

The Effect of Firm's Equity Ownership on Financial Reporting Conservatism " Empirical Study"

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Abstract

This research aims at examining the affects of equity ownership on financial reporting conservatism. The research is divided into tow sections, theoretical and empirical.

the theoretical section has discussed the concept and motivations of accounting conservatism, and its measurement methods in capital market research in accounting, Can the disshinguish between measures based on income statement items and others based on the balance sheet items. Moreover, the theoretical section also has discussed equity ownership managerial ownership, ownership concentration, and Family ownership.

On the other hand, the empirical section uses data from a sample of 24 publicly listed Egyptian firms. The results confirm that greater managerial ownership that leads to more alignment of interests between managers and outside shareholders causes more asymmetry in recognizing bad and good news. Additionally, higher levels of ownership dispersing have positive effect on accounting conservatism. However, the empirical results reject the third hypothesis that the increase of family ownership in management leads to choosing more conservative accounting polices. This paper shows that family ownership primarily decreases the asymmetry in recognizing bad news and good news

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