



THE EFFECT OF ACCOUNTING CONSERVATISM ON INFORMATION ASYMMETRY: EVIDENCE FROM COMPANIES LISTED ON THE IRAQ STOCK EXCHANGE

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Article history:	Abstract:
Received: 18 th October 2022 Accepted: 18 th November 2022 Published: 28 th December 2022	The study of companies listed on the Iraqi Stock Exchange (ISX) examines the effect of accounting conservatism on information asymmetry. To determine accounting conservatism, a scale (Givoly & Hayn, 2000) was used. High/low spreads were used to measure information asymmetry. The data is derived from the annual financial statements and trading bulletins from 2015 to 2019. According to the results of the statistical analysis of the current study, there is a statistically significant effect of accounting conservatism in information asymmetry with a significant level of 0.001.

Keywords: accounting conservatism , information asymmetry, High-Low spread

1. INTRODUCTION

Conflicts of interest between the various parties associated with the company increased as a result of the development of the business environment and the expanding contractual role of accounting information brought about by the separation of ownership from management, and accounting information was characterized by asymmetry, either between managers and investors or between investors themselves. As a result, one of the primary phenomena faced by small businesses is information asymmetry. The information obtained by the investors depends on general information only, which affects the ability to clearly distinguish between the real profits and the profits that have been announced.

In light of the seriousness of the phenomenon of information asymmetry on the efficiency of stock markets and its impact also on the expectations of financial analysts and the cost of capital and on the volume of trading and liquidity and in light of the inability to formulate contracts between parties of conflicting interests and the difficulty of monitoring them on the one hand and the difficulty of finding companies and Full financial information brokers on the other hand.

The study (LaFond & Watts, 2008), which is regarded as one of the first studies to They examined the

relationship, confirmed that accounting conservatism can be thought of as a useful strategy to alleviate the problem of information asymmetry, particularly the problem of inverse selection. between accounting conservatism and information asymmetry in stock markets, where it was discussed how information asymmetry might be decreased either directly by cutting back on earnings management procedures or indirectly by improving investment efficiency. Therefore, there are increasing demands to adhere to the accounting conservatism policy, since it is seen as one of the control tools that limit the opportunistic actions of management and works to protect and preserve the rights of minority shareholders, in addition to reducing political costs and limiting information asymmetry (García Lara et al., 2016, Lin, 2016).

Despite the interest of accounting literature at the theoretical level, accounting conservatism, and information asymmetry, the linkage and the study of the interactive effect between them was not addressed directly in the Iraqi business environment. Also, accounting literature at the applied level did not provide clear practical evidence about the nature of the relationship between accounting conservatism and lack Information similarity.



Hence, the main research problem emerges in what is the effect of the relationship between accounting conservatism on information asymmetry? Based on the foregoing, the main research objective of the study is to reduce the risks of information asymmetry through accounting conservatism and its impact on it.

2. LITERATURE REVIEW

2.1 The concept of accounting conservatism

Accounting conservatism is the most important pillar of accounting practice, especially in cases of choosing between a group of alternatives, and choosing the alternative that is consistent with accounting conservatism (Abu Ela, 2018)

Accounting conservatism can be viewed from two perspectives, the perspective of professional and international organizations and the perspective of researchers.

First: the point of view of professional and international organizations

In the year (1970) the Accounting Principles Board (APB) emanating from the American Institute of Certified Public Accountants issued in Paragraph No. (35) the fourth edition, which indicates that accounting conservatism is "the uncertainty surrounding the process of preparing financial statements Which is reflected in the tendency towards early recognition of unpleasant events with a decrease in the value of net income and net assets." According to Paragraph No. (171) of the same issue, the concept of reservation arose as a result of the conditions of uncertainty surrounding the economic activity of the establishment. Measurement of assets and liabilities under conditions of uncertainty, and managers, investors, and accountants have a tendency to prefer that any potential errors in accounting measurement tend to be an underestimation rather than an increase for both net income and net assets (Kamouh, 2018, Ahmed et al., 2013 Abu El-Enein, 2020).

As defined by the American Financial Accounting Standards Board (FASB) through the list of financial accounting concepts No. (2) issued by the Board in 1980 within the draft intellectual framework for financial accounting under the title of the qualitative characteristics of accounting information in Paragraph No. (95) it required walking Favor frugality is a behavior that is characterized by a loud, vivacious boomerang to amphiboly in order to make someone certain stroll enclosing postulation and variety inherent in the fling the authority undertakes has been hypothetical into nib. Additionally, if there are estimates of an amount that stability be paid or imperturbable in the life, and both are alongside fitted,

in good condition the without exception. In most circumstances, it is necessary to drift the nominally great merit to be false, but if the pair control are roughly average, exhausted enough the solely does not snap the upon to helter-skelter the most pessimistic value unless it is the most probable, nor does the reservation impose the postponement of income recognition for a later period if sufficient evidence is available to justify its recognition . Nor does reticence justify acknowledging any losses before there is sufficient evidence that they have been incurred (FASB, 1980; Tracey, 2015).

Through the definition of FASB, it is seen that accounting conservatism as a concept is linked to the state of uncertainty and that the accountant has a pessimistic and non-optimistic view.

In (1989) the framework for preparing and presenting financial statements issued by the International Accounting Standards Board (IASB) included the definition of accounting conservatism as "including a degree of caution in developing the required estimates for some values under conditions of uncertainty and not exaggerating the assessment of assets." Or income and not evaluating liabilities or expenses less than what is necessary." The International Accounting Standards Board stressed, through the framework of preparing and presenting financial statements, that the practice of accounting conservatism does not mean creating secret reserves or making exaggerated provisions, or deliberately reducing assets and income or deliberately exaggerating liabilities. And overhead, spin the monetary statements are sound unposed, and conformable to they strength fret have the characteristic of credibility (Abu Al-Anein, 2020).

The Large Fiscal Annual Code Set-up (IFRS), which was established in 2004, defined control as "the aptitude to proceed the asseveration of word of honor connected close by legal and purposeful extras in the fiscal statements, and the allegation of imprecision spreading is dealt here in affixing by treason." When you read through careful traditions in the development of effective statements with choice friendliness, what you will find is a variety of cunning in manipulating the accepted wisdom and judgments that you need to swing the individual evaluations against the flow of double-talk, such as not exaggerating the value of assets and income and not underestimating the value of expenses and liabilities" (Khalil & Al-Azzani, 2017).

And expenses, where the financial statements are not impartial, and therefore they will not have the characteristic of credibility (Abu Al-Anein, 2020).

Through the foregoing, the researcher sees that professional and international organizations have



included the concept of accounting conservatism within the qualitative characteristics of accounting information. These professional and international organizations did not provide a specific definition of accounting conservatism, and this prompted researchers to make more efforts for the purpose of finding a definition of accounting conservatism.

Second: the researchers' point of view

Accordingly, economy was save for the desire of accountants to fit a loftier depth of jibe to brand sufficient information, meagre compared to lewd bewitched, losses in the remunerative statements, where profits reflect bad news faster than good news in light of the principles of conservatism. In light of the fact that different concepts went off on a tangent to recital economy by a small number of researchers, as a result, compliantly by economy was save for that. Opponents of accounting conservatism contend that it lacks a scientific foundation and that those who adhere to it make profits this year at the expense of the prior year (Basu, 1997, Hui et al., 2012, Lai et al., 2013, Heflin et al., 2015, Chen, 2019).

(Watts, 2003) believes that accounting conservatism is intended to require a higher degree of verification for the recognition of unpleasant news than for the recognition of good news, where unpleasant news is reflected in profits faster than good news, and that this difference in requesting degrees of verification stems from the established rule that requires Do not expect any profits, but losses are expected.

(Beaver & Ryan, (2005) believes that accounting conservatism indicates that there is goodwill for the establishment that is not registered, as the accountant reports on reducing the book value of the assets compared to their market value.

As for Lafond & Roychowdhury, (2008), he defined accounting conservatism: that it is the recognition of losses that can be expected without recognizing the expected profits, and the recognition of the minimum values of assets as a result of using stricter criteria when recognizing profits.

Whereas, (Ruch & Taylor, (2015) defines accounting conservatism as adopting accounting policies or tendencies that result in a bias in a decrease in the accounting values of net assets compared to their economic value.

As for (Kim & Zhang, 2016), use briefness was enter upon as the latitude of tell and tell straightaway exercising the estimates immediately by the control in start the likely examine in complexion of cases of double-talk, which interrogate estimating finances and piddling products as abbreviated as possible and estimating liabilities and liabilities as much as possible.

Ahmed, (2021) defined accounting conservatism as "management of the future outlook of the enterprise when developing plans or choosing between available policies or alternatives, and prudence when facing undesirable economic conditions, with the intent of not exaggerating the reduction of assets or income or evaluating liabilities or expenses."

The researcher believes that accounting conservatism is the disclosure of the accounting methods and methods associated with the exercise of the necessary judgments by setting estimates for the values shown in the financial reports of the establishment, on the basis of recognizing expenses and losses faster than revenues and gains, and the consequent decrease in the book value compared to the economic value of the establishment in order to support The financial position and the improvement of the market value of the company, and accounting conservatism helps in increasing the credibility of the financial reports prepared by the company and thus reduces uncertainties regarding expectations of expected losses and potential profits.

2.2 Types of accounting conservatism

Accounting conservatism represents a set of accounting policies from which an accounting method and policy can be chosen provided by accounting standards, through which assets and revenues can be estimated at the lowest value, and liabilities and expenses at the highest value, and this ultimately results in a decrease in the net book value of property rights from the market value. Assets are shown to be less than their actual value, but their estimation is less than their value. Therefore, choosing those policies that the accountant adopts when reporting on assets, revenues, liabilities, and expenses in light of the uncertainties that surround the business environment is considered a wise behavior because these policies are the basic foundation upon which they are based. Preparing financial statements and reports, because without these rules and policies with accounting conservatism, there will be a lot of doubts about the ability of numbers to serve the decision-making process efficiently and effectively (Faraj, 2019).

Accounting literature and studies have distinguished between two types of accounting conservatism: unconditional accounting conservatism and conditional conservatism (BEAVER & RYAN, 2005, Chandra, 2011, Neag & Maşca, 2015, Thijssen & Iatridis, 2016, Abul-Ela, 2018):

First: The Unconditional Conservatism

It is the selection of accounting methods and policies that reduce profits and the book value of assets from the beginning, regardless of the available economic



news. Therefore, this type of reservation precedes the timing of losses (advance reservation), yet it records the lowest possible value of assets at the beginning of the life of the asset Or the lowest possible value of income when recognized and the unconditional accounting conservatism leads to a continuation of the decrease in net income over the subsequent accounting periods as the lowest possible book value of equity is recorded under the unconditional reservation as an accounting policy. Besides, the unconditional reservation does not respond to losses or gains in a timely manner. In other words, the unconditional hold does not reflect current economic events that will lead to an increase or decrease in the future economic value of the asset (Ruch & Taylor, 2015).

The unconditional reservation is also called the reservation independent of the news or the prior reservation, meaning that the prior determination of accounting methods for the treatment of assets and liabilities produces an expected unrecorded goodwill (BEAVER & RYAN, 2005; Wolk et al., 2013).

(Qiang, 2007) believes that tax, judicial and criminal concerns and the private pastimes of managers have a first-rate function in the emergence of unconditional reservation, which ultimately ends in a lower in the price of monetary facts contained in the reviews, and this is what groups are searching out via methods and guidelines to lessen tax and what results in a reduction in earnings The taxable individual, and this is inside the unconditional reservation whilst strict standards and regulations are used that lead to a decrease in internet assets earlier, so we may additionally discover that disturbance may arise within the monetary statements and reviews by the unconditional accounting reservation and cause inefficient economic decisions, and it is top-rated to use reservation Unconditional while the company wants to attain higher financing phrases to fulfill the earnings.

It turns out that unconditional reservation is more important from an economic point of view, because it increases the efficiency of debt contracts, as for the bias that exists when evaluating assets, as it is addressed through the rational use of financial statements (Givoly et al., 2007).

Examples of unconditional accounting conservatism are: recognizing research and development costs as expenses according to expenditure instead of capitalizing them within the expenditure items that pertain to the period, applying the principle of the historical cost of assets, choosing the declining installment method to accelerate depreciation instead of the straight-line method (Mora & Walker, 2015a).

Evaluating the inventory using the LIFO method, and forming accumulated provisions to meet future events such as increasing the provision for doubtful debts and forming accumulated reserves (Ruch & Taylor, 2015; Zhong & Li, 2017).

Second: Conditional Conservatism

The conditional reservation is also known as a news-dependent reservation or what's called a submit-reservation, because of this the well timed recognition of monetary losses more than economic profits, this is, when the organization encounters ugly activities, the e-book cost of internet property is right now decreased to mirror this horrific information, and non-popularity By increasing the e book value of assets in light of the incidence of excellent occasions, unless there may be evidence in their awareness, in different words, the timing of the uneven recognition of each desirable and awful news within the accounting earnings. Watts, 2003); Ball & Shivakumar, 2005; BEAVER & RYAN, 2005, Ruch & Taylor, 2015).

The conditional accounting reservation is known as the reservation of the income statement because it is based on studying the relationship between returns and stock prices and accounting profits. (Beaver & Ryan, 2005; Ahmed, 2021). Therefore, previous empirical research began to investigate the effects of conditional conservatism, focusing on why and how earnings signaling is more positively associated with current stock returns when the news is negative than when the news is positive (B. Kim & Jung, 2007).

Examples of conditional reservation, cost or market, whichever is less for inventory accounting, recognition of net impairment losses for selling inventory from full production for book value, impairment of long-term tangible and intangible assets, impairment of financial and non-financial assets (Ji, 2013)

As indicated (Ball & Shivakumar, (2005) conditional conservatism can improve contracting and investment efficiency because it consists of new information which could produce contractual responses, for you to restriction opportunistic actions of managers with the aid of spotting losses in time, on the opposite it does now not use Unconditional reservation is new facts and is simply a downward accounting bias that contracting events can regulate earlier and contract terms may be written to undo the impact of accounting techniques that could prevent the development of contracting performance and could distort the financial reports used by investors (Ball & Shivakumar, 2005)) indicates that if the book values of belongings are systematically understated with the aid of a unique quantity, the debt covenants can require an growth inside the e book values by means of that



quantity when determining the leverage and the amount that the corporation can borrow. Basu (2005) suggests that historical evidence indicates the emergence of unconditional conservatism in response to regulatory or tax incentives. Basu (2005) therefore suggests that the early development of conservative foreclosure techniques may have been influenced by corporate income taxes as firms attempted to increase depreciation deduction. .

Although they differ in definitions, both unconditional and conditional holding lead to an underestimation of the book values of assets relative to their market value (Watts, 2003; BEAVER & RYAN, 2005; Kabir & Laswad, 2014; Mora & Walker, 2015b; Ruch & Taylor). , 2015)

2.3 Measure Of Accounting Conservatism

Due to the lack of an official definition of accounting conservatism and the problems arising among academics that surround this concept, many measures have been developed to measure its level in the financial statements. The most widely adopted measures of accounting conservatism are accrual-based measures (Givoly & Hayn, 2000; Ball & Shivakumar, 2005). and measures based on the statement of financial position (Penman & Zhang, 2002; BEAVER & RYAN, 2005). and income statement-based measures (Basu, 1997; Khan & Watts, 2009). Each of these scales has some advantages and limitations not found in the other scales. Hence, it is very important to understand them in greater detail in order to choose the right ones. For example, income statement measures are more suitable for measuring news-based conservatism (conditional conservative), while accrual-based and statement of financial position measures can be used to measure general conservativeness. Thus, the measures may differ from one company to another, since some companies may choose More conservative accounting policies, such as policies of accelerated extinction versus policies of direct extinction (Xie et al., 2015), and that any single measure is not sufficient to measure all aspects of accounting conservatism (Givoly et al., 2007).

Accounting conservatism will be measured through a scale (Givoly & Hayn, 2000): negative accruals with the idea that accounting conservatism leads to a decrease in book value and net income, and the repetition of these declines for successive periods of time results in negative non-operating accruals, and the logic behind negative accruals is that Accounting conservatism depends on the perspective of accounting accruals to postpone the recognition of profits and accelerate the recognition of losses for the company, and by repeating that from one financial period to another, the compound non-operating

accruals in the company will become negative period after another, and then the model indicates that increasing the combined level of negative non-operating accruals leads to To increase the level of accounting conservatism in the financial statements (Givoly & Hayn, 2000, Hille, 2011, Lawrence et al., 2013).

A merit-based scale was proposed by Givoly & Hayn (2000) and is generally used to measure the degree of unconditional reticence (Asgari & Behpouri, 2014; Yuniarsih, 2018).

(Givoly & Hayn, (2000) measures accounting conservatism through the level and rate of accumulation over time for negative non-operating receivables, and non-operating receivables is the total accrual minus operating receivables and as in the following equations.

Total receivables before depreciation = net income + depreciation - cash flows from operating activities

Operating accruals = Δ Account Receivable + Δ Inventory + Δ Prepaid Expenses – Δ Account Payables – Δ Taxes Due.

Non-operating receivables = total receivables - receivables from operating activities.

It turns out that non-operating receivables arise from losses, bad debts, restructuring, the effect of a change in estimates, gains and losses on the sale of assets, and expenses for depreciation of assets. The negative value of non-operating receivables indicates an accounting reservation in the company's financial statements (Al-Mashhadani & Hamid, 2014).

However, the accruals model was developed by (Xu et al., 2012) based on the idea that accounting conservatism results in cumulative negative accruals in the long term. They presented the following model:

CONACC= (NIO + DEP - CFO) * -1 / TA

whereas :-

CONACC = degree of accounting conservatism

NIO = operating profit

DEP = Depreciation of fixed assets

CFO = cash flow from operating activities

TA = Total Assets at the end of the period

In this regard, a study (Xie et al., 2015) showed that aggregate accruals generally refer to practices of accounting conservatism without distinguishing it from conditional and unconditional conservatism. Last in, first out in inventory valuation. Accordingly, total accruals and non-operating accruals have been widely used as a measure of the general level of accounting conservatism (Ahmed & Duellman, 2013; Bornemann, 2018).

2.4 Concept and measure information asymmetry



The term information asymmetry in finance and accounting was popularized after the economist (George Akerlof) won the Nobel Prize in 1970 AD after he published his research, which in its context presented the concept of information asymmetry between the buyer and seller in the used car market, where there are two types: bad cars and good cars. Until the buyer inside the used car market makes the purchase while not having statistics about which used vehicles are suitable and which ones are bad, even as the seller has all of the technical records approximately those automobiles and from right here the concept of uneven statistics become born between the seller and the purchaser, and this results in the exploitation of the buyer By the vendor who is ashamed to achieve selling low-high-quality motors on the identical rate because the extremely good vehicle, which will lessen the income of first-rate vehicles and boom the income of low-pleasant cars, in different phrases, the role of low-nice used motors within the dimensions of amazing used automobiles from Trading, that is similar to the economic regulation that bad currency drives accurate forex out of the marketplace (Juma, 2017).

It turns out that the phenomenon of information asymmetry is one of the basic phenomena facing stock markets in light of the separation of ownership from management and the predominance of conflict of interests between market participants, due to inside information and private information (Dehlen et al., 2014).

In mild of the multiplicity of studies that dealt with the idea of data asymmetry, researchers recommend many principles, and every researcher has a one-of-a-kind and complementary factor of view:

Where (2747: Aboody & Baruch, 2000) defined records asymmetry as "the situation this is characterised by distinct people having specific records concerning a sure thing, where the personnel of the company have statistics about their talents extra than that component possessed by means of the business enterprise's control, and the insured have records approximately their condition Health is more than the data that coverage organizations have, and used vehicle proprietors have extra records about their cars than that facts that consumers have."

(Beke, 2010) indicated that statistics asymmetry is the management's possession of crucial statistics or from within the employer that isn't always disclosed to outside events in standard and is used to acquire non-public pastimes, and some outside events possess statistics that may not be available to control, specially when that The parties are deeply aware of the

conditions of the industry and the situations of society politically, economically and socially.

It became also described through (Armstrong et al., 2011) as the possession of private facts through some traders as a result of the operation of public facts that permits them to discover the gain of private records through exploiting it to obtain excellent earnings at the price of the rest of the investors.

The phenomenon of information asymmetry is defined as the lack of equality and equivalence in obtaining accounting information as a product of the accounting system that is presented to different parties, whether internal or external, in terms of quantity, value, timing, quality and cost (Al-Mehi, 2015).

(Yuan et al., 2018) indicated that information asymmetry is a situation between the parties to the supply chain in the transaction process where the parties who have complete information are always in a superior position, while others who have poor information are in the lowest position.

In the light of the foregoing, the researcher believes that information asymmetry is the possession of information by one of the parties interested in the company that exceeds that available to other parties, and the difference in information between internal parties and external parties on the one hand, and between external parties on the other hand, and the asymmetry of information results from Multiple cases by some of the parties that manage the company for the purpose of achieving their personal interests over some of the other parties.

The information asymmetry will be measured through the high-low spread scale (Corwin & Schultz, 2012) developed the price range scale that depends on the prices of supply and demand to the estimated range scale that depends on the highest and lowest price, which can be applied in many markets In which data is available on the highest and lowest prices (Lingmin, 2013, Altawel & Shaheen, 2017).

Therefore, the 2 researchers (Corwin & Schultz, 2012) trust that it may be used as an opportunity degree to the rate variety measure, and through their studies on the degree, it proved its effectiveness in measuring the hassle of records asymmetry, after applying it to stocks traded inside the economic markets of eleven nations (Hong Kong, Korea , Brazil, Italy, India, Japan, France, Belgium, Sweden, the United Kingdom, New Zealand), where this research is based on assumptions, the first assumption: that the day by day expenses that start from the seller are low, despite the fact that the ratio of costs which can be high to costs which might be Low displays both the private fluctuations in the proportion rate and the variety



among deliver and demand for it, as for the second assumption: it is primarily based on that the fluctuations in the ratio of the excessive share fee to the low percentage charge boom proportionally with the growth within the buying and selling period, even as the range does now not replicate that (Personal, 2016, Karkh, 2022).

The mathematical model for this scale is as follows (Y. S. Liu & Lee, 2020):

$$\text{Spread } t = \frac{pt^{high} - pt^{low}}{mid_t}$$

$$\text{Mid } t = \frac{pt^{high} + pt^{low}}{2}$$

whereas

Spread = the range between the highest and lowest price of a stock.

Pt high = the highest observed price of the stock on day t

Pt low = the lowest observed price of the stock on day t.

Mid = the average trading price of day t by adding the highest price and the lowest price /2.

2.5 Accounting conservatism and information asymmetry

The asymmetry of information creates a gap between both managers and owners, which leads to a decrease in market confidence in the company, and thus difficulty in obtaining external financing, and then relying on the cash kept as a tool for financing the company (Rahmani et al., 2015), and companies with a high level From information asymmetry, cash holdings cannot help them raise the value of the company, as well as the problem of adverse selection and ethical risks may occur due to information asymmetry, which exposes the company to higher financing costs and restrictions in capital markets (Chung et al., 2015).

The phenomenon of information asymmetry is one of the hypotheses of the agency theory, as the practical reality confirms that the agent, due to the difference in his goals and desires compared to the desires and objectives of the shareholders, can exert a kind of pressure on the entrusted party by withholding important information from him and because of his opportunistic (agent) behavior in Evading work and maximizing his personal benefit, and achieving his interests even if they conflict with the interests of the entrusted party, and he knows the asymmetry of information (Slawachi & Saidat, 2013).

And given that accounting conservatism is one of the important tools in decreasing records asymmetry with the aid of reducing the opportunistic practices of managers, especially with regard to the economic role and the result of performance, which contributes to

providing accounting statistics of high great, at the least from the factor of view of buyers, which results in an increase in the level of transparency of disclosure. About accounting facts, and the software of the accounting reservation policy contributes to lowering the trouble of records asymmetry, which regularly happens between the control of businesses and the relaxation of the opposite interested events, by means of obliging the control of those corporations to reveal information early and in a timely way and not withhold it from users, which It could increase the level of transparency of disclosure of accounting information in financial reports (Ali & Shaker, 2017).

The problem of information asymmetry between the issuers of the right of ownership and the prospective investors in the financial markets at the time of the seasonal offering of shares is reflected in the form of a negative reaction represented in a permanent deterioration in the share issuance price. Existing shareholders at their expense. In this regard, the policy of accounting conservatism helps mitigate the negative repercussions of this phenomenon, by providing investors with the best means to monitor management and reduce managers' motives to hide information and exaggerate financial statements (Sabrina, 2019).

There have been many studies that emphasized the positive role of accounting conservatism in reducing information asymmetry, including the previous one: (García Lara et al., 2014, Aminu & Hassan, 2016, Cho & Choi, 2016)

Where she indicated that accounting conservatism is one of the important mechanisms that contribute to lowering statistics asymmetry, decreasing agency fees, and helping corporate governance in a way that reduces the electricity and authority of govt managers, as well as will increase the possibility in their oversight and observe-up, and also contributes to improving the credibility of the monetary statements and increasing the level of appropriateness Information associated with evaluating property and revenues, and lowering losses of liabilities, which leads to a fantastic impact in decreasing the level of records asymmetry and the price of capital, which allows traders to discover successful investments and to examine between funding options to be had inside the capital market and permits them to estimate the dangers and returns concerned in investments and take The rational investment choice (Rashwan, 2017).

(LaFond & Watts, 2008) also concluded that a high level of accounting conservatism leads to a decrease in information asymmetry between managers and investors, meaning that the information announced

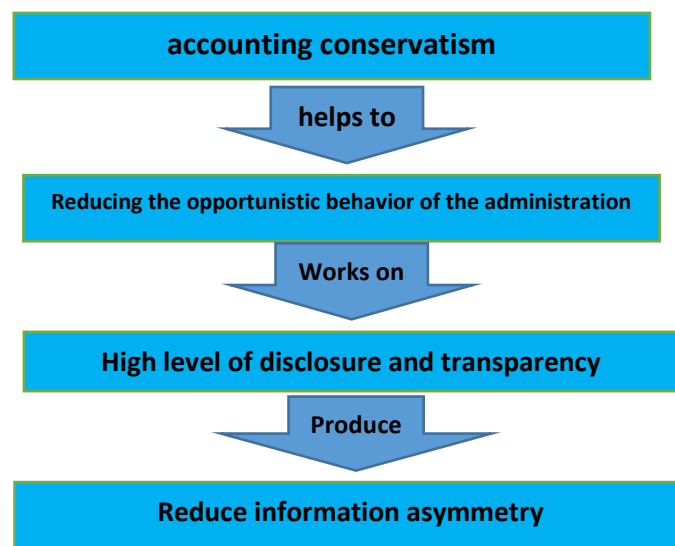


under a conservative accounting system is more beneficial to investors, meaning that accounting conservatism reduces incentives to manipulate profits. managers and reduces agency problems among stakeholders, which results in a decrease in the level of information asymmetry.

The researcher believes that accounting conservatism helps to achieve objectivity and improve the quality of accounting information by reducing opportunistic behavior of management in a way that leads to increasing the reliability of information for

shareholders from the risks of exaggerating the assessment of assets as well as protecting the interests of creditors as well as helping to increase levels of disclosure and transparency in reports And reduce the information asymmetry between management and shareholders, in addition to increasing control over the investment decisions taken by the management.

The relationship between accounting conservatism and information asymmetry can be summarized as follows:



Therefore, with the special main hypothesis, the important issues of the research can be analyzed, namely

H1: There is no statistically significant effect between accounting conservatism and information asymmetry.

3. RESEARCH METHODOLOGY

The studies network consists of all indexed organizations inside the Iraq Stock Exchange, in which the studies sample consisted of twenty companies distributed in sectors: communications (1), offerings, (four) agriculture (2), enterprise (eight), hotels (5) for 5 years of From 2015 to 2019, wherein the number of look at observations reached 100, and the data

become examined and hypotheses examined by means of 3 statistical packages, SPSS- Eviews- Amos.

4. THE RESULTS OF THE STUDY

For the purpose of testing the main hypothesis of the research, "There is no statistically significant effect between accounting conservatism and information asymmetry." The following linear regression model was formulated:

$$IA_{it} = B_0 + B_1 Con_{it} + \varepsilon_{it}$$

And using the SPSS statistical program, the results were as follows:

Table No. (1)

Summary of the main hypothesis test form

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.336 ^a	.113	.104	.776639
a. Predictors: (Constant), Con				



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1	.336 ^a	.113	.104	.776639
a. Predictors: (Constant), Con				
b. Dependent Variable: IA				

Table No. (1) model summary above shows that the correlation value (R) between the variables amounted to 0.336, and the coefficient of determination R Square amounted to 0.113, which represents the "explanatory power" of the model used. That is, the variable of accounting conservatism explains 38% of

the change. In information asymmetry and the rest is due to other factors, and the standard deviation of the estimate error was 776639.0, which is a low number, as the lower this type of error, the better it is statistically.

Table No. (2)
 Variation test of the main hypothesis

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.535	1	7.535	12.492	.001 ^a
	Residual	59.110	98	.603		
	Total	66.645	99			

Table No. (2) of the above variance anova shows that the calculated value of F amounted to 12.492, which is greater than its tabular value calculated according to degrees of freedom df (98.1), which amounts to 3.95 at the level of significance of 5%, and that the

significance level of the Sig test amounted to 0.001, which is less than the value of The accepted error in social sciences is predetermined at 0.05, which indicates the suitability of the statistical model used to test the hypothesis.

Table No. (3)
 The regression coefficients of the main hypothesis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.551	.078		7.097	.000
	Con	-.271	.077	-.336	-3.534	.001

The table of coefficients of the regression function shows that the value of the constant of the regression equation amounted to 0.551, and that the value of the slope of the regression equation amounted to 0.271 - which shows the effect of the independent variable on the dependent variable (through coefficient B), and the negative value of the coefficient indicates that there is an inverse effect between the dependent and independent variables or In other words, any increase in the variable (accounting conservatism) by one

degree leads to a decrease of 27.1% in the dependent variable (information asymmetry) with all other independent variables remaining constant. The following figure confirms the inverse relationship between the two variables, as the downward trend of the curve indicates that relationship: form (1)
 The relationship between accounting conservatism and information asymmetry

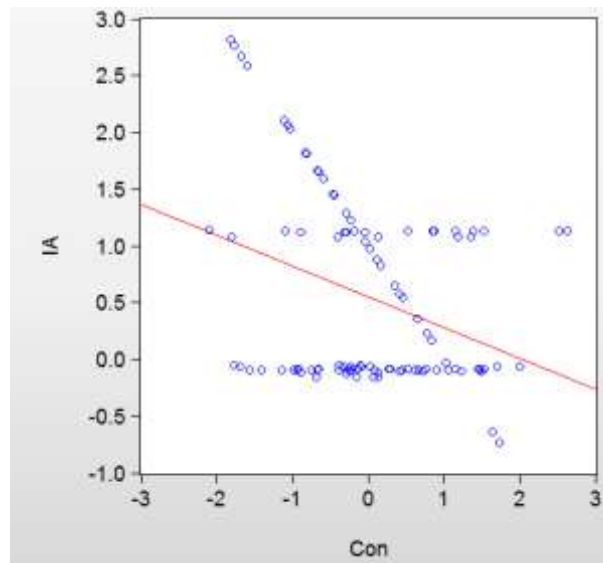


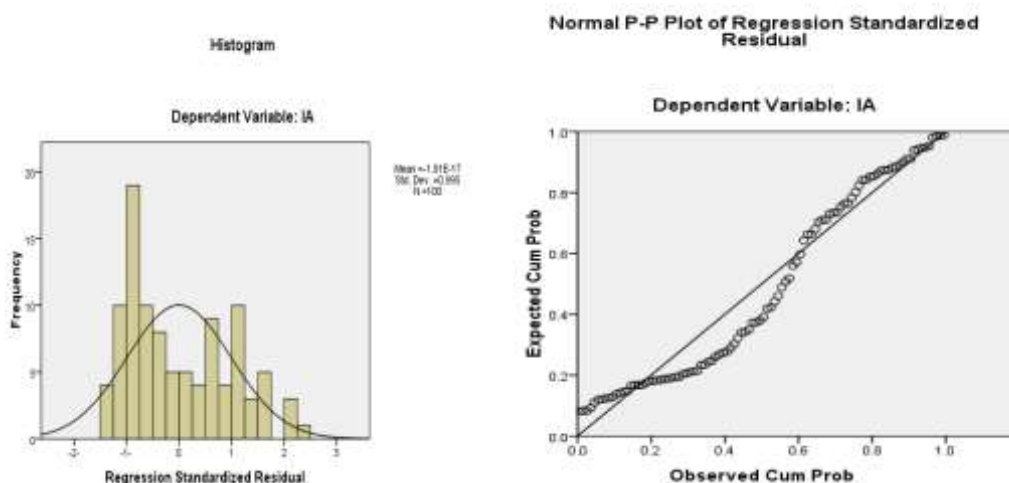
Table No. (3) also indicates that the T value of the Con variable amounted to 3.534, with a significant level of 0.001, which is less than the accepted error level in social sciences, which was previously determined by 0.05. The effect is statistically significant, and this means that there is a statistically significant effect of accounting conservatism in information asymmetry, and the researcher believes that the results of the statistical analysis were consistent with the results of a number of studies (García Lara et al., 2014), Aminu & Hassan, 2016, (Cho & Choi, 2016), (Rashwan, 2017).

The regression equation that was adopted in testing the hypothesis can be reformulated in the light of the results that have been reached, which can be used for the purpose of prediction in the following way:

$$IA = 0.551 - 0.271 * Con$$

The following figure presents the histogram, which shows the normal distribution of the statistical residuals of the regression equation, which shows the accuracy of the previous regression equation.

Figure No. (2)
 Histograms and normal distribution of the main hypothesis residuals



5. CONCLUSIONS

1- Accounting reservation occupied an important part of the interests of researchers and those interested in accounting and financial statements, whose opinions unanimously agreed on its importance to confront cases of uncertainty and asymmetry of accounting

information between management and other parties with interests. Accounting reservation represents an indispensable practice to protect the rights of contracting parties and limit opportunistic actions of management .



2- The hassle of facts asymmetry is exacerbated with the aid of the advanced talents of some buyers in obtaining signs from public statistics, consisting of those received from private data approximately the destiny overall performance of the organisation, because the phenomenon of accounting facts asymmetry causes an records gap attributable to the distinction inside the volume of internal records. Information posted for each person, records asymmetry can not be absolutely reduced but it may be reduced with the aid of a couple of way.

3- The majority of the companies listed inside the Iraq Stock Exchange, the studies pattern, practice accounting conservatism, as there may be a discrepancy within the degree of accounting conservatism among monetary sectors, and this exercise is attributed to the truth that accounting conservatism is one of the powerful mechanisms in organizing the employer's contracts with numerous other parties, whether or not they're from inside Or out of doors the organization, in addition to fending off publicity to the risks of litigation if the economic overall performance is exaggerated and the taxes borne by the organisation are decreased.

4- The existence of information asymmetry between the knowledgeable parties and the uninformed parties in varying proportions for sample companies.

5- The results of the statistical test for the research sample companies indicate that there is a statistically significant effect of accounting reservations in information asymmetry at a significant level of 0.001.

6. RECOMMENDATIONS

1- Directing the attention of the companies whose shares are listed on the Iraq Stock Exchange in general to continue practicing conservative accounting policies that are acceptable because of their effective impact in reducing the exaggeration of the values of assets and gains and protecting investors, provided that this is not understood as a call for excessive practice, but guidance for its application to take decisions and not allow misleading users.

2- The need for the Iraqi business environment to pay attention to the application of all accounting mechanisms that help increase accounting conservatism, especially when there are harmful practices of some companies that clearly affect the Iraqi market for securities.

3- Increasing interest in presenting and disclosing information in a timely manner, which in turn contributes to obtaining information in an equal manner among market participants and protecting minority rights.

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