

Pros and Cons in the Application of Conservatism: Results from Survey of Literature and Notes to Financial Statements

Elvira D.R. Dacayo, PhD (lead author)
Kimberly L. Baniqued
Fely A. Gabol
Edenor C. Ingalla
Shaira Mae B. Lacaba
Ma. Jona Gay B. Malayan
School of Accountancy and Business Management, Saint Louis University
(edacayo@gmail.com)

Abstract - Conservatism has been pervasive in accounting since olden times and was regarded important in financial reporting. However due to its incompatibility with the other qualitative characteristics, there were parties who opposed conservatism as a desirable qualitative characteristic in the conceptual framework for financial reporting which resulted in its exclusion in 2010. This matter gave rise to our study which was focused on determining the advantages and disadvantages of the application of accounting conservatism from results of survey of literature and notes to financial statements. We used the qualitative method as our research design to survey journals that were pertinent in addressing our objectives and problems as well as cited twenty-eight (28) companies that applied conservatism in their notes to financial statements. Consequently, we discovered the specific areas where conservatism was applied through estimations and management's judgments and classified them under the four explanations (litigation, contracting, regulation and taxation) provided by (Watts, 2003 a&b). We were able to gather the advantages and disadvantages of conservatism in the surveyed journals containing countless arguments of different researchers and scholars regarding its implications on financial reporting. In our findings, using thematic analysis of the surveyed literature and the notes on financial statements, the application of conservatism through estimations and management's judgments was prevalent and leads to more advantages compared to its disadvantages. Foremost reason why conservatism or prudence is prevalent was to prevent management from making opportunistic accounting estimates (overvaluation) that could possibly endanger the reliability of the financial statements, and in the long run even business continuity. The researchers concluded that the application of conservatism is essential and implicit with or without its inclusion in the qualitative characteristics.

Keywords - contracting, litigation, prudence, regulation, taxation

I. INTRODUCTION

Psychological impacts of information to decision makers have been empirically established by behavioral psychologists and economists. According to loss aversion and reference-dependent theory by (Kahneman & Tversky, 1991), losses and disadvantages have greater impact on preferences than gains and advantages. To explain further, we found that according to Henry R. Hatfield, the accountant transcends the conservatism of the proverb, "Do not count your chicken before they are hatched," saying, "Here are a lot of chickens already safely hatched, but for the love of Mike, use discretion and don't count them all, for perhaps some will die" (Wang, 2009).

Conservatism has become prevalent in the field of accounting because of the origin of the profession itself. Accounting has existed in one form or another since the very first farmer walked outside one morning, counted his oxen and compared that number to the number of oxen he counted the night before (Garrison, 2015). Conservatism, as applied in medieval accounting, was out of concern for the

steward's employment and lord's welfare, he was most likely conservative in recording financial records as a form of self-protection. Stewards of property for rich powerful lords were conservative in their figures, running out of materials and stockpiles unexpectedly could lead to the steward being fired, or even executed. Similar to the situation of the medieval, the 20th century accounting conservatism was rooted partly in fear. Replacing the medieval lord was the court system, which consistently ruled in favor of plaintiffs suing accountants who were not prudent (conservative) enough in their estimations (Basu, 2009; Garrison, 2015).

Accounting conservatism includes asymmetry in the timing of recognition of gains versus losses (conditional), so the recognition of losses is quicker and it includes the assessment of net undervalued assets (unconditional) as cited in Givoly and Hayn (2000). There are several empirical papers that mentioned that firms with past record of conditional conservatism enjoy benefits such as easier access to debt financing and at lower cost, still another empirical evidence mentioned, when the level of

(unconditional) conservatism is high, credit ratings improve and debt costs decrease (Ahmed et al., 2002; Zhang, 2008). Ahmed and Duellman (2007) concluded that conservatism can reduce agency problems associated with manager's investment decisions. Another advantage of conservative reporting is that it makes managers less likely to invest in negative net present value (NPV) projects since the enforcement of timely loss recognition will reduce their earnings-based compensation (Ball & Shivakumar 2005).

Watts (2003a, 2003b) proposed four explanations for the use of conservative accounting practices which include contracting, litigation, regulation, and taxation. Basically, the objective of conservative reporting is to improve contract efficiency, to discourage shareholder litigation against the firms and auditors, to increase the quality of financial information by both private and regulatory intervention, and to decrease income tax liability. Moreover, from the perspective of those who report financial statements, conservatism is considered to be a method that could lead to one of the following consequences: 1) later detection of sales revenues; 2) earlier detection of costs; 3) under-estimation of assets; and 4) over-estimation of debts (Shabang, 2010).

Conservatism as a Qualitative Characteristic

The 1996 GAAP accepts an understanding that conservatism can lead to issues with financial statements in the future. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) opposed conservatism as a desirable qualitative characteristic of accounting in their joint conceptual framework (FASB, 2010; IASB, 2010) The Basis for Conclusions explained that prudence has been omitted because it is incompatible with neutrality. The IASB does go on to say that —the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses, because the financial statement would not be neutral and, therefore, not have the quality of reliability. They were hesitant to continue to include conservatism or prudence in the list of qualitative characteristics of accounting information right there next to neutrality.

The IASB's initial response to these growing concerns was to argue that, although prudence was already excluded, prudence was still implicit both in the conceptual framework and in individual standards issued by the IASB.

This gave rise to our study which aimed to

investigate whether the application of conservatism principle in financial reporting is beneficial or not.

We focused on the effects of conservatism in the financial statements and to the users of these financial statements with these specific problems:

1. To determine the areas in the financial reporting where the application of conservatism is applied; and
2. To determine the advantages “pros” and disadvantages “cons” of conservatism in terms of its application.

This research paper proved that despite the removal of conservatism in the qualitative characteristics for financial reporting, the benefits derived in the area of contracting, litigation, regulation, and taxation far outweigh the disadvantages.

The significance of this study was to help understand more about conservatism in accounting which includes: (1) its history and definition; (2) application in the financial reporting; (3) implications in the decision-making of the users of the financial statements; and (4) explain why conservatism is so resilient in the modern economy.

II. RESEARCH METHOD

In our research, we applied the qualitative type of method because it is the most suitable research design for us to broaden ideas about conservatism and the effects of it in financial reporting and its users. It usually answers the 'what', 'how,' or 'why' of a phenomenon (Bendassolli, 2013). According to Christine Griffin, it includes an increased degree of flexibility in the research design- the ability to focus on the meaning of key issues for participants, especially on any contradictions or inconsistencies in their perspectives. Moreover, qualitative method was the most appropriate because we aim to observe, review, and analyze different secondary data such as the journals containing studies, discussions, arguments, and concepts that are relevant in the determination of our aforementioned specific problems.

As Albert Einstein said, “Not everything that can be counted counts and not everything that counts can be counted.” This method of research made us to understand aspects of conservatism and its effects and allowed us to generate words rather than numerical results from the different ideas and opinions of different researchers. To answer our specific problem one on the areas where the application of conservatism was applied, we content

analyzed data from twenty - eight (28) companies (see Appendix A) of known products and services to the authors that applied conservatism in their financial reporting for the year 2014-2015. We elected to collect data from different industries using discretionary sampling technique from publicly available financial reports that highlighted Watts' four explanations of conservatism in their notes to financial statements. The 28 companies' notes to financial statements were then analyzed and grouped according to the explanation of conservatism under contracting, litigation, taxation and regulation. To answer the main problem on the advantages and disadvantages of conservatism, surveyed journals were grouped into the four themes, and cited the application of conservatism of the companies' notes to financial statements to further corroborate and elucidate the problem.

III. RESULTS AND DISCUSSION

Conservatism in the Areas of Financial Reporting

There are specific areas in financial reporting where conservatism is applied depending on whether it is conditional or unconditional (Ruch & Taylor, 2014). As pointed out by Watts (2003), it is used in areas like contracting, litigation, regulation, and taxation. These areas proved that even with or without the removal of conservatism from the conceptual framework, conservatism is still inherent. *Contracting* agreements like defined benefit plans, long term leases, restructuring provisions, long-term contracts primarily for project management services and loan agreements are just some of the application of conservatism from the 28 companies' notes to financial statements.

One of the major considerations under *litigation* is judgment. Judgment is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise. When establishing a liability for contingent litigation losses, the companies determine a range of potential losses for each matter that is both probable and estimable, and records the amount they consider to be the best estimate within the range, here again conservatism is very much manifested and applied.

While under *regulation*, conservatism gives guidance and control to enacted laws and regulations. Estimates are based on available facts, technology, and prior experience which necessarily involve prudence.

In relation to *taxation*, the calculation of the companies' total tax charge necessarily involves a degree of estimation and judgment with respect to certain items whose tax treatments cannot be finally

determined until resolution has been reached with the relevant tax authorities. In order to protect all parties, conservatism in estimation and judgment was applied. Table 1 below gives a summary of the content analysis done with the 28 companies' financial reports. It was grouped under Watts' four explanations and highlighted the application of judgment and estimate that necessary involves conservatism.

Table 1.
Content Analysis under Watts' Four
Explanation of Conservatism

Themes	Empirical Evidence (28 companies)
A. Contracting	
• Provision for pensions	The net defined benefit liability of some companies (Devro Plc., Syngenta, Volkswagen Group, British American Tobacco, European Investment Bank, EastWestBanking Corporation, Wesfarmers, Meralco, Sears Holdings, Emperor, Del Monte, General Motors, Trustees for Alaska, Jollibee Foods Corporation) depends on a number of factors that are determined on an actuarial basis using a number of assumptions that helped management increase cash flows and value in the future.
• Provision for restructuring	(Toshiba, Syngenta, Sears Holdings, Microstrategy Incorporated, Intel Corporation, Nestle Group, Wesfarmer, Weatherford International Plc, Vodafone Group Plc, British American Tobacco) Restructuring provisions arise are expected to result in future cash outflows when implementing plans. For example, Nestle plans to optimize production, sales and administration structures which is usually over two to three years. Also the costs related to restructuring include employee severance and related benefit costs, contract termination costs, and other associated costs.
• Lease provision	(Wesfarmer, Emperor, Sears Holdings) Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Sears Holdings also accrue contingent rent over the lease term since their operating and capital lease obligations are based upon contractual minimum rates and amounts in excess of these minimum rates are payable based upon the specified percentage of sales.

- Provision for credit losses** (Bank of America Corporation and Subsidiaries, Wells Fargo & Company, Regions Nissan Motor Co., Financial Corporation) The allowance for credit losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. For example, Wells and Fargo's allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience and other conditions influencing loss expectations, such as economic conditions.
- Provision for warranties/guarantees** The companies (Samsung Electronics, Apple Inc., Volkswagen AG, Vodafone Group, Wesfarmer, Weatherford International Plc, Dell Inc., Regions Financial Corporation, General Motors) accrue provision for warranty based on the best estimate of amounts necessary to settle future and existing claims. The amounts are estimated based on past experience. Moreover, they assess the adequacy of its accrued warranty liabilities and adjust the amounts as necessary based on actual experience and changes in future estimate.

B. Litigation

- Litigation contingencies** When establishing a liability for contingent litigation losses, the companies (Philip Morris International, Intel Corporation, Apple Inc., Samsung Electronics, Regions Financial Corporation, Bank of America Corporation and Subsidiaries, Nestle Group, Vodafone Group Plc., Wesfarmer, Weatherford International Plc, Jollibee Foods Corporation) determine a range of potential losses for each matter that is both probable and estimable, and records the amount they consider to be the best estimate within the range.
- Provision for penalties** The company (Toshiba) recorded a provision for estimated penalties related to the revision of inappropriate accounting treatments in the previous years.

C. Regulation

- Provision for environmental contingencies** The provision for environmental contingencies was expensed by the companies (Del Monte, Syngenta, Meralco, British American Tobacco, Toshiba, Sears Holdings, Philip Morris International, Weatherford International Plc). Liabilities for these expenditures are recorded when it is probable that obligations have been incurred and costs can be reasonably estimated. For example, provision was made by British American Tobacco in 2011

for £274 million for clean-up of sediment in lower Fox River.

- Impairment of long-lived assets** The companies (Weatherford International Plc, British American Tobacco, Toshiba, Sears Holdings) must make estimates about the expected useful lives of the assets. The value of the long-lived assets is then amortized over its expected useful life. In estimating the useful lives of property, plant and equipment, they rely primarily on their actual experience with the same or similar assets. The useful lives of intangible assets are determined by the years over which we expect the assets to generate a benefit based on legal, contractual or regulatory terms.

- Provision for doubtful accounts** (Dell Inc., Weatherford International Plc, Meralco, Sears Holdings, Nestle Group) An estimate of the allowance for doubtful accounts related to trade and other receivables that are specifically identified as doubtful of collection is made. The amount of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. In such case, use of judgment based on the best available facts and circumstances is applied.

- Goodwill impairment** Impairment of goodwill is an example of conditional conservatism. The companies (Samsung Electronics, EastWest Banking Corporation, Vodafone Group Plc, Dell Inc., Jollibee Foods Corporation, General Motors, Meralco, Del Monte, Sears Holdings) have disclosed that the determination of the fair value of the assets and liabilities is based on management's judgments. For instance, Samsung Electronics tests whether goodwill has become impaired by comparing the carrying amounts of cash-generating units to the recoverable amounts. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, and these calculations are based on estimates.

- Research and development** The companies (Toshiba, Syngenta, Devro Plc., British American Tobacco, Microstrategy Incorporated, Dell Inc., Intel Corporation, Weatherford International Plc, General Motors, Del Monte, Apple Inc.) expensed their Research and Development costs resulting to an unconditional conservatism.

D. Taxation

- Provision for taxes** The calculation of the companies' (Vodafone Group Plc., Apple Inc., Toshiba, EastWest Banking Corporation, Bank of America Corporation and Subsidiaries, General

Motors, British American Tobacco, Wells Fargo & Company, Weatherford International Plc, Sears Holdings, Regions Financial Corporation) total tax charge necessarily involves a degree of estimation and judgment with respect to certain items whose tax treatments cannot be finally determined until resolution has been reached with the relevant tax authorities. The companies believe that its accruals for tax liabilities are adequate for all open tax years based on assessment of many factors including interpretations of tax laws and prior experiences.

Advantages of Conservatism

The reason why conservatism in financial reporting still persists until this day is due to the fact that there are many advantages it could offer which includes the following:

A. Contracting

Accounting conservatism can benefit the users of financial statements in several ways, as the positive accounting theory suggests that conservative financial reporting makes for an efficient contracting and governance mechanism (Watts, 2003; LaFond & Watts, 2008). From the analyzed 28 companies, provisions were made for pensions, restructuring, leases, credit losses and warranties using the best estimate of amounts to mitigate information asymmetries and address agency problems. Watts, (2003a) noted the use of accounting conservatism as an internal control device that curbs opportunistic behavior and biased reporting by establishing asymmetric recognition timeliness and verifiability requirements. It is also a governance mechanism that reduces the managers' ability to manipulate financial performance and increases the firm's cash flows and value.

Still, another advantage cited by Latridis (2011) was that commitment of the companies with the conditional and the unconditional conservatism affects positively in obtaining contract loans with less interest rate as a result of conserved financial reports.

Zhang (2008) argues that conservatism benefits both lenders as well as borrowers, if accounting numbers are used in covenants, and thus it likely enhances the efficiency of the debt contracting process.

B. Litigation

Litigation is deemed to persist more on occurrences of overstatements rather than its more conservative counterparts. Philip Morris International, British American Tobacco, et al.,

when they established a liability for contingencies, they had provided for an avenue of eased loss reporting and would prove to be more beneficial by minimizing litigations faced by firms. Toshiba when it recorded a provision for estimated penalties protected itself and reduced the possibility of suing the company management by related parties due to its revision of inappropriate accounting treatments in previous years. Furthermore, the likelihood of prosecuting the management because of the accounting policies designed to inflate the value of the assets is higher than the likelihood of being sued because of policies designed to reduce the value of assets (Jaggi & Xin, 2014) as cited by Al- Sakini (2015).

C. Regulation

Firms that provide voluntary IFRS disclosures are likely to be more profitable as they may be better able to absorb the adverse financial effects of IFRS adoption and costs of compliance (Li & McConomy, 1999). Provision for environmental contingencies, impairment of long-lived assets, provision for doubtful accounts, goodwill impairment, expensing research and development and stating inventories at the lower of cost or market were just some of the empirical evidences from the 28 companies that provide voluntary IFRS disclosures. The benefits that stem from IFRS adoption, such as comparability, lower information asymmetry and cost of capital, can be regarded as an indicator of good management and good performance and would therefore be expected to positively impact on stock returns (Cuijpers & Buijink, 2005). The regulatory argument also gives rise to the possibility of conservatism to exist mainly as a requirement provided by accounting standards and other regulatory mechanisms (Watts, 2003a).

The results of recent research suggest that from the stock market investor perspective, conservatism reduces the level of information asymmetry and helps resolve the problem of moral hazard or adverse selection (Nakano et al., 2014). Also, Latridis (2011) showed that the conditional conservatism such as evaluating the inventory by using lower cost or net realizable value can be used by the administration to achieve its interests.

D. Taxation

The timing of gains and losses recognition is important (Balsam et al., 1995). It showed that firms may defer revenue recognition into future accounting periods to reduce the current period's tax charges (Scholes et al., 1992). The provision for

taxes that involve a degree of estimation and judgment with respect to certain items is part of managers' way of structuring their accounting policy choice so as to transfer earnings from "good" accounting years to "bad" years (DeFond & Park, 1997). From Vodafone PLC, Apple Inc. et al., the provision for taxes whose tax treatments cannot be finally determined until resolution has been reached with the relevant tax authorities was a way of protection for any adverse effect that could result in future tax liabilities. The tax justifications are deemed the main motives for using the accounting conservatism, because the early recognition of losses and the delay of the recognition of revenues until they occur will lower taxable income and current tax on the company and delayed them to later periods (Watts, 2003a).

Disadvantages of Conservatism

There were studies that criticized the accounting conservatism from the prospect of the information distortion and its negative effects on the resources allocation as well as the damaging effect of the organization to its performance. The following are circumstances that show the application of conservatism as a disadvantage:

A. Contracting

The exaggeration in conservatism may harm some users of accounting information (Iqbal & Qidah n. d.) as cited by Al-Sakini & Al-Awawdeh (2015). It may lead to the distortion of accounting information and show them in values different from the true values. In a study by Sougiannis and Yaekura (2001), they found out that the practice of conservatism in accounting create an unnecessary bias on the information received by the investor. Still another disadvantage of conservatism involved that of financial reporting manipulation uses up resources (including the management of time) and diverts managers' efforts from increasing the total wealth available to all the parties to the firm (Jensen & Meckling, n. d.) as cited by Al-Sakini & Al-Awawdeh (2015). Conservatism also imposes additional cost of managing earnings (Lara et al., 2016). The study of Karami and Hajiazimi (2013) showed that accounting conservatism reduces the importance of profits' value and there was inverse relation between conservatism and accounting disclosure.

B. Regulation

Barton and Simko (2002) and Goh and Li (2011) cited that allowing the deliberate understatement of assets or income and/or deliberate overstatement of

liabilities or expenses renders the financial statements not neutral and therefore jeopardizes the quality of reliability and fairness desired by the conceptual framework.

Furthermore, intentional, understatement of assets in the balance sheet may provide managers with opportunities to inflate earnings through subsequent reversals of those understatements (Lara et al., 2016). Jackson and Liu (2010) explained that the overstatement of the allowance for uncollectible accounts provides opportunities to build up 'reserves' on the balance sheet.

Conservatism has also the tendency to recognize losses which is opposed to the ideal of matching costs with income. Ruled by the doctrine of conservatism, the accountant declines to recognize income until such recognition is clearly warranted but, on the other hand, has a tendency to be generous in recognizing costs, expenses, and losses and including them in the profit and loss statement of one period even though there may be some doubt as to the fairness of such inclusion. It contravenes some principles and qualitative characteristics of accounting information, for example impartialness, comparability, stabilization, reliable representation and consistency.

IV. CONCLUSIONS

Conservatism in financial reporting is indispensable. The characteristic of prudence is intended to prevent management from making opportunistic accounting estimates (overvaluation) that could possibly endanger the reliability of the financial statements, and in the long run even business continuity. However, if management decides to consistently underestimate revenues and gains and/or to overestimate expenses and losses then it will project a too conservative representation of the financial position and performance (undervaluation).

Through the analysis of several companies as shown in the Appendix A, we found that there are many important areas that require the application of conservatism in financial reporting. Estimations and assumptions are already part of financial reporting as one of the generally accepted principles in accounting. Even when conservatism was not already part of the qualitative characteristics in the conceptual framework, it still exists as shown in the areas of the application that we gathered. The benefits derived from using and practicing conservatism in contracting, litigation, regulation and taxation as seen from the numerous applications of cited notes to financial statements of companies under study reinforce the advantage of conservatism. As

mentioned by the president of IASB previously, conservatism is implicit in the conceptual framework and in individual standard thus there is no clear effect of the removal of it in the conceptual framework.

In our study, using review of literature and content analysis of notes to financial statements, application of conservatism has more advantages than disadvantages in financial reporting. The firms are mostly benefited by the usage of conservatism and the same holds true for the users of financial statements. Other areas not under the four explanations provided by Watts (2003a&b), such as the areas in investing, earnings manipulation of manager, operational risks, and security in the business are also benefited by conservatism. On the other hand, the disadvantages of conservatism are mainly due to the deliberate overstating of liabilities and/or expenses or understating assets and/or income because people believe that firms manipulate their assets, liabilities, income and expense to increase the value of the firm or to evade their taxes. Nonetheless, conservatism can be a disadvantage to the users if the management intentionally manipulated the estimations in their financial statements. The financial statements may not be neutral if the amounts in the financial statements are understated or overstated in contrast with the conceptual framework that the financial statement should be reliable and unbiased.

Lastly, most of the concern regarding conservatism is that it may mislead the users by manipulating the gains and losses, or that the firm can exaggerate their losses, expenses and cost. Firms use conservatism as an excuse to do fraudulent activities such as tax evasion which could be a reason why the IASB removed the conservatism in the conceptual framework. But as for our research we conclude that conservatism may only harm the users of the financial reporting when it is abused by the management who will prepare the financial reports. Using conservatism can be beneficial to both users and management as long as it has factual basis and proper disclosures.

V. RECOMMENDATIONS

Based from the foregoing results, we recommend that future studies should concentrate on deeper explanation on the inherent and implicit advantages of conservatism to users of financial statements since any misunderstanding could lead to bias. To prevent issues that may arise wherein accounting conservatism maybe used as a tool in committing fraud, proper communication should be the key thus

notes to financial statements can address this.

Also, in order to further enhance the results of this study we suggest that the role of verifiability should be closely considered in applying conservatism in financial reporting. This explains the extent of the application of conservatism: the greater the difference in the degree of verification required for gains against losses, the greater the conservatism. With this taken into consideration, the overvaluation of expenses and losses and the undervaluation of assets and revenues will be avoided.

Finally, future research should investigate the relationship between other accounting principles and conservatism whether there are effects and consequences on their compatibility in the conceptual framework to the other qualitative characteristics.

ABOUT THE RESEARCHERS

Elvira D.R. Dacayo, PhD is a full-time professor at the School of Accountancy and Business Management of Saint Louis University, Baguio City. Kimberly L. Baniqued, Fely A. Gabol, Edenor C. Ingalla, Shaira Mae B. Lacaba and Ma. Jona Gay B. Malayan were her fourth year Accountancy students in their Accounting 403a thesis class.

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APPENDIX

List of Companies that were Subjected to Analysis Year 2014-2015

	Company Name	Types of Industry
1.	Del Monte Foods, Inc. (DMFI)	Food Production
2.	Jollibee Foods Corporation	Fast Food Chain Restaurants
3.	Devro Plc	Food Processing
4.	Nestle Group	Food Processing
5.	Emperador Distillers, Inc. (EDI)	Manufacturer of Quality Liquor Products
6.	Toshiba Corporation	Manufacturer of Electronic Devices and Technological Services
7.	Apple Incorporated	Manufacturer of Electronic Devices and Technological Services
8.	Samsung Electronics Company Limited Corporation	Manufacturer of Electronic Devices and Technological Services
9.	Dell Incorporated	Computer Hardware and Software Product and Services
10.	Intel Corporation	Manufacturer of Software, Semiconductors
11.	Micro Strategy Incorporated	Business Intelligence (BI), Mobile Software
12.	Nissan Motor Corporation	Automotive Manufacturing Company and Technological Services
13.	General Motors Company and Subsidiaries	Automotive Manufacturing Company

14.	Volkswagen Group	Automotive Manufacturing Company
15.	British American Tobacco	Tobacco
16.	Philip Morris International	Tobacco
17.	Bank of America Corporation and Subsidiaries	Banking
18.	European Investment Bank	Banking
19.	East West Banking Corporation	Banking
20.	Regions Financial Corporation	Financial Services
21.	Wells Fargo & Company	Financial Services
22.	Vodafone Group Plc	Telecommunications Services
23.	Weatherford International	Oil and Gas Service Company
24.	Meralco Power Gen Corporation (MGen)	Electricity Distribution Company
25.	Syngenta Group	Agribusiness, Chemicals
26.	Wesfarmers (Western Australian Farmers' Cooperative)	Chemicals, Fertilizers, Coal mining and Industrial and Safety Products
27.	Sears Holdings Corporation Subsidiaries	Retailing
28.	Trustees for Alaska	Environmental Law Firm