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The effect of Ownership Structure on accounting conservatism for companies listed on the Iraq Stock Exchange

¹Tariq Hatim Rahi, ²Dhrgham Ibrahim Kadhim AL.Shukri, ³Rami meteab ali Alreshawee

¹Accounting Department . Al-Furat Al-Awsat Technical University, Ministry of Higher Education &Scientific Research

²Banking and Financial Sciences Department .Al Muthanna University, Ministry of Higher Education &Scientific Research

³Banking and Financial Sciences Department .Al Muthanna University, Ministry of Higher Education &Scientific Research

¹hatem.tariq@atu.edu.iq, ²ibrahimdhrgham@mu.edu.iq, ³ra.86.my@mu.edu.iq

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Abstract

This study examined the relationship between ownership structure and accounting conservatism in 30 companies listed on the Iraqi Stock Exchange over 5 years from 2015 to 2019. The main hypothesis of this study is to examine the existence of a significant relationship between ownership structure and accounting conservatism. To examine the ownership structure, the ownership of the largest shareholder, active and inactive institutional shareholders, real shareholders, and finally, the members of the board of directors have been considered. The Givoly & Hayn model was used to test conservatism. There is a significant relationship between the largest shareholder, percentage of active institutional shareholders, and ownership of board members, and no significant relationship was found between inactive institutional shareholders, real shareholders and accounting conservatism.

Introduction

Professional and academic institutions emphasize limiting conflicts of interest between management and shareholders by separating ownership from management, and with an increase in the number of shareholders, especially major shareholders, conflicts of interest between management and shareholders increase as much as possible, leading to a violation of the supervision and control of the administration ... Given that most of the ownership structure of listed companies in financial markets is made up of major shareholders, major shareholders may exercise greater oversight than shareholders.

And that it looks at the accounting conservatism as being prudent in identifying and measuring income and assets, and it is one of the basic concepts and elements that define the characteristics of financial reports. It is also considered one of the most important factors affecting the reduction of information asymmetry between management and current and prospective shareholders, as well as the parties related to the company. It also limits management practices in the exercise of profit management. From the foregoing, it can be said that the availability of effective supervision and control means that oblige the management to follow sound accounting policies that work to fulfill the management of its contractual obligations towards shareholders and the rest of the parties related to the company. And according to that, studying the relationship between the ownership structure and the accounting conservatism of companies listed on the Iraq Stock Exchange is of great importance.

Research study problem:

The ownership structure is an important mechanism of corporate governance due to its role in limiting bad management practices in the presentation of financial statements and limiting the asymmetry of information between management and shareholders. Corporate governance represents a set of rules and procedures that govern the relationship between the company's management, shareholders, and account auditors in the company by supporting the regulatory oversight system for shareholders' rights. Since the professional and academic institutions emphasize limiting conflicts of interest between management and shareholders by separating ownership from management and with the increase in the number of shareholders, especially the main shareholders, the conflict of interests between management and shareholders increases to the maximum extent possible, which leads to the breach In supervising and controlling the performance of the administration. Given that the majority of the ownership structure of companies listed in the financial markets consists of major shareholders, and applied the theoretical framework of corporate governance, major shareholders can exercise more oversight than shareholders. To ensure that management adheres to accounting policies, which accounting conservatism is one of these policies, which guarantees to limit information asymmetry and preserving shareholders' rights, as the research problem lies in the following questions: -

1- Does the largest shareholder ownership affect the level of accounting conservatism in the companies listed on the Iraq Stock Exchange?

- 2- Does effective institutional ownership affect the level of accounting conservatism for companies listed on the Iraq Stock Exchange?
- 3- Does ineffective institutional ownership affect the level of accounting conservatism in companies listed on the Iraq Stock Exchange?
- 4- Is there an effect of real shareholder ownership on the level of accounting conservatism for companies listed on the Iraq Stock Exchange?
- 5- Does administrative ownership affect the level of accounting conservatism in the companies listed on the Iraq Stock Exchange?

The importance of studying:

The importance of the research topic is the importance of the accounting conservatism concept in limiting the opportunistic behavior of the administration and favoring its interest over the interest of current and prospective shareholders and limiting the management of profits, as well as reducing the asymmetry of information between management and shareholders. As these issues arise from the separation of ownership from management, apply the theory of agency. To ensure that the management adheres to its contractual obligations with shareholders, it must ensure fair disclosure that achieves fairness between all current and potential shareholders, thus limiting the uniformity of information between management, shareholders, and workers in the financial markets. To achieve this, the matter requires the availability of a monitoring system that guarantees the management's commitment to its contractual obligations towards the parties related to the company. Therefore, studying the effect of the ownership structure of companies listed in the Iraq Stock Exchange on the level of accounting conservatism for those companies is of great importance in emerging markets due to the role it plays in ensuring the management's commitment to following accounting policies that ensure the availability of financial data that reflects the reality of the company, which ensures the stability and effectiveness of financial markets.

Study objectives:

The research aims mainly to study the corporate ownership structure in terms of greater shareholder ownership, effective corporate ownership, ineffective institutional ownership, real shareholder ownership, and administrative ownership, and a statement of the ownership structure impact on the extent to which corporate management follows conservatism accounting policies, and to achieve the main objective that the research seeks to achieve. Addressing a group of the following sub-bodies:

- 1- Highlighting the role that the ownership structure plays in the corporate management following conservatism financial policies, which is reflected in the quality of the financial reports, and minimizing the similarity of information between management and shareholders.
- 2- Reviewing the most prominent measurement models referred to by the accounting studies to measure ownership structure and accounting conservatism.

3- A statement of the relationship between the ownership structure and the accounting conservatism for a sample of companies listed on the Iraq Stock Exchange.

The hypothesis of the study

In light of the research problem and the pursuit of the objectives of the research, five hypotheses were identified for this research, which is as follows:

- 1- There is a statistically significant correlation between greater shareholder ownership and accounting conservatism.
- 2- There is a statistically significant correlation between effective corporate ownership and accounting conservatism.
- 3- There is a statistically significant correlation between ineffective institutional ownership and accounting conservatism.
- 4- There is a statistically significant correlation between the ownership of real shareholders and the accounting conservatism.
- 5- There is a statistically significant correlation between administrative ownership and accounting conservatism.

Theoretical foundations and Literature Review

Accounting is how the administration reaches financial information to its various users. The assessment of the financial position of the economic unit is an important factor in meeting the needs of creditors and shareholders, management, government, and other interested parties. Financial analysts, as well as users of financial statements, are interested in the profits disclosed by the economic unit because it enables them to predict future cash flows and evaluate their performance in the past and its impact on stock prices (Schroeder: 2010, 201)

Mainly, the reservation gained its pride of place as partial compensation for the constant optimism of management and its tendency to exaggerate the financial statements, which were a clear feature during the three decades of the twentieth century, and Sterling had called the constraint or the principle of reservation the name of the most influential principle in the accounting evaluation, where it requires This principle is that in case of doubt, the accounting alternative is chosen that does not exaggerate assets and income, and it is also believed that the reservation is more acceptable than the opinion calling for the recognition of holding gains because the general majority of accountants believe that by presenting the least preferred alternative for evaluating the economic unit, users of financial statements will be less likely to be shaded. , As the net value of the economic unit does not include future expectations and therefore the common stock of the unit will be valued at a relatively lower value in the market, but in recent years pressure to obtain more reliable and more appropriate information has led to the conservative financial statements being viewed as unfair to be presented to current owners and biased. In favor of the prospective owners (Schroeder:

2010, 198), while the reservation was defined as the choice of correct methods Precedence and estimates that keep the book value of net assets relatively low "(Huang et al., 2011). The accounting reservation in general is the reporting of minimum values of assets and revenues and higher values of liabilities and expenses (Belkaoui,2000).

On the other hand, the accounting reservation has a "negative" effect on the investment decisions taken by investors in the stock market due to the decrease in the book value of property rights, which leads to a reduction in the value of the share (Choi et al 2006). The accounting reservation that it plays an "important" role in increasing the efficiency of investment decisions because the accounting reservation limits the phenomenon of asymmetry of information between management and shareholders outside the economic unit and reduces the cost of capital and agency, and that economic units that use high levels of conservatism suffer from low financial flexibility at Liquidity management and when making decisions regarding the right of ownership or debt (Lee, 2011) in addition to the above, the accounting reservation has several definitions, including those who consider it as a choice of accounting policies that reduce net income by delaying the recognition of revenues until they are realized (Givoly & Hayn, 2000) (Whereas Watts believes that the accounting reservation takes into account the expected decline in income or assets before their realization, and the recognition of the increase in them is postponed until it is actually realized (Watts, 2003), and accounting conservatism means that lower values of assets and revenues should be reported as much as possible, higher values of liabilities and expenses, and deferred recognition of revenues (Yassin, 2008). From the foregoing, the researchers' view of the accounting reservation as one of the accounting principles, which should be used optimally and not to exaggerate the use of this restriction when preparing financial reports and choosing the available accounting methods and methods that are compatible with accounting standards to protect and guarantee the rights of investors and all groups of interest with the economic unit.

The term accounting conservatism represents an evolution of the "precaution and caution" principle that has gained "wide acceptance" among accountants and was directed "towards affecting the income statement and requires taking all potential losses and burdens into account and postponing the recognition of profits or revenues until they are actually realized. This principle is still controversial" until now. Because of its direct and indirect impact on the honesty and transparency of the financial statements (Guay and Verrecchia, 2007), or because it is the tendency of accountants to demand a high degree of verification in order to recognize good news such as profits compared to bad news such as losses in financial statements and conservatism means choosing accounting principles that reduce the value Net income by delaying the recognition of revenues and accelerating the recognition of expenses (Givoly and Hayn 2000), and the accounting reservation takes into account the expected decrease in income or assets before their realization and the recognition of the occurrence of the increase in these two elements is postponed until it is confirmed that they are realized or that it leads to a decrease in the book value of the assets relative to their market

value. Because there is an undisclosed fame of the economic unit (Beaver et al, 2005), while the accounting reservation increase. It leads to an increase in the additional media content in accrual profits compared to the net cash flow from operating activities, which means that an increase in the degree of accounting conservatism leads to an increase in the confidence of the users of accounting information in the accounting profits shown by the financial statements (Mason, 2004) and that the accounting reservation increases the usefulness of accounting information. This has a negative impact on the investment decisions taken by investors in the financial markets due to the decline in the book value of property rights, which leads as a result to the reduction of the share value (Choi et al 2006). And that companies that use high levels of accounting conservatism suffer from low financial flexibility when managing liquidity and when making decisions regarding the right of ownership or debt (Lee, 2001).

The ownership structure is an important mechanism of corporate governance for its impact on the financial performance of companies by limiting the management of profits, which was the main reason for the collapse of many companies in most developed and developing countries alike as a result of political crises and the spread of financial and administrative corruption and the difficulty of attracting financial investments, as usually, Investors are looking for companies that have a strong ownership structure to invest their money (AlFarooque, 2010), and when there is a separation between ownership and management, agency costs can arise due to the mismatched interests between agents and company directors, and managers can make choices that maximize the value for them and not the main owner. Owners should monitor and motivate managers to control their behavior (Harvy et al., 2004). International Accounting Standard No. 24 (Disclosure of Related Parties) indicates the importance of the ownership structure by emphasizing the need to disclose the transactions that take place between the company and its parties. A share in the company, which makes the ownership structure within the related parties implicitly, that considering managers part "of establishing companies gives them an incentive" to disentangle. It is seen in the long term because they want not only the rewards in the short term but their usefulness and reputation in the long term and it leads to managers not engaging in projects or behavior that destroys the value of the company because as a result it will harm their own wealth as internal ownership will preserve the interests of managers and the interests of other shareholders, so it is important for shareholders to ensure That managers 'interests align with theirs if management ownership were a way to do so (Anderson and Reeb, 2003). The ownership structure consists of two basic components which are the concentration of ownership in companies and the nature and identity of the owners in those companies as the concentration of ownership may be institutional, family or governmental and the concentration of ownership means owning a limited number of company shares such as major shareholders, families, managers or institutions so that each shareholder owns a large number Of the shares exceeding 5% of the total shares of the company (Al-Meligy, 2010), the concentrated ownership structure provides an optimal solution to the agency problem for the ability of major investors to efficiently monitor the management as a result of the

information available to them as well as the result of the availability of incentives for them to the difficulty of leaving the company and selling their large shares without incurring large losses and thus leads Strict control to limit the management of profits by the management (Alves, 2012, Darmadi, 2012), and in light of the widespread financial and administrative corruption in most developing countries, the ownership structure is usually considered an alternative to other mechanisms of governance, and institutional ownership refers to the percentage of shares owned by large institutions such as banks and companies Insurance, which invests on behalf of others because of the ability of these institutions to protect the investments of others as a result of experience and the vast amount of available information These institutions have, which enables them to analyze information and make sound decisions (Luo et al, 2014). As for family ownership, it is considered a form of concentration of ownership, and it refers to the ratio of shares owned by members of the same family to the total shares of the company. Often family members are among the original founders of the company. The family's tendency to concentrate their money in a single company is the desire to control their investments and to avoid risks in general (Shyu, 2011). The family ownership structure is characterized by many advantages that made it one of the most widespread ownership structures "in developing countries that do not have adequate legal protection. For small investors, one of the most important of which is reducing agency problems due to the presence of family members often in the board of directors and the ease of providing the necessary funding to increase investments, which helps in stabilizing this type of investment in the long term (Darmadi and Sodikin, 2013). On the other hand, family ownership is linked to many negatives that It may be reflected on the performance of the company as a result of the family members 'pursuit of their own interests at the expense of small owners and their possession With more information than the rest of the shareholders, and their possession of positions on the boards of directors allows them to possess more information than the rest of the company owners and small investors (Hope, 2013). Study indicated (Ali, 2013) indicated that there is a relationship between collective ownership of firms and firm performance, which favors the imposition of effective control by owners of institutions. About institutional ownership models, it has become clear that the ownership of companies that represent public ownership has a strong moral influence, as does the ownership of banks, insurance companies, and investment funds. The effect was not significant for banks and investment funds.

When measuring the effect of the relationship between ownership and accounting reservation, some studies have shown that there is an inverse relationship between the percentage of executive members and accounting reservation and the existence of a direct relationship with the percentage of ownership of exiting members in the shares of the company, which means that the separation of the ownership of the management leads to a decrease in the level of reserve in the financial statements (Ahmed and Duellman , 2007) a study indicated to what extent accounting conservatism can be considered as one of the corporate governance mechanisms that can reduce agency problems. This study concluded that accounting reservation cannot be considered an effective governance tool if it is

managed by control. Consequently, the less accounting conservatism is used, the higher the quality of financial reports (Altamuro and Beatty 2010), and a study (Artiach & Clarkson, 2014) indicates an inverse relationship between accounting reservation and the cost of equity. Maximize corporate shareholder value, and they may also be tempted to achieve their goals to some extent, like getting their reputation and financial rewards, which are shareholder value. This problem results from the separation of ownership from management, which leads to an inconsistency of managers with shareholders (Lafond and Roychowdhury, 2008) because the Mason study, 2004) indicates that an increase in the degree of accounting conservatism leads to an increase in additional media content in rights benefits over net cash flow from operating activities, which means that an increase in the degree of accounting prudence leads to an increase in users' confidence in accounting information in accounting profits that appear in the financial statements. Therefore, bookkeeping can be a way to reduce agency problems. The incentives associated with conservative book values are of low value, or if losses are noticed sooner, executives are encouraged to stop losing projects, which shows that companies that separate ownership and management have a caveat. "less and the companies that do so In which the managers hold large stakes which correspond more to the objectives of the shareholders, that the managers of modern economic units are often not the owners of these units, and here the effective control of the economic unit is in the hands of the managers and their owners are the owners of external shares. Here the managers have the responsibility to act in the best interests of the external shareholders. This leads to the existence of a relationship between two parties, which may result in the existence of faulty incentives in part due to asymmetric information, which may result in causes problems within the agency and can result from our mismanagement, inefficiency, and misconduct, where managers can make choices that maximize value for themselves and not for the primary owner. Here, owners must monitor and motivate managers to control their behavior and thus incur and bear the external owner the costs of monitoring (Harvey et., 2004), and managers can take projects that improve their position and their position or even reward them regardless of the effects of shareholder wealth and these things may be different if the directors are also shareholders as this internal ownership will be more secure. "This will safeguard the interests of the directors with the interests of the other shareholders. However, administrative ownership can lead to a decrease in the performance of the economic unit, and if the directors hold the majority of the shares, they cannot be punished. by other shareholders, for their enjoyment of the actual management ownership This is called administrative training, which is a form of the agency problem (Kim, Sonu & Choi, 2015).

Research method

The present study is descriptive and applied in terms of purpose. Regression analysis was used to test the relationship between variables and the significance of the model. The Giuli and Hain models were also used to measure conservatism.

The conservative model of Givoly and Hayn, 2000

The level of conservatism is calculated based on the model of Guillaume and Hein through the following formula. The greater the value of the formula; The level of conservatism is higher.

$$CSCORE_{it} = \frac{AFCC}{TA} \times (-1)$$

$CSCORE_{it}$: Degree of conservatism

$AFCC$: Operating accruals (difference between net profit and operating cash flow plus depreciation expense)

TA : Book value of assets

Another model used to test the hypotheses of this research; is a regression model in which the level of accounting conservatism (calculated by Guillaume and Hain method) is a function of independent variables and research control variables. is. This pattern is as follows.

$$CSCORE_{it} = \beta_0 + \beta_1 BIG_{it} + \beta_2 ACINST_{it} + \beta_3 INACINST_{it} + \beta_4 MAN_{it} + \beta_5 AGE + \beta_6 SDIZE + \beta_7 LEV_{it} + \varepsilon_{i,t}$$

BIG : Percentage of shares owned by the largest shareholder in each company

$AGAINST$: Percentage of shares owned by active institutional shareholders

$INCEST$: Percentage of shares owned by inactive institutional shareholders

MAN : Percentage of shares owned by members of the company's board of directors

$SIZE$: The natural logarithm of total assets at the end of the fiscal year (control variable)

LEV : Changes in the ratio of total liabilities to total assets (control variable)

Data Analysis and Hypothesis Testing

Indexes of descriptive statistics

Given the researchers' use of the financial data published in the financial statements of the companies listed on the Iraq Stock Exchange, these data should be dealt with in a manner that enables the researchers to test hypotheses and set conditions on the study sample in terms of the required data, so that it is one of the active companies in the Iraq Stock Exchange. Its reports provide detailed data on the ownership structure and how the ownership percentages are distributed in the company in detail. Therefore, the researchers focused on the reports of the Board of Directors published on the official website of the Iraq Stock Exchange, and the companies that were active within the specified time period for conducting the

research were identified, so the sample was 24 A company for which the required data are available from 2014 until 2018.

Table (1): descriptive statistics of the research variables

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
CONSERVATISM	0.25	0.23	1.578	-1.321	0.374
BIG	0.463	0.510	0.990	0.000	0.286
ACINST	0.318	0.340	0.640	0.000	0.200
INACINST	0.298	0.000	12	0.000	1.651
MAN	0.395	0.395	0.920	0.000	0.234
AGE	1.467	1.431	1.756	1.255	0.124
SIZE	9.690	9.624	11.356	8.544	0.548
LIV	0.500	0.334	3.430	0.003	0.603

Hypothesis Test Results

In order to test to what extent the normal distribution of residuals of the model, the researchers used the Jarque-Bera scale since the test results indicate that the residuals of the model follow an abnormal distribution since the JB value was greater than and the level of significance was less than 0.05, as shown in Figure (1). As can be seen from Figure (2), the residual error measurements contain anomalous values. Therefore, these values were eliminated using a hypothetical variable, since the lowest value of the outliers was determined and adopted in order to eliminate the outliers, as shown in Figure (3). As shown in Figure No. (3) a test of the normal distribution of the residuals of the model after eliminating the outliers. The test results indicate that the residuals of the model follow a normal distribution since the J-B value is less than and the significance level is greater than 0.05.

Figure (1) test normal distribution of residuals (Jarque-Bera)

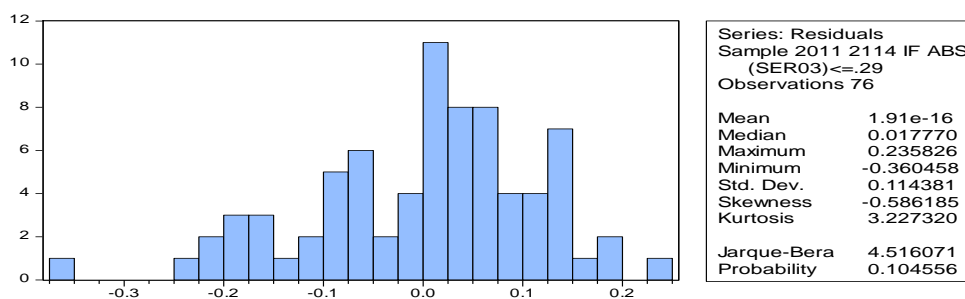


Figure (2) Actual, Fitted, Residual

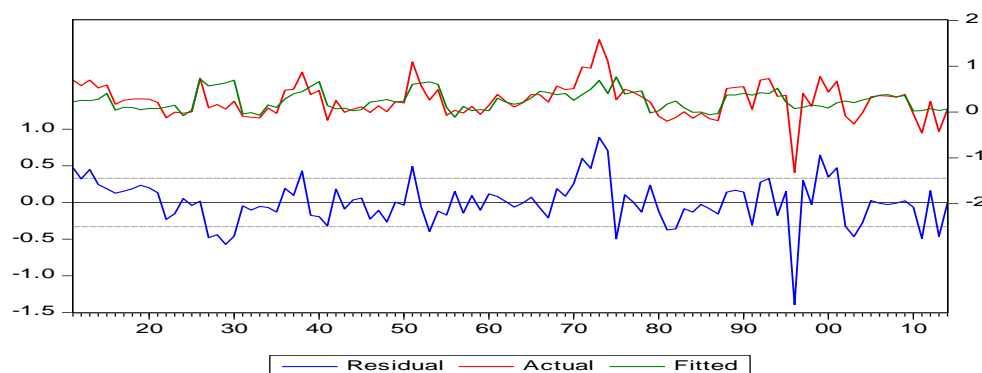


Figure (3) a test of the normal distribution of the residuals of the model after eliminating the outliers

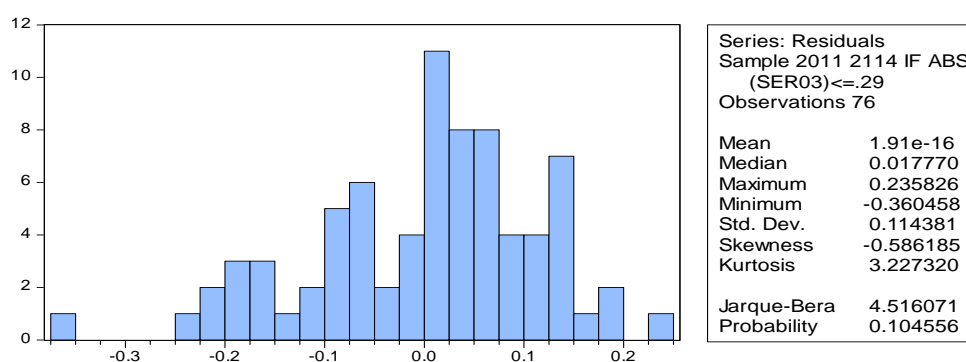


table (2) Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.293	Prob. F(2,59)	0.747
Obs*R-squared	0.748	Prob. Chi-Square(2)	0.688

Through the above table, we note that the value of F (0.992) and (Prob) is greater than 0.05 and thus the null hypothesis (H_0) is accepted, meaning that there is no intrinsic correlation between errors.

To ensure that there is no error limit variance problem, the (Godfrey-Pagan-Breusch) test was performed, as the test results indicate that the model is free from the problem of heterogeneity, as the statistical value of (F) is (0.299). These values are not statistically significant at a significant level. 0.05, which means accepting the null hypothesis that this problem does not exist

table (3) Breusch-Pagan-Godfrey

F-statistic	0.299	Prob. F(14,61)	0.992

Obs*R-squared	4.874	Prob. Chi-Square(14)	0.988
Scaled explained SS	3.497	Prob. Chi-Square(14)	0.998

And for the purpose of examining the problem of linear correlations between the independent variables, the researchers used the (VIF) test and the test results indicated that there are no linear correlations between the independent variables where the values are considered acceptable if the centered VIF values are less than 5 and the test results are as shown in the table No. (4) It is less than the minimum acceptable statistically and therefore the test results indicate that the value of the tests (T, F) does not contain errors in the estimation and measurement and it is possible to rely on those values.

table (4) VIF

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.136	644.339	NA
BIG	0.005	6.813	2.090
ACINST	0.022	13.212	4.445
INACINST	0.000	2.351	2.257
INDV	0.000	2.265	2.176
MAN	0.008	8.058	2.197
AGE	0.040	402.395	2.075
SIZE	0.001	333.130	1.189
LIV	0.002	2.358	1.307

Table No. (5) indicates that the value of the coefficient of determination (R^2) with a value of (0.748), which indicates that the independent variables are explained by (74.8%) of the change that occurs to the dependent variable. Likewise, the Adjusted R-squared coefficient, which takes into account the increase in degrees of freedom with a value of (0.69), indicated that the independent variables were able to explain (69%) only of the changes occurring in the dependent variable, and the rest were attributed to other factors and were not mentioned. In this form. As it is also evident from Table (No.5) that the statistical significance test for the assessed parameters, as the probability value reached (0.000), which is completely less than the level of significance of 5%, meaning that the estimated parameter differs significantly from zero, and therefore the model is statistically significant. Table No. (5) also indicates the overall significance test of the model, as it shows the presence of high significance for the test, as the probability value reached (F-statistic = 12.91). Through the above, it becomes clear that the model has a total

statistical significance, and we also conclude that the model is statistically acceptable, meaning it has an explanatory ability.

table (5)Results of the research hypothesis estimation

Variable		Coefficient	Std. Error	t-Statistic	Prob.
B0		-0.645	0.369	-1.747	0.086
BIG		-0.155	0.071	-2.184	0.033
ACINST		1.193	0.149	8.006	0.000
INACINST		0.0004	0.011	-0.033	0.974
INDV		-0.003	0.003	-1.099	0.276
MAN		-0.783	0.090	-8.668	0.000
AGE		0.260	0.200	1.299	0.199
SIZE		0.062	0.027	2.265	0.027
LIV		0.105	0.043	2.454	0.017
FixedYear		Yes			
Fixed Industry		Yes			
F	Sig	R ² Adjusted R-squared			R ²
12.91	0.000	0.69			0.748

Results and recommendations:

Results:

1- The applied results of the research showed that there is an opposite and significant correlation between the percentage of the largest shareholders and the accounting reservation. That is, the greater the percentage of the largest shareholders in the companies, the lower the level of accounting conservatism. Increasing the ownership percentage of shareholders contributes to reducing the asymmetry of information between the relevant parties in the company due to the ability of the largest shareholders to monitor the performance of the company's management as well as their ability to limit the opportunistic behavior of executive directors and preserve their interests. Therefore, prudent accounting policies are of no importance to the largest shareholders in the company.

2- The result of the second hypothesis test of the research indicates that there is a positive relationship between effective institutional ownership and accounting reservation. This is because the owners of effective institutional ownership have sufficient experience and competence to control the performance of management and the lowest costs as well as the strategic dimension in their investments in the company as their interest is focused on long-term benefits and therefore they tend

to use conservative accounting policies to preserve the distribution of the achieved returns and keep them on, For example, reduce the distribution of profits to shareholders and reduce taxes.

3- The results of the research indicated that there is no significant correlation between ineffective institutional ownership and accounting reservation. As this type of shareholders do not have the desire to control the performance of management, and thus their lack of interest in the quality of the profits achieved, as they do not tend to follow conservative accounting policies because their desire is focused on short-term returns.

4- The applied results of the research indicated that there is no significant correlation between the ownership of real shareholders and the accounting reservation. Because this type of shareholders do not have sufficient capacity to control the performance of management, in addition to their interest in short-term distress, as their investment is directed towards trading stocks and not keeping them.

5- The applied results of the research showed that there are an inverse and significant correlation between administrative ownership and accounting reservation. As the increase in the percentage of administrative ownership contributes to reducing the problems of the agency, which reduces the conflict of interest between management and shareholders. In the case of the opposite, it will lead to a low level of administrative ownership attributed to a conflict of interest, which creates agency problems. Therefore, these companies seek to solve this problem by following accounting policies that work to reduce these problems, represented in accounting conservatism.

Recommendations:

1- A kind of balance should be achieved in the percentage of the largest shareholders in the corporate ownership structure, as the applied results of the research showed that there are an inverse and significant association between the proportion of the largest shareholders and the accounting reservation. That is, the greater the percentage of the largest shareholders in the companies, the lower the level of accounting conservatism. As the increase in the ownership percentage of the largest shareholders contributes to reducing the asymmetry of information between the relevant parties in the company, due to the ability of the largest shareholders to monitor the performance of the company's management as well as their ability to reduce the opportunistic behavior of executive directors and preserve their interests. Therefore, prudent accounting policies are of no importance to the largest shareholders in the company.

2- The public and private companies investing in the companies must activate their role in monitoring and supervising the performance of executive management in the joint-stock companies. Given the positive role of effective corporate ownership in achieving more conservative financial statements and reducing opportunistic management practices.

3- An upper limit should be determined for the percentage of administrative ownership in joint-stock companies listed on the Iraq Stock Exchange, as this will contribute to preserving the interests of all parties related to the company

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