

**Approaching Accounting Conservatism Practices in Improving the Quality of Financial Statements: Evidence from the Algerian Environment**  
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**Abstract:**

This study aimed to demonstrate the extent of the contribution of accounting conservatism practices to the quality of the financial statements in light of the application of the SCF financial accounting system, which included the concept of prudence and caution. The study was carried out using the descriptive analytical method by applying it to a sample of 85, including accountants and managers of economic institutions in the southeastern states (El Oued, Ouargla, Biskra) in the year 2020. The SPSS statistical program was used to measure and test the study's hypotheses. Accordingly, the study found that there is a tangible and statistically significant impact of accounting conservatism on the quality of the financial statements through its strong impact on each of the following: disclosure and transparency of accounting information, quality of accounting profits, quality of accounting information, effectiveness of corporate governance, and cost of owned funds.

**Keywords:** Accounting conservatism, Financial statements, Quality of accounting information.

**JEL Classification:** M41

**Introduction:**

Accounting conservatism is classified among the accounting determinants and constraints that the accountant must consider when preparing financial statements, so that the effects of uncertainties inherent in economic activity do not distort the informational content of financial statements. It is also considered one of the most established accounting policies in the literature, deriving its importance from its clear impact on the relevance and reliability of the reported accounting information in financial statements. This is naturally due to the philosophy of accounting conservatism, which requires a high degree of verifiability for recognizing good news related to revenues, especially profits, and a low degree of verification for recognizing bad news related to expenses and liabilities. From this perspective, conservatism involves the choice of accounting policies.

In recent years, Algeria has attempted to build a financial accounting system by adapting the national accounting plan according to international accounting standards. This resulted in the emergence of the SCF financial accounting plan, implemented since 2010, which is considered one of the most important modern accounting topics adopted by Algeria. It relies on laws and procedures derived from international accounting standards, largely consistent with them in terms of conceptual framework, recording and evaluation methods, presentation of financial statements, and the chart of accounts. It also introduced a new concept of prudence and caution different from the previous national accounting plan, giving SCF-based accounting practices flexibility by providing accounting options, methods, and measurement alternatives, enabling the accountant to control the form and type of accounting information disclosed in financial statements.

**Main Problem:**

Based on the above presentation of the concept of accounting conservatism and its relationship with financial statement quality and earnings management practices, and after years of applying the SCF financial accounting system, the main problem can be formulated as follows: To what extent do accounting conservatism practices contribute to improving the quality of financial statements of joint-stock companies in the Algerian environment under the SCF financial accounting system?

**Sub-Questions:**

To answer the main problem, the following sub-questions were posed:

- How important are accounting conservatism practices for joint-stock companies in the Algerian environment according to the study sample at a 5% significance level?
- How important is the quality of financial statements in the Algerian environment under the SCF system according to the study sample at a 5% significance level?
- To what extent do accounting conservatism practices affect the quality of financial statements in the Algerian environment under the SCF system according to the study sample at a 5% significance level?

**Study Hypotheses:**

To answer the study questions, the following tentative answers were formulated:

- Accounting conservatism practices in the Algerian environment are of great importance according to the study sample at a 5% significance level.

- The quality of financial statements in the Algerian environment under the SCF system is highly important according to the study sample at a 5% significance level.
- There is a tangible effect of accounting conservatism practices on the quality of financial statements in the Algerian environment under the SCF system according to the study sample at a 5% significance level.

### **Study Objectives:**

The study aimed to:

- Identify the development of accounting conservatism practices (prudence procedures) under the new SCF financial accounting system.
- Clarify the impact of accounting conservatism on key variables that contribute to high-quality financial statements, applied to the Algerian business environment.
- Discuss the concept of accounting conservatism, formulate its intellectual aspects, and use them to understand the relationship between conservatism policy and the main characteristics of accounting information.
- Test the relationship between accounting conservatism and the relevance and reliability of accounting information at joint-stock companies.
- Reveal the nature of the effect resulting from practicing a level of accounting conservatism on the qualitative characteristics of accounting information and its usefulness in mitigating academic disagreements regarding support or opposition to using this policy.

### **Methodology:**

- To achieve the research objectives and test the hypotheses, the descriptive method was used to present the theoretical aspects of the study variables, namely accounting conservatism and its relationship with financial statement quality.
- On the applied side, a statistical method was used, employing the SPSS program.

### **Previous Studies:**

- Hanan Al-Awawdeh & Sa'ad Al-Sakimi: *The Effect of Accounting Conservatism and Its Impacts on the Fair Value of Jordanian Public Joint-Stock Industrial Companies*. This study aimed to identify the effect of accounting conservatism on the fair value of Jordanian industrial companies, using control variables to measure conservatism, including company size, asset growth rate, debt-to-equity ratio, and dividend payout

ratio. The study found differences in the extent of conservatism among companies and noted that conservatism plays a significant role in increasing fair value.

- Dr. Tareq Z. Mashoka: *Measuring Accounting Conservatism for Companies in Amman Stock Exchange (ASE) During 2001–2010*. This study measured accounting conservatism for companies listed on the ASE and examined the effect of external environmental variables, using Basu's 1997 model. Results showed conservatism is higher for loss-reporting companies, varies with profitability, and is highest in the industrial sector.
- Ismail Ghazal, Omar Al-Farouq Zergoun, Mohamed Zergoun: *Measuring the Level of Accounting Conservatism in Algerian Joint-Stock Companies* (2019). This study aimed to identify the level of accounting conservatism (prudence policies) in Algerian joint-stock companies after years of SCF system application, using a sample of 47 companies across four sectors. Results indicated significant evidence of conservatism practices across companies, with the highest level in the hydrocarbons sector.
- Mushtaq Youssef Al-Hasnawi, Huda Nazem Khalbass, Hussein Falah Hassan: *The Relationship between Accounting Conservatism and Earnings Continuity and Volatility in Companies Listed on the Iraq Stock Exchange* (2021). Using descriptive and deductive analysis, the study found a statistically significant relationship between accounting conservatism and earnings continuity, but no significant relationship with earnings volatility.
- J. Almeida et al., *Effect of Income Smoothing Practices on the Conservation of Public Companies Listed on BM & BOVESPA* (2012). The study examined accounting information's ability to detect income smoothing and its relationship with conditional conservatism, using Basu's 1997 model. Results showed widespread income smoothing leading to reduced conditional conservatism.
- David Okelue Ugwunta & Boniface Uche Ugwuanyi: *Accounting Conservatism in Consumer Goods Firms* (2019). Using Nigerian consumer goods firms, the study examined the relationship between conservatism and company performance. Results suggested a positive but insignificant effect, implying low-quality financial reporting due to limited accrual quality.

### **Study Gap:**

Previous studies focused on economic and accounting environments different from Algeria, with different economic and market characteristics. This study differs by using a questionnaire due to limited access to sufficient information about Algerian joint-stock companies.

## **First Chapter: Conceptual Framework of Accounting Conservatism**

### **1. Definition of Accounting Conservatism:**

- **Researchers' perspective:** Early accounting pioneers used "prudence" to express conservatism, meaning recognizing losses before they occur, even if evidence is weak, while not recognizing profits before verification (Hussein, 2013, p.2). Basu (1997) described conservatism as the accountant's preference for higher verification for good news than for bad news (Zhang, 2017, p.4). Garcia et al. (2009) viewed it as considering expected losses but not expected profits in reporting (Obeid, 2017, p.12).
- **FASB perspective:** Accounting conservatism is a cautious reaction to risks and uncertainties to ensure they are adequately considered (Al-Momani, 2018, p.83). When two estimates are equally probable, conservatism requires using the less optimistic estimate.
- **IASB perspective:** Conservatism reflects prudence in estimates under uncertainty, ensuring assets and revenues are not overstated and liabilities and expenses not understated (Al-Najjar, 2014, p.183).
- **SCF system perspective:** Conservatism involves recording assets at values lower than net realizable value (loss recognition) and deferring expected profits (Al-Shaabiya, 2009, p.7).

### **2. Types of Accounting Conservatism:**

- **Conditional conservatism:** Applies accounting policies recognizing the effect of bad news periodically, e.g., lower-of-cost-or-market inventory valuation and asset impairment upon indicators (Al-Din, 2005, p.311).
- **Unconditional conservatism:** Also called balance sheet conservatism; involves lower book value of equity due to expense revision and deferring profit recognition (Obeid, 2017, p.15).

### **3. Importance of Accounting Conservatism:**

- Limits managerial discretion and opportunistic behavior (Razan & Fatima, 2015, p.713).
- Enhances disclosure quality by revealing assumptions behind estimates.

- Identifies risk areas (Hamad, 2010, p.81).
- Benefits contracting parties by improving transparency.
- Reduces potential legal costs from asset overvaluation.

#### 4. Relationship with Financial Statement Quality:

- **Disclosure transparency:** Reduces managerial opportunism, enhancing accounting information quality (Al-Din, 2005, p.312).
- **Earnings quality:** Conservatism ensures reliable financial statements and sustainable earnings (Razan & Fatima, 2015, p.138).
- **Accounting information quality:** Improves reliability and accuracy, facilitating investor decisions (Hamad S., 2011, p.144).

### Second Chapter: Applied Framework of Accounting Conservatism

#### 1. Method and Tools:

The field aspect applies theoretical knowledge using the study sample, with statistical analysis applied to the collected data.

#### 2. Data Collection Tool:

A questionnaire was used, covering theoretical study aspects and variables affecting study hypotheses, divided into three sections (25 items):

- **Personal and functional characteristics:** Age, education, job type, experience (4 items).
- **Section 1:** Importance of accounting conservatism (8 items).
- **Section 2:** Financial statement quality under the SCF system (7 items).
- **Section 3:** Impact of accounting conservatism on financial statement quality (10 items).

#### 3. Study Population and Sample:

- **Population:** Individuals knowledgeable in accounting, including professors, accountants, auditors, and managers in the Algerian business environment.
- **Sample:** 103 electronic questionnaires distributed; 85 responses received from El Oued, Ouargla, and Biskra (see Table 1).

**Table 1:** Questionnaire Distribution Statistics

Statement	Number of Questionnaires	Percentage
Total distributed forms	103	100%
Unreturned forms	18	17.48%

Statement	Number of Questionnaires	Percentage
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Returned forms	85	82.52%
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**Source:** Prepared by the researchers based on the returned forms.

The questions were prepared according to the five-point Likert scale by Rensis Likert, which consists of five responses, in order to determine the opinions of the sample members regarding the questionnaire items (see Table 2).

**Table 2: Five-point Likert Scale**

Classification	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
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Score	5	4	3	2	1
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**Source:** Based on Rensis Likert, (1932), *A Technique for the Measurement of Attitudes*, Archives of Psychology, vol. 140, p.46.

The criteria for determining the relative importance index of the arithmetic mean for the questionnaire statements were determined mathematically by calculating the range and class interval. A ranking scale for the arithmetic mean was set according to its level of importance for use in analyzing results as follows:  $5-1 = 4$ ;  $5/4 = 0.8$ ; meaning that the total range between 1 and 5 is divided into partial intervals of 0.8 (see Table 3).

**Table 3: Relative Importance Scale for the Arithmetic Mean**

Arithmetic Mean	Degree of Agreement	Relative Importance
From 1 to less than 1.80	Strongly Disagree	Very Low
From 1.80 to less than 2.60	Disagree	Low
From 2.60 to less than 3.40	Neutral	Medium
From 3.40 to less than 4.20	Agree	High
4.20 and above	Strongly Agree	Very High

**Source:** Prepared by the researchers.

**Validity and Reliability of the Study Instrument:** To conduct this study, the validity and reliability of the questionnaire were first evaluated through expert judgment, and then Cronbach's Alpha coefficient was calculated.

**Study Instrument Validity:** The face validity was initially evaluated, then validity and reliability were assessed using statistical methods.

**Face Validity:** The initial version of the questionnaire was presented to some specialized professors and experts in accounting to obtain their opinions on the statements included in the questionnaire. It was also reviewed by statistics professors to ensure suitability for statistical analysis and to achieve acceptable results. The researchers considered the experts' opinions, which led to the deletion of some items and the modification of others, resulting in the final version of the questionnaire.

**Construct Validity:** In addition to face validity, the validity of the instrument was verified through the internal consistency of the study instrument's dimensions by calculating the correlation coefficients between each item and the total of its dimension, as shown in Tables 4, 5, 6.

**Table 4: Correlation between Items of Dimension One and the Total of the Dimension**

Items	1	2	3	4	5	6	7	8
<b>Pearson Correlation</b>	0.697	0.613	0.674	0.842	0.728	0.608	0.441	0.369
<b>Significance Level</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001

**Source:** Prepared by the researchers based on SPSS24 outputs.

From Table 4, it is noted that the correlation values between the total of the dimension "Importance of Accounting Conservatism Practices in Joint Stock Companies" and its items were mostly positive and ranged from moderate to strong, from 0.369 to 0.842. These correlations were statistically significant as the p-values were less than 0.05, indicating internal consistency among the items of the first dimension.

**Table 5: Correlation between Items of Dimension Two and the Total of the Dimension**

Items	1	2	3	4	5	6	7
<b>Pearson Correlation</b>	0.729	0.694	0.618	0.764	0.651	0.645	0.461
<b>Significance Level</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000

**Source:** Prepared by the researchers based on SPSS24 outputs.

From Table 5, the correlation values between the dimension "Importance of Financial Statement Quality under SCF" and its items were positive and ranged from 0.461 to 0.729, indicating moderate to strong correlation. All correlations were statistically significant ( $p < 0.05$ ), indicating internal consistency among the items of the second dimension.

**Table 6: Correlation between Items of Dimension Three and the Total of the Dimension**



Items	1	2	3	4	5	6	7	8	9	10
<b>Correlation</b>	0.635	0.568	0.609	0.713	0.693	0.587	0.732	0.758	0.635	0.671
<b>Significance Level</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

**Source:** Prepared by the researchers based on SPSS24 outputs.

From Table 6, the correlation values between the items of the dimension “Impact of Accounting Conservatism Practices on Financial Statement Quality under SCF” and the total of the dimension were positive, ranging from 0.568 to 0.758, indicating moderate to strong correlation. All correlations were statistically significant ( $p < 0.05$ ), showing internal consistency among the items of the third dimension.

### 3-2 Reliability of the Study Instrument:

To evaluate the reliability of the measurement instrument used in this study (the questionnaire), Cronbach’s Alpha coefficient was calculated, as shown in Table 7.

**Table 7: Reliability Test Results of the Study Instrument**

Item Groups	Number of Items	of Reliability (Cronbach Alpha)	Coefficient Validity Coefficient
Dimension One	08	0.783	0.885
Dimension Two	07	0.767	0.876
Dimension Three	10	0.841	0.917
Total Questionnaire Items	25	0.903	0.950

**Source:** Prepared by the researchers based on SPSS24 outputs.

From this table, the reliability coefficients range from 0.767 to 0.903, considered good and acceptable as they exceed 0.6. The validity coefficients were mostly around 0.9, indicating the responses are valid.

**Δ Based on the above, the respondents’ answers can be considered valid and reliable for the study.**

### 4- Normality Test:

To determine the type of statistical analysis suitable for this study, the normality test was performed using the Kolmogorov-Smirnov test (see Table 8).

**Table 8: Normality Test Results**

Item Groups	Number Items	of Test Statistic	Asymp. Sig	Statistical Decision
Dimension One	08	0.209	0.000	Non-normal distribution
Dimension Two	07	0.195	0.000	Non-normal distribution
Dimension Three	10	0.203	0.000	Non-normal distribution
Total Questionnaire Items	25	0.154	0.000	Non-normal distribution

**Source:** Prepared by the researchers based on SPSS24 outputs.

From the table, the p-values for all three dimensions are less than 0.05, so the null hypothesis of normal distribution is rejected. Therefore, parametric tests cannot be applied.

### 5- Statistical Methods Used in Data Analysis:

This section is crucial for determining the type of analysis used in the study. Non-parametric methods were employed as follows:

- The five-point Likert scale was used to determine the importance of each questionnaire item, weighted from 5 (Strongly Agree) to 1 (Strongly Disagree);
- Frequencies, percentages, weighted means, and standard deviations were calculated to determine relative importance;
- Wilcoxon W statistic was used to assess the significance of weighted median values, with null hypothesis  $W < 3$  and alternative hypothesis  $W > 3$ , to test the median significance.

### 6- Presentation and Discussion of Results:

This section applies the theoretical aspect to the study sample and attempts to generalize the results.

#### 1- Presentation of Personal and Functional Characteristics of the Study Sample:

The personal and functional characteristics of the study sample are presented as they relate to the study and its dimensions, based on the questionnaire (see Table 9).

**Table 9: Distribution of the Study Sample by Personal and Functional Variables**

Age	Number	Percentage	Educational Qualification	Number	Percentage
30 years or less	22	25.9%	Bachelor	21	24.7%
31–40 years	39	45.9%	Master	38	44.7%
41–50 years	17	20%	Magister	03	03.5%
More than 50 years	07	08.2%	Doctorate	23	27.1%
<b>Total</b>	<b>85</b>	<b>100%</b>	<b>Total</b>	<b>85</b>	<b>100%</b>

Job Nature	Number	Percentage	Years of Experience	Number	Percentage
Accountant	38	44.7%	5 years or less	11	12.9%
Account Controller	22	25.9%	6–10 years	38	44.7%
Board Member	07	08.2%	11–15 years	22	25.9%
Specialist	18	21.2%	More than 15 years	14	16.5%
Professor					
<b>Total</b>	<b>85</b>	<b>100%</b>	<b>Total</b>	<b>85</b>	<b>100%</b>

**Source:** Prepared by the researchers based on returned forms.

From the table, most sample members are aged 31–40 years (45.9%). Educational qualifications varied, with most holding a Master's degree (44.7%). Job types varied, but most were accountants (44.7%). Years of experience generally ranged from 6–10 years (41.3%). Overall, the sample possesses sufficient experience, fulfilling research requirements.

## 2- Results of Respondents' Opinions on the Importance of Adopting Accounting Conservatism Practices:

To answer the hypothesis regarding the importance of adopting accounting conservatism practices in the Algerian environment, a table was prepared (see Table 10).

**Table 10: Results of Sample Members' Opinions on Various Statements Regarding the Importance of Adopting Accounting Conservatism Practices**

Statements of the First Statistical Axis	Indicators	Relative Importance	Weighted Mean	Standard Deviation	Statistical Significance W
1- Accounting conservatism practices provide significant guarantees to protect shareholders' rights.	3.65	1.25	0.000	High degree	
2- Accounting conservatism is one of the reliability elements representing the most important characteristics of accounting information quality.	3.47	1.10	0.000	High degree	
3- The low level of accounting conservatism practices contributed to global financial crises.	3.49	1.05	0.000	High degree	
4- The justifications for adopting accounting conservatism practices are imposed by logical reasons, including the high risks of lawsuits for joint-stock companies.	3.69	1.35	0.000	High degree	
5- There is a positive effect of some audit quality characteristics (audit office size and client industry specialization) on improving	3.88	0.98	0.000	High degree	

Statements of the First Statistical Axis	Indicators	Relative Importance	Weighted Mean	Standard Deviation	Statistical Significance W
the level of accounting conservatism.					
6- Accounting conservatism practices in companies seemingly accused of manipulation are lower than in companies not accused of manipulation.	4.07	0.97	0.000	High degree	
7- Adopting conservative accounting policies requires independent accounting standards to indicate the extent of the Board of Directors' contribution.	3.95	1.14	0.000	High degree	
8- Accounting conservatism helps reduce taxable income by deferring revenue recognition and accelerating expense recognition.	3.93	0.77	0.000	High degree	

**Source:** Prepared by the researchers based on SPSS24 outputs.

- From this table, based on the 8 statements, the weighted means ranged between 3.47 and 4.07, all falling into the “High degree” category. Standard deviations ranged between 0.77 and 1.35, indicating a low dispersion (consensus) in sample responses.

**Table 11: Results of Sample Members' Opinions on the Overall Axis of the Importance of Adopting Accounting Conservatism Practices**

Total of the First Axis	Statements Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Median	Sig W
	3.77	0.69	4.000	0.000	High degree	

**Source:** Prepared by the researchers based on SPSS24 outputs.

- From Table 11, the weighted mean for the overall axis was 3.72, classified as “High degree,” with a standard deviation of 0.68, indicating consistency and consensus in sample responses. The median value was 4.00, and the p-values for this axis were less than 0.05, indicating statistical significance, allowing results to be generalized to the Algerian environment.

### 3- Results of Sample Members’ Opinions on the Importance of Financial Statement Quality:

To answer the hypothesis regarding the importance of financial statement quality in the Algerian environment according to the study sample, the following table was prepared (see Table 12).

**Table 12: Results of Sample Members’ Opinions on Various Statements Regarding the Importance of Financial Statement Quality**

Statements of the Second Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Sig W
1- High-quality financial statements help users make informed decisions as they are the main source of accounting information.	3.81	1.10	0.000	High degree	
2- Presenting various financial statements can solve financial problems facing institutions, mainly the loss of trust and credibility in the accounting information they contain.	3.88	0.89	0.000	High degree	
3- The quality and effectiveness of the accounting information contained	4.20	0.75	0.000	Very high degree	

Statements of the Second Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Sig W
in financial statements are determined by its ability to influence users' behavior.					
4- Accounting information in financial statements possesses qualitative characteristics (relevance, reliability) that enhance its quality.	3.91	0.75	0.000	High degree	
5- The presence of relevance and objectivity in financial statement information is not sufficient for making sound decisions without considering the timing of information acquisition.	3.80	0.74	0.000	High degree	
6- Conflicts among qualitative characteristics of accounting information affect the quality of financial statements.	3.59	0.92	0.000	High degree	
7- Misuse of accounting policies increases managerial opportunism, reducing the reliability of accounting information in financial statements.	3.92	0.90	0.000	High degree	

**Source:** Prepared by the researchers based on SPSS24 outputs.

- From this table, covering 7 statements, weighted means ranged between 3.59 and 4.20, mostly in the “High degree” category. Standard deviations ranged between 0.74 and 1.10, indicating closeness or consensus in sample responses.

**Table 13: Results of Sample Members' Opinions on the Overall Axis of the Importance of Financial Statement Quality**

Total of the First Axis	Statements Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Median	Sig W
	3.87	0.56	4.000	0.000	High degree	

**Source:** Prepared by the researchers based on SPSS24 outputs.

- The weighted mean for this axis was 3.87 (High degree), with a standard deviation of 0.56, indicating acceptable dispersion in sample responses. The median was 4.00, and p-values were less than 0.05, confirming statistical significance, allowing generalization to the Algerian environment.

#### **4- Results of Sample Members' Opinions on the Effect of Accounting Conservatism Practices on Financial Statement Quality:**

To answer the hypothesis regarding the importance of adopting accounting conservatism practices in the Algerian environment according to the study sample, the following table was prepared (see Table 14).

**Table 14: Results of Sample Members' Opinions on the Effect of Accounting Conservatism Practices on Financial Statement Quality**

Statements of the Third Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Sig W
1- Accounting conservatism reduces the book value of the company relative to its market value.	3.35	1.04	0.000	Medium degree	
2- Accounting conservatism reduces the cost of equity and debt and uncertainty in accounting information.	3.68	1.03	0.000	High degree	
3- Applying the concept of accounting conservatism in accounting produces objective accounting outputs.	3.62	0.84	0.000	High degree	



Statements of the Third Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Sig W
4- Moving toward fair value and away from accounting conservatism may reduce the quality of accounting information.	3.91	1.06	0.000	High degree	
5- Accounting conservatism is used as a hedge to avoid uncertainty from fraud and misstatement in financial statements and as a mechanism to improve corporate monitoring.	4.06	0.90	0.000	High degree	
6- The level of relevance of accounting information increases the longer the delay in revenue recognition and immediate recognition of expenses.	4.14	0.83	0.000	High degree	
7- Avoiding excessive loss recognition and reasonably estimating profits limits information asymmetry problems and provides relevant financial information.	4.05	0.75	0.000	High degree	
8- Corporate governance prevents fraud in financial reports through accounting conservatism.	4.01	0.91	0.000	High degree	
9- Accounting conservatism helps financial statement users make informed investment decisions.	4.06	1.11	0.000	High degree	
10- Conservative and symmetrical information provided by the	3.78	0.97	0.000	High degree	

Statements of the Third Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Sig W
company helps determine financing decisions and capital structure.					

**Source:** Prepared by the researchers based on SPSS24 outputs.

- Based on the 10 statements, weighted means ranged between 3.35 and 4.14, mostly in the “High degree” category, except for the first statement classified as “Medium degree” with a mean of 3.35. Standard deviations ranged between 0.75 and 1.11, indicating low dispersion (consensus) in sample responses.

**Table 15: Results of Sample Members’ Opinions on the Overall Axis of Accounting Conservatism in Financial Statement Quality**

Total Statements of the First Axis	Statistical Indicators	Relative Importance	Weighted Mean	Standard Deviation	Median	Sig W
	3.87	0.64	4.100	0.000	High degree	

**Source:** Prepared by the researchers based on SPSS24 outputs.

- From Table 15, the weighted mean was 3.87 (High degree), with a standard deviation of 0.64, indicating consistency and consensus in sample responses. The median was 4.00, and p-values were less than 0.05, indicating statistical significance and allowing generalization to the Algerian environment.

## 5- Analysis of Results:

Here, the validity of the hypotheses will be discussed and study results analyzed:

- The first question (How important are accounting conservatism practices for joint-stock companies in the Algerian environment according to the study sample at 5% significance level?) was answered, and the first hypothesis was accepted (Accounting conservatism practices in the Algerian environment are highly important according to the study sample at 5% significance level) based on Tables 10 and 11. Most statements were in the “High degree” category, and the overall axis was statistically significant, indicating that joint-stock companies in Algeria recognize the importance of these practices, allowing better hedging against risks, as accounting conservatism guarantees

the protection of shareholders' rights. Its absence has caused crises in many global companies.

- The second question (How important is financial statement quality in the Algerian environment under the financial accounting system according to the study sample at 5% significance level?) was answered, and the second hypothesis was accepted (Financial statement quality is highly important in the Algerian environment under the financial accounting system according to the study sample at 5% significance level) based on Tables 12 and 13. All statements were "High degree," and the overall axis was statistically significant. High-quality financial reports help users make informed decisions, and presenting various financial statements helps resolve issues of trust and credibility.
- The third question (What is the effect of accounting conservatism practices on financial statement quality in the Algerian environment under the financial accounting system according to the study sample at 5% significance level?) was answered, and the hypothesis was accepted (Accounting conservatism practices significantly affect financial statement quality in the Algerian environment under the financial accounting system according to the study sample at 5% significance level) based on Tables 14 and 15. All statements were "High degree," and the overall axis was statistically significant. Accounting conservatism reduces book value relative to market value, lowers the cost of equity and debt, reduces uncertainty, produces objective accounting outputs, enhances fair value and information quality, serves as a hedge, improves corporate monitoring, increases the relevance of information, limits information asymmetry, prevents fraud through governance, and assists in financing and capital structure decisions.

### **Conclusion:**

The study addressed the problem: To what extent do accounting conservatism practices contribute to joint-stock companies in the Algerian environment under the SCF financial accounting system? By examining the effect of accounting conservatism policies on financial statement quality, the problem was addressed through two chapters using the methods and tools mentioned in the introduction. The theoretical framework analyzed the concept and importance of accounting conservatism and its relation to key variables affecting financial statement quality, showing a strong relationship with transparency, earnings quality, accounting

information quality, corporate governance effectiveness, and cost of capital, all of which influence financial statement quality. Conservatism mitigates financial crises by countering fair value effects. The practical chapter analyzed and discussed survey results, testing hypotheses using SPSS statistical analysis.

**Key Results:**

- Accounting conservatism practices in the Algerian environment are highly important according to the study sample at 5% significance level.
- Financial statement quality is highly important in the Algerian environment under the financial accounting system according to the study sample at 5% significance level.
- Accounting conservatism practices significantly affect financial statement quality in the Algerian environment under the financial accounting system according to the study sample at 5% significance level.

**Study Recommendations:**

- Competent authorities should require all companies to adopt accounting conservatism practices in financial reporting to protect shareholders' and stakeholders' rights.
- Professional bodies should publish comprehensive guidance on accounting conservatism and its benefits to raise awareness among accountants, board members, and auditors.
- Use accounting conservatism reasonably without exaggeration to avoid distorting information.
- Small companies with weak governance should adopt conservatism to ensure transparency and credibility.
- Companies should implement risk management mechanisms to identify and measure risks, allowing them to face future uncertainty.
- The flexibility allowed under the SCF financial accounting system should be used to present a true financial position without misleading stakeholders.

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