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Accounting conservatism and ownership structure in non-financial listed firms in Nigeria

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Abstract--This study is motivated by the need to provide an understanding of the nexus between ownership structure and accounting conservatism using non-financial listed firms in Nigeria. This study adopts an ex post facto research design was then adopted and the study covered the period from 2010-2019. The sample consists of 75 non-financial companies quoted on the Nigerian Stock Exchange (NSE) as at December 31, 2020. In this study, secondary data, by way of annual reports and accounts of the sampled companies in Nigeria and some relevant Nigerian Exchange Group fact books were used to collect data. The effect of ownership structure on accounting conservatism was analysed using panel regression. The findings of the study reveals that ownership structure has a significant impact on accounting conservatism. Particularly, the effect of managerial ownership is persistent particularly for MTB and income statement indicators while the significant effect of foreign ownership holds for MTB measure of accounting conservatism. Therefore, the study recommends that there is need for shareholders to look closely in order to monitor the practices of management as the presence of managerial owners tends to create some level of managerial entrenchment and this can create the lax for managerial opportunist in the use of accounting policies like conservatism. Also, the study recommends that foreign ownership presence be more active in monitoring management use of accounting policies such as conservatism because in most cases foreign owners tend to be more passive in their monitoring responsibility.

Keywords---accounting conservatism, managerial ownership, foreign ownership.

Introduction

Conservatism has been a salient characteristic of accounting information and recent research into this area has documented a significant increase in conservatism in the last few decades (Ain, Agus, Kiswanto & Indra 2020). Several explanations are presented to justify the existence of conservatism and existing empirical evidence provides support for the contractual and litigation explanations, although taxation and regulation also contribute to the existence of conservatism (Watts, 2003). Conservatism has historically been one of the central principle of accounting which follows logically from the objective of creditor protection by keeping book values of net assets relatively low to avoid hidden reserves and provisions is often used to assess the quality of companies accounting.

It is one of the most prominent characteristics of financial reporting that has influenced accounting practice for centuries in the area of recognition of profits versus losses. Avoiding inappropriate distributions to claim holders appears to have been an important contracting reason for conservatism (Ruch & Taylor, 2015). However, it has been argued that prudence and conservatism are not desirable qualities of reported information and are considered to be inadequate way of dealing with uncertainty (Hellman, 2008), due to the consistent undervaluation of net assets. It was asserted that accounting conservatism biases financial statement numbers and result in inefficient decision-making (Gigler, Kanodia, Sapra & Venugopalan, 2009; Hellman, 2008).

On the other hand, Corporate ownership structure is seen as an essential managers' monitoring mechanism. Ownership structures differ among entities. These different ownership structures imply different motivations to monitor and control a firm's management. Cullinan, Wang, Wang and Zhang (2012) also noted that different ownership structures can result in variation in governance structures, which would reflect the different rights associated with various types of owners. These governance structures in turn could lead a greater or lesser degree of influence over the financial reporting process by large owners and/or managers. As a result, the corporate ownership structure can affect the level of conservatism. Previous studies have examined the association between ownership structure and conservatism accounting, (Martinez, Santana Júnior & Sena, 2021; Sugiarto & Fachrurrozie, 2018; Murwaningsari & Sistya, 2017).

However, one limitation with the that have examined the link between corporate governance and accounting conservatism listed above is that most of the studies employ single measures of accounting conservatism but this study differs from them by adopting a multi-perspective approach which is intended to make the study more robust and provide deeper insight into the issue of accounting conservatism. Specifically, the study incorporates the income statement conservatism, statement of financial position- based conservatism and accruals conservatism. To the best of the researcher's knowledge, this study is the only

study focused on listed non-financial firms in Nigeria that has employed a combination of the three (3) conservatism models and approaches. The remaining part of this paper is structured as follows: Section 1 is an introduction as above. Section 2 contains the literature review and hypothesis development. Section 3 outlines details of the research design adopted. Section 4 presents the results from the estimates and analyses the results. Section 5 concludes the study and provides recommendations.

Literature Review

Accounting Conservatism

Traditionally accounting conservatism is defined as ‘anticipate no profit, but anticipate all losses. However, accounting conservatism in this extreme form has been traded in for a less severe form. Nowadays, accounting conservatism is viewed as an asymmetry in the level of verification needed to recognize gains and assets on the one hand and losses and liabilities on the other. To recognize gains or assets a higher level of verification is required relative to the recognition of expenses or liabilities (Watts 2003). As a consequence of the asymmetry in the level of verification required, losses will be anticipated in a timelier manner relative to gains. Therefore, using conservative accounting methods profit will be understated. This type of accounting conservatism is also called earnings conservatism or conditional conservatism (Givoly et al. 2007).

Accounting conservatism can be defined by ‘accountant’s tendency to require a higher degree of verification for recognizing good news than bad news in financial statements’ (Basu 1997). There are four explanations for accounting conservatism: conservatism is employed in the contracts the firm enters into; an understatement of net assets reduces expected litigation costs; conservative accounting methods could defer tax payment; standard setters will prefer accounting standards which lead to an understatement of net assets to prevent criticism. Conditional accounting conservatism is news dependent (Beaver & Ryan 2005). For example, when bad news comes available the book value of an asset is written down. However, when good news comes available the book value is not adjusted upwards. Penman and Zhang (2002) consider accounting conservatism as selection of method and estimation from accounting which evidently shows assets book value lower than usual.

Accounting conservatism could also be defined as the selection of conservative accounting methods (Givoly, Hayn & Natarajan, 2007). Understatement of assets occurs due to higher depreciation costs, or due to expensing investments in certain assets instead of capitalizing them. This type of accounting conservatism is also known as balance sheet conservatism or unconditional conservatism. Unconditional accounting conservatism is news independent (Beaver & Ryan 2005). The accounting method, which is chosen when the asset is first recorded, contains an expected degree of accounting conservatism, which is independent of any events occurring after that point in time.

Ownership Structure

Ownership structure as proposed by the agency theory is one of the most important mechanisms to solve agency problems and suggests that concentrated ownership will result in more effective monitoring (Jensen & Meckling, 1976). Ownership structure is a mechanism that aligns the interest of shareholders and managers (Eng & Mak, 2003). It is believed that one of the most important ways through which a firm maximizes its value is through well-designed and effective ownership structure of the firm's shares (Long, Li, Xu & Fu, 2011). Ownership structure determines the extent of monitoring and this affect the quality of financial disclosure in most organizations (Faghani & Amoei, 2014). The ownership structure can either be managerial ownership, institutional ownership, foreign ownership or block holder ownership. Managerial ownership deals with ownership by management. Institutional investors can be considered as sophisticated investors who typically serve a monitoring role in reducing pressures for myopic behaviour. Block holders are shareholders who tend to have a big proportion of the company's shares as compared to other shareholders (Baryeh, 2014). Block holder ownership may take various forms including individual investors, private equity firms, banks and trusts. Foreign ownership investors are typically mutual funds or other institutional investors (Dahlquist & Robertsson 2001).

Empirical Review and Hypothesis

Ain, Agus, Kiswanto and Indra (2020) analyse the effect of institutional ownership, and managerial ownership on accounting conservatism. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2014–2016 are the population in this study, which consists of 135 companies. The samples are selected with some criteria which result in 33 firms each year (99 units of analysis). The data are analysed using moderated regression analysis with a test of absolute difference values using SPSS software. This study shows that institutional ownership have a significant positive effect on accounting conservatism, while managerial ownership has a significant negative effect on accounting conservatism.

Alves (2020), examine the association between accounting conservatism and corporate ownership structure (measured with three variables: managerial ownership (low, medium and high levels), ownership concentration and institutional ownership), for a sample of non-financial listed Portuguese and Spanish firms-year from 2005 to 2017. The Portuguese and Spanish governance structures are characterized by the presence of controlling shareholders who normally are able to significantly influence or even control the corporate decisions. Using the Fixed Effects Regression Model, to Portugal and Spain. The study found a positive effect at low (up to 5 per cent stockholdings) and high (more than 25 per cent stockholdings) levels of managerial ownership on conservatism. The study's results also suggest that ownership concentration demand for more conservatism. Unlike Spain, in Portugal there is no evidence that institutional ownership affects positively the levels of accounting conservatism

El-habashy (2019) investigate the corporate governance attributes that influence the level of accounting conservatism in Egyptian listed firms. A sample of the 40 most active non-financial companies collected in the period 2009-2014 was used for hypothesis testing. Panel regression models were used for data analysis. Givoly & Hayn (2000) index is used as conservatism measurement criteria. The results of the research indicate that institutional ownership and large block shares have a significant negative association.

Amneh, Munther and Mohammad (2017) examine the impact of ownership structure on the level of accounting conservatism in Jordan by using a sample of 99 manufacturing and financial companies listed on the Amman stock exchange between 2005 and 2013. On one hand, ownership structure was measured by: Foreign; governmental; institutional; and concentration of ownership. On the other hand, accounting conservatism was measured by accrual-based measures. The study's findings show that there is an inverse effect of governmental ownership on accounting conservatism. In contrast, the study indicates a significant and positive relationship between foreign and institutional ownership with accounting conservatism but the concentration of ownership doesn't affect conservatism.

Asiriwuwa, Akperi, Uwuigbe, Uwuigbe Nassar, Ilogho and Eriabe (2019) examine the effect of ownership structure on accounting conservatism among Nigeria listed firms. Correlational research design was employed in this study and the sample size comprises of all 15 firms from the banking sector listed on the Nigerian Stock Exchange (NSE) for the years 2013 – 2017. The study employed the panel regression technique to estimate the coefficients of the variables in the model specified. The study finds that there is a positive and insignificant relationship between managerial ownership and accounting conservatism; a positive but an insignificant relationship was observed between institutional ownership and accounting conservatism. However, foreign ownership revealed a negative but not significant relationship with accounting conservatism.

Based on the above, the study develops the following hypothesis stated below;

H₀₁: Ownership structure has no significant effect on accounting conservatism in listed non-financial firms in Nigeria.

Theoretical Framework-Agency theory

Jensen and Meckling (1976) notes that agency theory typifies a contract entered into by the principal and the agent, upon which the agent carries out activities on behalf of the principal who delegated some decision-making authority to the agent. This theory stipulated that the principals (shareholders) are the owners of the firm while agents otherwise known as managements or appointed directors are delegated authorities to run the activities of the firm (Clarke, 2004). Agency theory states that rational agents (managers) will act for their own interest, and not for their shareholders' interests because of separation of ownership from control (Jensen & Meckling, 1976). managers or directors may not automatically make decisions for the best interests of dispersed shareholders but for their selfish interest (Padilla, 2002). It is believed that the nature equity structure of the firm can go a long way to address agency issues of which conservative reporting falls under.

Methodology

The study employs the ex-post causal research design. The population consists of all non-financial companies in the country quoted on the Nigerian Stock Exchange (NSE) as at December 31, 2020. As at the study period, there are 75 quoted non-financial firms in the Nigerian Stock Exchange classification (NSE, 2019) and these will constitute the sample. In this study, secondary data, by way of annual reports and accounts of the sampled companies in Nigeria and some relevant NSE fact books was used to collect data. The effect of corporate governance structure on accounting conservatism was analysed using panel regression. Panel data regression is chosen because of the multidimensional nature of the data which has both time or periodic dimension and also cross-sectional dimension. In addition, the technique has other advantages and strengths such as its ability to incorporate and account for individual-specific heterogeneity, provide more data variation and degrees of freedom and also ensure the presence of minimal less collinearity. Furthermore, the panel regression is also able to detect those unobserved effects in either cross-section or time-series data.

Model Specification

The model for the study examines ownership structure and accounting conservatism. The model adapts that of Asiriwa, et al (2019) but differs in the operationalization of accounting conservatism as in this study, accounting conservatism was measured using three (3) measures based on extant literature; the income statement approach, balance sheet approach and the accrual conservatism approach. The functional specification is specified in equation 1 and the econometric model in equation 2 below;

$$\text{ACC-CON} = f(\text{MOWN}, \text{FOWN}) \text{-----(i)}$$

$$\text{ACC-CON} = \beta_0 + \beta_1 \text{MOWN}_{it} + \beta_2 \text{FOWN}_{it} + \mu \text{-----(ii)}$$

Where:

ACC-CON= Accounting Conservatism

MOWN= *Managerial Ownership*

FOWN= *Foreign ownership*

i and t = each firm and each year respectively.

Table 3.1: Variable Measurement and Source

Variable	Definition	Measurement	Source
Accounting conservatism	Income Statement Conservatism (ISC)	Basu (1997) model	Basu (1997)
	Statement of financial position sheet Conservatism	Market to book ratio (MTB)	Penman and Zhang, 2002).
	Accruals Conservatism (ACCR)	calculated as firm i's income before	Givoly and Hayn (2000)

		extraordinary items and discontinued operations, minus cash flows from continuing operations plus extraordinary items and discontinued operations in year t;	
MOWN	Managerial ownership	% shareholding of executive directors	Adebiyi and Olowookere (2016)
FOWN	Foreign ownership	% shareholding of foreign entities	Aggarwal, Erel, Ferreira and Matos, (2011).

Source: Researcher's compilation (2020)

Presentation Of Results

Table 4.1: Descriptive Statistics

	Mean	Max	Min	Std. Dev.	J.B	Probability
MTB	34.29	1555.990	0.500	114.291	103.500	0.00
ACCR	0.0906	2.966	0.006	0.3017	1916.899	0.000
INSC	0.240	2.549600	0.000	0.2827	2256.227	0.00
MOWN	0.1679	2.549	0.000	0.245	5662.989	0.000
FOWN	0.5571	1.000	0.000	0.497	103.5726	0.00

Source: Researcher's compilation (2021)

Table 4.1 shows the descriptive statistics for the variables and as observed, the mean MTB stood at 34.29 with a standard deviation of 114.3. The maximum and minimum values stood at 1555.9 and 0.50 respectively. ACCR has a mean value of 0.0906 and a standard deviation of 0.3017. The maximum and minimum values stood at 2.966 and 0.006 respectively. Income statement conservatism (INSC) measured using the Basu approach has a mean of 0.240 with maximum and minimum values of 2.549 respectively. MOWN has mean of 0.168 which is low on the average but may also be good in terms of reducing managerial entrenchment. The maximum and minimum values stood at 2.549 and 0 respectively. The mean for FOROWN stood at 0.5571 which is slightly above average and suggest substantial foreign ownership presence in the sampled firms.

Table 4.2: Pearson Correlation Result

	MOWN	FOWN	MTB	ACCR	INSC
MOWN	1				
Prob					
Prob	0.065				
FOWN	-0.0892	1			
Prob	0.0262				

MTB	-0.1606	-0.0338	1		
Prob	(0.000)	(0.400)			
ACCR	0.00162	0.39393	0.00198	1	
Prob	0.9679	0.000	0.9607		
INSC	-0.0873	-0.0703	0.10778	0.01348	1
Prob	0.0297	0.0799	0.0072	0.7374	

Source: Researcher's compilation (2021)

The correlation statistics gives an indication of the direction and magnitude of relationships between the variables. Positive correlations indicate that increase in one variable is associated with increases in the other and vice-versa. The Pearson correlation results shows the correlations between MTB is negatively and significantly correlated with MOWN ($r=-0.16106$, $p=0.014$) and with FOWN ($r=-0.0338$, $p=0.400$). The Pearson correlation results shows the correlations between ACCR is positively correlated with MOWN ($r=0.0016$, $p=0.9679$) and with FOWN ($r=0.3939$, $p=0.000$). INSC is negatively correlated with MOWN ($r=-0.0703$, $p=0.0799$) and positively correlated with FOWN ($r=0.108$, $p=0.000$).

Table 4.3 Variance Inflation Factor Test

Variable	Centered VIF
MOWN	1.1448
FOWN	1.2416

Source: Researcher's compilation (2021)

Before proceeding to conduct the regression, the test for multicollinearity between the variables is conducted using the variance inflation factor (VIF). Basically, the VIF explains how much of the variance of a coefficient estimate of a regressor has been inflated, as a result of collinearity with the other regressors. Essentially, VIFs above 10 are seen as a cause of concern as observed, none of the variables have VIF's values more than 10 and hence none gave serious indication of multicollinearity.

Table 4.4. Ownership Structure and MTB Regression

Variable	Aprori Sign	Fixed Effects Model	Random Effects Model
C		294.86* (6488.4) {0.000}	270.38 (237.02) {0.2548}
MOWN	+	133.172* (236.65) {0.000}	188.45 (125.31) {0.1336}
FOWN	-	-357.65* (123.78)	-231.62 (264.98)

		{0.0041}	{0.3827}
<i>Model Parameters</i>			
R ²		0.624	0.0142
Adjusted R ²		0.511	0.0007
F-statistic		11.94	0.9548
Prob(F-stat)		0.00	0.445
Durbin-Watson		1.83	0.459
<i>Model Diagnostics</i>			
x ² _{Hetero}	(0.466)	x ² _{Norm}	0.483
x ² _{Serial/Corr}	(0.274)	x ² _{Hausman}	19.53
x ² _{Ramsey Reset}	(0.705)		(0.000)

Source: Researcher's compilation (2021)

Table 4.4 show the regression results examining the impact of ownership structure on MTB measure of accounting conservatism. According to Givoly & Hayn (2000), the market-to-book (M-to-B) ratio is commonly defined as the market value of a firm's equity divided by the book value of equity. The idea underlying the use of MTB as a measure of accounting conservatism is that, *ceteris paribus*, a conservative accounting system tends to depress the net book values of a firm relative to the firm's true economic value. Therefore, a higher MTB implies a higher degree of accounting conservatism, and vice versa. The gap between the market value and the book value of equity is a measure of the degree of reporting conservatism (Roychowdhury & Watts 2004; García Lara & Mora 2004). The fixed effects (FE) results based on the hausman test value is used as the preferred estimation. The x²_{Hausman} statistic and p-value (19.53, p=0.000) indicates that the fixed effects model estimation is the appropriate estimation for the model indicating the existence of significant correlations between firms specific disturbances and the beta's. The x²_{Hetero} p-value (0.466) implies the homoscedastic behaviour of the errors and the x²_{Serial/Corr} p-value (0.274) also reveals the absence of serial correlation. In addition, x²_{ramsey Reset} p-value (0.705) reveals that the model is correctly specified .

The adjusted R² for the regression stood at 0.511 with indicates that firm ownership structure is able to account for about 51.1% of systematic variations in MTB. The F-stat is 11.94 (p-value = 0.00) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model. The analysis of coefficients reveals MOWN has a positive (133.17) effect on MTB which is statistically significant at 5% (p=0.000). This implies that an increase in the level of managerial ownership results in an increase in MTB which is indicative in this case of higher conservatism and hence it appears that higher proportion of managerial ownership presence encourages conservatism. FOWN has a negative effect (-357.65) effect on MTB which is statistically significant at 5% (p=0.004). This implies that an increase in the level of foreign ownership reduces the MTB gap which is indicative in this case of lower conservatism.

Table 4.5. Ownership structure and ACCR

Variable	Aprori Sign	Fixed Effects Model	Random Effects Model
C	+	0.4535* (0.0373) {0.000}	0.4205* (0.0439) {0.000}
MOWN		-0.0034 (0.0116) {0.7692}	0.00542 (0.0206) {0.7935}
FOWN		0.0026 (0.0066) {0.6959}	0.00609 (0.0042) {0.1481}
<i>ar(1)</i>		0.5588 (0.1652) {0.0009}	
<i>Model Parameters</i>			
R ²		0.619	0.0072
Adjusted R ²		0.574	0.00111
F-statistic		37.5065	0.3738
Prob(F-stat)		0.00	0.8664
Durbin-Watson		2.3	0.6987
<i>Model Diagnostics</i>			
X ² Hetero	(0.182)	X ² Norm	0.6712
X ² Serial/Corr	(0.355)	X ² Hausman	16.622
X ² Ramsey-Reset	(0.827)		(0.000)

Source: Researcher's compilation (2021) * sig @5%, ** sig @ 10%

The relationship between ownership structure and accrual measure of conservatism is presented in table 4.5. Givoly and Hayn (2000) suggest that the sign and the magnitude of accumulated accruals over time are measures that can be used to gauge the degree of accounting conservatism. A consistent predominance of negative accruals across firms over a long period is, ceteris paribus, an indication of conservatism, while the rate of accumulation of net negative accruals is an indication of the shift in the degree of conservatism over time" (Givoly & Hayn 2000; p.292). Numerous studies have been conducted based on the above-mentioned measures of conservatism (Givoly & Hayn, 2000; Holthausen & Watts, 2001).

The x^2_{Hausman} statistic and p-value (16.622, p=0.00) indicates that the fixed effects model estimation is the appropriate estimation for the model indicating the existence of significant correlations between firms specific disturbances and the beta's. The x^2_{Hetero} p-value (0.182) implies the homoscedastic behaviour of the errors and the $x^2_{\text{Serial/Corr}}$ p-value (0.355) also reveals the absence of serial correlation. In addition, $x^2_{\text{Ramsey-Reset}}$ p-value (0.827) reveals that the model is correctly specified. The autoregressive procedure ar (1) was employed to control for potential serial correlation in the errors.

The adjusted R^2 for the regression stood at 0.574 with indicates that ownership structure is able to account for about 57.4% of systematic variations in ACCR. The F-stat is 37.507 (p-value = 0.00) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model. The analysis of coefficients reveals that MOWN has a negative (-0.0034) effect on the accruals which is not statistically significant at 5% (p=0.7692). FOWN has a positive (0.0026) effect on accruals which is not also statistically significant at 5% (p=0.6959).

Table 4.6. Ownership structure and Income Statement Conservatism

Variable	Aprori Sign	Fixed Effects Model	Random Effects Model
C	+	0.4237* (0.0369) {0.000}	0.4023* (0.0278) {0.000}
MOWN	-	0.0488* (0.0488) {0.0101}	0.0058* (0.0162) {0.7212}
FOWN	+	0.0059 (0.0049) {0.2329}	0.0044 (0.0029) {0.1330}
<i>Model Parameters</i>			
R^2		0.685	0.0328
Adjusted R^2		0.530	0.0139
F-statistic		27.985	1.7322
Prob(F-stat)		0.00	0.127
Durbin-Watson		1.80	0.691
<i>Model Diagnostics</i>			
χ^2_{Hetero}	(0.3927)	χ^2_{Norm}	0.6712
$\chi^2_{\text{Serial/Corr}}$	(0.862)	χ^2_{Hausman}	11.232
$\chi^2_{\text{Ramssey Reset}}$	(0.372)		(0.000)

Source: Researcher's compilation (2021)

Table 4.6 show the regression results examining the impact of ownership structure on Income Statement Conservatism [Market-based measure]. This approach is credited to Basu (1997) that tested conditional conservatism by regressing annual accounting earnings on stock returns for the same year separately for companies with negative returns and positive returns, adopting returns as a proxy for bad/good news. Conservatism results in earnings being timelier and more sensitive concurrently to publicly available bad news than good news (Basu 1997). So, financial reporting is conservative since it defers recognition of good news and accelerates the recognition of bad news.

The χ^2_{Hausman} statistic and p-value (11.232, $p=0.00$) indicates that the fixed effects model estimation is the appropriate estimation for the model indicating the existence of significant correlations between firms specific disturbances and the beta's. The χ^2_{Hetero} p-value (0.392) implies the homoscedastic behaviour of the errors and the $\chi^2_{\text{Serial/Corr}}$ p-value (0.862) also reveals the absence of serial correlation. In addition, $\chi^2_{\text{Ramsey-Reset}}$ p-value (0.372) reveals that the model is correctly specified. The adjusted R^2 for the estimation stood at 0.53 which indicates that corporate governance is able to account for about 53% of systematic variations in income statement conservatism with an adjusted value of 46.8%. The F-stat is 22.985 ($p\text{-value} = 0.00$) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model.

MOWN has a positive (0.0488) effect on income statement conservatism which is statistically significant at 5% ($p=0.0101$). The result implies that an increase in managerial ownership increases income statement conservatism. Hence a higher level of managerial ownership has an impact on conservatism such that earnings more sensitive concurrently to publicly available bad news than good news. Therefore, a higher level of managerial ownership defers recognition of good news and accelerates the recognition of bad news. FOWN has a positive (0.0059) effect on income statement conservatism which though is not statistically significant at 5% ($p=0.2329$).

In summary, the result shows that MOWN has a significant impact on accounting conservatism and this is persistent across all three measures of accounting conservatism used in the study and foreign ownership has a significant impact on accounting conservatism particularly for MTB measure of accounting conservatism. Therefore, the study rejects the null hypothesis that ownership structure has no significant effect on accounting conservatism. The finding is in tandem with Amneh, Munther and Mohammad (2017), Alves (2020) but is contrary to Akbar, Jalal, Morteza and Javadian (2013).

Conclusion

This study adopts a multi-perspective approach to accounting conservatism incorporating the income statement conservatism, statement of financial position conservatism and accruals conservatism. The findings of the study reveals that Managerial Ownership has a significant impact on accounting conservatism and this is persistent particularly for MTB and income statement indicators. Also, foreign ownership has a significant impact on accounting conservatism particularly for MTB measure of accounting conservatism. Therefore, the study recommends that there is need for shareholders to look closely in order to monitor the practices of management. The presence of managerial owners tends to create some level of managerial entrenchment and this can create the lax for managerial opportunist in the use of accounting policies like conservatism. Finally, foreign ownership has a significant impact on accounting conservatism particularly for MTB measure of accounting conservatism. Therefore, the study recommends that foreign ownership presence be more active in monitoring management use of

accounting policies such as conservatism because in most cases foreign owners tend to be more passive in their monitoring responsibility.

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