



The relationship between accounting conservatism and efficiency of investment decisions in light of managerial ownership: The case of the tourism industry in Jordan

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Abstract

The study aimed to examine the relationship between accounting conservatism and investment efficiency decision in light of difference managerial equity as the specified basis of the investment decisions efficiency. The study model was designed based on the consideration that accounting conservatism represents the independent variable, while the investment decisions efficiency represents the dependent variable. The research measured the independent variable to sample study by using a scale of Rasu (1997), While the research used the Biddle et. al., (2009) model to measure the dependent variable. To achieve the objective of the study, we tested a hypothesis by using the designed model but with different levels of its managerial ownership in a sample of 87 Jordanian tourism companies for the period 2013-2017. The results of the study supported its hypothesis as it showed the existence of different relations between accounting conservatism and investment efficiency decisions according to the difference in the ratio of the managerial ownership. We have found that the majority of the Jordanian companies do not follow conservative accounting policies, so the phenomenon of asymmetry of information and inefficiency of investment decision prevails. We have also found that in conservative companies, the efficiency of investment decisions depends on the level of marginal conservatism, which differs from one level to another. The current study makes an essential contribution through empirically displaying that managerial ownership has an impact on the relationship between accounting conservatism and investment decisions efficiency, moreover, the result of the study refuted the view that the benefit of the accounting conservative approach is absolute in improving the quality of financial reports and increases the efficiency of investment decisions and also reduces the agency problems by revealing the existence of what the researchers called the marginal level of benefit of a conservative approach. This is because the conservatism was linked to a manager's motives.

Keywords: Accounting conservation, investment decisions efficiency, tourism industry, Jordanian companies.



Introduction

Accounting Conservatism is one of the main concepts underlying the intellectual framework of the positive approach to theory of accounting, through focusing on how to choose between the alternatives and the accounting methods related to increasing the accuracy and transparency of the financial report within the financial accounting scope. Thus, some describe it as a standard that grants the management the option to choose between accounting methods that lead to a decrease in the accumulated profits disclosed in the financial reports by delaying revenue recognition and accelerating of expenses recognition, i.e. valuing assets at the lowest values and valuing the highest value commitments (Biddeet.al, 2013;Kim et.al., 2013). For more than two decades, researchers produced many definitions to interpret Conservatism, including a study by Basu (1997), which described it as the tendency of accountants to obtain a high degree of verification upon acknowledging the good news as a profits or gains situation as opposed to acknowledging the bad news as losses.

The study of Beaver and Ryan (2005) identified it as the average decrease in the book value of net assets relative to market value which results from unregistered goodwill of a shop. There are two types of Conservatism: the first one is Conditional Conservatism, which is considered the suspended Conservatism on the condition of occurring specific actions that are determined in advance as to how to deal with things by the Management of the Company. This type is sometimes called a Non-Optional Conservatism as a type of non-availability of the element of choice between the accounting methods before the Management upon the treatment of some items of financial statements. The second type is the Unconditional Conservatism, which means the unsuspended Conservatism on the condition of the occurring of a specific action, but it is the pre-selection of a particular accounting method for the purpose of dealing with a specific item of the items of financial statements. In this there are alternatives to its accounting treatment. Therefore, this type of Conservatism does not deal with items which have one accounting treatment (Lawrence et.al., 2013).

With regard to the importance of Accounting Conservatism Policy in the rationalization of investment decisions in the capital markets, whether through affecting the cost of financing or optimal allocation of economic resources, in the Western world the Accounting Thought has made a great effort to identify the kind of relationship between the Accounting Conservatism and the efficiency of investment decisions (Chan et.al., 2009). However, in the Arab world, the researcher notes a lack of research efforts by researchers' in this vital field related to Accounting Theory. Therefore, the present study contributes to holding up and strengthening the Arabic library with such contemporary topics. The research aimed to provide evidence derived from the facts in Jordanian Environment about the relation between the degree of Accounting Conservatism and the Efficiency of Investment Decisions in light of variable Management Ownership and the variations related to the investment decision.

Literature Review

For more than two decades now, western accounting literature has included abundant studies that have pursued the relationship between the financial reports' quality and the investment reports efficiency, for example, the study of AL-Saygh and Hemeedah, (2015). However, researchers have not devoted sufficient attention to accounting reservation and how far it impacts on the investment's efficiency, save for the few last years; therefore, the researcher shows all these research efforts subject to their seniority. The concerns with the Accounting Ideology and Practical Application are divided into Supporters and Opponents of Conservatism.



The opposing view is based on the view of the new conceptual framework of FASB which states the authentic representation of information in the financial report does not include the Accounting Conservatism because it shall be contrary to the neutrality of accounting information (FASB, 2010, Para.BC3.27). In this regard, some of studies explain that increasing the degree of Conservatism doesn't only lead to decreases in the profit of the Company in the current period, but also leads to forming hidden reserves that the Management can use to increase profits in the subsequent periods, especially in case of decreasing growth rates of investments in such periods, which is reflected negatively in the form of profits related to the current period. Thus, it leads to decrease its ability to predict future cash flows, (Ball & Shivakumar, 2005; Momani, 2018; Penman & Zhang, 2002). The supported view is based on highlighting the role of Conservatism in increasing the effectiveness of the contracts concluded between the various parties in the agency's relationship. The studies of Lafond and Watts (2008), Mousa (2014), Al Nagar, (2014) and Shaqqour, (2016) indicates that taking into account the minimum values of assets and revenues and the higher values of commitments and expenses it means limiting the capacity of the company to bias in the accounting information (performance measures), which leads to reduced managerial capacity to conduct tactical actions that achieve its benefits at the expense of the interests of other parties, and thus, it leads to increases in the quality of financial reports that reduce the problem of information asymmetry caused by the moral breakdown of managers and adverse selections.

Studies indicate the increasing importance of Accounting Conservatism practice during the past two decades, on the background of the breakdown cases of the world's leading companies at the beginning of the twenty-first century, and the consequent of heavy losses borne by Stakeholders of Companies on one side, and the Investors and Core Liquidity Providers in the Capital Markets on the other side. This is because of managements tactical actions which represented in using the space of freedom available to the management to select from alternatives and accounting policies in the context of intelligent disclosure of performance which resides under the name of a non-Conservatism accounting or arbitrary accounting (Watt, 2003; Lafond & Watts, 2008). Research done in the field of Market Efficiency shows the importance of the Accounting Conservatism in filling all the gaps that allow the penetration of stock exchanges in a manner which shall be harmful to their stability and which protects them from illegal practices such as leaks and rumors and using the not available information to Public Investors to achieve extraordinary profits. This is besides its role in achieving the best allocation of economic resources and maintaining the stability of the cost of capital in the light of the structural changes in the nature of dealers in the financial markets and their strategies in a manner that makes the stock exchanges move closer to speculative cases rather than being an Investment Arena (Shleicheret.al., 2007).

The study also highlights how Accounting Conservatism affects the efficiency of investment decisions when it checked the relationship between the degree of Conservatism in financial reports and the profitability of one of the most important investment decisions (Acquisition Decision). The results of 17202 Acquisition Decisions by 4979 American Companies for the period from 1980 up to 2006 showed that companies where the practices of Accounting Conservatism increase are under acquisition decisions they are more efficient, and that such companies are considered less likely to carry out liquidation of such investments later on .The study of Xu et.al., (2012) indicated that the Conservatism Policy improves the efficiency of investments through reducing excessive investment by managers, and Accounting Conservatism limits the rush of managers towards selecting projects with Net Present Value (NPV), as well as its role in encouraging early abandonment of poor performance projects. Intellectualization of the relationship between Accounting Conservatism and the Efficiency of



Investment Decisions in the light of Management Ownership: The Theory of Agency is highlighted as one of the theories of the interpretation of the company as a set of explicit/ implicit contractual relations between two parties: Shareholders (Principal) and Management (Attorney), upon this the Second Party shall be assigned to perform certain activities in favor of the First Party and delegate the powers to take decisions on its behalf. The study of Jensen and Meckling (1976), in explaining the conduct of shareholders and management, showed that the role of management in being a representative for shareholders, which represents them in managing the financial resources available to the company and to negotiate on behalf of the shareholders with all parties interested in the company has an interest relation with them. This role must be in the manner and form which achieves positive outcomes that exceed the cost of the alternative choice, in which such resources could be invested and it should maximize the wealth of the shareholders.

The study explained that this is achieved in its most acceptable manner when the management is represented by a sole owner of the company, and where the management benefit conforms to the shareholders' benefits and this shall be in the same format and then the problem of interest conflict and the consequences of the costs of agency disappear. However, when the capital of the company is divided into a big number of shareholders, this will be a reason for fearing for their interests, especially when the management has no rights in the cash flows arising from its managing of company's resources except the extent agreed. The variation of management control rights and the rights of shareholders (Ownership Structure) in cash flows, leads to the deviation of management conduct from the viewpoint of maximizing the wealth of shareholders by taking decisions that increase the function of their private gain from one side, and it increases the exposure of shareholders to risk in the business arising out the variation between the expected cash flows from the resources available to the company and the extra cash flows agreed by the management on the other side. One of the most prominent tactical conducts of the management is considered in their investment decisions.

By the unsecured financial statements, managers try to create a gap of information, or asymmetry of information among them from one side, and between shareholders and Core Liquidity Providers in the capital market on the other side, which (gap of information) makes the conduct of the parties be in two opposite directions, which leads to the failure of companies to achieve the level of investment that reflects the Efficiency of Investment Decisions. The finally, the failure of the market which is represented by the negative reactions of Core Liquidity Providers that results in the most cases generally, the inefficient allocation of their financial resources because of various assessments of the expected cash flows of their portfolios due to their various risk assessments. The higher the asymmetry of information, the bigger the risk associated with investments (Chen et.al., 2017; Wang et.al., 2015). Studies indicate that there are two kinds of impact of information asymmetry on Efficiency of Investments Decisions: Impact of Alternative Choice, which is considered the impact caused by the variation of information between the management and senior shareholders from one side and Core Liquidity Provider from another side. Under this kind of impact, the quantity and quality of information, that management and senior shareholders expect is more than information available to Core Liquidity Providers.

This kind of activity leads to risk of information arising because of the lack of sufficient information that places Core Liquidity Providers in a position to understand and observe all management conducts and decisions of managers, which makes it difficult for them to know the conditions of the company and its future. Then it is difficult for them to assess cash flows expected of their portfolios, and because this kind of risk cannot be avoided by diversification,



because the investor who has the least information is always in the wrong position upon allocating his resources to his Investment Portfolio compared to the Informed Investor. The latter's natural reaction towards that, is the request for additional compensation as unexpected returns lead to raising the cost of liquidity , therefore the cost of funds, which will be the justification on which the managers shall depend to convince shareholders in the company with regard to the idea of abandonment of capital increase to invest in new choices. This is according to the Inoculation Theory, which leads to decreases in the volume of investment and thus the company may not achieve the optimal level of investment, which is known as lack of investment. The second kind of impact is impact of immoral conduct of the managers arising from the difference between managers motives and shareholders which leads managers to exaggerate in investment or carrying out the projects of investment for the purpose of increasing their private gain. This is termed overinvestment or carrying out investment projects that are insufficient by funding it by debts to benefit from its positive impacts on the profitability of the company by the action of its Tax Shelter which is called a Tax Shield of debts (Rad et.al., 2016; Lara et.al., 2016; Francis et.al., 2013; Ting, 2015; Chen & Lin, 2012).

On the basis of this thought, the major reason for the Inefficiency of Investment Decisions is mainly due to the asymmetry of information arising from the low level of Conservatism of the financial reports. The relation between Information Asymmetry and Accounting Conservatism is an interrelated and inverse relation. The bigger the level of Accounting Conservatism, the less the Information Asymmetry, because of the role of the Conservatism in reducing the uncertainty of future cash flows (due to delaying recognition of current profits in favor of future profits), which enables Core Liquidity Providers to analyze and assess their impact on the current and future profitability of the Company, which leads in turn to reduce the cost of debt and the cost of ownership arising from information risks, as well as its importance in treatment of immoral conducts of Managers. This then delays recognition of profits and accelerating recognition of expenses and it reduces the motivation of managers to direct the Company's resources towards inefficient investments, which leads in turn to improved Efficiency of Investment Decisions (Lai & Liu, 2018; Shi & You, 2016; Lee, 2014; Wang, 2013; Sofianet.al., 2011). Many Researchers linked the policy of Accounting Conservatism with the motives of management, which are different in accordance with the ratio of ownership in the capital of the company, where these studies showed that the relation between the Accounting Conservatism and the ratio of Management Ownership is a direct relation, and the ratio of Management Ownership increases, as the financial reports of the Company tends towards the accounting conservatism (Bassiouny et.al., 2016; Song, 2015; Yu, 2013). This is what the researcher thought when he believed that studying the relation between the Accounting Conservatism and the Efficiency of Investment Decisions cannot lead to logical results without taking into account the impact of variation in the ratio of Management Ownership as the determining factor for the Efficiency of Investment Decisions by the level of Accounting Conservatism. This study is the one of its kind in the Arab World, in general, and in Jordan, in particular, which adds an extra characteristic of its significance.

Hypotheses and models

In light of the issue study question, the researcher formed the following hypothesis:

H1: *The impact of accounting conservatism on the investment efficiency does not vary subject to the difference of the management ownership ratio in Jordan tourism companies.*

The independent variable: based on the reference of some studies such as Yassin et. al., (2015)



and Wang, (2013) concerning a relationship between accounting conservatism and information asymmetry and that relationship is one of the significant factors impacting the cost of capital and the opportunities available to finance its investment projects, accordingly. As a result, the researcher thinks that it is significant to weight accounting conservatism levels by information asymmetry so that the finding represented in this study, are based on the independent variable as follows:

The Accounting Conservatism Measure: although there is a number of accounting conservatism, measure models, the most common one is (Baus, 1997) model. However, the researcher did not use it in his study for being based on the stock exchange efficiency; whereas the shares price is supposed to represent the good and bad news, which is not within the emerging and poor stock exchanges like Amman Stock Exchange. Accordingly, the researcher selected the total entitlements measure of (Giovely & Hayn, 2000) that is based on the income and cash flows statements. Such measure is based on a hypothesis that conservatism results in decreasing the profits on basis of net cash flows maturity arising out of the long-term operative processes due to the negative entitlements arising from conservatism. This model was used by several studies such as (Alkurdi et. al., 2017); conservatism is calculated as per this model subject to equation (1):

$$Uc_ACC_{it} = [(N1_{it} + Dep_{it})_Ocf_{it}] / \text{Average Total Assets}_{it}$$

Whereas Uc_ACC_{it} : total entitlements of (i) company in a year (t)

$N1_{it}$: Net income of (i) company in a year (t)

Dep_{it} : Depreciation expenses in (i) company in year (t)

Ocf_{it} : net cash flows in operative activities of (i) company in year (t)

The negative value of total entitlements of a company indicates to conservative accounting policies and vice versa.

Data collection and Methodology

Based on the above-mentioned model, the researcher calculated accounting conservatism value for the sample study companies for the period of 2013-2017. Nevertheless, there is no standard value of the model comparable with the calculated values to decide if those values were high or low, considering the findings of test (t) and the standard deviation of those values enlisted in table (2), such values can be deemed high and indicating to the conservatism value in the financial reports in Jordanian Companies. The study population consists of all tourism companies listed on the Amman Stock Exchange for (2013) - 163 companies. The researcher selected a sample of 87 companies of this population distributed on the above-mentioned as showed in table (1) as per the following two conditions:

1. Necessity of providing all the necessary information to calculate the study variables for five consecutive years as of 2013 - 2017.
2. Necessity of the company name circulation in the Amman Stock Exchange during the study period and of not being consolidated with another company during that



period.

Table 1. The statistical Description of the study sample and population

Status	At population level		At level of economic sectors					
	number	%	Industry		service		Real estate	
			number	%	number	%	number	%
Companies enlisted in the market	163	100	72	44.2	58	35.6	33	20.2
Excluded Companies	76	100	27	35.5	31	40.7	18	24
The study sample	87	100	45	51.7	27	31	15	17.3

Results

Results of a series of efficiency measurements on investment decisions conducted in a group of Jordanian companies during 2013-2017, listed in Table 4, showed that the majority of investment decisions lack efficiency and cause shortages in investment. The results also showed that such decisions were affected by managers' own motives, which was proven by: 1) the result of Spearman's rank correlation test, measuring the relation between the management ownership and shortage in investment, as shown in Table 5, which reveals a strong inverse association with statistical significance between both variables, 2) the analysis of debt ratio, which found that it increases in companies that see excessive investment volumes (33.42% on average), implying that managers resorted to loans to fund investment projects, and decreases in companies suffer shortages in investment (23.76% on average). The previous results support the researcher's approach in the current study, i.e. testing the relation between accounting conservatism and the efficiency of investment decisions given different percentages of management ownership, which is the key determinant of both variables.

Table 2. The result of Spearman's rank correlation

Descriptions	In the Sample	In Economic Sector		
		Industrial	Services	Real Estate
1. Correlation between management ownership percentage and excessive investment.	*0.287	**0.273	**0.273	*0.408
2. Correlation between management ownership percentage and shortage in investment.	*0.279	**276	**0.275	0.398

*moralistic percentage $\geq 3\%$

**moralistic percentage $> 5\%$

Control variables: control variables determine the efficiency of investment. A number of studies (Ting,2015; Lard et al.,2016) gave different numbers for those variables. Some variables will be selected on the basis of their impact on investment decisions, along with other variables, which were not included in such studies, as follows:



1. **Company size:** To measure this variable, the researcher calculated the natural logarithm for the company's total assets. The significance of a company's size as an important indicator of the efficiency of investment decisions in small and medium-sized enterprises (SMEs) stemmed from the presence of the information asymmetry phenomenon in those companies. According to a group of studies, small enterprises (SEs) are less conservative and – consequently – more vulnerable to information asymmetry, which affects cost of finance and shortens finance opportunities for SEs and later leads them to abandon investment altogether (Weinberg, 1994). Studies have also shown that SEs are more vulnerable to bankruptcy compared to large enterprises (Abdullahi et al., 2012).
2. **Due debts:** due debts, whether short-term debts or long-term, are the debts that have been payable throughout the year (Gomaliz & Ballesta, 2014). This variable is one of the determinants of investment decisions efficiency, as it paints a picture of the company's debt-paying ability for lenders upon which they can limit or expand the management's ability to take investment decisions. Several studies have studied the impact of that variable on the efficiency of investment decisions including (Mehrbani & Salteh, 2014), which is negated due to debt's impact on the relation between the quality of financial statements and the efficiency of investment decisions, and this was later backed by Jafari's, (2016) study conducted in 36 Iranian companies. Aulia and Sirgor's (2018), study, however, revealed that due debts are morally correlated with excessive investing, while having no effect on investment shortage.
3. **Cash surplus:** this variable represents a company's cash surplus and serves as an indicator of financial stagnation. Cash surplus can be calculated by dividing cash balances by total assets. The variable's role as a determinant of the investment decisions' efficiency stemmed from its role as an investment incentive for managers; whenever it goes up, it boosts managers' incentives for investment in a bid to avoid the risk of financial stagnation. Wang's (2014) study has shown cash surplus' impact on a company's future investments, revealing its positive effect on companies' investments, especially when financial risks level up.
5. **Return on assets Ratio (ROAR):** return on assets ratio is considered an index of companies' financial performance. It is calculated by dividing income before extraordinary items by total assets. The significance of adding ROAR to the testing model for the relation between accounting conservatism and the efficiency of investment decisions stemmed from its positive impact on such relation, as ROAR is a determinant of efficiency of investment decisions (Stubelj, 2016; Tariverdi & Keivanfar, 2017).
6. **Management ownership:** management ownership is the stake in the company owned by board members and chief executives and is measured by dividing the number of shares owned by that group by total paid-up shares. The measurement of management ownership ratio during the study has revealed it has increased in its sample, reaching an average of 22.71% (26.51% in the services sector, making it the highest sector in terms of management ownership; 13.2%, making it the lowest sector in the market in terms of management ownership). To test the study's hypothesis, the researcher has segmented management ownership into four groups: less than/or 5%, 6%-15%, 16%-25%, more than 25%. The researcher has based such segmentation on two factors; 1- the least management ownership percentage among the study's observations (435 companies)



was 3.2% and the biggest percentage recorded 38.4%, which means that segments will be consistent. The second factor is that the execution of the study's goal (i.e. to identify the impact of the increase in management ownership percentage on the relation between accounting conservatism and the efficiency of investment decisions) requires such segmentation.

Table 3. Description and Statistical Distribution of the Study's Sample Based on the Management Ownership

Description		In the Sample	In Economic Sector		
			Industrial	Services	Real Estate
Arithmetic mean		22.71%	23.6%	26.51%	13.2%
Standard deviation		0.3321	0.3253%	0.3435	3279
dispersion coefficient		0.2895	0.3114	0.3017	0.3123
Observations distribution on segments	5% or less	67	26	24	17
	6%-15%	88	43	16	19
	16%-25%	115	65	34	16
	More than 25%	165	61	51	23
Total Observations			255	135	75

By distributing the study sample's observations (435 through the event window) on the percentages of management ownership, according to accounting conservatism level and the efficiency of investment decisions, the researcher found that excessive investment is always accompanied by a low management stake, which implies a correlation between both variables. This result was also proved by Spearman's rank correlation test, which found a high moralistic value (the relation between management stakes and the efficiency of investment decisions) 0.489 or 3.2%.

Table 4. Distribution of the Study Sample based on the Study Variables

Level of Management Ownership	On the base of Conservatism Level		On the base of Efficiency of Investment decisions		
	Conservative	Non-Conservative	Sufficiency	Overinvestment	Underinvestment
Less by 5%	-----	67	-----	64	3
6-15%	6	82	-----	58	30
16-25%	64	51	25	-----	90
More than 25%	126	39	42	-----	133
Total of views	196	239	67	112	256



Statistical Method used in testing the Hypothesis of Study:

Before selecting the suitable statistical method to test the hypothesis of study, we should test whether the distribution of original population, from which the sample was drawn is natural or not, and for this purpose the researcher used the test (Lilliefors Test for Normality), which it depends on the Arithmetic Mean and Standard Deviation of the total assets of the study sample, the following hypothesis was tested:

HO: *The data of the Study Sample withdrawn from the Original Population has a normal distribution at a significance level equal to or less than 5%.*

The test was conducted on the basis of the following model:

$$T = \text{Sup} * F * (x) - S (x)$$

Whereas:

Sup= the biggest difference or vertical space between $F^*(x)$ and $S(x)$.

$F^*(x)$ = Normal Standard Distribution Function.

$S(x)$ = Test Distribution Function of the Sample.

After conducting the test, we found that the calculated T value is less than the $W.95$ value. Upon this the null hypothesis is accepted, which means that the companies, subjects of the study sample have a normal distribution at the level of 5%. Therefore it's necessary to use the Parametric Statistical Tests, because Nonparametric Tests are inappropriate. In this light, the Researcher used Regression Analysis to test the Hypothesis of the Study as follows:

$$INVEFF_{it} = a_j + B_1CON_{it} * ES_{it} + B_2SIZE_{it} + B_3DEMAT_{it} + B_4FINSLA_{it} + B_5ROA_{it} + \sum_j$$

Whereas:

INVEFF= Efficiency of Investment Decisions.

a_j = The Constant Term of the Model.

$CON_{it} * ES_{it}$ = The Accounting Conservatism which is likely to be asymmetrical of information.

$SIZE_{it}$ = Total assets logarithm (The Company's Sized).

$DEMAT_{it}$ = Due Debts.

$FINSLA_{it}$ = Financial Recession (Cash Surplus).

ROA_{it} = Return On Assets.

The Correlation Matrix of the independent and control variables indicates that there is no relationship of statistically significant correlation between these variables, which means the ability of basing on the results of the Model to explain the Hypothesis of the Study.

Table 5. The Correlation Matrix of the Model

VARIABLES	CON*ES	SIZE	DEMAT	FINSLA	ROA
CON*ES	1	0.1215	0.0655	0.0832	0.1087
SIZE	0,1215	1	0.1062	0.1045	0.0847
DEMAT	0.0655	0.0655	1	0.1047	0.1032
FINSLA	0.0832	0,1045	0.01047	1	0.1007
ROA	0.1087	0.0847	0.1032	1.1007	1

The results of the research hypothesis

It is noted that at the level of Management Ownership does not exceed 5%, the Impact had positive statistical significance, i.e. the lower the level of Accounting Conservatism, the less



Efficiency of Investment Decisions. This result explains the System of Management Incentives and Rewards based on a percentage of net profit and not on the basis of the fixed salary, used in most companies of this category, which is considered the main reason of about 95.5% of the Investment Decisions in these Companies which are overinvestment decisions (see Table No.5). This result undoubtedly supports the hypothesis of the study because the System of Management Incentives and Rewards is one of the reasons for the selection of non- conservative accounting policies, which enhances the researcher's explanation of this result.

Furthermore, the Debt Ratio of the Companies of such category, is about 39.4%. Whereas, this high ratio of debt indicates the desire of managers to maximize their private gain at the expense of shareholders' by depending on loans to give funds to projects because of their positive impacts on the increase of the profits of the company by the action of difference between the return on investment and cost (i.e. loans) from one side. Also the Tax Shelter of loans considering its benefits as part of the expenses that are subtracted from Taxable Income. This Shelter is called in Modern Portfolio Theory (MPT) as Tax Shield of debts from the other side.

Table 6. The results of the research hypothesis

Level of Management Ownership Details	First Level: 5%, less than 5%					Second Level: 6-15%				
	Average	Regression coefficient B	Calculated Value of t	significance level	Impact Power	Average	Regression coefficient B	Calculated Value of t	significance level	Impact Power
CON*ES	0.403	1.48	1.805	3.8	76.5%	0.365	0.57	1.867	3.1	56.7%
SIZE	6.4	0.045	1.79	4.1	36.9%	6.15	0.021	1.755	4.4	35.2%
DEMAT%	5.4	1.25	1.865	3.6	8.6%	6.9	0.78	1.746	4.5	14.7%
FINSLA	0.28	(1.075)	1.86	3.2	38.6%	0.45	0.185	1.826	3.3	22.7%
ROA	19.4	0.401	1.451	N/A	--	16.2	0.65	1.357	N/A	--
INVEFF	0.78					0.367				
aj	1.075					1.165				
Coefficient of Determination (R) ²	72.3%					68.4%				
Standard Error	0.017					0.014				
Calculated Value(F)	8.15					7.8				
Significance Level	3.6					4.2				

With regard to control variables, the results of the Statistical Test listed in Table (6), showed that despite the small size of the companies at this level of Management Ownership, it had a positive impact on the overinvestment. Which confirms the researcher's view of Manager's Desire to increase their private gain make them indifferent to the investment risks that are most generally associated with small-sized companies, while the variable result of due debts was supported to the hypothesis considering it as one of the determinants related to the Efficiency of Investment Decisions, the decline of its average value seems to have been a motivator for Core Liquidity Providers for funding the companies and the same also in case of Cash Surplus, which results showed its positive impact on overinvestment. The rate of return on investment hadn't any impact.

Second: the second level of Management Ownership (6-15) is different from the previous one



because of conservative companies by the percentage of 6.8%. As well as, the feature of this level is that it includes both types of Inefficiency of Investment Decisions : Overinvestment and Underinvestment by 2: 1. Despite there are two differences, the Type of Impact did not differ. The statistical test showed an impact that had positive impact significance of the Accounting Conservatism on Overinvestment, but by a power less than the first level, where the impact factor (Flexibility) in the first level was 76.5%, however the second level was 56.7%.

The researcher thinks that the major reason for the low impact in this level of Management Ownership is due to the various investment orientations related to the managers of the companies of this category, the high ratio of Management Ownership leads to the emergence of the Inoculation Theory as well as the convergence-of-interest hypothesis in the explanation of the conduct of reverse selection and immoral of managers. In these situations, managers are more inclined to avoid the risk of investment and the consequent problems such as bankruptcy and the restrictions of Debt Contracts, which explains Underinvestment, which amounted to about 34% and the decline in indebtedness to 34.6%. Undoubtedly, the conflict of investment orientation in such a way shall lead inevitably to reducing the Impact Power, while with the control variables, the results did not differ from the previous level.

Conservatism takes over more than Non- Conservatism in this level of Management Ownership (16-25%), the percentage of conservative companies amounted to 55.7%, and the case of Effective Investment Decisions, which formed a ratio about 21.7% and the situation of Overinvestment disappeared (see Table 7). Which means that the high ratio of Management Ownership is accompanied by an increase in the Accounting Conservatism, which may lead in turn to improve the Efficiency of Investment Decisions, from one perspective. The Phenomenon of Overinvestment is not necessarily linked to the Non- Conservatism, despite the results of the test of level I and II and this in the sense that 44.3% of the Companies of this category are not conservative. With regard to such features of this category, the Test on Hypothesis of the Study is required to re-tabulate data and make it homogeneous in order to depend on its results and explanation, and for this reason the researcher tabulated the Conservatism Level to five categories whose length of category was 0.03 and the minimum of the first category was (- 0.132), which was the smallest value in the data.

However, it represents the highest level of Conservatism in the views of this category of Management Ownership, and then the distribution of views related to the Efficiency of Investment Decisions on those categories, as shown in Table No. (10)/ This shows that there are views of the Underinvestment within the Conservatism Level, amounting to 40 views, from which 36 are concentrated in the first and second categories, however the remaining views are in category (V), despite the exception of this case, considering that the Inefficiency of Investment Decisions is usually linked to a Conservatism and Non- Conservatism.

The researcher does not view it in that way because such a case can occur in Family Businesses, as described in the companies holding such views, and by the motives of the acquisition through encouraging shareholders to abandon their investments through adopting arbitrary accounting policies. Sufficient decisions are concentrated in the third and fourth categories with 23 views, however the remaining are in the last category, which means that the Conservatism has a limitless and non-absolute interest in the Investment Decisions which is less than (0.101) to (0.009).



Table 7. Distribution of the Efficiency of Investment Decisions on Conservatism Categories

Conservatism Categories	(0.132)-(0.102)	(0.101)-(0.071)	(0.07)-(0.04)	(0.039)-(0.009)	(0.008) and more
Frequency Distribution	22	19	9	14	52

In the light of such data, the hypothesis of the study, which started by examining the Impact of Conservatism in the first and second categories of views as they were homogeneous, and showed a significant inverse impact with statistical significance of the Conservatism on underinvestment. This disappears when Level of Conservatism become less until it reached the two categories i.e. the third and fourth, where the investment decisions returned into positive impacts with statistical significance, as when the Level of Conservatism became less, investments of decisions directed to the situation of efficiency until the Level of Conservatism became (- 0.009).

After that, the impact returned to its negative situation and continued with the situation of non-conservatism, and with this result the relationship between the Conservatism and the efficiency of investment decisions in the views of such a category of management ownership takes a concave shape.

This result undoubtedly was expected by the researcher because logic assumes that there is an optimal level of Conservatism that has investment decisions at best, and that the increase in the level of Conservatism from those limits must be linked to other motives except improving Investment Decisions as with the motives of managers of family businesses which are characterized by views of that Level of Conservatism.

The result of the lack of Conservatism with underinvestment, the researcher attributed to the motives of managers of companies that may direct to their desire to continue their jobs, so they resorted to the so-called management of profits, which is considered the opposite of Conservatism, in order to improve the performance of the company and to give a good perception of current and future cash flows and to the Investors, as well as being (i.e. management of profits) one of the effective tools to face the negative impacts of the situation of underinvestment on the market value of the company. On the basis of that analysis, we can accept the hypothesis of the study related to this level of management ownership.

We should note that the test did not show any impact of anyone of the control variables. Decreasing the total of due debts in the category of the Conservatism Level (0.132 - 0.071) and the availability of the cash surplus did not encourage or motivate the managers of the companies related to the views of this category towards the investment because of the motives of private gain.



Table 8. The results of Test of the Hypothesis of Study on the Level of Management Ownership 16-25%

Level of Management Ownership		(0.132)-(0.071)					(0.071)-(0.009)					(0.008) and more				
		Average	Regression coefficient B	Calculated Value of t	significance Level	Impact Power	Average	Regression coefficient B	Calculated Value of t	significance Level	Impact Power	Average	Regression coefficient B	Calculated Value of t	significance Level	Impact Power
Variables	CON*ES	(0.099)	(0.84)	1.965	3.20%	34.80%	(0.06)	0.06	0.98	4.1	3.6%	0.443	(0.286)	1.73	4.1	36.9%
	SIZE	12.1	0.651	1.432	N/A	-	10.8	0.317	1.55	N/A	-	10.7	0.645	1.435	N/A	-
	DEMAT%	4.3	0.121	1.224	N/A	-	4.4	0.128	1.313	N/A	-	4.1	0.118	1.345	N/A	-
	FINSLA	0.91	0.247	1.471	N/A	-	0.75	0.317	1.351	N/A	-	7.10%	0.217	1.415	N/A	-
	ROA	12.4	0.181	1.321	N/A	-	11.9	0.288	1.451	N/A	-	11.9	0.281	1.371	N/A	-
Data of Test Model	INVEFF	(0.239)					0.001					(0.342)				
	aj	0.089					0.795					0.645				
	Coefficient of Determination (R) ²	72.4					57.8					67.4				
	Standard Error	0.118					0.038					0.101				
	Calculated Value(F)	7.56					7.5					10.9				
	Significance Level	3.40%					2.3					2.7				



At the level of management ownership more than 25% noted their desire to acquire the investments of shareholders by underinvestment and increase the Conservatism, which work to send negative signals about shareholders around the future and performance of the Company.

Companies are more conservative than the previous three levels as its ratio of such Category amounted to 76.4%, which means that increasing the ownership of managers makes them more inclined to be conservative. It was noted that 36.5% of these are characterized by the concentration of ownership and 17.5% are characterized by foreign ownership, so that the researcher believed that the main reason behind the Conservatism of most of such companies may be due to the desire of managers to reduce the political costs by causing impacts on the management to increase the Conservatism, because of the action of their presence within the Board of Directors.

It is also noted that 21.4% of these companies are characterized by high government ownership, which may be a reason for the tendency of managers to Conservatism to improve the institutional governance to support the existence of an efficient market brings local and foreign capital and reduce the cost of capital for local companies.

The researcher noted that 59% of The non-conservative companies are characterized by institutional and individual ownership. In order to test the hypothesis of the study of the Category of Management Ownership, the researcher conducted the same procedures at the third level (16-25%) as shown in Table (12), which explains that the optimal investment decisions are concentrated in the second category, and all the decisions are efficient decisions. The views related to underinvestment of the conservative companies were distributed among the first, third and fourth categories, some of them within the fifth category. The result of the statistical test confirmed the previous researcher's thought with regard to existence of the Marginal Utility of Accounting Conservatism. The results showed that there is a positive impact of the conservatism on the investment decisions by the views confined between the Level of Conservatism (0.110) - (0.08), and when the Level of Conservatism becomes less than this, the impact becomes negative.

Table 9. Frequency Distribution of Investment Reports Efficiency on Conservatism Categories

Conservatism Categories	(0.141)- (0.111)	(0.110)- (0.08)	(0.079)- (0.049)	(0.048)- (0.018)	(0.017) and more
Frequency Distribution	38	41	23	21	43

It is noteworthy that companies with ideal investment reports have foreign or governmental property. The researcher believes this finding is logical in terms of the companies with foreign property, since foreign investors exercise their controlling role directly or indirectly on the local companies.

Regarding the direct control, this is done by using the vote right to impact on the management decisions; the indirect control is done by intimidating them to withdraw their investments from the local companies, which positively impacts on the financial reports quality and the investment decisions, accordingly.



In respect of the governmentally financed companies, the finding was not expected for the following reasons:

1. The government restores aspects to conservatism in order to cover the company's resources for political ends.
2. Companies with high governmental control clearly suffer from the proxy issue, as the managers, in these companies, are appointed by the government and not by the normal legal owners.
3. The government uses these companies to achieve short-term social and political ends, which often conflict with the benefits for stakeholders.

However, under this finding, the most likely view to interpret the issue, seems to be related to the governmental control role embodied in using these companies as a model to attract foreign investment to achieve sustainable development in the country.

Based on this finding, the relationship between accounting conservatism and investment decisions efficiency is in a concave shape. In addition, the management motives are the driving force behind the conservatism level due to the inverse impact showed by selecting the first category, since accounting conservatism coincided with underinvestment; both of them aim to achieve the management interest.

The reason of increasing conservatism level lies in the tax motive while the wish to acquire investments of the stakeholders is the reason for non-conservative underinvestment in case of underinvestment; it aimed to save the company market value from the underinvestment negative impacts.

Regarding the control variables, the findings of the test model found that the company size and investment return rate have a free-impact on investment decisions efficiency. As for the due debts and cash surplus, the findings showed they have a free-impact on underinvestment and a positive one on the ideal investment decisions.



Table 10. Findings of the study hypothesis test for management ownership level 25% and more

Management ownership level details		(0.111)-(0.141)					(0.08)-(0.11)					(0.008) and more				
variables	CON*E S	Average	Regression coefficient B	Calculated Value of t	Significance Level	Impact Extent	Average	Regression coefficient B	Calculated Value of t	Significance Level	Impact Extent	Average	Regression coefficient B	Calculated Value of t	Significance Level	Impact Extent
			(0.125)	(1.083)	1.971	3.7	45.90%	0.095	0.095	1.95	2.9	71.25%	0.065	(1.675)	1.871	4.5
	SIZE	10.1	0.971	1.641	N/A	-	12.6	12.6	1.651	N/A	-	10.8	(0.748)	1.453	N/A	-
	DEMAT %	8.3	(0.891)	1.84	4.2	25.10%	5.8	5.8	1.875	3.6	34.80%	7.2	(1.0720)	1.811	4.2	21.30%
	FINSLA	0.72	(0.142)	1.851	4.1	33.7	0.27	0.27	1.88	3.2	40.50%	68%	(0.057)	1.871	3.8	10.70%
	ROA	15.60%	1.115	1.435	N/A	-	18.20%	18.20%	1.433	N/A	-	16.10%	(1.011)	1.432	N/A	-
Test model Data	INVEFF	0.295					0.002					0.362				
	Aj	0.185					0.435					0.324				
	Coefficient of R2 determination	67.6					71.4					68.3				
	Standard error	0.028					0.015					0.016				
	F calculated value	9.22					7.65					8.12				
	Significance level	3.3					3.4					2.75				

Conclusions

This study aimed to examine the relationship between the practices of accounting conservatism and the efficiency of investment decisions in Jordanian tourism companies in the light of management ownership. The results indicate that the major part of Jordan companies do not adopt conservative accounting policies; conservatism in financial statements of some of other companies was not due to improving the accounting information quality and increasing transparency. Nevertheless, considering over conservatism and its negative consequences such as information asymmetry in Jordan's Stock Exchange and investment decisions whether by over, or under inefficiency, it was due to rising managers' interests over the benefits of stakeholders. In addition, the conservatism level is found to be impacted by the management ownership i.e. managers' increase ratio in the company capital equals increase in conservatism level and vice versa, meaning the conservatism level is related to the managers' economic concerns, which differ according their ownership ratio in capital.

The investment decisions are inefficient in non-conservative companies; as for the conservative companies, investment decisions efficiency depends on modern conservatism levels, since the company achieves the idle investment volume at such a conservatism level. Certainly, this level varies according to the management ownership rate; thus, it can be concluded that interest in decreasing the proxy and interest conflict issue is not forever, but subject to modern conservatism levels. Moreover, the dominant characteristic of the ownership structure of the conservative companies is family and foreign ownership. This is in addition to the governmental one, but in non-conservative types, the dominant characteristic in such structures is the establishment and individual ownership, since the objective of investing in these two categories in ownership structure weights impacts of conflict on control, which supports the research hypothesis. In



contrast to the variable of the payable debts and cash surplus, which the statistical analysis showed, their impact on the relationship between accounting conservatism and investment decisions efficiency particularly on third and fourth levels of the management ownership, variable of the company size and investment return rate has a free impact on the test model.

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