

Impact of Accounting Conservatism on Cash Dividend and Financial Reporting Quality: A Study of Jordanian Public Companies

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Received: November 10, 2022 Revised: February 21, 2023 Accepted: March 01, 2023

Abstract

This study seeks to ascertain whether publicly listed Jordanian corporations (listed on the Amman Stock Exchange (ASE)) exhibit accounting conservatism and whether such companies distribute dividends to stockholders. Furthermore, this study delves into the implications of accounting conservatism on dividend policy in the context of the quality of financial statements of publicly listed Jordanian companies listed on the ASE. To accomplish the aims of this study, the Quality of financial reporting is treated as a moderator for the relationship between accounting conservatism and dividend distribution. Hence, a panel data approach was utilized, which encompasses cross-sectional data for 95 industrial and service establishments for the period (2013–2017). The study found that accounting conservatism has a negative impact on dividends and that there is no difference in the impact of accounting conservatism on dividends based on the quality of financial reports. The study concluded with a number of recommendations, the most salient of which is the need for companies to enhance their concentration on accounting conservatism and adopt a suitable policy for dividends. Thus, this research provides an insights into the financial practices of Jordanian publicly listed corporations and highlights the need for a more informed decision-making process concerning dividends and accounting practices.

Keywords: Accounting Conservatism, Dividends, Quality of Financial Reports, Dividends Policy, Jordan

JEL Classification Code: M41, G32, G35

1. Introduction

Accounting conservatism is deemed a pivotal facet of the caliber of accounting information (Bradford et al., 2017) because it adheres to judiciousness in electing acceptable accounting policies to broadcast revenue and general budget items (Glover & Lin, 2018). Accounting conservatism advances the superintendence of corporate management, debt, and other contracts (Ball et al., 2000). Hamd and Al-Mumani (2018) demonstrated that there are two types of accounting conservatism: conditional and unconditional. The former is conditional, is associated with prospective

happenings, and is exercised in the eventuality of certain bulletins or circumstances. The latter is not connected to the emergence of certain news or events (Hamd & Al-Mumani, 2018).

Concerning the policy pertaining to dividends, it is directly correlated to shareholders as it influences the market worth of the company's shares in financial markets. This necessitates the administration to pay more attention when determining it. The policy followed also contributes to disclosing the profit that will be distributed to shareholders and the profit that will be retained and invested in future projects (Alshaar et al., 2015).

Accounting conservatism helps to minimize agency problems (Type II) between managers and owners by ensuring the continuity and quality of future profits through its impact on distributed profits and future cash flows resulting from future investment decisions (Zaloom, 2014). Louis and Urcan (2014) believed that reducing dividends and retaining them leads to an increase in undistributed profits, which helps managers invest in funding new projects, ensuring continuity and future profits for owners. However, by recording expenses and losses expeditiously, companies

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can diminish their profits and thus decrease the sum of dividends they are capable of disbursing. Furthermore, accounting conservatism can abridge the amount of money accessible for dividend payments, as companies must expend cash to discharge losses and expenses. Ergo, accounting conservatism can have an effect on dividend payments.

The moderating role of the quality of financial reporting is an important factor to consider in this relationship. Quality of financial reporting can moderate the relationship between accounting conservatism and dividend distribution. A higher quality of financial reporting may lead to a stronger relationship between accounting conservatism and dividend distribution. In comparison, a lower quality of financial reporting may lead to a weaker relationship. This may be because a higher quality of financial reporting can provide a more accurate and transparent representation of a company's financial performance, enabling management to make better-informed decisions regarding dividend distribution. On the other hand, lower quality of financial reporting may lead to a weaker relationship between accounting conservatism and dividend distribution, as investors and creditors may have less confidence in the accuracy and transparency of financial information. Hence, many researchers have been interested in the quality of financial reports. The quality of financial reports implies that these reports furnish a true and accurate representation of a corporation's financial standing, devoid of bias or inaccuracies (Hamdan, 2012; Alshaar et al., 2015). Therefore, the existence of conservative and high-quality reports helps investors in their investment decisions and enhances the confidence of creditors in the credibility of financial statements. Accounting research has focused on conservatism, improving the efficiency of contracting on external financing (Yuemei & Fang, 2019; Abd-Elnaby & Aref, 2019). This is because accounting conservatism impacts retained earnings and net income, which in turn diminishes dividends. However, there is little empirical evidence for the benefits of conservatism on debt contracts, and it is unclear in Jordan and other developing countries whether accounting conservatism can reduce profits, protect creditors, and reduce agency problems (Al-Qudah et al., 2022; Ahmed et al., 2002).

Therefore, accounting conservatism is crucial in averting any deception or misleading information that may influence decision-making among various parties (Caskey & Laux, 2017). In this light, the present study investigates the effect of accounting conservatism on the distribution of dividends in relation to financial reporting quality. The significance of this study lies in providing evidence of the relationship between accounting conservatism and dividend distribution. Adopting a conservative approach may enable management to enhance retained earnings, allowing them to invest in new ventures. Dividend distribution changes and agency cost reduction may impact shareholders. Creditors may benefit

from the availability of increased funds for debt repayment and an enhancement of their confidence in the reliability of financial statements. Furthermore, investors are not constrained by information asymmetry, enabling them to make informed investment decisions. Additionally, this study also endeavors to examine whether there are variations in the effect of accounting conservatism on dividends distribution based on the quality of financial reports.

Accordingly, this study aims to provide evidence of the relationship between accounting conservatism and dividends in the Jordanian market. The panel data approach was adopted, including cross-sectional data for 95 industrial and service companies from the period between (2013–2017). This study is distinguished in its subject matter, which represents the link between accounting conservatism and dividend distributions and the quality of financial reports as a control variable for the relationship. It is clear that there is a lack of previous studies, especially in Arabic studies, addressing this topic, despite its importance in reducing the agency problem between managers and shareholders.

The rest of this study is unfolded as follows; the literature review and hypothesis generation section provides background information and sets the stage for the study, while the methodology section details how the study was conducted. The data analysis section examines the collected data, and the final section discusses the findings and offers conclusions.

2. Literature Review

2.1. Dividends

Dividends are considered important in accounting and finance literature due to their direct link with shareholders and are one of the important and fundamental decisions faced by top management due to their impact on stock value in the financial market (Nimer et al., 2012)

Dividends are the decision to determine the portion of profits to be distributed to shareholders (Pattiruhu & Paais, 2020). Hoang et al. (2020) define a dividend as “how the profits obtained by the organization are dealt with, either by retaining them and then reusing them in the company, or by distributing them to shareholders in various forms of distribution, either in cash or through shares.” In general, dividend decisions are considered necessary in financial and investment policies that affect the organization's value.

There is a lack of agreement among researchers and practitioners about what is best between distributing profits to shareholders or retaining and investing in activities that help the company grow and expand (Alshaar et al., 2015)

Determining the value of profits to be distributed and the value to be retained depends on the residual theory or “Residual Theory of Dividends,” which states that the investor

will not object to retaining profits and not distributing them if the returns obtained in exchange for investing these profits through the company exceed the rate of return that would be achieved by receiving a share of these profits in the form of distributions and investing them personally (Hussein, 2008).

2.2. Accounting Conservatism and Dividend Policy

Accountants use prudence and caution when preparing financial statements to address instances of uncertainty. While the Financial Accounting Standards Board (FASB) does not explicitly require conservatism, it is a widely accepted principle in financial accounting (Zhong & Li, 2017).

Prior studies examined the relationship between accounting conservatism and cash dividends, and the results indicate that accounting conservatism has a significant impact on the cash dividends of firms. Ahmad et al. (2002) studied the connection between accounting conservatism and conflicts over dividend policy between bondholders and shareholders. The study discovered that firms that experience more intense conflicts over dividend policy tend to employ more conservative accounting methods. The study also found that accounting conservatism is positively correlated with profit volatility and dividend policy but not with leverage. The study concludes that accounting conservatism helps mitigate bondholder-shareholder conflicts over dividend policy and reduce firms' debt costs and that firms facing more severe bondholder-shareholder conflicts over dividend policy choose more conservative accounting methods. Mousa (2014) discussed the concept of conservatism in financial reporting and how it impacts various aspects of financial reporting, such as the cost of debt, cash dividends, and financial reporting itself. The study finds that accounting conservatism is negatively associated with cash dividends through the market-to-book ratio.

Other studies in the Arab region have addressed the concept of accounting conservatism and dividend distributions. Hamdan (2011) focused on measuring the level of conservatism in the accounting policies followed by publicly listed Jordanian industrial companies and also discussed the effect of accounting conservatism on improving the quality of financial reports as reflected in the opinion of the external auditor. The results showed that industrial entities have a low level of caution and prudence and that accounting conservatism positively affects the quality of financial reports. It also showed that there is an important role for external audits in imposing higher levels of conservatism on companies in preparing their financial reports.

Bradford et al. (2017) aimed to investigate the effect of accounting conservatism on cash dividend distributions of Chinese listed - companies and whether the mandatory adoption of IFRS can reduce the role of accounting

conservatism in reducing cash dividend distributions. The results showed that companies with high conservatism had lower dividend distributions. This result was supported by Chen and Zhu (2009), who found that firms with higher accounting conservatism had lower distributions of cash dividends to shareholders. The study also found that the effect of conservatism on dividend policy is lower for state-owned companies than non-state-owned companies. Similarly, a study by Louis and Urcan (2014) found that accounting conservatism is negatively associated with cash earnings distributions.

This study examines the relationship between accounting conservatism and cash dividends and how it is influenced by audit quality. Prior research has shown that accounting conservatism significantly impacts the cash dividends of firms and can help mitigate over dividend policy. Therefore, this study suggests future research should the relationship between accounting conservatism and dividends. Hence, we generate the following hypothesis:

H1: There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies listed on the Amman Stock Exchange.

2.3. Quality of Financial Reports

The quality of financial reports has become an essential concept in recent years, as interest in it has not just been limited to shareholders and owners but has also become of great concern to the overall economic reality (Chae et al., 2020). Hence, financial information must accurately reflect the company's actual situation so that the user can trust the financial statements and make appropriate economic decisions. Therefore, reviewing financial statements is a way to ensure that the statements accurately reflect the actual situation of the entity according to the opinion of the external auditor in their report.

As a result, prior literature has focused on the relationship between the quality of financial reporting and dividends. Ramalingegowda et al. (2013) examined the connection between financial reporting quality and how dividend policy affects investment decisions. They discovered a strong, positive relationship between the two for research and development investments but not for capital investments. Additionally, the study revealed that when financial reporting quality improves, the negative effect of dividends on investments decreases by 37.72%. These findings imply that high-quality financial reporting can reduce the limitations imposed on investment decisions caused by dividends. Koo et al. (2017) investigated the relationship between financial reporting quality and dividend policy. They found a positive correlation between the two variables, particularly for companies that reported higher operational cash flows than

those that reported higher investment cash flows. The study also found no other correlations beyond median dividends, mean and median firm age, and mean standard deviation of sales, leading the authors to conclude that there is a causal relationship between financial reporting quality and dividend policy.

Maher and Saheb (2017) investigated the effect of accounting conservatism on the transparency of financial information disclosure by publicly listed industrial companies in the Iraq Stock Exchange. The results showed that there is an effect of accounting conservatism on the transparency of financial information disclosure. On the contrary, a study by Zalloum et al. (2013) showed that Jordanian companies do not adhere to conservatism in their financial reports and that accounting conservatism has no effect on the level of disclosure. The study found that Jordanian companies are not constrained in their accounting conservatism when preparing their annual report. There is no effect of accounting conservatism on the level of financial data disclosure in the service and industrial sectors. In addition, Mohammed et al. (2019) investigated the influence of audit quality on the level of accounting conservatism in Turkey, where the institutional setting does not encourage high-quality audits. They focused on the relationship between the quality of audit and the level of conservatism. The study found that accounting conservatism complemented the Turkish business and encouraged them to engage with high-quality auditors to mitigate agency costs.

Hussain and Akbar (2022) hypothesized that companies with less stringent financial constraints would show a more negative relationship between dividend policy and Earnings Management (EM) practices based on publicly listed Chinese firms. To explore this, the research examined how dividend policy affects EM when companies face agency problems and financial constraints. The results revealed that dividend distributions reduce managerial entrenchment behaviors towards EM practices, which agrees with the argument that agency problems do not provide an effective solution to opportunistic behaviors by managers.

According to Beest et al. (2009), the main goal of preparing financial reports by an organization is to provide high-quality information about the organization's financial and economic activities to parties, which helps them make economic decisions. High-quality accounting information reflects financial reports' accuracy and helps users make investment decisions (Bagaeva, 2010; Akbal & Al-Qudat, 2014). The existence of weakness in information related to the performance of the organization increases the concerns of investors about the accuracy of financial statements and the past performance of the organization (Lim et al., 2015).

To sum up, prior literature has examined the relationship between the quality of financial reporting and dividends,

with studies showing a positive relationship between the two. Research has also found that when reporting quality increases, the negative effect of dividends on investments is reduced and that high-quality financial reporting can alleviate the constraints on investment decisions caused by dividends. However, there is a noticeable lack of studies that tackled this issue in Jordan. Hence, this study suggests future research should the mediation role of financial reporting quality for the relationship between accounting conservatism and dividends. Therefore, we generate the following hypotheses:

H2: *There is no difference in the effect of accounting conservatism on the dividend distributions based on the quality of financial reports for Jordanian industrial and service companies listed on the Amman Stock Exchange.*

H2.1: *There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies with high-quality financial reports.*

H2.2: *There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies with low-quality financial reports.*

3. Methodology

The research model was prepared to show the relationship between the independent variable (accounting conservatism), the dependent variable (earnings distributions), and the control variable (quality of financial reports).

This study aims to test the effect of accounting conservatism on dividend distributions and the difference in this effect based on the quality of financial reports for companies for the period from 2013 to 2017. Thus, data was collected from the lists of publicly traded Jordanian industrial and service companies registered on the ASE for the years 2013–2017.

The study's population consists of all publicly traded Jordanian industrial and service companies listed on the ASE. The industrial sector is one of the main foundations of the Jordanian economy due to its many prominent contributions to achieving economic development from various aspects. Therefore, a comprehensive survey was conducted to select companies that meet the following criteria:

1. The company is among the publicly traded Jordanian industrial and service companies.
2. The company is listed on the ASE for the period 2013–2017.
3. All companies in the financial sector were excluded due to special laws governing them. Based on the above, the number of industrial and service companies that meet the community criteria is 95 establishments. Accordingly, all the population provided valid data for the analysis.

Accounting conservatism as an independent variable was measured by dividing book value by the market value of shareholders' equity. Dividend distribution as an independent variable was measured by the share of each ordinary share of profits distributed at the end of the year. Finally, the moderating variable (ex, quality of financial reporting) was measured by the audit firm, where the measurement depends on whether the audit firm responsible for auditing the reports of companies in the sample is one of the four (Big Four) audit firms. Studies have indicated that these firms have high expertise in their work due to the nature of the procedures they follow in the audit process and their administrative organization, as well as their excellent reputation and efforts to maintain it, which reflects their good image and credibility.

The data related to the study was analyzed. The hypotheses were tested using statistical methods such as descriptive statistics, which includes the arithmetic mean and standard deviation. Also, tools for statistical analysis that are compatible with hypothesis testing, such as multicollinearity, where the Variance Inflation Factor (VIF) was used to measure the multicollinearity of the variables, and the Pearson Correlation test was used to test the correlation coefficient.

4. Results

4.1. Descriptive Analysis

To ensure that the data followed a normal distribution, the study conducted Kolmogrove - Smirnov test, as shown in Table 1.

Table 1 shows that the statistical values for the Kolmogrove Smirnov test had a statistical significance higher than ($\alpha \leq 0.05$). The table also indicates that all values of skewness were less than (-1) and kurtosis were less than (7),

Tolerance values were greater than (0.05), and VIF inflation factor values were less than (5). This supports that all values are approaching a normal distribution, therefore allowing for the use of parametric statistical methods.

In addition, the descriptive statistical shows the mean and standard deviation values to identify the level of accounting conservatism and the distribution of profits in the industrial and service companies listed on the Amman Stock Exchange, as shown in Table 2.

The results in Table 2 indicate that the mean value of the accounting retention in the industrial and service companies listed on the ASE was (1.1242) with a standard deviation of (0.800), and the minimum value of the accounting retention was (-1.87) and the maximum value of the accounting retention was (5.69). The mean value of the dividends in the industrial and service companies listed on the ASE was (0.0996) with a standard deviation of (0.255), the minimum value of the dividends was (0.00), and the maximum value of the dividends was (2.40). To identify the relationship between accounting retention and dividends in the industrial and service companies listed on the Amman Stock Exchange, the Pearson Correlation coefficient test was used to identify this relationship, and Table 3 shows these results:

The results of Table 3 show a statistically significant correlation at the (0.01) level between accounting conservatism and dividends distribution in industrial and service companies listed on the ASE, where the correlation coefficient was (-0.267) with a statistical significance of (0.000). The relationship between accounting conservatism and dividend distribution was negatively inverse.

The means and standard deviations of accounting conservatism and dividend distributions were calculated and presented in Table 4 for 2013–2017.

The study presents the results of accounting conservatism for Jordanian industrial and service companies from 2013–

Table 1: Kolmogrove Smirnov Test Results

Variables	Statistical Value	Statistical Significance	Multicollinearity	Collinearity	Tolerance	VIF
Accounting Conservatism	0.957	0.562	0.564	-0.541	0.685	2.001
Earnings Distributions	1.567	0.264	0.318	-0.214	0.432	2.684
Control Variable (Quality of Financial Reports)	0.874	0.587	0.584	-0.545	0.384	2.854

Table 2: Descriptive Statistical Results

Metric	Mean	Standard Deviation	Minimum	Maximum
Accounting conservatism	1.1242	0.800	-1.87	5.69
Earnings distributions	0.0996	0.255	0.00	2.40

Table 3: Pearson Correlation Coefficients

Conservatism	Dividend Distribution		
-0.267**	1	Pearson Correlation	Dividend distribution
0.000		Sig. (2-tailed)	
475	475	N	
1	-0.267**	Pearson Correlation	Conservatism
	0.000	Sig. (2-tailed)	
475	475	N	

**Statistical significance at (0.05) or less level.

Table 4: Descriptive Analysis

Year	Number	Accounting Conservatism				Dividend Distributions			
		Mean	S.D	Min	Max	Mean	S.D	Min	Max
2013	95	1.02	0.604	0.19	3.76	0.099	0.226	0.000	1.500
2014	95	0.991	0.579	-0.28	2.97	0.101	0.231	0.000	1.500
2015	95	1.183	0.820	0.07	3.84	0.094	0.247	0.000	1.750
2016	95	1.205	0.870	-0.29	4.07	0.113	0.297	0.000	2.200
2017	95	1.223	1.028	-1.87	5.69	0.092	0.277	0.000	2.400
Total	475	1.124	0.801	-1.87	5.69	0.100	0.256	0.000	2.400

Table 5: Regression Test for the Effect of Accounting Conservatism on Dividend Distributions

Statistical Significance	Durbin Watson	(F) Value	Degrees of Freedom	Prediction	R ²	Beta	R
0.000***	0.479	36.430	474	-0.085	0.072	-0.267	0.267

Statistical significance at (0.05) or less level.

2017, as shown in Table 4. The mean values for accounting retention were 1.020 in 2013, 0.991 in 2014, 1.183 in 2015, 1.205 in 2016, and 1.223 in 2017, with a range of minimum and maximum values for each year. On the other hand, the mean values for dividends were 0.099 in 2013, 0.101 in 2014, 0.094 in 2015, 0.113 in 2016, and 0.277 in 2017, with a range of minimum and maximum values for each year.

4.2. Testing Hypotheses Results

4.2.1. The First Hypothesis

To test the first hypothesis, which speculates that “There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies listed on ASE”, the simple regression test was used to identify the effect of accounting conservatism on the dividend

distributions in the industrial and service companies listed on the ASE.”

Table 5 presents the results of the analysis of the relationship between accounting conservatism and dividends among Jordanian industrial and service companies listed on the Amman Stock Exchange. The correlation coefficient (*R*) between these variables was 0.267, indicating a weak negative relationship. The beta coefficient, which measures the strength and direction of the relationship, was also -0.267, further confirming a negative association between accounting conservatism and dividends.

According to the *F*-value of 36.430, which is less than 0.05, the effect of accounting conservatism on dividends is statistically significant. The coefficient of determination (*R*²) of 7.2% suggests that accounting conservatism explains a small proportion of the dividend variance. Additionally, the predictive coefficient (*B*) of -0.085 indicates that a one-unit

Table 6: Regression Test for the Effect of Accounting Conservatism on Dividend Distributions for the High-Quality Reporting

Statistical Significance	Durbin Watson	F-value	Degrees of Freedom	Prediction	R ²	Beta	R
0.000***	0.484	18.515	190	-0.142	0.089	-0.299	0.299

Statistical significance at (0.05) or less level.

Table 7: Regression Test for the Effect of Accounting Conservatism on Dividend Distributions for the Low-Quality Reporting

Statistical Significance	Durbin Watson	F-value	Degrees of Freedom	Prediction	R ²	Beta	R
0.000***	0.674	33.683	283	-0.034	0.107	-0.327	0.327

Statistical significance at (0.05) or less level.

increase in accounting conservatism is associated with a 0.085-unit decrease in dividends.

Furthermore, the Durbin-Watson statistic of 0.479 suggests the presence of autocorrelation among the variables. This result supports the rejection of the null hypothesis and indicates that accounting conservatism has a negative effect on dividends among the companies in the sample. This can be understood as accounting conservatism reducing the distributed profits, which in turn enables managers to invest in new projects and provides assurance of future profits to owners. This finding is consistent with the studies of Bradford et al.

4.2.2. The Second Hypothesis

To test the second hypothesis, the study population was divided into two sections, the first section being companies with good financial reporting quality and the second section being companies without good financial reporting quality, and the following sub-hypothesis tests were conducted.

The sub-hypothesis speculates that “*There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies with high-quality financial reports.*” Hence, a simple regression test was used to identify the relationship.

Table 6 presents the results of the statistical analysis conducted to examine the relationship between accounting conservatism and profit distributions in industrial and service companies listed on the ASE that possess high-quality financial reports. The correlation coefficient (R) between the two variables is 0.299, indicating a moderate negative correlation. The negative inverse relationship (Beta) is -0.299 . The results of the F -test (18.515) indicate that the relationship is statistically significant at a level less than 0.05. This suggests that accounting conservatism has a negative impact on profit distributions in these companies, as indicated by the correlation coefficient (R^2) of 8.9%.

Furthermore, the prediction coefficient (B) for this negative relationship is -0.142 . The Durbin-Watson test (0.484) also supports the rejection of the null hypothesis, indicating that accounting conservatism has a negative effect on dividend distributions in Jordanian industrial and service companies listed on the ASE that possess high-quality financial reports.

The second sub-hypothesis speculates, “*There is no effect of accounting conservatism on the dividend distributions of Jordanian industrial and service companies with low-quality financial reports.*” Hence, a simple regression test was used to identify the relationship.

Table 7 illustrates the correlation between accounting conservatism and profit distributions in industrial and service companies listed on the ASE that do not possess high-quality financial reports. The correlation coefficient (R) is 0.327, indicating a moderate negative correlation. The negative inverse relationship (Beta) is -0.327 . The results of the F -test (33.683) indicate that the relationship is statistically significant at a level less than 0.05. This suggests that accounting conservatism has a negative impact on profit distributions in these companies, as indicated by the correlation coefficient (R^2) of 10.7%. Furthermore, this negative relationship’s prediction coefficient (B) is -0.034 . The Durbin-Watson test (0.674) also supports the rejection of the null hypothesis, indicating that accounting conservatism has a negative effect on profit distributions in industrial and service companies listed on the ASE that do not possess high-quality financial reports.

5. Discussion and Conclusion

Accounting conservatism is important for ensuring the quality and accuracy of financial reports and reducing agency problems between managers and shareholders. It can also impact dividend distribution by affecting retained earnings and net income. The quality of financial reporting may moderate the relationship between accounting conservatism and dividend distribution.

The present study aims to investigate this relationship and its potential moderating factors. The results of this study imply that there is no difference in the effect of accounting conservatism on profit distributions in relation to the quality of financial reports for Jordanian industrial and service companies. This is because accounting conservatism reduces the agency problem through the relationship between conservation and dividends distributed. Thus, the quality of the lists became less important (Al-Qudah et al., 2022). In light of what this study has reached, it recommends that official bodies obligate Jordanian industrial and service companies to adopt a higher level of caution and prudence and to encourage them to apply what has many benefits. Industrial and service companies in Jordan should adopt a better policy for distributing profits, which works to create a balance between profit distribution and investment opportunities (Abbadi et al., 2020).

The study investigated the relationship between accounting conservatism and dividend distribution in relation to the quality of financial reporting in Jordanian industrial and service companies. Results indicated that there was no difference in the effect of accounting conservatism on profit distributions based on the quality of financial reports. The study suggests that official bodies should encourage companies to adopt a higher level of caution and prudence and implement policies for profit distribution that balance investment opportunities. Future research could explore the impact of accounting conservatism on dividend distribution in other countries or industries. Additionally, future research could also examine the impact of accounting conservatism on other financial measures, such as stock prices or debt repayment, to gain a more comprehensive understanding of its effects. Another area of research could be to investigate the specific accounting policies and practices companies use to implement accounting conservatism and how these impact dividend distribution. Finally, it could be interesting to study the effect of accounting conservatism on different types of companies, such as small and medium-sized enterprises, to see if the results generalize to all company sizes.

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