship. First the risk-averse and less overconfident nature of female directors Krishnan and Visvanathan (2008). Second, their ability to think independently (Hillman and Dalziel, 2003). Third

is their trust-building leadership style (Cohen et al., 2005). All these attributes make female members more tolerant and hence pave the way for increasing boards effectiveness. Moreover, Srinidhi et al. (2011) also find that the firm having higher percentage of female directors exhibit more earnings quality and this might just be the reason that this study is failed to find the existence of any such relationship. The proportion of female members on the board is relatively less in the country understudy alongside their minimal role in strategic decisions of the firms thus making their presence to go without a significant effect on strategic decisions of the firm.

4.9.5 CEO turnover and AC

The results show that the CEO turnover fails to effect the level of conservatism employed by firms. It is interesting to note that the results are consistent with that of Hazarika et al. (2012) who also report that if there is a voluntary CEO turnover there is no significant change in the way the firms are being governed hence there is no effect on financial reporting practices. But there is another side of this coin, the three mentioned researchers also report that if the CEO turnover is a forced one, it has impacts of strategic decisions of the firms and hence also go for managing earnings. Since in this study most of the information is collected from annual reports and news archives no significant proofs are found of forced turnovers in case of Bangladeshi sample firms.

4.9.6 CEO Duality and AC

The results show that in case of Bangladesh CEO Duality has a positive association with the level of conservatism employed by firm. The results are consitent with those of Nasr and Ntim (2017), Elshandidy and Hassanein (2015) and Chi et al. (2009). They report the existence of a potive impact of CEO Duality on AC. The reason is that if both the offices i.e. head of the board and chief executive office are being held by single person, the need to report managed accounting estimates is increased. Hence CEO duliaty paves the way for more conservatism.

These results are also not consistent with that of Ahmed and Duellman (2007) who report insignificant results of CEO duality with AC. The results are also not consistent with that of Abdullah (2006) and Dahya, gracia et al. (2009) who also report the inexistence of any significant impact of separation between the role of CEO and Chairman of the board on financial reporting.

One of the possible reasons of existence of such an association might be the grey area between separation and control. Since most of the firms are family controlled where the family members have assured greater proportion of board to themselves, the existence of such a relationship is explainable. The results are also not consistent with those of Mohammed et al. (2017), Ahmed and Henry (2012) and Lim (2011). They all report a negative association between the variables under discussion here.

4.9.7 Institutional Shareholding and AC

The results show that greater the percentage of shares held by institutions greater is the level of conservatism employed by firms. The existence of such a relationship is logical. The institutional shareholders demand more transparent and quality accounting information. This need drags the firms to install such governance mechanisms that employ more conservatism. The results are consistent with that of Yeo et al. (2002), Ahmed and Duellman (2007) and Yunos (2011) who also report that substantial outsider shareholders do play a role in improving accounting estimates informativeness by employing more conservatism. In case of Bangladesh, the institutional shareholding is in significant proportion hence the existence of such a relationship is not unique.

4.9.8 Managerial Shareholding and AC

The results show that there is no relationship between the managerial ownership and level of AC employed by firms. The results are not consistent with that of Yunos (2011) and Lafond and Roychowdhury (2008) who state that the managerial ownership is one of the ways to mitigate agency conflict by restricting the

opportunistic behavior of the managers. They report that if the managerial ownership is more the level of AC employed by the firms is decreased. One of the reasons for the inexistence of such a relationship in case of Bangladesh could be the Haniffa and Hudaib (2006) argument that in case of developing countries too much managerial ownership is unsuitable for business environment because of its role in increasing the risk of misallocating resources.

4.9.9 Audit Committee Independence and AC

The results show that percentage of independent directors on audit committee is not related to the level of conservatism employed by firms. The results are not consistent with those of Yunos (2011) and Abdullah (2006) who report that there exist an inverse relationship between independent members on the audit committee and AC.

The results of this study can be explained in the light of the argument of Zain and Subramaniam (2007) who state that sometimes it so happen that those independent members are made the part of the audit committee whose knowledge about the firms business is limited thus cannot pave the way for employing conservatism.

4.9.10 Big Four Auditor and AC

The results show that presence of big auditor does not improve the level of conservatism employed by firms listed in Bangladesh. The results are not consistent with that of Nasr and Ntim (2017) and Mohammed et al. (2017) who report the existence of a negative relationship between big five auditor and AC.

The results are not consistent with that of Rodriguez (2010) who report that in case of conditional conservatism, the presence of big auditor has a positive impact on AC. His argument is based on the contracting view of AC. This study fails to find any such relationship. The reason of inexistence of such a relationship in case of a Bangladesh is that relatively small number of firms are inclined to hire big auditor to access the quality of financial reporting of the firms that are considered fro this study.

4.9.11 Composite Score of Firm's Governance and AC

The results show that the stature of CG in a firm has an impact on the level of conservatism employed by the firms. The results are consistent with many studies who try to analyze the impact of CG on AC. Ren (2014), Yunos (2011), Rosilda (2009) are a few who have presented the same argument that CG does have a say in deciding the level of AC that is employed by firms. Abdullah (2006), Haniffa and Hudaib (2006) and Ahmed and Duellman (2007) are among those researchers who have examined individual CG mechanisms and conclude that the CG positively impact conservatism.

4.9.12 CG, AC and Disclosure Quality

The results show that the estimation of equation 3.3 is possible as the equation 3.2 reports a significant relationship between CG and AC in the presence of disclosure quality as the independent variable (i.e. the first condition to go for moderation analysis is fulfilled hence proceeded to step 2).

The results show that there exist a moderating role of disclosure quality on the relationship between CG and AC. This relationship is also explainable. If there exist a relationship between CG and AC or we can say if the governance statures demand more conservatism, the more disclosure requirements could limit this behavior thus weakening the relationship between CG and AC.

4.9.13 Firm Size and AC

FS (Firm Size) is employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of first equation when estimated for Bangladesh show that the existance of negative relationship with AC. However, FS becomes insignificant in later two equations.

It is intersting to note that though FS in insignificant in last two equations, the signs are negative as hypothesized. So it can be stated that there exist a negative impact of FS on AC. These results are inline with those of Rahman and Ali (2006) and Krishnan and Visvanathan (2008) who also report the existance of negative relationship of FS with AC. The reason is simple. If the size of the firm is large, it is more exposed to political costs and adopts more conservatism. LaFond and Watts (2008) also supports this argument.

4.9.14 Sales Growth and AC

GROS (Sales Growth) is also employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all three equations when estimated for Bangladesh show that there does not exist any relationship of GROS with AC.

4.9.15 Leverage and AC

LEV (Profitability) is used as a control variable in each of the three equations estimated. The first equation as stated earlier examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship.

The results of all three equations when estimated for Bangladesh show that the existance of positive relationship with AC. The results are in line with those of Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008). All of these studies also report a positive impact of leverage on AC. The existance of such a relationship can be defended by this argument that highly levered firms may employ more conservatism to reduce the conflicts between the stakeholders and creditors.

4.9.16 Profitability and AC

PROF (Profitability) is employed as the control variable in each of the three equations estimated. The first equation examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all three equations when estimated for Bangladesh show that the existance of positive relationship with AC. The results are in line with those of Ahmed et al. (2002), Ahmed and Duellman (2007), Krishnan and Visvanathan (2008), Yunos (2011) and Ren (2014). All of these studies also report a positive impact of profitability on AC. The existance of such a relationship can be defended by this argument that unprofitable firms are less prone to employ conservatism as it can deteriorate its profits thus if the profitability is more the firms are prone to employing conservatism becasue they can affort the cost of emplying conservatism.

4.9.17 Summary

In case of Bangladesh, board size i.e. number of board members is found to have an insignificant relationship with all earnings based conservatism measures as well as skewness based measure. However, this study also a found a significant relationship with one of the two accruals based measures employed in this study. The relationship with composite measure is insignificant therefore it is concluded that change in the number of board members cannot effect the level of conservatism employed by firms listed in Bangladesh. Presence of more independent directors on board is also found to have an insignificant relationship with all the measures of AC i.e. accruals based, earnings based, skewness based and composite measure. Therefore, it is concluded that in case of Bangladeshi firms there does not exist any relationship between presences of more independent directors on board and AC.

Board activity i.e. number of meetings attended by a significantly higher number of board members is also found to be insignificant indicating no relationship between

board activity and level of conservatism employed by firms in Bangladesh. A new dimension of CG i.e. the presence of female directors on board is found to have no significant impact on a composite measure of AC. However, this gender diversity is significantly related to one of the two accrual based measures and one of the two earnings based measures of AC employed. It can hence be concluded that greater presence of female directors on board does not pave the way for AC.

CEO turnover is also examined as a new CG mechanism in this study. This variable also fails to show any relationship with accruals based, earnings based and composite measure of AC. However, CEO turnover is related to skewness based measure. It is therefore concluded that the change of CEO does not affect the conservative accounting practices that are already installed in Bangladeshi firms. CEO duality i.e. a situation in which CEO holds two offices i.e. one of CEO and the other of chairman of the board is found to be significantly related with composite as well as accruals based measure of AC and no relationship with earnings based as well as skewness based measures. It is therefore concluded that CEO duality is related to the level of conservatism employed by firms in Bangladesh.

Greater the percentage of shares held by institutions in a firm greater is the level of conservatism employed. It is evident by the existence of significant relationship between institutional shareholding and composite measure, skewness based measure and one of the two accruals based measure of AC. Percentage of shares held by managers in a firm is not related to accruals based, earnings based, skewness based and composite measure of AC. It is therefore concluded that managerial ownership is not related to AC in case of Bangladesh. Audit committee independence i.e. percentage of independent directors on the audit committee also fail to show any relationship with a composite measure, both earnings based measures, skewness based measure and one of the two accruals based measures. It is concluded that audit committee independence has no relationship with the level of AC employed by firms. Appointment of big auditor as the firms auditor is also not related to earnings based measures, skewness based measures and composite measure of AC. However, there exists a relationship between presence of big auditor and one of

the two accruals based measures. Hence it is concluded that big auditor does not verify the employment of AC employed by firms in Bangladesh.

The composite measure of firms governance is related to composite measure of AC. This composite measure is also related to one of the two accruals based measure of AC. It is therefore concluded that CG effect AC. As far as the moderating role of disclosure quality is concerned in Bangladesh, the estimation can only be performed with composite measure as well as one of the two accruals based measure of AC. Disclosure quality is found to weaken the relationship between CG and AC. Hence, it is concluded that in case of Bangladesh, there exists a moderating role of disclosure quality on the relationship between CG on AC.

4.10 Discussion of Results of India

This section discusses the results of India. Table 4.17 shows the summary of results of Panel regression analysis.

4.10.1 Board Size and AC

The results show that board size does not play any role in determining the level of conservatism employed by firms in India. These findings are consistent with that of Elshandidy and Hassanein (2015), Lim (2011) and Ahmed and Duellman (2007). They all report similar results while examining various markets. Existing study also report similar results for Bangladesh. The reason could be the significance of board size as a means to improve CG stature. The findings are inconsistent with those of Mohammed et al. (2017) and Ahmed and Henry (2012) who report a positive impact of board size on AC. The reason for the existence of such a relationship is inherent is a relatively good stature of CG and strong investor protection environment in the markets examined. The findings are inconsistent with those of Nasr and Ntim (2017) and Chi et al. (2009) who report the existence of negative relationship between board size and AC. The reason could be the poor investor protection laws and weak CG stature in the markets examined.

TABLE 4.17: Summary of Hypothesis Testing

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	- (NS)	- (NS)	+ (NS)	- (S)	- (NS)	- (NS)
H2	There is a positive relationship between board independence and AC	+ (NS)	- (NS)	+ (NS)	- (NS)	+ (S)	+ (NS)
H3	There is a positive relationship between board activity and AC	+ (NS)	+ (NS)	+ (S)	+ (NS)	+ (NS)	+ (S)
H4	There is a positive relationship between gender diversity on board and AC	+ (S)	+ (S)	+ (NS)	+ (NS)	+ (NS)	+ (NS)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	- (NS)	- (NS)	+ (NS)	+ (S)	- (NS)
H6	There is a negative relationship between CEO Duality and AC	+ (NS)	- (NS)	+ (NS)	- (NS)	- (NS)	+ (NS)
H7	There is a positive relationship between Institutional ownership and AC	+ (NS)	- (S)	- (NS)	+ (NS)	+ (NS)	+ (NS)
H8	There is a negative relationship between Managerial ownership and AC	+ (NS)	+ (S)	+ (NS)	+ (NS)	+ (NS)	+ (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	+ (NS)	+ (NS)	+ (S)	+ (S)	- (NS)	+ (S)
H10	There is a positive relationship between existence of Big Four Auditor and AC	+ (NS)	- (S)	- (NS)	+ (NS)	+ (NS)	- (NS)
H11	There is a positive relationship between composite score of firm governance and AC	+ (NS)	+ (S)	+ (NS)	+ (S)	+ (NS)	+ (S)
H12	High disclosure quality moderates the association between CG and AC	(NA)	- (NS)	(NA)	- (S)	(NA)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

4.10.2 Board Independence and AC

The results show that board independence does not determine conservatism practices in India. The findings are inconsistent with those of Nasr and Ntim (2017), Mohammed et al. (2017), Ahmed and Duellman (2007) and Beekes et al. (2004) who report the existence of negative association between board independence and AC. They argue that greater the presence of independent directors on board, greater is the effectiveness of board and less is the chance of occurrence of asymmetry in information.

The results are also not in consistent with that of Beasley and Salterio (2001) who argue that the presence of outside directors on board reduce the tendency to manage earnings and accruals thus reducing the chances of accounting numbers frauds and improve audit quality. However, the results of existing study are consistent with that of Lim (2011), Rahman and Ali (2006) and Abdullah (2006) who argue that the existence of outside directors does not necessarily imply that they possess skills and expertise that limit the firms from employing financial reporting manipulation practices hence the existence of no relationship between the number of outside directors on board and level of AC is justifiable in case of the considered data sets from three emerging economies of South Asia.

4.10.3 Board Activity and AC

The results show that the frequency of meetings improve quality of financial statements in India. The results that frequency of meetings is related to the level of conservatism employed by firms is not consistent with that of Krishnan and Visvanathan (2008) who report the absence of empirical evidence on the relationship between frequency of meetings and quality of financial reporting. However the results are consistent with that of Abbott et al. (2007) who show that frequency of meetings improve the quality of financial reporting process.

The results of this study are also consistent with that of Boussaid et al. (2015) who report that greater board activity leads to employment of more conservatism meaning that if the board activity is more the conservatism is more.

4.10.4 Gender Diversity on Board and AC

The results show that the presence of more female members on the board has no effect on the level of conservatism employed by firms. These results are not consistent with that of Boussaid et al. (2015) who report that greater the number of female members more is the conservatism. According to them there are three reasons for the existence of such a relationship. First the risk-averse and less overconfident nature of female directors (Riley and Chow, 1992; Ambrose and Schminke, 1999 and Krishnan and Visvanathan (2008)). Second, their ability to think independently (Hillman and Dalziel, 2003). Third is their trust-building leadership style. All these attributes make female members more tolerant and hence pave the way for increasing boards effectiveness.

Moreover, Srinidhi et al. (2011) also find that the firm having higher percentage of female directors exhibit more earnings quality and this might just be the reason that this study is failed to find the existence of any such relationship. The percentage of female members on the board is relatively less in the country understudy alongside their minimal role in strategic decisions of the firms thus making their presence to go without a significant effect on strategic decisions of the firm.

4.10.5 CEO Turnover and AC

The results show that the CEO turnover fail to effect the level of conservatism employed by firms. It is interesting to note that the results are consistent with that of Khodadadi et al. (2010) who also report that if there is a voluntary CEO turnover there is no significant change in the way the firms are being governed hence there is no effect on financial reporting practices. But there is another side of this coin, the three mentioned researchers also report that if the CEO turnover is a forced one, it has impacts of strategic decisions of the firms and hence also go for managing earnings.

Since in this study most of the information is collected from annual reports and news archives no significant proofs are found of forced turnovers in case of Indian sample firms.

4.10.6 CEO Duality and AC

The results show that in case of India CEO Duality has no association with the level of conservatism employed by firms. These results are consistent with that of Ahmed and Duellman (2007) who report insignificant results of CEO duality with AC. The results are also consistent with that of Abdullah (2006) who also report the inexistence of any significant impact of separation between the role of CEO and Chairman of the board on financial reporting. One of the possible reasons of existence of such an association might be the grey area between separation and control.

Since most of the firms are family controlled where the family members have assured greater proportion of board to themselves, the existence of such a relationship is explainable. The results are not consitent with those of Nasr and Ntim (2017), Elshandidy and Hassanein (2015) and Chi et al. (2009). They report the existence of positive impact of CEO Duality on AC. The reason is that if both the offices i.e. head of the board and chief executive office are being held by single person, the need to report managed accounting estimates is increased. Hence CEO duliaty paves the way for more conservatism. The results are also not consistent with those of Mohammed et al. (2017), Ahmed and Henry (2012) and Lim (2011). They all report a negative association between the variables under discussion here.

4.10.7 Institutional ownership and AC

The results show that there is no effect of greater percentage of shares held by institutions on the level of conservatism employed by firms in case of India. These results are not consistent with those of Mohammed et al. (2017), Chi et al. (2009), Yunos (2011) and Ahmed and Duellman (2007) who report that substantial outsider shareholders do play a role in improving accounting estimates' informativeness by employing more conservatism.

The existence of such a relationship is logical. The institutional shareholders demand more transparent and quality accounting information. This need drags the firms to install such governance mechanisms that employ more conservatism.

4.10.8 Managerial ownership and AC

The results show that there is no relationship between the managerial ownership and level of AC employed by firms. The results are not consistent with that of Mohammed et al. (2017), Yunos (2011) and Lafond and Roychowdhury (2008) who state that the managerial ownership is one of the ways to mitigate agency conflict by restricting the opportunistic behavior of the managers. They report that if the managerial ownership is more the level of AC employed by the firms is decreased.

One of the reasons for the inexistence of such a relationship in case of India could be the Haniffa and Hudaib (2006) argument that in case of developing countries too much managerial ownership is unsuitable for business environment because of its role in increasing the risk of misallocating resources.

4.10.9 Audit Committee Independence and AC

The results show that percentage of independent directors on audit committee is related to the level of conservatism employed by firms. The results are consistent with those of Mohammed et al. (2017), Yunos (2011) and Abdullah (2006) who report that there exist a relationship between independent members on the audit committee and AC.

The results of this study can be explained in the light of the argument of Mohammed et al. (2017) who state that independent members who are made the part of the audit committee possess vast expertise and knowledge about the firms business thus pave the way for employing conservatism.

4.10.10 Big Four Auditor and AC

The results show that presence of big auditor does not improve the level of conservatism employed by firms listed in India. The results are not consistent with that of Nasr and Ntim (2017) and Mohammed et al. (2017) who report the existence of a negative relationship between big five auditor and AC. The results are

not consistent with that of Rodriguez (2010) who report that in case of conditional conservatism, the presence of big auditor has a positive impact on AC. His argument is based on the contracting view of AC.

This study fails to find any such relationship. The reason of inexistence of such a relationship in case of a India is that no regulatory requirement exists for the firms to hire big auditor to access the quality of financial reporting.

4.10.11 Composite Score of Firm Governance and AC

The results show that the stature of CG in a firm do have an impact on the level of conservatism employed by the firms. The results are consistent with many studies who try to analyze the impact of CG on AC. Ren (2014), Yunos (2011), Rosilda (2009) are a few who have presented the same argument that CG does have a say in deciding the level of AC that is employed by the firms. Abdullah (2006), Haniffa and Hudaib (2006) and Ahmed and Duellman (2007) are among those researchers who have examined individual CG mechanisms and conclude that the CG positively impact conservatism.

4.10.12 CG, AC and Disclosure Quality

The results show that, in most of the cases above, the estimation of equation 3.3 is not possible as the equation 3.2 fails to report a significant relationship between CG and AC in the presence of disclosure quality as the IV (i.e. the first condition to go for moderation analysis is not fulfilled). However, the above stated condition is met when AC is proxied by ACCOMP (i.e. the composite measure of conservatism) therefore the results of step 2 of moderation analysis as shown by equation 3.3 are estimated.

The results of this study show that there exist a moderating role of disclosure quality on the relationship between CG and AC. This relationship is also explainable. If there exist a relationship between CG and AC or we can say if the governance statures demand more conservatism, the more disclosure requirements could limit this behavior thus weakening the relationship between CG and AC.

4.10.13 Firm Size and AC

FS (Firm Size) is employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship.

The results of all three equations when estimated for India show that the existance of positive relationship with AC. These results are not inline with those of Rahman and Ali (2006) and Krishnan and Visvanathan (2008) who report the existance of negative relationship of FS with AC. The reason for the existance of such a relationship is hidden in the fact stated by Givoly and Hayn (2000). They state that asymmetirc timeliness of earnings of larger firms is smaller than smaller firms. But this relationship can only hold if the market has a way of recognizing asymmetirc timeliness of earnings and normally large firms have this ability quiet often. Therefore more often large firms are found to employ less conservatism.

In case of India however, there are many firms that are in their growth stage and leaning towards maturity. Becasue of this tilt, these firms have found the ways to recognize asymmetric timeliness of earnings hence reducing conservatism.

4.10.14 Sales Growth and AC

GROS (Sales Growth) is also employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG (Composite measure of firm governance) on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship.

The results of all three equations when estimated for India show that there does not exist any relationship of GROS (measured by growth in sales) with AC. The possible reason for inexistance of such a relationship is that the reporting practices restrict the accruals from affecting thus no contribution towards conservatism.

4.10.15 Leverage and AC

LEV (Leverage) is used as a control variable in each of the three equations estimated. The first equation as stated earlier examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of first equation when estimated for India show the existance of positive relationship with AC however the results of remaining two equations fail to report the existance of any relationship.

It is again intersting to note that the signs are inline with that of the expectations. It can be said that there exist a positive relationship between the level of leverage and AC. The results are in line with those of Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008). All of these studies also report a positive impact of leverage on AC. The existance of such a relationship can be defended by this argument that highly levered firms may employ more conservatism to reduce the conflicts between the stakeholders and creditors.

4.10.16 Profitability and AC

PROF (Profitability) is employed as the control variable in each of the three equations estimated. The first equation examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all three equations when estimated for India show the existance of a positive relationship with AC.

The results are in line with those of Ahmed et al. (2002), Ahmed and Duellman (2007), Krishnan and Visvanathan (2008), Yunos (2011) and Ren (2014). All of these studies also report a positive impact of profitability on AC. The existance of such a relationship can be defended by this argument that unprofitable firms are less prone to employ conservatism as it can deteriorate its profits thus if the profitability is more the firms are prone to employing conservatism becasue they can affort the cost of emplying conservatism.

4.10.17 Summary

In case of India, size of the board i.e. number of board members show no relationship with composite measure, earnings based measures and accruals based measures. However, there exist a relationship between board size and skewness based measure of AC. It is concluded that there does not exist any relationship between number of board members and level of AC employed by firms in India. Board independence i.e. percentage of independent directors on board also show no relationship with composite and accruals based measures. However, there exist a relationship between board independence and one of the two earnings based measures of AC. It is therefore concluded that there does not exist any relationship between board independence and AC in case of Indian listed firms.

Board activity show a significant relationship with composite as well as one of the two earnings based measures of AC. Therefore, it is concluded that board activity has a significant relationship with AC. Gender diversity on board i.e. the percentage of female directors on board show a significant relationship between with only one of the two accruals based measures. However gender diversity does not show a significant relationship with any of the other measures of AC. It is therefore concluded that gender diversity on board is not related to the level of AC in Indian listed firms.

CEO turnover show no relationship with composite measure as well as accruals based and skewness based measures. However there exist a relationship between CEO turnover and one of the two earnings based measures. It can hence be concluded that CEO turnover has no relationship with AC. CEO duality i.e. the existence of CEOs office as well as chairman of the boards office with the same person show no relationship with any of the accruals based, earnings based, skewness based and composite measure of AC.

The institutional shareholding i.e. percentage of shares held by institutions show no relationship with composite measure, earnings based as well as skewness based measures. However, institutional shareholdings show a significant relationship with only one of the two accruals based measures. It is therefore concluded that

institutional shareholding has no impact on the level of conservatism employed by firms. Percentage of shares held by insiders i.e. managers also show no relationship with composite measure, earnings based as well as skewness based measures. However, there exist a significant relationship of managerial ownership with one of the two accruals based measures of conservatism. It can hence be concluded that the managerial ownership does not affect AC in case of firms listed in India.

The audit committee independence i.e. percentage of independent directors on the audit quality show a significant relationship with composite measure, skewness based measure and one of the two earnings based measures of AC. However, there does not exist any relationship of audit committee independence with accruals based as well as one of the two earnings based measure of AC. It is concluded that audit committee independence has a significant relationship with AC. The presence of big auditor also show no significant relationship with composite measure, skewness based, and earnings based as well as one of the two accruals based measure of AC. However, the existence of big auditor impact one of the two accruals based measures of AC. It can hence be concluded that type of the auditor plays no role in determining the level of AC employed by firms in India. The composite measure of firms governance show a significant relationship with composite measure, skewness based as well as one of the two accruals based measures. However, this measure of CG does not show any relationship with earnings based measures. It is therefore concluded that CG has an impact on AC in case of India. The moderating role of disclosure quality on the relationship between CG and AC is also evident from the results. Disclosure quality is found to weaken the relationship between CG and composite measure as well as skewness based and accruals based measures of AC. It can hence be concluded that the disclosure quality moderates the relationship between CG and AC in case of Indian listed firms.

4.11 Discussion of Results of Pakistan

This section discusses the results of Pakistan. Table 4.18 shows the summary of results of Panel regression analysis.

TABLE 4.18: Summary of Hypothesis Testing

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	+ (NS)	+ (NS)	+ (NS)	+ (NS)	- (NS)	+ (NS)
H2	There is a positive relationship between board independence and AC	+ (S)	+ (S)	+ (NS)	+ (NS)	- (NS)	+ (NS)
H3	There is a positive relationship between board activity and AC	- (S)	+ (NS)	- (S)	- (S)	- (S)	- (S)
H4	There is a positive relationship between gender diversity on board and AC	- (S)	+ (S)	+ (NS)	- (S)	+ (S)	- (S)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	- (NS)	+ (NS)	- (NS)	- (NS)	- (NS)
H6	There is a negative relationship between CEO Duality and AC	+ (NS)	+ (S)	- (NS)	+ (NS)	+ (S)	+ (NS)
H7	There is a positive relationship between Institutional ownership and AC	+ (S)	- (S)	- (NS)	+ (S)	+ (S)	+ (S)
H8	There is a negative relationship between Managerial ownership and AC	+ (S)	+ (NS)	+ (NS)	+ (S)	- (NS)	+ (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	- (NS)	+ (NS)	+ (S)	- (NS)	- (NS)	- (NS)
H10	There is a positive relationship between existence of Big Four Auditor and AC	+ (NS)	- (S)	+ (S)	+ (NS)	- (S)	+ (NS)
H11	There is a positive relationship between composite score of firm governance and AC	+ (S)	+ (NS)	+ (NS)	+ (S)	+ (S)	+ (S)
H12	High disclosure quality moderates the association between CG and AC	- (S)	(NA)	(NA)	- (S)	- (S)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

4.11.1 Board Size and AC

The results show that board size does not play any role in determining the level of conservatism employed by firms in Pakistan. These findings are consistent with that of Elshandidy and Hassanein (2015), Lim (2011) and Ahmed and Duellman (2007). They all report similar results while examining various markets. Existing study also report similar results for Bangladesh and India. The reason could be the use of board size as a means to improve CG stature by firms.

The findings are inconsistent with those of Mohammed et al. (2017) and Ahmed and Henry (2012) who report a positive impact of board size on AC. The reason for the existence of such a relationship is inherent is a relatively good stature of CG and strong investor protection environment in the markets examined. The findings are inconsistent with those of Nasr and Ntim (2017) and Chi et al. (2009) who report the existence of negative relationship between board size and AC. The reason could be the poor investor protection laws and weak CG stature in the markets examined.

4.11.2 Board Independence and AC

The results show that board independence does not determine conservatism practices in Pakistan. These findings are consitent with those of Lim (2011) who also report the absence of such a relationship in his study. The findings are inconsistent with those of Nasr and Ntim (2017), Mohammed et al. (2017), Ahmed and Duellman (2007) and Beekes et al. (2004) who report the existence of negative association between board independence and AC. They argue that greater the presence of independent directors on board, greater is the effectiveness of board and less is the chance of occurrence of asymmetry in information.

The results are also not in consistent with that of Beasley and Salterio (2001) who argue that the presence of outside directors on board reduce the tendency to manage earnings and accruals thus reducing the chances of accounting numbers frauds and improve audit quality.However, the results of existing study are consistent with that of Abdullah (2006) and Rahman and Ali (2006) who argue

that the existence of outside directors does not necessarily imply that they possess skills and expertise that limit the firms from employing financial reporting manipulation practices hence the existence of no relationship between the number of outside directors on board and level of AC is justifiable.

4.11.3 Board Activity and AC

The results show that greater attendence of board members negatively affect the level of conservatism employed by firms in Pakistan. This is consistent with that of Krishnan and Visvanathan (2008). However the results are not consistent with that of Abbott et al. (2007) who show that frequency of meetings improve the quality of financial reporting process. The results of this study are also not consistent with that of Boussaid et al. (2015) who report that greater board activity leads to employment of more conservatism.

4.11.4 Gender Diversity on Board and AC

The results show that the presence of more female members on the board negatively effect the level of conservatism employed by firms. These results are not consistent with that of Boussaid et al. (2015) who report that greater the number of female members more is the conservatism. According to them there are three reasons for the existence of such a relationship. First the risk-averse and less overconfident nature of female directors (Riley and Chow, 1992; Ambrose and Schminke, 1999 and Krishnan and Visvanathan (2008)). Second, their ability to think independently (Hillman and Dalziel, 2003). Third is their trust-building leadership style. All these attributes make female members more tolerant and hence pave the way for increasing boards effectiveness.

Moreover, Srinidhi et al. (2011) also find that the firm having higher percentage of female directors exhibit more earnings quality and since the number of female members on the board is less in Pakistan becasue of many environmental issues. This might be the reason that this study has found the existence of a negative relationship.

4.11.5 CEO Turnover and AC

The results show that the CEO turnover fail to effect the level of conservatism employed by firms. It is interesting to note that the results are consistent with that of Hazarika et al. (2012) who also report that if there is a voluntary CEO turnover there is no significant change in the way the firms are being governed hence there is no effect on financial reporting practices. But there is another side of this coin, the three mentioned researchers also report that if the CEO turnover is a forced one, it has impacts on strategic decisions of the firms and hence also go for managing earnings. Since in this study most of the information is collected from annual reports and news archives no significant proofs are found of forced turnovers in case of Pakistani sample firms.

4.11.6 CEO Duality and AC

The results show that in case of Pakistan, CEO Duality has no association with the level of conservatism employed by firms. These results are consistent with that of Ahmed and Duellman (2007) who report insignificant results of CEO duality with AC. The results are also consistent with that of Abdullah (2006) who also report the inexistence of any significant impact of separation between the role of CEO and Chairman of the board on financial reporting. One of the possible reasons of existence of such an association might be the grey area between separation and control. Since most of the firms are family controlled where the family members have assured greater proportion of board to themselves, the existence of such a relationship is explainable.The results are not consitent with those of Nasr and Ntim (2017), Elshandidy and Hassanein (2015) and Chi et al. (2009). They report the existence of positive impact of CEO Duality on AC. The reason is that if both the offices i.e. head of the board and chief executive office are being held by single person, the need to report managed accounting estimates is increased. Hence CEO duliaty paves the way for more conservatism. The results are also not consistent with those of Mohammed et al. (2017), Ahmed and Henry (2012) and Lim (2011). They all report a negative association between the variables under discussion here.

4.11.7 Institutional ownership and AC

The results show that greater the percentage of shares held by institutions greater is the level of conservatism employed by firms. These results are consistent with those of Mohammed et al. (2017), Chi et al. (2009), Yunos (2011) and Ahmed and Duellman (2007) who also report that substantial outsider shareholders do play a role in improving accounting estimates' informativeness by employing more conservatism.

The existence of such a relationship is logical. The institutional shareholders demand more transparent and quality accounting information. This need drags the firms to install such governance mechanisms that employ more conservatism. In case of Pakistan, the institutional shareholding is in significant proportion hence the existence of such a relationship is not unique.

4.11.8 Managerial ownership and AC

The results show that there is no relationship between the managerial ownership and level of AC employed by firms. The results are not consistent with that of Mohammed et al. (2017), Yunos (2011) and Lafond and Roychowdhury (2008) who state that the managerial ownership is one of the ways to mitigate agency conflict by restricting the opportunistic behavior of the managers. They report that if the managerial ownership is more the level of AC employed by the firms is decreased.

One of the reasons for the inexistence of such a relationship in case of Pakistan could be the Haniffa and Hudaib (2006) argument that in case of developing countries too much managerial ownership is unsuitable for business environment because of its role in increasing the risk of misallocating resources.

4.11.9 Audit Committee Independence and AC

The results show that percentage of independent directors on audit committee is not related to the level of conservatism employed by firms. The results are

not consistent with those of Mohammed et al. (2017) and Abdullah (2006) who report that there exist a relationship between independent members on the audit committee and AC.

The results of this study can be explained in the light of the argument of Zain and Subramaniam (2007) who stated that sometimes it so happen that those independent members are made the part of the audit committee whose knowledge about the firms business is limited thus cannot pave the way for employing conservatism.

4.11.10 Big Four Auditor and AC

The results show that presence of big auditor does not improve the level of conservatism employed by firms listed in Pakistan. The results are not consistent with that of Nasr and Ntim (2017) and Mohammed et al. (2017) who report the existence of a negative relationship between big five auditor and AC.

The results are not consistent with that of Rodriguez (2010) who report that in case of conditional conservatism, the presence of big auditor has a positive impact on AC. His argument is based on the contracting view of AC. This study fails to find any such relationship. The reason of inexistence of such a relationship in case of Pakistan is that no regulatory requirement exists for the firms to hire big auditor to access the quality of financial reporting.

4.11.11 Composite Score of Firm Governance and AC

The results show that the stature of CG in a firm do have an impact on the level of conservatism employed by the firms. The results are consistent with many studies who try to analyze the impact of CG on AC.

Ren (2014), Yunos (2011), Rosilda (2009) are a few who have presented the same argument that CG does have a say in deciding the level of AC that is employed by the firms. Abdullah (2006), Haniffa and Hudaib (2006) and Ahmed and Duellman (2007) are among those researchers who have examined individual CG mechanisms and conclude that the CG positively impact conservatism.

4.11.12 CG, AC and Disclosure Quality

The results show that the estimation of equation 3.4 is not possible as the equation 3.3 fails to report a significant relationship between CG and AC in the presence of disclosure quality as the IV (i.e. the first condition to go for moderation analysis is not fulfilled). However the results show that there exist a moderating role of disclosure quality on the relationship between CG and AC. This relationship is also explainable. If there exist a relationship between CG and AC or we can say if the governance statures demand more conservatism, the more disclosure requirements could limit this behavior thus weakening the relationship between CG and AC.

4.11.13 Firm Size and AC

FS (Firm Size) is employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship.

The results of all three equations when estimated forPakistan fail to show the existance of any relationship with AC. However the signs are negative. The inexistance of a significacnt relationship can be explained by the fact that the data is collected from top market capitalization firms. Since most of these firms are in their growth stage their ability to recognize asymmetirc timeliness of earning is not just affected by their size, hence no relationship is found in case of the data set employed for this study. These results are not inline with those of Rahman and Ali (2006) and Krishnan and Visvanathan (2008) who report the existance of negative relationship of FS with AC.

4.11.14 Sales Growth and AC

GROS (Sales Growth) is also employed as one of the control variables in each of the three equations estimated. Among these three equations, the first one examines

the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all three equations when estimated for Pakistan show that there does not exist any relationship of GROS with AC. The possible reason for inexistance of such a relationship is that the reporting practices restrict the accruals from affecting thus no contribution towards conservatism.

4.11.15 Leverage and AC

LEV (Leverage) is used as a control variable in each of the three equations estimated. The first equation as stated earlier examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all equation when estimated for Pakistan do not show the existance of relationship with AC. The results are not in line with those of Ahmed and Duellman (2007) and Krishnan and Visvanathan (2008). All of these studies also report a positive impact of leverage on AC. The inexistance of such a relationship can be defended by this argument that highly levered firms who may employ more conservatism do not constitute major part of our data set in case of Pakistan.

4.11.16 Profitability and AC

PROF (Profitability) is also employed as the control variable in each of the three equations estimated. The first equation examines the role of CG mechanisms on AC where as the second equation explores the role of CSFG on AC in the presence of a moderator. The third equation examines the moderating role of DQ on CG-AC relationship. The results of all three equations when estimated for Pakistan do not show the existance of any relationship with AC. The results are not in line with those of Ahmed et al. (2002), Ahmed and Duellman (2007), Krishnan and Visvanathan (2008), Yunos (2011) and Ren (2014). All of these studies report a

positive impact of profitability on AC. The inexistance of such a relationship can be defended by this argument that in case of Pakistan, even profitable firms tend to reduce the costs that may incur becasue of the employment of conservatism.

4.11.17 Summary

Taking of Pakistan, the size of the board show no relationship with any of the measures of AC hence concluding that board size does not affect the level of conservatism employed by firms. Percentage of independent directors on board also show no relationship with composite, skewness based as well as earnings based measures of conservatism. However, there exists a significant relationship between accruals based measures and AC. It is therefore concluded that board independence does not affect AC. Board activity i.e. the number of board meetings attended by a significant number of board members show a significant relationship with composite, skewness based, accruals based as well as one of the two earnings based measures. It can hence be concluded that board activity affects the level of conservatism employed by listed firms in Pakistan. Again, the gender activity on board i.e. percentage of female directors on board show a significant relationship with composite, skewness based, accruals based as well as one of the two earnings based measures. It is therefore concluded that gender diversity on board has a significant relationship with AC. CEO turnover show no relationship with any of the employed measures of AC. It is concluded that CEO turnover has no impact on the level of conservatism employed by listed firms in Pakistan. CEO duality i.e. if the CEO is aslo holding the position of chairman of the board show no significant relationship with composite, skewness based, one of the two earnings based and one of the two accruals based measures. Hence, it is concluded that CEO duality has no role in determining the extent of AC employed by Pakistani firms. Institutional shareholding i.e. percentage of shares held by institutions show a significant relationship with composite, skewness based, accruals based and one of the two earnings based measures. It is therefore concluded that the institutional shareholding affects AC. The managerial shareholding i.e. Percentage of shares held by insiders does not show any relationship with composite, one of

the two accruals based and one of the two earnings based measures of AC. However there exist a relationship with skewness based and one of the two accruals based as well as one of the two earnings based measures. It is therefore concluded that the managerial shareholding does not affect the level of conservatism employed by firms listed in Pakistan. Audit committee independence show a significant relationship with only one of the two earnings based measures and does not show any relationship with all other measures. It is concluded that audit committee independence does not contributes to AC. Presence of big auditor only affects the earnings based and one of the two accruals based measures and does not impact any of the remaining measures of AC employed in this study. It is therefore concluded that type of the auditor is not related to AC in Pakistan. The composite score of firms governance is significantly related to composite, skewness based, one of the two accruals based and one of the two earnings based measures of AC. Hence it is concluded that CG has an impact on AC in case of Pakistan. The role of disclosure quality as moderator is also evident from the results. Disclosure quality is found to weaken the relationship between CG and composite, skewness based, one of the two accruals based and one of the two earnings based measures of AC. It is therefore concluded that disclosure quality does play the moderating role in the relationship between CG and AC in case of Pakistan.

Chapter 5

Conclusion and Recommendation

This chapter encompasses four parts. First is the conclusion, followed by implications of this study. The section than follows is of limitations of the study. At the end are the future research directions.

5.1 Conclusion

This study explores the impact of CG on AC and also the moderating role of disclosure quality on this relationship in three emerging economies of South Asia. This investigation is carried out by taking into account various CG mechanisms as well as a composite measure of firms governance. It is interesting to note that the results of three data sets vary in case of individual CG mechanisms, however show similar results in case of composite measure. For example, institutional shareholding and CEO duality has an impact on AC in case of Bangladesh, in case of India board activity and audit committee independence are found to be significantly related to AC and in case of Pakistan, board activity, gender diversity on board and institutional ownership are found to be related with AC.

This study has found that AC is employed as a efficacious contraption in monitoring the controlling shareholders because the firms choose to apply more conservative practices to reduce information asymmetry. Based on a composite measure of AC that is developed from three distinct set of measures i.e. Accruals based,

Earnings based and skewness based measures, it is revealed that the CG itself paves the way for higher conservatism in all three emerging economies of South Asia. Moreover, disclosure quality is found to weaken the relationship between CG and AC in all three data sets examined.

This study found that the percentage of shares held by institutions affects the level of AC employed by firms listed in Bangladesh and Pakistan. However, this effect is not visible in case of India. For those non-financial companies that are working in Bangladesh and Pakistan, one can argue that greater the percentage of shares held by institutions greater is the level of AC. The explanation of existence of such a relationship is resided in Stakeholders theory and Positive Accounting Theory. The shareholders being the significant stakeholders and occupying a chunk in ownership structure of the firms demand more transparent and quality information. This demand compel the firms to employ more conservatism. The argument is consistent with that of Yeo et. al. (2012), Ahmed and Duellman (2007) and Yunos (2011). CEO duality is found to be impacting AC in case of Bangladesh only. A simple argument can be presented to support the existence of this relationship. If the CEO hold the offices of CEO and chairman of the board, the need to report managed conservative estimates is increased. This argument is in line with Agency Theory as the CEO working as an agent will try to reduce agency conflict hence employ more conservatism. This argument is consistent with that of Nasr and Ntim (2017), Elshandidy and Hassanein (2015) and Chi et al. (2009).

It is found that the improved attendance of board members in the board meetings affects the level of AC employed by firms working in India and Pakistan. One reason of existence of such a relationship is the role of presence of more board members in board meetings on the quality of financial reporting. This argument is in line with Stewardship Theory. The managers working as stewards and internally motivated act in the best interest of firms and hence employ more conservatism.

This particular finding is consistent with that of Abbott et al. (2007) who report that improved attendance in board meetings improve the quality of financial reporting process. The percentage of independent directors on the audit committee is also found to be related to the employed level of conservatism in case of India

only. The argument for the existence of such a relationship is simple. The independent members possess more expertise and knowledge and it is this knowledge that compels them to demand more conservatism. These findings are in line with those of Mohammed et al. (2017) who also report the existence of such a relationship. The presence of more female members on board also has an effect on the level of conservatism in case of Pakistan. The argument for the existence of such a relationship is also hidden in the stewardship theory. Boussaid et al. (2015) argue that the risk-averse and less confident nature, independent thinking ability and trust building leadership styles are three qualities of female directors that prompts the increased use of AC.

5.2 Implications of the Study

This investigation renders concrete implications for all major users of financial statements. The detailed implications are discussed as follows:

5.2.1 Implications for Theory

This study pronounces that both the theories i.e. agency theory and positive accounting theory hold in case of three emerging economies of South Asia that are being examined in this study. The CG stature somehow is designed to demand more conservatism so that the information asymmetry could be reduced. Moreover increased disclosure quality reduces the demand for more conservatism in the presence of concrete CG framework. In case of Bangladesh, CEOs having two offices try to prove their abilities to monitor the firms to the stakeholders by employing more conservative accounting practices. Also the increased institutional shareholding also demand more information from the firms thus compelling the firms to employ more and more conservatism. The findings for Bangladesh support the agency theory perspective and also the positive accounting theory as it is being empirically proved that the governance stature in listed firms persuade them to go for employing conservative practices to reduce agency conflict by reducing information asymmetry. Results also suggest that in order to maintain a

check on healthy governance-conservatism relationship the disclosure quality can be employed as an effective tool.

In case of India, attendance of board members in board meetings that is marked as a symbol of board effectiveness compels the board to employ more conservatism. It is interesting to note that more effective the board, more is its tendency for conservative financial reporting. Thus, the support for agency theory existence in India is being documented empirically. Moreover, the presence of more independent members on the audit committee is viewed as one of the mechanisms to improve transparency. Hence, the existence of relationship between audit committee independence and AC represents empirical evidence in support of positive accounting theory. The role played by disclosure quality in weakening the relationship between CG and AC is one of the mechanisms that can be installed to keep in check the misuse of firms governance structures in manipulating financial records.

In case of Pakistan, the significant effect of board activity again supports the agency theory perspective where the boards that are considered to be more effective employ more conservatism with an intention to mitigate the agency conflicts. Gender diversity on the board i.e. the presence of female directors on board showing significant effects also marks the empirical hallmark for the existence of both agency theory and positive accounting theory. The idea is simple i.e. the female presence is thought to improve effectiveness of corporate boards hence help in reducing agency conflicts and offering more accurate accounting estimates. Results further suggest that the desired benefits that firms thought to take by employing more conservative practices can only be realized if this employment is kept under the radar and one such mechanism is improvement of disclosure quality.

It can hence be stated that in case of emerging economies of South Asia i.e. Bangladesh, India and Pakistan, the results supports agency theory as well as positive accounting theory in order to empirically address the relationship between CG and AC. Moreover, in all the three economies, the improvement in disclosure quality will actually help to uphold the existence of both the theories in their true sense and spirit.

5.2.2 Implications for Policy Makers

The findings of this study suggest that the policy makers in emerging economies should focus their efforts in identifying and implementing such practices or mechanisms that could limit the firms governance structures to go for employing unnecessary conservatism while disclosing financial information to the stakeholders and also improve the disclosure quality thus weakening the adverse effects of the understudy relationship.

In case of Bangladesh, the policy makers should develop such policies that could reduce CEOs intensions of holding two offices alongside setting forth concrete reporting requirements for institutional shareholders so that the fear of the firms that compels them to employ conservative accounting practices could be overcome. Due importance should be paid to the development and installation of such mechanisms that could improve disclosure quality of the financial records that used by most of the stakeholders as a means to inform themselves of the current stature of the firms.

In case of India, the results suggest that the policy makers should consider those means that could help the firms to identity the minimum level of attendance in board meetings so that the effectiveness of the board could be improved without employing more conservatism. Moreover, the number of independent members on the audit committee should be suggested so that the adverse effects of employing more conservatism as a consequence of increased independent directors presence could be reduced. The policy makes should set forth concrete framework to step wise improve disclosure quality in firms listed in India.

In case of Pakistan, the policy makers should try to set forth such mechanisms that could suggest minimum percentage of members that should be present in a board meeting followed by the maximum number of female directors on the board. Also the reporting requirements for outsider shareholder should be made more detailed instead of being vague so that the firms intention of offering controlled information to outsider shareholders should be addressed. Moreover, such policies/rules and procedures should be introduced that could improve disclosure quality.

5.2.3 Implications for Regulators

This results suggest that regulators in three emerging economies should pay attention to the installation of such mechanisms that could limit the CG mechanisms from employing AC. Moreover these regulators show set forth more concrete framework for the disclosure practices in the firms listed in these countries so that the role of CG in AC should be reduced.

In case of Bangladesh, the role of CEO as chairman of the board as well should be restrained so that this governance mechanism could not contribute to employing more conservative accounting records. Moreover the maximum limit should be imposed by the regulators on holding the number of shares by the institutions as more the institutional shareholding more is the chance of conservatism. Lastly, as stated earlier the regulators should set forth a detailed framework for timely and item wise disclosure of each of the financial assets and obligations of the firms.

In case of India, the regulators should be more concerned about directing the firms that more attendance in the board meeting is not the only thing that enhances effectives of the board as it also contributes to increasing conservatism. The regulators should also set forth the limit on the presence of independent directors on the audit committee as if more members are there they will though increase effectiveness of the committee but at the expense of greater conservative accounting estimates. Lastly the regulators should present the firms with detailed description on the items that should be there in the financial statements and also the procedures to properly disclose the existing items. All this should be done to enhance the disclosure quality so that the relationship between CG and AC could be moderated. In case of Pakistan, the regulators should pay attention to making the firms aware of this reality that making sure of the attendance of board members in meetings can though increase effectiveness of the board but cannot guarantee the reduction in conservative accounting practices. Regulators in Pakistan are also to address the issue of proportion of female participation in the boards so that the issue of more conservatism because of more gendr diversity of board could be addressed. Again like India, the regulators in Pakistan should set forth the maximum limit on the purchase of shares by institutions in the firms. Lastly, the

regulators should set forth concrete rules for the disclosure of financial information in accounting records so that the disclosure quality could be improved.

5.2.4 Implications for Researchers

This study offers the researchers a new sense to look into various phenomenon. First it offers a chance to understand that how the results could change when a new approach is employed to explore the already explained relationship as this study employs a direct estimation approach for the exanimation of impacts of CG on AC in three emerging economies of South Asia. Second this study also offers the researchers a chance to understand the role of introduction of new attributes of a single phenomenon in explaining AC as this study employs two new attributes of CG and then examine their relationship with conservatism. Third, this study also provide an insight to the researches that how the results could change if a composite measure is employed to examine the relationship instead of only considering individual aspects both of CG and AC. Forth it also offers the explanation on the subject matter of employing various measures of AC instead of using only a single measure to evaluate AC. Last but not the least it helps the researches to understand the role of disclosure quality in improving the relationship between CG and AC in three contextually different but developing economies.

For the researchers who want to explore the impacts of CG on various strategic decisions, the CEO duality and institutional ownership is especially to be addressed because of their role in enhancing conservatism.

For the researchers who want to examine strategic decisions of firms and the role of governance mechanisms should pay attention to including board activity and audit committee independence as determinants of CG because of their contribution towards improving the level of conservatism employed by firms.

For the researchers who intend to analyze various aspects of financial decision making in the firms due diligence should be paid to addressing board activity, gender diversity on board and institutional shareholding as the CG mechanisms as their presence could alter the results of their investigations.

5.2.5 Implications for Financial Analysts and Investors

Financial analysts, fund managers and investors can make use of the results of this study. First of all those analysts, fund managers and investors who have invested or intend to invest in firms listed in Bangladesh should pay attention to investing in those firms where CED duality is absent and institutional shareholding is not much. If not there might be a chance that they will invest in those firms whose position seem to be fine but have employed conservative accounting practices thus increasing a chance of uncertainty in the returns that are to be offered by the firms.

Secondly, those analysts, fund managers and investors who are thinking of investing in Indian listed firms should take into consideration the extent of board activity and audit committee independence. Third, those investors who are interested to purchase shares of firms that are listed in Pakistan should pay much attention to making only those firms part of their portfolios in which gender diversity on board as well as institutional ownership is not much otherwise there might be a chance of investing in those firms who have employed more conservatism.

Lastly while diversifying the investments the analysts and the investors should take a deep insight of both the CG stature as well as the disclosure practices installed in these countries (i.e. emerging economies of South Asia) and should not only stick to the information set forth by the firms via financial statements and other periodic reports.

5.2.6 Implications for Creditors

Creditors can make use of the results of this study as well. This study offers the creditors with a recommendation that they should never evaluate the firms listed in Bangladesh, India and Pakistan by using the information presented in their accounting records. Rather, they should ask the firms to prove additional information especially regarding their governance statures and financial reporting processes. This should be done because there is a chance that firms have employed conservative accounting practices.

5.2.7 Implications for Auditors

Auditors should know that their assumption of high quality financial statements if they are being closely monitored by board and internal auditing mechanism is shattered by the results of this study. This study suggests that the auditors should identify those CG mechanism that contribute to employing more conservatism. Moreover, the auditors because of the difference in financial reporting practices, CG statures and disclosure mechanism in three economies should pay more attention in identifying those individual firm specific as well as economy or market specific factors that can affect conservatism.

5.3 Limitations of this Study

This study contributes significantly to the body of knowledge. However, like any research there are certain limitations of this study. These are as follows:

1. The sample in this study excludes all financial firms that are listed in three economies understudy because of the difference in financial reporting practices. Hence the findings cannot be generalized to financial sectors of these countries.

2. The study only examines the impact of internal governance mechanisms on the level of AC. It might be possible that there could be some external or country specific governance mechanisms that could also affect conservative accounting practices.

3. The study considers only those internal CG mechanism whose quantitative data is available from annual reports or other sources of the firm. No such attribute that could reflect the personality of CEOs, CFOs or other managers that could be gauged by conducting structured interviews is considered. Hence this study can offer insight on the internal CG mechanism only and not in any way on the decision making abilities of major pillars of governance structure of the firms.

5.4 Future Research Direction

This study can be extended in the following ways:

1. This study can be replicated by considering the financial firms that are listed in these economies. It is interesting to note that the financial firms include commercial banks, investment banks, asset management companies, mutual funds etc. The replication of this study for financial firms requires special attention as the regulatory requirements in some countries vary with respect to commercial banks and mutual funds. Exploring the same issue in financial listed firms would be a challenge and if met could lead to setting forth concrete recommendations for the firms listed in those sectors.

2. This study can also be extended by considering both the internal and external governance mechanism that are thought to affect strategic decisions of the firms. One such attempt could be to consider not only internal ESG factors but also external ESG factors. ESG stands for environmental, social and governance factors. Much attention is being paid to analyze the impact of these factors from the view point of the firms. However there is still a gap in analyzing both internal and external ESG factors.

3. Some qualitative measures of CG like personality and other traits of CEO, CFO and managers that could alter their abilities in handling strategic decisions of the firms can also be made the part of this study. This study can also be extended by considering more traits of the managers like ethnicity, religious inclination, work-family conflict managerial skill, stress bearing capacity, job satisfaction etc.

4. Since its a contextual study the national culture of the country, adoption of IFRS, judicial efficacy and other similar phenomenon could also be considered to better analyze the factors that could add fuel to the fire of conservative accounting estimates.

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Appendix

APPENDIX I

Classification of Sample Firms

Table 5.1: Classification of Bangladeshi Firms

Industry	No of Firms
Cement	5
Ceramics Sector	4
Engineering	15
Food & Allied	9
Fuel & Power	12
IT Sector	3
Jute	2
Miscellaneous	7
Paper & Printing	1
Pharmaceuticals & Chemicals	16
Services & Real Estate	3
Tannery Industries	3
Telecommunication	2
Textile	18
Travel & Leisure	0
Total Companies	100

Source: Dhaka Stock Exchange

Table 5.2: Names of Bangladeshi Firms

	Names of Firms
1	ACI (ACI Limited)
2	ACIFORMULA (ACI Formulations Limited)
3	AFTABAUTO (Aftab Automobiles Limited)
4	AGNISYSL (Agni Systems Ltd.)
5	AL-HAJTEX (Al-Haj Textile Mills Limited)
6	ALLTEX (Alltex Industries Ltd.)
7	AMBEEPHA (Ambee Pharmaceuticals Ltd.)
8	AMCL (PRAN) (Agricultural Marketing Company Ltd. (Pran)
9	ANLIMAYARN (Anlimayarn Deying Ltd.)
10	ANWARGALV (Anwar Galvanizing Ltd.)
11	APEXFOODS (Apex Foods Limited)
12	APEXFOOT (Apex Footwear Limited.)
13	APEXSPINN (Apex Spinning & Knitting Mills Limited)
14	APEXTANRY (Apex Tannery Limited)
15	ARAMIT (Aramit Limited)
16	ARAMITCEM (Aramit Cement Limited)
17	ATLASBANG (Atlas Bangladesh Ltd.)
18	BANGAS (Bangas Ltd.)
19	BATASHOE (Bata Shoe Company (Bangladesh) Limited)
20	BATBC (British American Tobacco bangladesh Company Limited)
21	BDCOM (BDCOM Online Ltd.)
22	BDLAMPS (Bangladesh Lamps Limited)
23	BDTHAI (Bd.Thai Aluminium Ltd.)
24	BERGERPBL (Berger Paints Bangladesh Ltd.)
25	BEXIMCO (Bangladesh Export Import Company Ltd.)
26	BSC (Bangladesh Shipping Corporation)
27	BSCCL (Bangladesh Submarine Cable Company Limited)
28	BSRMSTEEL (BSRM Steels Limited)
29	BXPHARMA (Beximco Pharmaceuticals Ltd.)

30 BXSYNTH (Beximco Synthetics Ltd.)

31 CONFIDCEM (Confidence Cement Ltd.)

32 CVOPRL (CVO Petrochemical Refinery Limited)

33 DACCADYE (The Dacca Dyeing & Manufacturing Co.Ltd.)

34 DAFODILCOM (Daffodil Computers Ltd.)

35 DESCO (Dhaka Electric Supply Company Ltd.)

36 EASTRNLUB (Eastern Lubricants Ltd.)

37 ECABLES (Eastern Cables Ltd.)

38 EHL (Eastern Housing Limited)

39 FUWANGCER (Fu-Wang Ceramic Industries Ltd.)

40 FUWANGFOOD (Fu Wang Food Ltd.)

41 GEMINISEA (Gemini Sea Food Ltd.)

42 GLAXOSMITH (GlaxoSmithKline (GSK) Bangladesh Ltd.)

43 GOLDENSON (Golden Son Ltd.)

44 GP (Grameenphone Ltd.)

45 GQBALLPEN (GQ Ball Pen Industries Ltd.)

46 HAKKANIPUL (Hakkani Pulp & Paper Mills Ltd.)

47 HEIDELBCEM (Heidelberg Cement Bangladesh Ltd.)

48 HRTEX (H.R.Textile Ltd.)

49 IBNSINA (The IBN SINA Pharmaceutical Industry Ltd.)

50 JAMUNAOIL (Jamuna Oil Company Limited)

51 KEYACOSMET (Keya Cosmetics Ltd.)

52 KOHINOOR (Kohinoor Chemicals Company (Bangladesh) Ltd.)

53 KPCL (Khulna Power Company Limited)

54 LIBRAINFU (Libra Infusions Limited)

55 LINDEBD (Linde Bangladesh Limited)

56 MAKSONSPIN (Maksons Spinning Mills Limite)

57 MALEKSPIN (Malek Spinning Mills Ltd.)

58 MARICO (Marico Bangladesh Limited)

59 MEGHNACEM (Meghna Cement Mills Ltd.)

60 METROSPIN (Metro Spinning Ltd.)

61 MIRACLEIND (Miracle Industries Ltd.)

62 MITHUNKNIT (Mithun Knitting and Dyeing Ltd.)

63 MONNOCERA (Monno Ceramic Industries Ltd.)

64 MPETROLEUM (Meghna Petroleum Limited)

65 NORTHERN (Northern Jute Manufacturing Co. Ltd.)

66 NPOLYMAR (National Polymer Industries Ltd.)

67 NTC (National Tea Company Ltd.)

68 NTLTUBES (National Tubes Limited)

69 OAL (Olympic Accessories Limited)

70 ORIONINFU (Orion Infusion Ltd.)

71 ORIONPHARM (Orion Pharma Ltd.)

72 PADMAOIL (Padma Oil Co. Ltd.)

73 PHARMAID (Pharma Aids)

74 POWERGRID (Power Grid Company of Bangladesh Ltd.)

75 PRIMETEX (Prime Textile Spinning Mills Limited)

76 QUASEMIND (Quasem Industries Ltd.)

77 RAHIMTEXT (Rahim Textile Mills Ltd.)

78 RAKCERAMIC (RAK Ceramics (Bangladesh) Limited)

79 RANFOUNDRY (Rangpur Foundry Ltd.)

80 RECKITTBEN (Reckitt Benckiser (Bd.)Ltd.)

81 REGENTTEX (Regent Textile Mills Limited)

82 RENATA (Renata Ltd.)

83 RENWICKJA (Renwick Jajneswar& Co (Bd) Ltd.)

84 RNSPIN (R.N. Spinning Mills Limited)

85 RSRMSTEEL (Ratanpur Steel Re-Rolling Mills Limited)

86 SAIHAMCOT (Saiham Cotton Mills Limited)

87 SAIHAMTEX (Saiham Textile Mills Ltd.)

88 SALAMCRST (S. Alam Cold Rolled Steels Ltd.)

89 SAMORITA (Samorita Hospital Limited)

90 SAPORTL (Summit Alliance Port Limited)

91 SINGERBD (Singer Bangladesh Limited)

92	SINOBANGLA (Sinobangla Industries Ltd.)
93	SPCERAMICS (Shinepukur Ceramics Limited)
94	SPCL (Shahjibazar Power Co. Ltd.)
95	SQUARETEXT (Square Textile Ltd.)
96	STANCERAM (Standard Ceramic Industries Ltd.
97	TALLUSPIN (Tallu Spinning Mills Ltd.
98	TITASGAS (Titas Gas Transmission & Dist. Co. Ltd.
99	USMANIAGL (Usmania Glass Sheet Factory Limited
100	ZEALBANGLA (Zeal Bangla Sugar Mills Ltd.)

Source: Dhaka Stock Exchange

TABLE 5.3: Classification of Indian Firms

Industry	**No of Firms**
2/3 Wheelers	3
Agrochemicals	5
Aluminium	2
Auto Parts & Equipment	2
Auto Tyres & Rubber Products	4
Broadcasting & Cable TV	1
Cars & Utility Vehicles	2
Cement & Cement Products	7
Cigarettes-Tobacco Products	1
Commercial Vehicles	3
Commodity Chemicals	2
Consumer Electronics	2
Electric Utilities	6
Exploration & Production	2
Fertilizers	1
Forest Products	1
Furniture-Furnishing-Paints	3
Heavy Electrical Equipment	3
Hotels	1
Household Appliances	1
Industrial Machinery	2
Integrated Oil & Gas	1
Iron & Steel/Interm.Products	4
Oil Marketing & Distribution	3
Other Apparels & Accessories	1
Other Elect.Equip./ Prod.	3
Packaged Foods	3
Personal Products	6
Pharmaceuticals	10
Plastic Products	2
Refineries/ Petro-Products	3
Sugar	2
Tea & Coffee	1
Telecom Cables	1
Textiles	6
Total Companies	100

Source: Bombay Stock Exchnage

Table 5.4: Names of Indian Firms

	Names of Firms
1	ABAN (ABAN OFFSHORE LTD)
2	ABB (ABB India Limited)
3	ACC (ACC LTD)
4	ADANIENT (ADANI ENTERPRISES LTD)
5	AMAL (AMAL LTD)
6	AMARAJABAT (AMARA RAJA BATTERIES LTD)
7	AMBUJACEM (AMBUJACEM)
8	AMTEKAUTO (AMTEK AUTO LTD)
9	APOLLOHOSP (APOLLO HOSPITALS ENTERPRISE LTD)
10	APOLLOTYRE (APOLLO TYRES LTD)
11	ASHOKLEY (ASHOK LEYLAND LTD)
12	ASIANPAINT (ASIAN PAINTS LTD)
13	ATUL (ATUL LTD)
14	BAJAJELEC (BAJAJ ELECTRICALS LTD)
15	BALKRISIND (BALKRISHNA INDUSTRIES LTD.)
16	BATAINDIA (BATA INDIA LTD.)
17	BAYERCROP (BAYER CROPSCIENCE LTD)
18	BEL (BHARAT ELECTRONICS LTD)
19	BEML (BEML LTD)
20	BERGEPAINT (BERGER PAINTS INDIA LTD)
21	BHARATFORG (BHARAT FORGE LTD)
22	BHEL (BHARAT HEAVY ELECTRICALS LTD)
23	BOSCHLTD (BOSCH LTD)
24	BRITANNIA (BRITANNIA INDUSTRIES LTD)
25	CASTROLIND (CASTROL INDIA LTD)
26	CEATLTD (CEAT LTD)
27	CENTURYTEX (CENTURY TEXTILES & INDUSTRIES LTD)
28	CESC (CESC LTD)
29	COROMANDEL (COROMANDEL INTERNATIONAL LTD)

30 CROMP (Crompton Greaves Consumer Electricals Ltd)

31 CUMMINSIND (CUMMINS INDIA LTD)

32 CYIENT (Cyient Limited)

33 EICHERMOT (EICHER MOTORS LTD)

34 ENGINERSIN (ENGINEERS INDIA LTD)

35 ESCORTS (ESCORTS LTD.)

36 EXIDEIND (EXIDE INDUSTRIES LTD)

37 FINCABLES (FINOLEX CABLES LTD)

38 GET& D (GE T& D India Ltd)

39 GMDCLTD (GUJARAT MINERAL DEVELOPMENT CORPORATION LTD)

40 GODREJIND (GODREJ INDUSTRIES LTD)

41 GSFC (GUJARAT STATE FERTILIZERS & CHEMICALS LTD)

42 GSKCONS (GSKCONS)

43 HAVELLS (HAVELLS INDIA LTD)

44 HCC (HINDUSTAN CONSTRUCTION CO.LTD)

45 HEROMOTOCO (HERO MOTOCORP LTD.)

46 HEXAWARE (HEXAWARE TECHNOLOGIES LTD)

47 HINDALCO (HINDALCO INDUSTRIES LTD)

48 "HINDCOPPER (HINDUSTAN COPPER LTD.) "

49 INDHOTEL (INDIAN HOTELS CO.LTD)

50 INDIACEM (INDIA CEMENTS LTD)

51 INFY (INFOSYS LTD)

52 IOC

53 ITC (ITC)

54 JKLAKSHMI (JK LAKSHMI CEMENT LTD)

55 JKTYRE (JK TYRE & INDUSTRIES LTD)

56 JSWSTEEL (JSW STEEL LTD)

57 KAJARIACER (KAJARIA CERAMICS LTD)

58 KANSAINER (KANSAI NEROLAC PAINTS LTD)

59 LAXMIMACH (LAKSHMI MACHINE WORKS LTD)

60 LT (LARSEN & TOUBRO LTD.)

61 MARP (MANGALORE REFINERY & PETROCHEMICALS LTD)

62 MONSANTO (MONSANTO INDIA LTD)

63 MOTHERSUMI (MOTHERSON SUMI SYSTEMS LTD)

64 MPHASIS (MPHASIS LTD)

65 MRF (MRF LTD)

66 NATIONALUM (NATIONAL ALUMINIUM CO.LTD)

67 NCC (NCC Limited)

68 NESTLEIND (NESTLE INDIA LTD.)

69 NLCINDIA (NLC India Ltd)

70 ONGC (OIL AND NATURAL GAS CORPORATION LTD)

71 PETRONET (PETRONET LNG LTD)

72 PIIND (PI Industries Ltd)

73 POLYCHEM (POLYCHEM LTD)

74 RAJESHEXPO (RAJESH EXPORTS LTD)

75 RALLIS (RALLIS INDIA LTD)

76 RAMCOCEM (The Ramco Cements Limited)

77 RELIANCE (RELIANCE INDUSTRIES LTD)

78 RELINFRA (RELIANCE INFRASTRUCTURE LTD)

79 SAIL 9STEEL AUTHORITY OF INDIA LTD)

80 SHREECEM (SHREE CEMENT LTD)

81 SIEMENS (SIEMENS LTD)

82 SKFINDIA (SKF India Ltd)

83 TATACHEM (TATA CHEMICALS LTD)

84 TATAELXSI (TATA ELXSI LTD)

85 TATAMOTORS (TATA MOTORS LTD)

86 TATAPOWER (TATA POWER CO.LTD)

87 TATASTEEL (TATA STEEL LTD)

88 THERMAX (THERMAX LTD)

89 TITAN (Titan Company Limited)

90 TRENT (TRENT LTD)

91	TTKPRESTIG (TTK PRESTIGE LTD)
92	TNSTLTU (AMILNADU STEEL TUBES LTD)
93	TVSMOTOR (TVS MOTOR COMPANY LTD)
94	UPL (UPL Limited)
95	VEDL (Vedanta Limited)
96	VIDEOIND (VIDEOCON INDUSTRIES LTD)
97	VOLTAS (VOLTAS LTD)
98	WELCORP (Welspun Corp Limited)
99	WIPRO (WIPRO LTD)
100	ZEEL (ZEE ENTERTAINMENT ENTERPRISES LTD)

Source: Bombay Stock Exchange

Table 5.5: Classification of Pakistani Firms

Industry	**No of Firms**
Automobile assembler	8
Automobile parts and Accessories	5
Cable and electrical goods	4
Cement	11
Chemical	11
Engineering	5
Fertilizer	2
Food and personal care products	6
Glass and ceramics	4
Jute	0
Leather and tanneries	1
Media	0
Miscellaneous	0
Oil and gas exploration companies	1
Oil and gas marketing companies	3
Paper and board	3
Pharmaceuticals	6
Power generation and distribution	3
Refinery	3
Sugar and allied industries	7
Synthetic and rayon	2
Technology and Communication	0
Textile composite	8
Textile spinning	4
Textile weaving	2
Tobacco	1
Transport	0
Vanaspati and allied industries	0
Woolen	0
Total Companies	100

Source: Pakistan Stock Exchange (Former Karachi Stock Exchnage)

Table 5.6: Names of Pakistani Firms

	Names of Firms
1	AABS (Al-Abbas Sugar Mills Limited)
2	ABOT (Abbot Laboatories (Pakistan) Limited)
3	ACPL (Attock Cement (Pakistan) Limited)
4	APL (Attock Petroleum Limited)
5	ARPL (Archroma Pakistan Limited)
6	ASHT (Ashfaq Textile Mills Limited)
7	ATBA (Atlas Battery Limited)
8	ATLH (Atlas Honda Limited)
9	ATRL (Attock Refinery Limited)
10	BATA (Bata Pakistan Limited)
11	BERG (Berger Paints Pakistan Limited)
12	BGL (Baluchistan Glass Limited)
13	BIFO (Biafo Industries Limited)
14	BTL (Blessed Textile Mills Limited)
15	BUXL (Buxly Paints Limited)
16	BWCL (Bestway Cement Limited)
17	CEPB (Century Paper and Board Mills Limited)
18	CFL (Crescent Fibres Limited)
19	CHCC (Cherat Cement Company Limited)
20	CLOV (Clover Pakistan Limited)
21	COLG (Colgate Palmolive (Pakistan) Limited)
22	COST ((Colony) Sarhad Textile Mills Limited)
23	CRTM (Crescent Textile Mills Limited)
24	CSAP (Crescent Steel & Allied Products Limited)
25	CTM (Colony Textile Mills Limited)
26	DBCI (Dadabhoy Cement Industries Limited)
27	DCL (Dewan Cement Limited)
28	DGKC (D.G. Khan Cement Company Limited)
29	DLL (Dawood Lawrancepur Limited)

30 DWSM (Dewan Sugar Mills Limited)

31 DYNO (Dynea Pakistan Limited)

32 EMCO (Emco Industries Limited)

33 ENGRO (Engro Corporation Limited)

34 EXIDE (Exide Pakistan Limited)

35 FASM (Faisal Spinning Mills Limited)

36 FEROZ (Ferozsons Laboratories Limited)

37 FFBL (Fauji Fertilizer Bin Qasim Limited)

38 FFC (Fauji Fertilizer Company Limited)

39 GHNI (Ghandhara Industries Limited)

40 GTYR (General Tyre and Rubber Co. of Pakistan Limited)

41 GWLC (Gharibwal Cement Limited)

42 HABSM (Habib Sugar Mills Limited)

43 HCAR (Honda Atlas Cars (Pakistan) Limited)

44 HINO (HinoPak Motors Limited)

45 HINOON (Highnoon Laboratories Limited)

46 HSPI (Huffaz Seamless Pipe Industries Limited)

47 HUBC (Hub Power Company Limited)

48 ICI (I.C.I. Pakistan Limited)

49 ICL (Ittehad Chemical Limited)

50 INDU (Indus Motor Company Limited)

51 ISIL (Ismail Industries Limited)

52 JPGL (Japan Power Generation Limited)

53 KML (Kohinoor Mills Limited)

54 KOHC (Kohat Cement Limited)

55 KOHTM (Kohat Textile Mills Limited)

56 KASB (K.S.B. Pumps Co. Limited)

57 KTML (Kohinoor Textile Mills Limited)

58 LOTCHEM (Lotte Chemical Pakistan Limited)

59 LUCK (Lucky Cement Limited)

60 MARI (Mari Petroleum Company Limited)

61 MEHT (Mehmood Textile Mills Limited)

62 MIRKS (Mirpurkhas Sugar Mills Limited)

63 MLCP (Maple Leaf Cement Factory Limited)

64 MRNS (Mehran Sugar Mills Limited)

65 MSOT (Masood Textile Mills Limited)

66 MTL (Millat Tractors Limited)

67 NATF (National Foods Limited)

68 NCL (Nishat Chunian Limited)

69 NESTLE (Nestle Pakistan Limited)

70 NML (Nishat Mills Limited)

71 NONS (Noon Sugar Mills Limited)

72 NRL (National Refinery Limited)

73 OGDC (Oil and Gas Development Company Limited)

74 PAKT (Pakistan Tobacco Company Limited)

75 PCAL (Pakistan Cables Limited)

76 PELPS (Pak Elektron(Pref))

77 PIOC (Pioneer Cement Limited)

78 PKGS (Packages Limited)

79 PNSC (Pakistan National Shipping Corporation Limited)

80 POL (Pakistan Oilfields Limited)

81 PPL (Pakistan Petroleum Limited)

82 PRL (Pakistan Refinery Limited)

83 PSO (Pakistan State Oil Company Limited)

84 PTC (Pakistan Telecommunication Company Limited)

85 QUET (Quetta Textile Mills Limited)

86 RUPL (Rupali Polyester Limited)

87 SAPL (Sanofi-Aventis Pakistan Limited)

88 SAZEW (Sazgar Engineering Works Limited)

89 SEARL (The Searle Company Limited)

90 STCL (Shabbir Tiles and Ceramics Limited)

91 SEPL (Security Paper Limited)

92	SHEL (Shell Pakistan Limited)
93	SIEM (Siemens Pakistan Engineering Co. Limited)
94	SITM (Sitara Chemical Industries Limited)
95	SNGP (Sui Northern Gas Pipelines Limited)
96	TGL (Tariq Glass Industries Limited)
97	UPFL (Unilever Pakistan Foods Limited)
98	WTL (WorldCall Telecom Limited)
99	WYETH (Wyeth Pakistan Limited)
100	ZIL (ZIL Limited)

Source: Pakistan Stock Exchange

APPENDIX II

Disclosure Quality Index Measurement

TABLE 5.7: Disclosure Quality Index Measurement

	Title	**Score**
1	Corporate objectives	
1.1	Mission	1
1.2	Vision	1
1.3	Overall strategic objectives	1
1.4	Core Values	1
1.5	Code of conduct/ethical principle/statement of ethics	1
1.6	History of the company/profile	1
	Total	6
2	Directors Report/chairmans/CEO overview	
2.1	Performance review of the company	4
2.2	Disclosing the Business risks and challenges	4
2.3	A general review of the future prospects	3
2.4	Business process reengineering/development activities	1
2.5	Contribution of the company to the national exchequer	1
2.6	Contribution towards the development of human capital	2
2.7	How corporate social responsibilities, environmental issues been met	2
2.8	Market share information	1
2.9	Disclosing how liquidity problems been solved	2
2.10	Information regarding different segments of the company	2
2.11	Safety of the employees	2
	Total	24
3	Disclosure	
3.1	Financial Reporting Results	1
3.2	Accounting standards used for the accounts	1

3.3	Comprehensive related party disclosure	1
3.4	Disclosure of all changes in corresponding figures	1
3.5	Adequate disclosure of significant judgment and estimates	1
3.6	Detailed disclosure of Financial instruments	1
3.7	Further disclosure of facilities provided to CEO and Directors	1
3.8	Detailed disclosure of all contingencies and commitments	1
3.9	Adequate disclosure of new accounting standard	1
3.1	Detailed capacity disclosure	1
3.11	Segmental analysis	1
3.12	Cash flow statement based on direct method	1
3.13	Disclosure of fair value of property, plant and equipment	1
3.14	Adequate disclosure of change in accounting policy	1
3.15	Expenditure on Research and development	1
3.16	Information on Auditors	1
3.17	Disclosure of how much is paid to Auditors	1
3.18	Number of employees	1
	Total	18
4	Stake holders Information	
	Information relevant for users of financial statements	
4.1	Investor information for 6 years	10
1	Gross profit ratio	0.4
2	EBITDA Margin to sales	0.4
3	Net profit to sales	0.4
4	Return on equity	0.4
5	Return on capital employed	0.4
6	Weighted average cost of debt	0.4
7	Inventory turnover ratio/No of days in inventory	0.4
8	Debtor turnover ratio/ No of days in receivable	0.4
9	Creditor turnover ratio/ No of days in payables	0.4
10	Operating cycle	0.4
11	Total assets turnover ratio/ Fixed assets turnover ratio	0.4

12	Current ratio	0.4
13	Quick / Acid test ratio	0.4
14	Price earnings ratio	0.4
15	Cash dividend per share	0.4
16	Bonus shares issued	0.4
17	Dividend yield ratio	0.4
18	Dividend payout ratio	0.4
19	Dividend cover ratio	0.4
20	Debt: equity ratio	0.4
21	Interest cover ratio	0.4
22	Breakup value per share without surplus effect	0.4
23	Breakup value per share including surplus effect	0.4
24	Market value per share at the end of the year	0.4
25	EBTIDA	0.4
	Total	10
4.2	Summary of cash flow statements for six year	1
	Shareholders information	
4.3	Shares held by sponsors / directors/ executive	1
4.4	Vertical horizontal analysis for 6 years	4
4.5	Statement of value added distributed to stakeholders	4
	Total	20
5	Corporate Governance Disclosures	
5.1	Date of authorization of financial statements by the Board	10
	Within 45 days (10 marks)	
	Within 60 days (7 marks)	
	Within 75 days (4 marks)	
5.2	Statement of compliance with code of corporate governance	1
5.3	The board structure and its committees	1
5.4	Chairman of the board other than CEO	1
5.5	Information on the Board committees	
A	Information on the Board committees	

B	Terms of references	
C	Number of meetings held	
5.6	Role and function of the board of directors	2
5.7	Salient features of the audit committee charter	1
5.8	Name of independent Directors to be disclosed	1
5.9	Disclose for all members of board of directors	2
A	Profile of each director	
B	Involvement /engagement of each director	
5.1	Non executive directors on the audit committee	2
5.11	Name list of board attendance	2
5.12	Training and development activities for directors	2
5.13	Organizational chart	1
5.14	Disclosure of criteria to evaluate Board performance	1
5.15	CEO performance review	1
5.16	Event Calendar	1
	Total	32
	Grand Total	100

APPENDIX III

Additional Analyses for Bangladesh

Two additional analyses are being performed. The first set of following section reports the results of panel data regression analysis involving CG as the categorical variables i.e. converted into good, bad and moderate governance. The second section reports the results of ordered probit regression analysis involving AC as the categorical variable.

TABLE 5.8: Results of ACACC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		1.262	1.292
GG	+	0.324	2.014**
MG	-	0.474	2.208**
BG	-	0.803	2.453**
FS	-	-0.469	-1.732*
GROS	-	0.183	0.63
LEV	+	-0.009	-0.096
PROF	+	-0.988	-1.38
Adj R^2			0.432
F-Statistic			6.014***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACC = Accruals based first measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACACC and Good, Moderate and Bad CG

Table 5.8 shows the results of fixed effect regression for ACACC and proxies for GG, MG and BG. The adjusted R squared is 0.434 meaning that 43.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG and MG are significant. The results are consistent with many studies that are there in the literature as both GG and MG are found to be significanlty related to AC. These results also pave the way for the investigation with other AC proxies.

TABLE 5.9: Results of ACCIC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-2.267	-3.179***
GG	+	0.408	2.759***
MG	-	0.526	2.529**
BG	-	0.652	2.324**
FS	-	0.038	0.204
GROS	-	-0.084	-0.504
LEV	+	-0.059	-0.599
PROF	+	-1.461	-2.323**
Adj R^2			0.707
F-Statistic			16.935***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIC = Accruals based second measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCIC and Good, Moderate and Bad CG

Table 5.9 shows the results of fixed effect regression for ACCIC and proxies for GG, MG and BG. The adjusted R squared is 0.707 meaning that 70.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are significant. The results are consistent with many studies that are there in the literature as all GG, MG and BG are found to be significanlty related to AC.

ACCIE and Good, Moderate and Bad CG

Table 5.10 shows the results of fixed effect regression for ACCIE and proxies for GG, MG and BG. The adjusted R squared is 0.649 meaning that 64.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The MG is significant. The results are consistent with many studies that are there in the literature as MG is found to be significanlty related to AC.

TABLE 5.10: Results of ACCIE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.273	0.512
GG	+	0.014	0.097
MG	-	-0.298	-1.658*
BG	-	-0.288	-1.321
FS	-	-0.035	-0.248
GROS	-	-0.02	-0.094
LEV	+	-0.048	-0.674
PROF	+	0.045	0.063
Adj R^2			0.649
F-Statistic			13.191***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIE = Earnings based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

TABLE 5.11: Results of ACSKEW and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.043	-0.073
GG	+	0.082	0.576
MG	-	0.219	1.207
BG	-	0.144	0.626
FS	-	-0.012	-0.078
GROS	-	-0.245	-1.795*
LEV	+	-0.032	-0.552
PROF	+	0.365	0.847
Adj R^2			0.424
F-Statistic			5.862***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEW = Skewness based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACSKEW and Good, Moderate and Bad CG

Table 5.11 shows the results of fixed effect regression for ACSKEW and proxies for GG, MG and BG. The adjusted R squared is 0.424 meaning that 42.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit.

All the three caegorical variables i.e. GG, MG and BG are insignificant. The results are consistent with many studies that are there in the literature as GG, MG and BG are found to be not significanlty related to AC. These results also pave the way for the investigation with other AC proxies.

TABLE 5.12: Results of ACSOE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.741	-0.744
GG	+	-0.227	-0.943
MG	-	-0.071	-0.233
BG	-	0.034	0.085
FS	-	0.162	0.559
GROS	-	0.002	0.008
LEV	+	0.286	1.928**
PROF	+	1.563	2.128**
Adj R^2			0.044
F-Statistic			1.301***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOE = Sensitivity of earnings to bad news relative to sensitivity of earnings to good news, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACSOE and Good, Moderate and Bad CG

Table 5.12 shows the results of fixed effect regression for ACSOE and proxies for GG, MG and BG. The adjusted R squared is 0.044 meaning that 4.4 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. All the three caegorical variables i.e. GG, MG and BG are insignificant.

ACCOMP and Good, Moderate and Bad CG

Table 5.13 shows the results of fixed effect regression for ACCOMP and proxies for GG, MG and BG. The adjusted R squared is 0.629 meaning that 62.9 percent of the variation in dependent variable is because of the considered independent

TABLE 5.13: Results of ACCOMP and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.176	-0.182
GG	+	0.515	2.690***
MG	-	0.503	2.026**
BG	-	0.74	2.219
FS	-	-0.332	-1.256
GROS	-	0.027	0.11
LEV	+	-0.151	-1.227
PROF	+	-1.853	-3.683***
Adj R^2			0.629
F-Statistic			12.201***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

variables. The F-statistic is also significant meaning that the model is a good fit. The GG and MG are significant. The results are consistent with many studies that are there in the literature as both GG and MG are found to be significanlty related to AC.

ACACCC and CG (where AC is Categorical)

This section encompasses the results of those regression models that are employed to test the effect of CG on AC but with a change in the nature of dependent variable. The dependent variable i.e. AC is converted into the categorical variable and hence logistic regression models are estimated. Table 5.14 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG Mechanisms. The Pseudo R squared is 0.040 and LR Statistic is also significant. Out of the considered CG variables BS, CEOD, INSO and MANO are significant with signs of INSO and MANO similar to that was hypothesized. Table 5.15 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CSFG. The Pseudo R squared is 0.019 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized.

TABLE 5.14: Results of ACACCC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.053	0.28
BA	+	0.064	0.293
BI	+	0.121	0.365
BS	-	0.097	3.798***
CEOD	-	0.235	1.795*
CEOT	+	-0.025	-0.158
GDB	+	-0.175	-0.437
INSO	+	-0.917	-2.793***
MANO	-	-1.113	-3.845***
TAUD	+	0.203	1.535
FS	-	0.046	0.676
GROS	-	0.814	2.213**
LEV	+	-0.095	-0.718
PROF	+	-0.28	-0.355
Pseudo R^2			0.040
LR-Statistic			59.593***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Catagorical form of Accruals based first measure of AC, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

The results are consistent with many studies that are there in the literature as catagorical form of considered AC proxy is found to be significanlty related with CG.

ACCICC and CG (where AC is Catagorical)

Table 5.16 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG Mechanisms. The Pseudo R squared is 0.081 and LR Statistic is also significant. Out of the considered CG variables BA, BS, CEOD, CEOT, INSO and TAUD are significant with signs of BS, CEOD, INSO and TAUD similar to that was hypothesized. Table 5.17 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CSFG. The Pseudo

TABLE 5.15: Results of ACACCC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.522	4.382***
FS	-	0.115	1.764*
GROS	-	0.815	2.274**
LEV	+	-0.014	-0.108
PROF	+	-0.489	-0.637
Pseudo R^2			0.019
LR-Statistic			28.473***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Catagorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size measured by log of total assets, GROS = Sales Growth measured by growth in sales, LEV = Leverage of the firm measured by debt to equity ratio, PROF = Profitability of the firm measured by return on assets

R squared is 0.035 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized.

ACCIEC and CG (where AC is Catagorical)

Table 5.18 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG Mechanisms. The Pseudo R squared is 0.051 and LR Statistic is also significant. Out of the considered CG variables BI, BS,INSO, MANO and TAUD are significant with signs of BI, BS and TAUD similar to that was hypothesized. Table 5.19 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CSFG. The Pseudo R squared is 0.009 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that was hypothesized.

ACSKEWC and CG (where AC is Categorical)

Table 5.20 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG Mechanisms. The Pseudo R squared is 0.042 and LR Statistic is also significant. Out of the considered CG variables BI, CEOD, MANO and TAUD are significant with signs of CEOD and MANO are

TABLE 5.16: Results of ACCICC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.217	-1.123
BA	+	0.976	4.297***
BI	+	-0.402	-1.202
BS	-	0.131	4.997***
CEOD	-	0.292	2.187**
CEOT	+	0.283	1.796*
GDB	+	-0.596	-1.473
INSO	+	-1.007	-3.021***
MANO	-	-0.451	-1.539
TAUD	+	0.334	2.476**
FS	-	-0.013	-0.192
GROS	-	1.146	3.049***
LEV	+	-0.026	-0.197
PROF	+	-4.356	-5.336***
Pseudo R^2			0.081
LR-Statistic			115.741***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Catagorical form of Accruals based second measure of AC, ACCIEC = Catagorical form ofEarnings based measure of AC, ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Catagorical form of Skewness based measure of AC, ACCOMPC = Catagorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size which is measured by log of total assets, GROS = Sales Growth of the firm measured by growth in sales of the firm, LEV = Leverage of the firm measured by debt to equity ratio, PROF = Profitability of the firm measured by retrun on assets

similar to that was hypothesized. The results are consistent with many studies that are there in the literature as catagorical form of considered AC proxy is found to be significanlty related with a few CG mechanisms. The results are consistent with many studies that are there in the literature as catagorical form of considered AC proxy is found to be significanlty related with CG mechanisms. Table 5.21 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CSFG. The Pseudo R squared is 0.016 and LR Statistic is also significant. The CSFG is significant with sign opposite to that was hypothesized.

TABLE 5.17: Results of ACCICC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.426	3.571***
FS	-	0.039	0.595
GROS	-	0.934	2.579**
LEV	+	0.156	1.232
PROF	+	-4.466	-5.675***
Pseudo R^2			0.035
LR-Statistic			49.785***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Catagorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACSOEC and CG (where AC is Categorical)

Table 5.22 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG Mechanisms. The Pseudo R squared is 0.019 and LR Statistic is also significant. Out of the considered CG variables ACI, GDB and MANO are significant with signs of ACI, GDB and MANO similar to that was hypothesized. Table 5.23 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CSFG. The Pseudo R squared is 0.006 and LR Statistic is also significant. The CSFG is significant with sign opposite to that was hypothesized.

ACCOMPC and CG (where AC is Categorical)

Table 5.24 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG Mechanisms. The Pseudo R squared is 0.070 and LR Statistic is also significant. Out of the considered CG variables BS, CEOD, INSO and TAUD are significant with signs of BA and TAUD similar to that was hypothesized. Table 5.25 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CSFG. The Pseudo R squared is 0.033 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized.

TABLE 5.18: Results of ACCIEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.188	-0.973
BA	+	0.283	1.277
BI	+	0.669	2.020**
BS	-	-0.074	-2.875***
CEOD	-	-0.053	-0.402
CEOT	+	-0.025	-0.16
GDB	+	0.329	0.815
INSO	+	-1.586	-4.731***
MANO	-	1.157	4.021***
TAUD	+	0.296	2.236**
FS	-	0.119	1.732*
GROS	-	0.369	0.992
LEV	+	0.036	0.27
PROF	+	-2.259	-2.830***
Pseudo R^2			0.051
LR-Statistic			74.406***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Catagorical form ofEarnings based measure of AC, ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Catagorical form of Skewness based measure of AC, ACCOMPC = Catagorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size which is measured by log of total assets, GROS = Sales Growth of the firm measured by growth in sales of the firm, LEV = Leverage of the firm measured by debt to equity ratio, PROF = Profitability of the firm measured by retrun on assets

ACACCC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.26 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG with DQ present as independent variable as well. The CSFG is significant with sign similar to that was hypothesized. Table 5.27 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG with DQ as moderating variable. The CSFGXDQ is insignificant with sign similar to that was hypothesized.

TABLE 5.19: Results of ACCIEC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.019	0.158
FS	-	0.098	1.503
GROS	-	0.526	1.464
LEV	+	-0.112	-0.892
PROF	+	-2.43	-3.140**
Pseudo R^2			0.009
LR-Statistic			13.28***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Catagorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size which is measured by log of total assets, GROS = Sales Growth of the firm measured by growth in sales of the firm, LEV = Leverage of the firm measured by debt to equity ratio, PROF = Profitability of the firm measured by retrun on assets

ACCICC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.28 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.035 and LR Statistic is also significant. The CSFGXDQ is insignificant with sign similar to that was hypothesized.

Table 5.29 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG with DQ as moderating variable. The Pseudo R squared is 0.044 and LR Statistic is also significant. The CSFGXDQ is significant with sign opposite to that was hypothesized.

ACCIEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.30 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.009 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that was hypothesized. The results are consistent

TABLE 5.20: Results of ACSKEWC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.084	0.437
BA	+	-0.273	-1.242
BI	+	-0.971	-2.909***
BS	-	0.013	0.49
CEOD	-	-0.424	-3.200***
CEOT	+	0.115	0.74
GDB	+	0.102	0.256
INSO	+	0.038	0.114
MANO	-	-0.715	-2.488**
TAUD	+	-0.363	-2.737***
FS	-	0.107	1.55
GROS	-	-0.027	-0.073
LEV	+	0.14	1.055
PROF	+	1.292	1.636
Pseudo R^2			0.042
LR-Statistic			60.521***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Catagorical form of Skewness based measure of AC, ACCOMPC = Catagorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

with many studies that are there in the literature as the considered AC proxy is not found to be significanlty related with CG.

ACSKEWC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.31 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.016 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized. The results are consistent with many studies in literature who also report the significant role of

TABLE 5.21: Results of ACSKEWC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.416	-3.480***
FS	-	0.16	2.438**
GROS	-	-0.172	-0.479
LEV	+	0.148	1.186
PROF	+	1.204	1.566
Pseudo R^2			0.016
LR-Statistic			23.149***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Catagorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

CG in determining AC. Since the first condition is met thus proceeding to testing of DQ as moderator. Table 5.32 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG with DQ as moderating variable. The Pseudo R squared is 0.017 and LR Statistic is also significant. The CSFGXDQ is insignificant with sign opposite to that was hypothesized.

ACSOEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.33 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.009 and LR Statistic is also significant. The CSFG is significant with sign opposite to that was hypothesized. The results are consistent with many studies in literature who also report the significant role of CG in determining AC. Since the first condition is met, the analysis can proceed to second stage of testing of DQ as moderator. Table 5.34 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG with DQ as moderating variable. The Pseudo R squared is 0.035 and LR Statistic is also significant. The CSFGXDQ is insignificant with sign similar to that was hypothesized.

TABLE 5.22: Results of ACSOEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.307	1.607*
BA	+	-0.104	-0.475
BI	+	-0.095	-0.289
BS	-	-0.018	-0.723
CEOD	-	0.031	0.239
CEOT	+	-0.216	-1.394
GDB	+	0.799	2.005**
INSO	+	0.105	0.319
MANO	-	0.487	1.702*
TAUD	+	-0.206	-1.565
FS	-	0.01	0.151
GROS	-	-0.122	-0.331
LEV	+	0.163	1.237
PROF	+	-0.564	-0.717
Pseudo R^2			0.019
LR-Statistic			27.537***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCOMPC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.35 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.036 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized. Table 5.36 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG with DQ as moderating variable. The Pseudo R squared is 0.036 and LR Statistic is also significant. The CSFGXDQ is insignificant with sign opposite to that was hypothesized.

TABLE 5.23: Results of ACSOEC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.328	-2.754***
FS	-	-0.001	-0.01
GROS	-	0.083	0.229
LEV	+	0.107	0.858
PROF	+	-0.59	-0.768
Pseudo R^2			0.006
LR-Statistic			8.996*

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Discussion of Additional Results of Bangladesh

Good, Moderate and Bad CG and AC

The summary of results of multivariate regression analysis involving CG as categorical variable is presented in Table 5.37. The results show that good and moderate CG practices do impact AC in case of firms listed in Bangladesh. It is interesting to note that this relationship is in line with our previous argument that CG do have an impact on the level of AC employed by the firms.

CG, AC and Disclosure Quality with AC as Categorical Variable

Table 5.38 shows the summary of results of probit regression. The results show that board activity, CEO Duality and Type of the auditor do have an impact on the level of conservatism employed by firms. It is interesting to note that the results of panel regression analysis regarding the composite score of firm's governance are endorsed in the additional analysis as well. The results show that CSFG plays a significant role in determining accounting conservatism. However the role of disclosure quality in moderating the relationship between CG and AC is not found in case of additional analysis.

TABLE 5.24: Results of ACCOMPC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.140	-0.726
BA	+	0.946	4.230***
BI	+	0.434	1.285
BS	-	0.092	3.560***
CEOD	-	0.235	1.767*
CEOT	+	0.002	0.014
GDB	+	-0.518	-1.293
INSO	+	-1.374	-4.110***
MANO	-	-0.092	-0.316
TAUD	+	0.426	3.158***
FS	-	0.137	1.969**
GROS	-	1.051	2.809***
LEV	+	0.015	0.111
PROF	+	-2.913	-3.618***
Pseudo R^2			0.07
LR-Statistic			101.52***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Catagorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage of the firm, PROF = Profitability of the firm

TABLE 5.25: Results of ACCOMPC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.533	4.451***
FS	-	0.182	2.754***
GROS	-	0.965	2.644***
LEV	+	0.107	0.852
PROF	+	-3.248	-4.166***
Pseudo R^2			0.033
LR-Statistic			48.200***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Catagorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, FS = Firm Size which is measured by log of total assets, GROS = Sales Growth of the firm measured by growth in sales of the firm, LEV = Leverage of the firm measured by debt to equity ratio, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.26: Results of ACACCC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.479	3.794***
DQ	-	-0.597	-1.04
FS	-	0.11475	1.76166*
GROS	-	0.85449	2.36989**
LEV	+	-0.0187	-0.1492
PROF	+	-0.4758	-0.619
Pseudo R^2			0.020
LR-Statistic			29.556***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Catagorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, Lev = Leverage

TABLE 5.27: Results of ACACCC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.025	0.649
DQ	-	-1.421	-0.981
CSFGXDQ	-	1.115	0.620
FS	-	0.111	1.706*
GROS	-	0.871	2.409
LEV	+	-0.033	-0.263
PROF	+	-0.451	-0.585
Pseudo R^2			0.020
LR-Statistic			29.941***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Catagorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, Lev = Leverage, PROF = Profitability

TABLE 5.28: Results of ACCICC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.382	3.343***
DQ	-	-0.609	-1.107
FS	-	0.039	0.568***
GROS	-	0.974	2.779
LEV	+	0.150	1.168
PROF	+	-4.458	-5.892***
Pseudo R^2			0.035
LR-Statistic			50.909***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Catagorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, Lev = Leverage, PROF = Profitability

Table 5.29: Results of ACCICC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.921	-2.372**
DQ	-	-5.342	-3.670***
CSFGXDQ	-	6.431	3.545***
FS	-	0.022	0.340
GROS	-	1.076	2.938***
LEV	+	0.063	0.491
PROF	+	-4.365	-5.528***
Pseudo R^2			0.044
LR-Statistic			63.519***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Catagorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance

Table 5.30: Results of ACCIEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.003	0.022
DQ	-	-0.223	-0.363
FS	-	0.098	1.553
GROS	-	0.540	1.423
LEV	+	-0.114	-0.873
PROF	+	-2.425	-2.997***
Pseudo R^2			0.009
LR-Statistic			13.432***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Catagorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, Lev = Leverage, PROF = Profitability

Table 5.31: Results of ACSKEWC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.380	-2.914***
DQ	-	0.503	0.898
FS	-	0.160	2.363***
GROS	-	-0.205	-0.585
LEV	+	0.153	1.246
PROF	+	1.193	1.663***
Pseudo R^2			0.016
LR-Statistic			23.925***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Catagorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, Lev = Leverage, PROF = Profitability

Table 5.32: Results of ACSKEWC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.676	-1.749*
DQ	-	-0.567	-0.395
CSFGXDQ	-	1.451	0.812
FS	-	0.156	2.376**
GROS	-	-0.185	-0.511
LEV	+	0.134	1.050
PROF	+	1.228	1.595
Pseudo R^2			0.017
LR-Statistic			24.585***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Catagorical form of Skewness based measure of AC

Table 5.33: Results of ACSOEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.2364	-1.8098**
DQ	-	1.25673	2.28708**
FS	-	-0.0006	-0.0098
GROS	-	0.00177	0.00459
LEV	+	0.11964	0.96235
PROF	+	-0.6199	-0.7883
Pseudo R^2			0.009
LR-Statistic			13.813***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance

Table 5.34: Results of ACSOEC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.038	0.102
DQ	-	2.247	1.739*
CSFGXDQ	-	-1.346	-0.804
FS	-	0.003	0.052
GROS	-	-0.017	-0.045
LEV	+	0.137	1.094
PROF	+	-0.651	-0.830
Pseudo R^2			0.010
LR-Statistic			14.376***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Catagorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance

TABLE 5.35: Results of ACCOMPC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.450	3.918***
DQ	-	-1.170	-2.326**
FS	-	0.181	2.764***
GROS	-	1.047	2.874***
LEV	+	0.097	0.741
PROF	+	-3.231	-4.019***
CSFG	+	0.217	0.622
DQ	-	-2.006	-1.570
CSFGXDQ	-	1.145	0.678
FS	-	0.178	2.710***
GROS	-	1.064	2.929***
LEV	+	0.081	0.606
PROF	+	-3.208	-3.990***
Pseudo R^2			0.036
LR-Statistic			52.417***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Catagorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance

TABLE 5.36: Results of ACCOMPC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.217	0.622
DQ	-	-2.006	-1.570
CSFGXDQ	-	1.145	0.678
FS	-	0.178	2.710***
GROS	-	1.064	2.929***
LEV	+	0.081	0.606
PROF	+	-3.208	-3.990***
CSFG	+	0.450	3.918***
DQ	-	-1.170	-2.326**
FS	-	0.181	2.764***
GROS	-	1.047	2.874***
LEV	+	0.097	0.741
PROF	+	-3.231	-4.019***
Pseudo R^2			0.036
LR-Statistic			52.818***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Catagorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance

Table 5.37: Summary of Additional Testing (Good, Moderate and Bad CG and AC)

	Assumptions	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
A1	Good CG practices	+	+	+	+	-	+
	effects AC	(S)	(S)	(NS)	(NS)	(NS)	(S)
A2	Moderate CG practices	+	+	-	+	-	+
	practices effects AC	(S)	(S)	(S)	(NS)	(NS)	(S)
A3	Bad CG practices	+	+	-	+	+	+
	practices effects AC	(S)	(S)	(NS)	(NS)	(NS)	(NS)

(NS) = Not Supported and (S) = Supported

Table 5.38: Summary of results of probit regression

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	- (S)	- (NS)	- (NS)	- (NS)	- (NS)	- (NS)
H2	There is a positive relationship between board independence and AC	- (NS)	- (NS)	- (NS)	- (NS)	- (NS)	- (NS)
H3	There is a positive relationship between board activity and AC	+ (NS)	+ (NS)	+ (NS)	- (NS)	+ (NS)	+ (NS)
H4	There is a positive relationship between gender diversity on board and AC	+ (NS)	+ (S)	+ (S)	+ (NS)	- (NS)	+ (NS)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	+ (NS)	- (NS)	- (NS)	+ (S)	+ (NS)
H6	There is a negative relationship between CEO Duality and AC	+ (S)	+ (S)	+ (NS)	- (NS)	+ (S)	+ (S)
H7	There is a positive relationship between Institutional ownership and AC	+ (S)	+ (NS)	+ (NS)	- (NS)	+ (NS)	+ (NS)
H8	There is a negative relationship between Managerial ownership and AC	+ (NS)	+ (NS)	- (NS)	+ (NS)	+ (NS)	+ (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	+ (S)	+ (NS)	- (NS)	+ (NS)	+ (NS)	+ (NS)
H10	There is a positive relationship between existence of Big Four Auditor and AC	- (NS)	+ (S)	+ (NS)	- (NS)	- (NS)	+ (NS)
H11	There is a positive relationship between composite score of firm governance and AC	+ (NS)	+ (S)	+ (NS)	- (NS)	- (NS)	+ (S)
H12	High disclosure quality moderates the association between CG and AC	(NA)	- (S)	(NA)	(NA)	(NA)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

APPENDIX IV

Additional Analyses for India

Two additional analyses are being performed. The first set of following section reports the results of panel data regression analysis involving CG as the categorical variables i.e. converted into good, bad and moderate governance. The second section reports the results of ordered probit regression analysis involving AC as the categorical variable. This section encompasses the results of those regression models that are employed to test the effect of good, moderate and bad CG on AC. Following Shah (2007) the dummies are created for good, bad and moderate CG by employing normal curve methodology on composite score of firms governance.

TABLE 5.39: Results of ACACC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		1.611	3.678***
GG	+	0.046	0.217
MG	-	-0.077	-0.313
BG	-	-0.081	-0.218
FS	-	-0.415	-3.837***
GROS	-	0.71	2.303**
LEV	+	-0.02	-0.59
PROF	+	0.052	1.071
Adj R^2			0.427
F-Statistic			5.914***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACC = Accruals based first measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACACC and Good, Moderate and Bad CG

Table 5.39 shows the results of fixed effect regression for ACACC and proxies for GG, MG and BG. The adjusted R squared is 0.427 meaning that 42.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant.

TABLE 5.40: Results of ACCIC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.495	-6.611***
GG	+	0.126	1.941**
MG	-	0.123	1.643
BG	-	0.197	1.508
FS	-	0.012	0.456
GROS	-	-0.179	-1.526
LEV	+	-0.013	-1.482
PROF	+	0.002	0.134
Adj R^2			0.659
F-Statistic			13.725***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIC = Accruals based second measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCIC and Good, Moderate and Bad CG

Table 5.40 shows the results of fixed effect regression for ACCIC and proxies for GG, MG and BG. The adjusted R squared is 0.659 meaning that 65.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG is significant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACCIE and Good, Moderate and Bad CG

Table 5.41 shows the results of fixed effect regression for ACCIE and proxies for GG, MG and BG. The adjusted R squared is 0.683 meaning that 68.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The MG is insignificant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC.

TABLE 5.41: Results of ACCIE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-1.922	-3.159***
GG	+	0.389	1.375
MG	-	0.491	1.730*
BG	-	0.491	1.251
FS	-	0.439	3.227***
GROS	-	0.548	1.769*
LEV	+	0.054	1.254
PROF	+	0.214	4.599***
Adj R^2			0.683
F-Statistic			15.184***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIE = Earnings based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.42: Results of ACSKEW and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-1.829	-3.236***
GG	+	0.296	1.093
MG	-	0.113	0.381
BG	-	-0.178	-0.444
FS	-	0.457	2.820***
GROS	-	-0.618	-1.396
LEV	+	-0.065	-0.965
PROF	+	-0.011	-0.173
Adj R^2			0.097
F-Statistic			1.706***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEW = Skewness based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm

ACSKEW and Good, Moderate and Bad CG

Table 5.42 shows the results of fixed effect regression for ACSKEW and proxies for GG, MG and BG. The adjusted R squared is 0.097 meaning that 9.7 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant.

TABLE 5.43: Results of ACSOE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.178	0.055
GG	+	0.731	0.655
MG	-	0.807	0.772
BG	-	0.742	0.599
FS	-	-0.648	-0.911
GROS	-	1.745	1.317
LEV	+	0.408	2.587***
PROF	+	0.4	1.652*
Adj R^2			0.209
F-Statistic			2.747***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOE = Sensitivity of earnings to bad news relative to sensitivity of earnings to good news, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACSOE and Good, Moderate and Bad CG

Table 5.43 shows the results of fixed effect regression for ACACC and proxies for GG, MG and BG. The adjusted R squared is 0.209 meaning that 20.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant. The results are consistent to those of many studies in the literature.

TABLE 5.44: Results of ACCOMP and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-1.905	-4.079***
GG	+	0.41	1.956**
MG	-	0.453	2.162**
BG	-	0.465	1.597
FS	-	0.361	3.204***
GROS	-	0.227	0.859
LEV	+	0.027	0.772
PROF	+	0.156	4.467***
Adj R^2			0.599
F-Statistic			10.846***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCOMP and Good, Moderate and Bad CG

Table 5.44 shows the results of fixed effect regression for ACCOMP and proxies for GG, MG and BG. The adjusted R squared is 0.599 meaning that 59.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG and MG are significant.

ACACCC and CG (where AC is Categorical)

This section encompasses the results of those regression models that are employed to test the effect of CG on AC but with a change in the nature of dependent variable. The dependent variable i.e. AC is converted into the categorical variable and hence logistic regression models are estimated.

TABLE 5.45: Results of ACACCC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.207	-0.598
BA	+	-0.178	-0.494
BI	+	0.744	1.780**
BS	-	0.056	1.598
CEOD	-	-0.024	-0.25
CEOT	+	-0.157	-1.409
GDB	+	-0.523	-0.749
INSO	+	-0.31	-1.049
MANO	-	0.674	1.357
TAUD	+	0.105	1.133
FS	-	0.126	2.667**
GROS	-	0.379	0.495
LEV	+	-0.033	-0.522
PROF	+	-0.006	-0.093
Pseudo R^2			0.014
LR-Statistic			20.549*

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.46: Results of ACACCC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.058	0.303
FS	-	0.125	2.723***
GROS	-	0.39	0.52
LEV	+	-0.027	-0.45
PROF	+	-0.001	-0.011
Pseudo R^2			0.005
LR-Statistic			7.870***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

Table 5.45 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG Mechanisms. The Pseudo R squared is 0.014 and LR Statistic is also significant. Out of the considered CG variables only BI is significant with sign similar to that is hypothesized. Table 5.46 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CSFG. The Pseudo R squared is 0.005 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized.

ACCICC and CG (where AC is Catagorical)

Table 5.47 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG Mechanisms. The Pseudo R squared is 0.048 and LR Statistic is also significant. Out of the considered CG variables ACI, BA, BS, CEOD, INSO and MANO are significant with signs of ACI, BA and INSO are similar to that are hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC.Table 5.48 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CSFG. The Pseudo R squared is 0.014 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC.

TABLE 5.47: Results of ACCICC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.893	2.558**
BA	+	0.611	1.671*
BI	+	-0.922	-2.180**
BS	-	-0.167	-4.654***
CEOD	-	0.074	0.777
CEOT	+	0.068	0.612
GDB	+	0.125	0.178
INSO	+	0.9	3.005***
MANO	-	1.161	2.303**
TAUD	+	-0.099	-1.057
FS	-	-0.113	-2.376**
GROS	-	-1.357	-1.762*
LEV	+	-0.068	-1.088
PROF	+	0.182	2.733**
Pseudo R^2			0.049
LR-Statistic			71.577***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, ACCIEC = Categorical form of Earnings based measure of AC, ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.48: Results of ACCICC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.189	0.982
FS	-	-0.127	-2.742***
GROS	-	-1.135	-1.511
LEV	+	-0.068	-1.133
PROF	+	0.14	2.197**
Pseudo R^2			0.014
LR-Statistic			20.396***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.49: Results of ACCIEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-1.297	-3.683***
BA	+	-0.267	-0.733
BI	+	-0.357	-0.849
BS	-	0.048	1.353
CEOD	-	-0.158	-1.668*
CEOT	+	0.112	0.994
GDB	+	1.155	1.651*
INSO	+	0.368	1.222
MANO	-	-1.242	-2.472**
TAUD	+	0.222	2.368**
FS	-	-0.144	-3.003***
GROS	-	-0.481	-0.623
LEV	+	0.178	2.847***
PROF	+	0.261	3.875***
Pseudo R^2			0.043
LR-Statistic			62.402***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form of Earnings based measure of AC, ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.50: Results of ACCIEC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.060	-0.310
FS	-	-0.125	-2.719***
GROS	-	-0.603	-0.802
LEV	+	0.196	3.265***
PROF	+	0.284	4.378***
Pseudo R^2			0.018
LR-Statistic			26.428***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCIEC and CG (where AC is Catagorical)

Table 5.49 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG Mechanisms. The Pseudo R squared is 0.043 and LR

Statistic is also significant. Out of the considered CG variables ACI, CEOD, GDB, MANO and TAUD are significant with signs of CEOD, GDB, MANO and TAUD similar to that are hypothesized. Table 5.50 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CSFG. The Pseudo R squared is 0.018 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized. The results are also in consistent with many studies in the literature.

TABLE 5.51: Results of ACSKEWC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.763	2.195**
BA	+	-0.379	-1.046
BI	+	-1.268	-3.025***
BS	-	-0.112	-3.210***
CEOD	-	-0.052	-0.555
CEOT	+	0.107	0.967
GDB	+	0.42	0.601
INSO	+	-0.053	-0.179
MANO	-	0.095	0.191
TAUD	+	0.118	1.271
FS	-	-0.018	-0.379
GROS	-	-0.569	-0.74
LEV	+	-0.067	-1.084
PROF	+	0.008	0.121
Pseudo R^2			0.019
LR-Statistic			28.267*

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACSKEWC and CG (where AC is Categorical)

Table 5.51 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG Mechanisms. The Pseudo R squared is 0.019 and LR Statistic is also significant. Out of the considered CG variables ACI, BI

TABLE 5.52: Results of ACSKEWC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.041	0.215
FS	-	-0.01	-0.216
GROS	-	-0.176	-0.235
LEV	+	-0.049	-0.814
PROF	+	-0.04	-0.631
Pseudo R^2			0.001
LR-Statistic			1.274

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

and BS are significant with signs of ACI and BS similar to that is hypothesized. Table 5.52 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CSFG. The Pseudo R squared is 0.001 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that was hypothesized.

ACSOEC and CG (where AC is Categorical)

Table 5.53 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG Mechanisms. The Pseudo R squared is 0.029 and LR Statistic is also significant. Out of the considered CG variables ACI, BA, BI and GDB are significant with signs of BA, BI and GDB similar to that is hypothesized. Table 5.54 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CSFG. The Pseudo R squared is 0.010 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized.

ACCOMPC and CG (where AC is Categorical)

Table 5.55 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG Mechanisms. Out of the considered CG variables ACI, and CEOD are significant with sign of CEOD similar to that is

TABLE 5.53: Results of ACSOEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.594	-1.672*
BA	+	0.82	2.187**
BI	+	1.301	3.020***
BS	-	-0.046	-1.291
CEOD	-	-0.131	-1.345
CEOT	+	0.127	1.117
GDB	+	2.157	2.994***
INSO	+	-0.204	-0.673
MANO	-	0.172	0.336
TAUD	+	-0.006	-0.058
FS	-	0.054	1.123
GROS	-	1.329	1.681*
LEV	+	0.052	0.814
PROF	+	0.053	0.787
Pseudo R^2			0.029
LR-Statistic			37.153***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.54: Results of ACSOE and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.539	2.728***
FS	-	0.062	1.312
GROS	-	1.397	1.812**
LEV	+	0.027	0.440
PROF	+	0.060	0.919
Pseudo R^2			0.010
LR-Statistic			12.483**

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

hypothesized. Table 5.56 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CSFG. The CSFG is insignificant with sign opposite to that is hypothesized.

TABLE 5.55: Results of ACCOMPC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.893	-2.536**
BA	+	-0.191	-0.522
BI	+	-0.631	-1.5
BS	-	-0.021	-0.606
CEOD	-	-0.155	-1.629*
CEOT	+	0.167	1.487
GDB	+	0.7	0.998
INSO	+	0.194	0.647
MANO	-	-0.474	-0.939
TAUD	+	0.24	2.561*
FS	-	-0.189	-3.921***
GROS	-	-0.361	-0.467
LEV	+	0.179	2.862***
PROF	+	0.256	3.807***
Pseudo R^2			0.038
LR-Statistic			53.829***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.56: Results of ACCOMPC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.084	-0.432
FS	-	-0.173	-3.721***
GROS	-	-0.359	-0.475
LEV	+	0.21	3.488***
PROF	+	0.266	4.091***
Pseudo R^2			0.021
LR-Statistic			29.361***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACACCC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.57 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG with DQ present as independent variable as well.

TABLE 5.57: Results of ACACCC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.040	0.207
DQ	-	-0.217	-0.729
FS	-	0.195	1.83192*
GROS	-	0.375	0.500
LEV	+	-0.029	-0.480
PROF	+	-0.075	-0.624
Pseudo R^2			0.006
LR-Statistic			8.401

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

The Pseudo R squared is 0.006 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized.

TABLE 5.58: Results of ACCICC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.245	1.258
DQ	-	0.614	2.05697**
FS	-	-0.325	-3.0377***
GROS	-	-1.098	-1.461
LEV	+	-0.063	-1.054
PROF	+	0.353	2.90495***
Pseudo R^2			0.017
LR-Statistic			24.630

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCICC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.58 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.017 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized.

TABLE 5.59: Results of ACCIEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.782	2.89777***
DQ	-	2.698	4.52518***
FS	-	-1.982	-4.7968***
GROS	-	-0.624	-0.827
LEV	+	0.173	2.86872***
PROF	+	2.049	5.17756***
Pseudo R^2			0.032
LR-Statistic			47.111

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.60: Results of ACCIEC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	1.964	3.09987***
DQ	-	3.119	4.92712***
CSFGXDQ	-	-0.505	-2.0637**
FS	-	-2.041	-4.9072***
GROS	-	-0.611	-0.810
LEV	+	0.168	2.7811***
PROF	+	2.123	5.32271***
Pseudo R^2			0.035
LR-Statistic			51.390

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCIEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.59 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.032 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent with many studies present in the literature that also proposes the existance of a significant relationship between AC and CG. Table 5.60 shows the results of

ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG with DQ as moderating variable. The Pseudo R squared is 0.035 and LR Statistic is also significant. The CSFGXDQ is significant with sign similar to that is hypothesized.

TABLE 5.61: Results of ACSKEWC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.039	0.200
DQ	-	-0.028	-0.094
FS	-	-0.001	-0.009
GROS	-	-0.178	-0.237
LEV	+	-0.049	-0.817
PROF	+	-0.050	-0.414
Pseudo R^2			0.001
LR-Statistic			1.283

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACSKEWC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.61 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.001 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized.

ACSOEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.62 shows the results of ordered probit regression for ACSOEC and CG with DQ present as independent variable. The CSFG is significant. Table 5.63 shows the results of ordered probit regression for ACSOEC and CG with DQ as moderating variable. The CSFGXDQ is insignificant with sign similar to that is hypothesized.

TABLE 5.62: Results of ACSOEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.581	2.91007***
DQ	-	0.465	1.520
FS	-	-0.088	-0.808
GROS	-	1.432	1.85597*
LEV	+	0.031	0.503
PROF	+	0.220	1.77541*
Pseudo R^2			0.011
LR-Statistic			14.796

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.63: Results of ACSOEC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.145	0.204
DQ	-	0.270	0.627
CSFGXDQ	-	0.300	0.641
FS	-	-0.090	-0.821
GROS	-	1.432	1.85565*
LEV	+	0.031	0.512
PROF	+	0.216	1.73582*
Pseudo R^2			0.012
LR-Statistic			15.207

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCOMPC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.64 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG with DQ present as independent variable as well. The CSFG is significant with sign similar to that is hypothesized. Table 5.65 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG with DQ as moderating variable. The Pseudo R squared is 0.031 and LR Statistic is also significant. The CSFGXDQ is significant.

TABLE 5.64: Results of ACCOMPC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.450	3.91764***
DQ	-	-1.170	-2.3263**
FS	-	0.181	2.76352***
GROS	-	1.047	2.87445***
LEV	+	0.097	0.741
PROF	+	-3.231	-4.0186***
Pseudo R^2			0.036
LR-Statistic			52.417

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.65: Results of ACCOMPC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	1.394	2.20744**
DQ	-	2.381	3.78738***
CSFGXDQ	-	-0.354	-1.445*
FS	-	-1.649	-3.9846***
GROS	-	-0.361	-0.476
LEV	+	0.188	3.10297***
PROF	+	1.680	4.23851***
Pseudo R^2			0.031
LR-Statistic			43.946

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Discussion of Additional Results of India

Good, Moderate and Bad CG and AC

The summary of results of multivariate regression analysis involving CG as categorical variable is presented in Table 5.66. The results show that good and moderate CG practices do impact AC in case of firms listed in India. It is interesting to note that this relationship is in line with our previous argument that CG do have an impact on the level of AC employed by the firms.

CG, AC and Disclosure Quality with AC as Categorical Variable

Table 5.67 shows the summary of results of probit regression that is employed as an additional analytical technique. The results show that ACI, CEO Duality and Type of the auditor do have an impact on the level of conservatism employed by firms. It is interesting to note that the results of panel regression analysis regarding the composite score of firm's governance are not endorsed in additional analysis. The results show that CSFG does not play a significant role in determining accounting conservatism if the nature of the dependent variable is categorical. However the role of disclosure quality in moderating the relationship between CG and AC is found in case of additional analysis.

Table 5.66: Summary of Additional Testing (Good, Moderate and Bad CG and AC)

	Assumptions	**ACACC**	**ACCIC**	**ACCIE**	**ACSKEW**	**ACSOE**	**ACCOMP**
A1	Good CG practices	+	+	+	+	+	+
	effects AC	(NS)	(S)	(NS)	(NS)	(NS)	(S)
A2	Moderate CG practices	-	+	+	+	+	+
	practices effects AC	(NS)	(NS)	(S)	(NS)	(NS)	(S)
A3	Bad CG practices	-	+	+	-	+	+
	practices effects AC	(NS)	(NS)	(NS)	(NS)	(NS)	(NS)

(NS) = Not Supported and (S) = Supported

TABLE 5.67: Summary of results of probit regression

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	+ (NS)	- (S)	+ (NS)	- (S)	- (NS)	- (NS)
H2	There is a positive relationship between board independence and AC	+ (S)	- (S)	- (NS)	- (S)	+ (S)	- (NS)
H3	There is a positive relationship between board activity and AC	- (NS)	+ (S)	- (NS)	- (NS)	+ (S)	- (NS)
H4	There is a positive relationship between gender diversity on board and AC	- (NS)	+ (NS)	+ (S)	+ (NS)	+ (S)	+ (NS)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	+ (NS)	+ (NS)	+ (NS)	+ (NS)	+ (NS)
H6	There is a negative relationship between CEO Duality and AC	- (NS)	+ (NS)	- (S)	- (NS)	- (NS)	- (S)
H7	There is a positive relationship between Institutional ownership and AC	- (NS)	+ (S)	+ (NS)	- (NS)	- (NS)	+ (NS)
H8	There is a negative relationship between Managerial ownership and AC	+ (NS)	+ (S)	- (S)	+ (NS)	+ (NS)	- (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	- (NS)	+ (S)	- (S)	+ (S)	- (S)	- (S)
H10	There is a positive relationship between existence of Big Four Auditor and AC	+ (NS)	- (NS)	+ (S)	+ (NS)	- (NS)	+ (S)
H11	There is a positive relationship between composite score of firm governance and AC	+ (NS)	+ (NS)	- (NS)	+ (NS)	+ (S)	+ (NS)
H12	High disclosure quality moderates the association between CG and AC	(NA)	(NA)	- (S)	(NA)	+ (NS)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

APPENDIX V

Additional Analyses for Pakistan

Two additional analyses are being performed. The first set of following section reports the results of panel data regression analysis involving CG as the categorical variables i.e. converted into good, bad and moderate governance. The second section reports the results of ordered probit regression analysis involving AC as the categorical variable. This section encompasses the results of those regression models that are employed to test the effect of good, moderate and bad CG on AC. Following Shah (2007) the dummies are created for good, bad and moderate CG by employing normal curve methodology on composite score of firms governance.

TABLE 5.68: Results of ACACC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.000	-0.003
GG	+	0.090	1.774*
MG	-	0.092	1.394
BG	-	0.103	1.282
FS	-	-0.070	-1.964**
GROS	-	-0.014	-0.288
LEV	+	-0.052	-1.681
PROF	+	0.219	1.211
Adj R^2			0.410
F-Statistic			5.579***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACC = Accruals based first measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACACC and Good, Moderate and Bad CG

Table 5.68 shows the results of fixed effect regression for ACACC and proxies for GG, MG and BG. The adjusted R squared is 0.410 meaning that 41 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG is significant.

TABLE 5.69: Results of ACCIC and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.16	0.495
GG	+	0.024	0.323
MG	-	-0.025	-0.28
BG	-	0.023	0.207
FS	-	-0.093	-1.830*
GROS	-	-0.021	-0.256
LEV	+	-0.129	-2.068*
PROF	+	0.308	1.874*
Adj R^2			0.426
F-Statistic			5.888***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIC = Accruals based second measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCIC and Good, Moderate and Bad CG

Table 5.69 shows the results of fixed effect regression for ACCIC and proxies for GG, MG and BG. The adjusted R squared is 0.426 meaning that 42.6 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant. The results are consistent to those of many studies in the literature.

TABLE 5.70: Results of ACCIE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.100	-0.256
GG	+	0.027	0.320
MG	-	0.014	0.127
BG	-	-0.007	-0.051
FS	-	0.017	0.330
GROS	-	0.097	1.136
LEV	+	0.113	2.243**
PROF	+	0.140	0.695
Adj R^2			0.610
F-Statistic			11.228***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIE = Earnings based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCIE and Good, Moderate and Bad CG

Table 5.70 shows the results of fixed effect regression for ACCIE and proxies for GG, MG and BG. The adjusted R squared is 0.610 meaning that 61 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant.

TABLE 5.71: Results of ACSKEW and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.008	0.049
GG	+	0.086	1.685*
MG	-	0.089	1.325
BG	-	0.099	1.222
FS	-	-0.068	-1.947**
GROS	-	-0.015	-0.314
LEV	+	-0.050	-1.550
PROF	+	0.196	1.086
Adj R^2			0.411
F-Statistic			5.597***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEW = Skewness based measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACSKEW and Good, Moderate and Bad CG

Table 5.71 shows the results of fixed effect regression for ACSKEW and proxies for GG, MG and BG. The adjusted R squared is 0.411 meaning that 41.1 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG is significant.

ACSOE and Good, Moderate and Bad CG

Table 5.72 shows the results of fixed effect regression for ACSOE and proxies for GG, MG and BG. The adjusted R squared is 0.333 meaning that 33.3 percent

TABLE 5.72: Results of ACSOE and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.240	1.338
GG	+	0.052	1.124
MG	-	0.046	0.836
BG	-	-0.009	-0.14
FS	-	0.024	1.03
GROS	-	0.023	0.628
LEV	+	-0.048	-1.483
PROF	+	0.085	0.836
Adj R^2			0.333
F-Statistic			4.294***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOE = Sensitivity of earnings to bad news relative to sensitivity of earnings to good news, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG, MG and BG all are insignificant.

TABLE 5.73: Results of ACCOMP and Good, Moderate and Bad CG

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		0.025	0.106
GG	+	0.123	1.907**
MG	-	0.135	1.526
BG	-	0.133	1.259
FS	-	-0.076	-1.423
GROS	-	-0.019	-0.278
LEV	+	-0.064	-1.369
PROF	+	0.237	0.910
Adj R^2			0.404
F-Statistic			5.461***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of AC, GG = Good Governance, BG = Bad Governance, MG = Moderate Governance, FS = Firm Size, GROS= Sales Growth, PROF = Profitability

ACCOMP and Good, Moderate and Bad CG

Table 5.73 shows the results of fixed effect regression for ACCOMP and proxies for GG, MG and BG. The adjusted R squared is 0.404 meaning that 40.4 percent

of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The GG is significant.

Table 5.74: Results of ACACCC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.154	0.645
BA	+	-0.064	-0.176
BI	+	0.438	1.707*
BS	-	0.113	4.141*
CEOD	-	0.185	1.688*
CEOT	+	-0.222	-1.369
GDB	+	0.084	0.22
INSO	+	-0.33	-1.866*
MANO	-	-0.398	-0.552
TAUD	+	-0.072	-0.766
FS	-	-0.034	-0.488
GROS	-	0.077	0.576
LEV	+	-0.196	-1.968**
PROF	+	-0.749	-1.742*
Pseudo R^2			0.024
LR-Statistic			35.312***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

Table 5.75: Results of ACACCC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.242	3.484***
FS	-	0.007	0.102
GROS	-	0.052	0.391
LEV	+	-0.219	-2.247*
PROF	+	-0.547	-1.315
Pseudo R^2			0.013
LR-Statistic			19.383***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

ACACCC and CG (where AC is Categorical)

This section encompasses the results of those regression models that are employed to test the effect of CG on AC but with a change in the nature of dependent variable. The dependent variable i.e. AC is converted into the categorical variable and hence logistic regression models are estimated. Table 5.74 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG Mechanisms. The Pseudo R squared is 0.024 and LR Statistic is also significant. Out of the considered CG variables BI, BS, CEOD and INSO are significant with sign of BI similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.Table 5.75 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CSFG. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACCICC and CG (where AC is Catagorical)

Table 5.76 shows the results of ordered probit regression for ACCIC (Categorical variable for ACCIC) and CG Mechanisms. The Pseudo R squared is 0.021 and LR Statistic is also significant. Out of the considered CG variables BS, CEOD and INSO are significant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.Table 5.77 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CSFG. The Pseudo R squared is 0.010 and LR Statistic is also significant. The CSFG is

TABLE 5.76: Results of ACCICC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.076	0.321
BA	+	-0.24	-0.657
BI	+	0.156	0.611
BS	-	0.051	1.880*
CEOD	-	0.224	2.047**
CEOT	+	0.082	0.507
GDB	+	-0.244	-0.635
INSO	+	-0.444	-2.524*
MANO	-	0.857	1.192
TAUD	+	0.058	0.613
FS	-	-0.05	-0.722
GROS	-	0.062	0.463
LEV	+	-0.064	-0.641
PROF	+	1.468	3.393***
Pseudo R^2			0.021
LR-Statistic			31.103***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, ACCIEC = Categorical form of Earnings based measure of AC, ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on assets

TABLE 5.77: Results of ACCICC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.096	1.377
FS	-	-0.009	-0.131
GROS	-	0.058	0.442
LEV	+	-0.076	-0.775
PROF	+	1.488	3.547***
Pseudo R^2			0.010
LR-Statistic			14.752***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size measured by log of total assets, GROS= Sales Growth measured by growth in sales, PROF = Profitability of the firm measured by retrun on Assets.

insignificant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.78: Results of ACCIEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.191	-0.8
BA	+	0.236	0.65
BI	+	-0.463	-1.805*
BS	-	0.104	3.852**
CEOD	-	0.254	2.296**
CEOT	+	0.03	0.187
GDB	+	-0.147	-0.383
INSO	+	-0.346	-1.976*
MANO	-	-0.077	-0.107
TAUD	+	-0.009	-0.099
FS	-	0.098	1.436
GROS	-	0.295	2.209*
LEV	+	-0.013	-0.13
PROF	+	0.342	0.796
Pseudo R^2			0.027
LR-Statistic			40.245**

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form of Earnings based measure of AC, ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCIEC and CG (where AC is Catagorical)

Table 5.78 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG Mechanisms. The Pseudo R squared is 0.027 and LR Statistic is also significant. Out of the considered CG variables BI, BS, CEOD and INSO are significant. Table 5.79 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIC) and CSFG. The Pseudo R squared is

TABLE 5.79: Results of ACCIEC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.228	3.283***
FS	-	0.116	1.752*
GROS	-	0.281	2.131**
LEV	+	-0.009	-0.095
PROF	+	0.26	0.626
Pseudo R^2			0.013
LR-Statistic			18.442***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACSKEWC and CG (where AC is Categorical)

Table 5.80 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG Mechanisms. The Pseudo R squared is 0.023 and LR Statistic is also significant. Out of the considered CG variables BS, CEOD and INSO are significant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form. Table 5.81 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CSFG. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that was hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.80: Results of ACSKEWC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.164	0.686
BA	+	-0.071	-0.194
BI	+	0.388	1.511
BS	-	0.112	4.134**
CEOD	-	0.199	1.820*
CEOT	+	-0.195	-1.202
GDB	+	0.077	0.201
INSO	+	-0.327	-1.850*
MANO	-	-0.482	-0.67
TAUD	+	-0.075	-0.796
FS	-	-0.029	-0.425
GROS	-	0.083	0.621
LEV	+	-0.192	-1.928*
PROF	+	-0.781	-1.817*
Pseudo R^2			0.024
LR-Statistic			34.799***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.81: Results of ACSKEWC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.240	3.452***
FS	-	0.01	0.146
GROS	-	0.058	0.438
LEV	+	-0.213	-2.186**
PROF	+	-0.592	-1.422
Pseudo R^2			0.013
LR-Statistic			19.302***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACSOEC and CG (where AC is Categorical)

Table 5.82 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG Mechanisms. The Pseudo R squared is 0.036 and

TABLE 5.82: Results of ACSOEC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	-0.526	-2.168**
BA	+	-0.6	-1.614*
BI	+	0.257	0.987
BS	-	0.009	0.344
CEOD	-	0.335	2.982**
CEOT	+	-0.021	-0.129
GDB	+	0.695	1.780**
INSO	+	0.99	5.429***
MANO	-	0.23	0.315
TAUD	+	0.01	0.106
FS	-	0.055	0.789
GROS	-	0.117	0.86
LEV	+	-0.195	-1.919*
PROF	+	0.168	0.389
Pseudo R^2			0.036
LR-Statistic			55.504***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.83: Results of ACSOE and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.069	0.988
FS	-	-0.007	-0.106
GROS	-	0.103	0.771
LEV	+	-0.188	-1.902*
PROF	+	0.177	0.421
Pseudo R^2			0.003
LR-Statistic			5.018ns

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

LR Statistic is also significant. Out of the considered CG variables CEOD, GDB and INSO are significant with signs of GDB and INSO are similar to that are hypothesized. The results are consistent to those of many studies in the literature

as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.Table 5.83 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CSFG. The Pseudo R squared is 0.003 and LR Statistic is also significant. The CSFG is insignificant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.84: Results of ACCOMPC and CG Mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
ACI	+	0.048	0.203
BA	+	-0.052	-0.142
BI	+	0.444	1.736*
BS	-	0.088	3.268**
CEOD	-	0.149	1.365
CEOT	+	-0.112	-0.697
GDB	+	0.046	0.12
INSO	+	0.099	0.563
MANO	-	-0.654	-0.911
TAUD	+	-0.067	-0.709
FS	-	0.024	0.345
GROS	-	0.042	0.314
LEV	+	-0.055	-0.553
PROF	+	-1.096	-2.555
Pseudo R^2			0.016
LR-Statistic			23.549**

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCOMPC and CG (where AC is Categorical)

Table 5.84 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG Mechanisms. The Pseudo R squared is

TABLE 5.85: Results of ACCOMPC and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.211	3.053***
FS	-	0.039	0.594
GROS	-	0.027	0.206
LEV	+	-0.068	-0.694
PROF	+	-0.901	-2.164*
Pseudo R^2			0.010
LR-Statistic			15.147***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

0.016 and LR Statistic is also significant. Out of the considered CG variables BI and BS are significant with sign of BI similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.Table 5.85 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CSFG. The Pseudo R squared is 0.010 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACACCC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.86 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to

TABLE 5.86: Results of ACACCC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.244	3.43043***
DQ	-	0.045	0.095
FS	-	0.007	0.102
GROS	-	0.052	0.392
LEV	+	-0.220	-2.2475**
PROF	+	-0.549	-1.318
Pseudo R^2			0.013
LR-Statistic			19.392

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.87: Results of ACACCC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.908	2.39374**
DQ	-	4.362	1.76976*
CSFGXDQ	-	-1.436	-1.7844*
FS	-	0.002	0.032
GROS	-	0.040	0.303
LEV	+	-0.218	-2.2248**
PROF	+	-0.523	-1.253
Pseudo R^2			0.015
LR-Statistic			22.585

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACACCC = Categorical form of Accruals based first measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

Table 5.87 shows the results of ordered probit regression for ACACCC (Categorical variable for ACACC) and CG with DQ as moderating variable. The Pseudo R squared is 0.015 and LR Statistic is also significant. The CSFGXDQ is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.88: Results of ACCICC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.102	1.442
DQ	-	0.220	0.469
FS	-	-0.009	-0.129
GROS	-	0.059	0.447
LEV	+	-0.079	-0.807
PROF	+	1.478	3.51814***
Pseudo R^2			0.010
LR-Statistic			14.972

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCICC = Categorical form of Accruals based second measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCICC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.88 shows the results of ordered probit regression for ACCICC (Categorical variable for ACCIC) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.010 and LR Statistic is also significant. The CSFG is insignificant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.89: Results of ACCIEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.229	3.22161***
DQ	-	0.028	0.059
FS	-	0.116	1.75215*
GROS	-	0.281	2.13115**
LEV	+	-0.010	-0.099
PROF	+	0.259	0.623
Pseudo R^2			0.013
LR-Statistic			18.445

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.90: Results of ACCIEC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	-0.243	-0.651
DQ	-	-3.046	-1.250
CSFGXDQ	-	1.021	1.286
FS	-	0.120	1.80849*
GROS	-	0.289	2.18795**
LEV	+	-0.013	-0.132
PROF	+	0.245	0.587
Pseudo R^2			0.014
LR-Statistic			20.098

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCIEC = Categorical form ofEarnings based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCIEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.89 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized.

Table 5.90 shows the results of ordered probit regression for ACCIEC (Categorical variable for ACCIE) and CG with DQ as moderating variable. The Pseudo R squared is 0.035 and LR Statistic is also significant. The CSFGXDQ is insignificant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACSKEWC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.91 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG with DQ present as independent variable

TABLE 5.91: Results of ACSKEWC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.241	3.38994***
DQ	-	0.023	0.049
FS	-	0.010	0.146
GROS	-	0.058	0.438
LEV	+	-0.214	-2.1827**
PROF	+	-0.593	-1.423
Pseudo R^2			0.013
LR-Statistic			19.304

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.92: Results of ACSKEWC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.886	2.33778**
DQ	-	4.218	1.71236*
CSFGXDQ	-	-1.396	-1.7349*
FS	-	0.005	0.077
GROS	-	0.047	0.351
LEV	+	-0.212	-2.1605**
PROF	+	-0.567	-1.359
Pseudo R^2			0.015
LR-Statistic			22.323

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSKEWC = Categorical form of Skewness based measure of AC, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

as well. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFG is significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

Table 5.92 shows the results of ordered probit regression for ACSKEWC (Categorical variable for ACSKEW) and CG with DQ as moderating variable. The Pseudo R squared is 0.015 and LR Statistic is also significant. The CSFGXDQ is significant with sign of similar to that is hypothesized. The results are consistent

to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

TABLE 5.93: Results of ACSOEC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.080	1.115
DQ	-	0.360	0.755
FS	-	-0.007	-0.107
GROS	-	0.103	0.777
LEV	+	-0.194	-1.9546*
PROF	+	0.165	0.394
Pseudo R^2			0.004
LR-Statistic			5.588

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACSOEC = Categorical form of Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACSOEC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.93 shows the results of ordered probit regression for ACSOEC (Categorical variable for ACSOE) and CG with DQ present as independent variable as well. The Pseudo R squared is 0.004 and LR Statistic is also significant. The CSFG is insignificant. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

ACCOMPC, CSFG and DQ (where AC is Categorical and DQ is Moderator)

Table 5.94 shows the results of ordered probit regression for ACCOMPC (Categorical variable for ACCOMP) and CG with DQ present as independent variable

TABLE 5.94: Results ofACCOMPC, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.209	2.95616***
DQ	-	-0.074	-0.157
FS	-	0.039	0.594
GROS	-	0.027	0.204
LEV	+	-0.067	-0.680
PROF	+	-0.898	-2.1546**
Pseudo R^2			0.010
LR-Statistic			15.171

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

TABLE 5.95: Results of ACCOMPC, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
CSFG	+	0.952	2.51945**
DQ	-	4.758	1.93577**
CSFGXDQ	-	-1.608	-2.0028**
FS	-	0.035	0.524
GROS	-	0.014	0.106
LEV	+	-0.063	-0.643
PROF	+	-0.871	-2.0881**
Pseudo R^2			0.013
LR-Statistic			19.195

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMPC = Categorical form of Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

as well. The Pseudo R squared is 0.010 and LR Statistic is also significant. The CSFG is significant with similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

Table 5.95 shows the results of ordered probit regression for ACCOMPC (Categorical variable forACCOMP) and CG with DQ as moderating variable. The Pseudo R squared is 0.013 and LR Statistic is also significant. The CSFGXDQ is

significant with sign similar to that is hypothesized. The results are consistent to those of many studies in the literature as one of the categories of CG is found to be significantly related with AC. It means that there exist a relationship between CG and AC even when the CG is examined in catagorical form.

Discussion of Additional Results of Pakistan

Good, Moderate and Bad CG and AC

The summary of results of multivariate regression analysis involving CG as categorical variable is presented in Table 5.96. The results show that good and moderate CG practices do impact AC in case of firms listed in Pakistan. It is interesting to note that this relationship is in line with our previous argument that CG do have an impact on the level of AC employed by the firms.

CG, AC and Disclosure Quality with AC as Categorical Variable

Table 5.97 shows the summary of results of probit regression that is employed as an additional analytical technique. The results show that BI and BS do have an impact on the level of conservatism employed by firms. It is interesting to note that the results of panel regression analysis regarding the composite score of firm's governance are endorsed in additional analysis. The results show that CSFG plays a significant role in determining accounting conservatism if the nature of the dependent variable is categorical. However the role of disclosure quality in moderating the relationship between CG and AC is found in case of additional analysis.

Table 5.96: Summary of Additional Testing (Good, Moderate and Bad CG and AC)

	Assumptions	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
A1	Good CG practices	+	+	+	+	+	+
	effects AC	(S)	(NS)	(NS)	(S)	(NS)	(S)
A2	Moderate CG practices	+	-	+	+	+	+
	practices effects AC	(NS)	(NS)	(NS)	(NS)	(NS)	(NS)
A3	Bad CG practices	+	+	-	+	-	+
	practices effects AC	(NS)	(NS)	(NS)	(NS)	(NS)	(NS)

(NS) = Not Supported and (S) = Supported

TABLE 5.97: Summary of results of probit regression

	Hypothesis	ACACC	ACCIC	ACCIE	ACSKEW	ACSOE	ACCOMP
H1	There is a negative relationship between board size and AC	+ (S)	+ (S)	+ (S)	+ (S)	+ (NS)	+ (S)
H2	There is a positive relationship between board independence and AC	+ (S)	+ (NS)	- (S)	+ (NS)	+ (NS)	+ (S)
H3	There is a positive relationship between board activity and AC	- (NS)	- (NS)	+ (NS)	- (NS)	- (S)	- (NS)
H4	There is a positive relationship between gender diversity on board and AC	+ (NS)	- (NS)	- (NS)	+ (NS)	+ (S)	+ (NS)
H5	There is a positive relationship between CEO Turnover and AC	- (NS)	+ (NS)	+ (NS)	- (NS)	- (NS)	- (NS)
H6	There is a negative relationship between CEO Duality and AC	+ (S)	+ (S)	+ (S)	+ (S)	+ (S)	+ (NS)
H7	There is a positive relationship between Institutional ownership and AC	- (S)	- (S)	- (S)	- (S)	+ (S)	+ (NS)
H8	There is a negative relationship between Managerial ownership and AC	- (NS)	+ (NS)	- (NS)	- (NS)	+ (NS)	- (NS)
H9	There is a positive relationship between Audit Committee Independence and AC	+ (NS)	+ (NS)	- (NS)	+ (NS)	- (S)	+ (NS)
H10	There is a positive relationship between existence of Big Four Auditor and AC	- (NS)	+ (NS)	- (NS)	- (NS)	+ (NS)	- (NS)
H11	There is a positive relationship between composite score of firm governance and AC	+ (S)	+ (NS)	+ (S)	+ (S)	+ (NS)	+ (S)
H12	High disclosure quality moderates the association between CG and accounting conservatism	- (S)	(NA)	- (NS)	- (S)	+ (NS)	- (S)

NS = Not Supported, S = Supported and NA=Estimation Not Applicable

APPENDIX VI

Results of GMM

Table 5.98 shows the results of GMM for a sample of 100 companies from Bangladesh, India and Pakistan.

Table 5.99 shows the results of GMM for a sample of 100 companies from Bangladesh, India and Pakistan.

Table 5.98: GMM Results of ACCOMP and CG mechanisms

	Bangladesh		India		Pakistan	
Variables	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**
Constant	-0.603	-0.964	-3.834	-3.539	-0.761	-0.565
ACI	0.089	0.705	1.111	2.061**	0.108	0.144
BA	0.009	0.037	0.550	1.260	-1.032	-0.748
BI	-0.186	-0.693	-0.273	-0.638	-0.225	-0.316
BS	0.025	0.581	-0.067	-1.354	0.151	1.393
CEOD	0.220	2.16733**	0.082	1.004	-1.065	-1.681
CEOT	0.031	0.334	-0.080	-0.877	0.193	0.777
GDB	0.813	1.123	2.531	2.284**	-2.411	-2.454
INSTO	1.234	4.148***	0.232	0.737	1.243	2.226**
MANO	0.336	0.367	-0.346	-0.397	2.408	1.221
TAUD	0.229	1.742	0.756	1.033	-0.700	-0.826
FS	-0.403	-2.507**	0.773	2.519***	-0.479	-1.821
LEV	0.122	1.237	0.301	1.988**	-0.028	-0.072
GROS	0.006	0.157	-0.217	-0.501	-1.422	-0.998
PROF	0.012	0.529	1.517	2.042**	27.912	2.461**
No of instruments		18		18		19
J-Statistic		6.634*		20.964***		14.716***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACCOMP = Composite measure of AC of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Table 5.99: GMM Results of ACCOMP, CG and DQ

	Bangladesh		India		Pakistan	
Variables	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**	**Coefficient**	**t- Stat**
Step 1						
Constant	-0.816	-1.420	1.387	0.523	-0.610	-1.576
CSFG	0.442	2.383**	0.499	2.193**	0.181	2.308**
DQ	0.857	0.657	-0.092	-0.116	0.260	0.471
FS	-0.238	-1.601	-0.630	-0.690	-0.171	-2.863
GROS	0.000	-0.002	0.044	0.528	0.019	0.152
LEV	0.191	1.923**	-6.470	-1.566	-0.298	-2.858
PROF	-0.009	-0.390	0.068	0.255	7.422	3.250**
No of instruments		10.000		16.000		17.000
J-statistic		4.268***		35.338***		24.237***
Step 2						
Constant	-4.719	-1.447	-2.926	-1.847	-24.130	-3.001
CSFG	8.066	2.114**	3.198	1.881	8.399	3.042**
DQ	11.839	1.719*	1.414	1.889	53.156	3.074**
CSFGXDQ	-33.659	-1.929	-1.758	-1.705	-18.226	-3.050
FS	0.260	0.450	0.063	0.197	-0.282	-3.299
GROS	-0.592	-0.141	0.044	1.170	-0.169	-1.029
LEV	-2.391	-1.217	0.300	1.111	-0.297	-2.846
PROF	0.106	2.595***	0.182	1.925	6.105	2.491**
No of instruments		13.000		18.000		19.000
J-statistic		35.084***		70.845***		16.723***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*

ACCOMP = Composite measure of AC of a firm, DQ = Disclosure Quality, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

APPENDIX VII

Results of Combined Data Set

Table 5.100 shows the results of fixed effect regression for ACCOMP with CG mechanisms. The adjusted R squared is 0.583 meaning that 58.3 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. Out of the ten considered CG variables only CEOT, GDB and INSO are significant with signs of CEOT, GDB and INSO that are hypothesized.

TABLE 5.100: Results of ACCOMP and CG mechanisms

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.7391	-2.8508**
ACI	+	0.0256	0.2549
BA	+	0.0379	0.2161
BI	+	0.0491	0.3265
BS	-	-0.0088	-0.4779
CEOD	-	0.0775	1.4945
CEOT	+	0.0904	2.0022**
GDB	+	0.6405	1.7595*
INSO	+	0.2459	2.2184**
MANO	-	0.3313	0.9259
TAUD	+	-0.0283	-0.2362
FS	-	-0.0390	-0.7974
GROS	-	-0.0004	-0.0057
LEV	+	0.1029	2.6522***
PROF	+	0.2082	3.4757 ***
Adj R^2			.583
F-Statistic			10.348***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of Accounting Conservatism of a firm, ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board , INSO = Institutional Shareholding , MANO = Managerial Shareholding, TAUD = Type of the Auditor, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Table 5.101 shows the results of fixed effect regression for ACCOMP with CSFG. The adjusted R squared is 0.582 meaning that 58.2 percent of the variation in

dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized.

TABLE 5.101: Results of ACCOMP and Composite Score for Firms Governance

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.6242	-3.7490***
CSFG	+	0.4129	3.2714**
FS	-	-0.0445	-0.9202
GROS	-	0.0079	0.1032
LEV	+	0.1018	2.6317**
PROF	+	0.2069	3.4656***
Adj R^2			.582
F-Statistic			10.648***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of Accounting Conservatism of a firm, CSFG = Composite Score of Firm Governance, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

ACCOMP, CSFG and DQ (as Moderator)

Table 5.102 shows the results of fixed effect regression for ACCOMP and DQ with CSFG. The adjusted R squared is 0.628 meaning that 62.8 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFG is significant with sign that is hypothesized.

Table 5.103 shows the results of fixed effect regression for ACCOMP and CSFG with moderating role of DQ. The adjusted R squared is 0.629 meaning that 62.9 percent of the variation in dependent variable is because of the considered independent variables. The F-statistic is also significant meaning that the model is a good fit. The CSFGXDQ is insignificant with sign that is hypothesized.

Discussion of Results of Combined Data Set

Four models are being estimated by combining the data of three countries into a single set. First of all the impact of CG measures on Composite measure of AC is

Table 5.102: Results of ACCOMP, CSFG and DQ

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.7713	-3.8979***
CSFG	+	0.4108	3.2555***
DQ	+	0.3528	1.3746
FS	-	-0.0475	-0.9816
GROS	-	0.0073	0.0950
LEV	+	0.1020	2.6369***
PROF	+	0.2047	3.4288***
Adj R^2			0.583
F-Statistic			10.625***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

Table 5.103: Results of ACCOMP, CSFG and CSFGXDQ

Variables	Predicted Sign	Coefficients	t- Statistic
Constant		-0.7727	-3.9014***
CSFG	+	0.4143	3.2504***
DQ	-	0.3897	1.2240
CSFGXDQ	-	-0.0227	-0.1958
FS	-	-0.0474	-0.9792
GROS	-	0.0062	0.0798
LEV	+	0.1024	2.6430***
PROF	+	0.2046	3.4259***
Adj R^2			0.582
F-Statistic			10.584***

,,*** = statistically significant at less than 0.10, 0.05 and 0.01*
ACCOMP = Composite measure of AC of a firm, CSFG = Composite Score for Firms Governance, DQ = Disclosure Quality, FS = Firm Size, GROS = Sales Growth, LEV = Leverage, PROF = Profitability

examined. Afterwards the effect of composite score of firm governance' s impact is determined on AC. Lastly the moderating role of DQ on the relationship between CG and AC is examined. The results show that CEOT, GDB and INSTO impact the level of conservatism employed by firms in emerging economies of South Asia. The overall level of CG also impacts AC. However, it is interesting to note that DQ does not moderate the positive relationship between CG and AC. The results have actually made the separate results for each country robust. However, because of differences the results cannot be used to devise implications for various countries.

APPENDIX VIII

Results of Principal Component Analysis

Table 5.104 shows the results of principal component analysis employed for the development of a composite measure of AC in case of Bangladesh.

Table 5.105 shows the results of principal component analysis employed for the development of a composite measure of CSFG in case of Bangladesh.

Table 5.106 shows the results of principal component analysis employed for the development of a composite measure of AC in case of India.

Table 5.107 shows the results of principal component analysis employed for the development of a composite measure of CSFG in case of India.

Table 5.108 shows the results of principal component analysis employed for the development of a composite measure of AC in case of Pakistan.

Table 5.109 shows the results of principal component analysis employed for the development of a composite measure of CSFG in case of Pakistan.

TABLE 5.104: Results of Principal Component Analysis for the development of AC for Bangladesh

Eigenvalues					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	1.471	0.432	0.294	1.471	0.294
2.000	1.039	0.036	0.208	2.509	0.502
3.000	1.003	0.211	0.201	3.513	0.703
4.000	0.792	0.097	0.159	4.305	0.861
5.000	0.695	—	0.139	5.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACACC	0.566	0.260	-0.016	-0.582	0.522
ACCIC	0.620	-0.024	0.140	-0.098	-0.766
ACCIE	0.535	-0.322	0.006	0.695	0.356
ACSKEW	0.090	0.609	-0.729	0.277	-0.115
ACSOE	-0.023	0.676	0.670	0.302	0.044

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News

TABLE 5.105: Results of Principal Component Analysis for the development of CSFG for Bangladesh

Eigenvalues: (Sum = 5, Average = 1)					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	1.767	0.179	0.177	1.767	0.177
2.000	1.588	0.412	0.159	3.355	0.336
3.000	1.176	0.157	0.118	4.531	0.453
4.000	1.020	0.042	0.102	5.551	0.555
5.000	0.978	0.051	0.098	6.529	0.653
6.000	0.927	0.078	0.093	7.455	0.746
7.000	0.849	0.093	0.085	8.304	0.830
8.000	0.756	0.234	0.076	9.060	0.906
9.000	0.522	0.104	0.052	9.582	0.958
10.000	0.418	—	0.042	10.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACI	-0.086	0.318	-0.107	0.062	0.479
BA	-0.120	0.050	0.373	0.564	0.514
BI	0.499	0.381	0.192	-0.015	0.123
BS	0.083	-0.175	0.673	0.074	-0.180
CEOD	-0.316	0.360	-0.221	0.133	0.144
CEOT	0.156	-0.112	-0.080	0.732	-0.368
GDB	0.154	0.568	0.221	-0.123	-0.333
INSTO	0.173	0.230	-0.438	0.319	-0.255
MANO	-0.394	0.446	0.244	0.007	-0.262
TAUD	0.624	0.060	-0.058	-0.051	0.242

ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor

Table 5.106: Results of Principal Component Analysis for the development of AC for India

Eigenvalues: (Sum = 5, Average = 1)					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	1.221	0.134	0.244	1.221	0.244
2.000	1.087	0.059	0.218	2.309	0.462
3.000	1.028	0.106	0.206	3.337	0.667
4.000	0.922	0.180	0.184	4.258	0.852
5.000	0.742	—	0.148	5.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACACC	0.135	0.538	0.647	-0.089	0.329
ACCIC	0.687	-0.225	-0.156	0.692	0.642
ACCIE	-0.700	-0.162	0.107	0.704	0.642
ACSKEW	0.134	-0.408	0.733	0.124	-0.255
ACSOE	0.034	0.684	-0.097	0.015	-0.049

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News

Table 5.107: Results of Principal Component Analysis for the development of CSFG for India

Eigenvalues: (Sum = 5, Average = 1)					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	1.854	0.372	0.185	1.854	0.185
2.000	1.481	0.314	0.148	3.335	0.334
3.000	1.167	0.065	0.117	4.502	0.450
4.000	1.101	0.161	0.110	5.603	0.560
5.000	0.941	0.039	0.094	6.544	0.654
6.000	0.902	0.117	0.090	7.446	0.745
7.000	0.785	0.093	0.079	8.231	0.823
8.000	0.692	0.046	0.069	8.923	0.892
9.000	0.646	0.215	0.065	9.569	0.957
10.000	0.431	—	0.043	10.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACI	0.587	0.035	-0.170	0.013	0.098
BA	0.186	-0.096	-0.488	-0.139	0.422
BI	0.533	-0.090	0.040	0.034	0.006
BS	-0.211	-0.397	-0.284	0.568	0.072
CEOD	0.028	0.511	0.036	-0.119	0.361
CEOT	0.443	-0.275	0.371	-0.205	0.753
GDB	0.451	0.323	0.180	0.249	-0.017
INSTO	0.041	-0.185	0.547	-0.267	-0.240
MANO	0.094	0.521	0.164	0.448	0.173
TAUD	0.412	0.278	-0.391	-0.517	-0.146

ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor

Table 5.108: Results of Principal Component Analysis for the development of AC for Pakistan

Eigenvalues: (Sum = 5, Average = 1)					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	2.066	0.974	0.413	2.066	0.413
2.000	1.092	0.134	0.218	3.158	0.632
3.000	0.959	0.077	0.192	4.117	0.823
4.000	0.882	0.881	0.176	4.999	1.000
5.000	0.001	—	0.000	5.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACACC	0.685	-0.079	0.146	-0.056	-0.707
ACCIC	-0.169	0.270	0.947	0.024	0.000
ACCIE	-0.068	-0.724	0.178	0.663	0.000
ACSKEW	0.685	-0.080	0.146	-0.056	0.707
ACSOE	0.169	0.625	-0.167	0.744	0.001

ACACC = Accruals based first measure of AC,ACCIC = Accruals based second measure of AC, ACCIE = Earnings based measure of AC, ACSKEW = Skewness based measure of AC, ACSOE = Sensitivity of Earnings to Bad News relative to Sensitivity of Earnings to Good News

TABLE 5.109: Results of Principal Component Analysis for the development of CSFG for Pakistan

Eigenvalues: (Sum = 5, Average = 1)					
Number	**Value**	**Difference**	**Proportion**	**Cumulative Value**	**Cumulative Proportion**
1.000	1.600	0.265	0.160	1.600	0.160
2.000	1.335	0.137	0.134	2.936	0.294
3.000	1.199	0.084	0.120	4.134	0.413
4.000	1.115	0.118	0.112	5.249	0.525
5.000	0.997	0.084	0.100	6.246	0.625
6.000	0.913	0.070	0.091	7.160	0.716
7.000	0.843	0.046	0.084	8.002	0.800
8.000	0.797	0.129	0.080	8.800	0.880
9.000	0.668	0.136	0.067	9.468	0.947
10.000	0.532	—	0.053	10.000	1.000
Eigenvectors (loadings)					
Variable	PC 1	PC 2	PC 3	PC 4	PC 5
ACI	0.055	-0.135	0.509	0.368	0.183
BA	0.270	0.275	-0.301	0.291	0.062
BI	0.387	0.411	-0.285	0.326	0.085
BS	0.456	0.459	-0.019	-0.356	-0.005
CEOD	-0.534	-0.529	0.010	-0.029	-0.125
CEOT	-0.010	-0.005	0.058	-0.413	0.870
GDB	0.230	0.189	0.608	-0.272	-0.312
INSTO	0.161	0.180	0.121	-0.255	-0.130
MANO	0.132	0.094	0.416	0.477	0.231
TAUD	0.430	0.412	-0.084	-0.097	-0.123

ACI = Audit Committee Independence, BA = Board Activity, BI = Board Independence, BS = Board Size, CEOD = CEO Duality, CEOT = CEO Turnover, GDB = Gender Diversity on Board, INSO = Institutional Shareholding, MANO = Managerial Shareholding, TAUD = Type of the Auditor