ISSN NO. 2320-5407

Journal homepage: http://www.journalijar.com

INTERNATIONAL JOURNAL OF ADVANCED RESEARCH

RESEARCH ARTICLE

Accounting conservatism and earning timeliness: Impact on Corporate Governance Index

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Manuscript Info

Manuscript History:

Received: 22 May 2015
Final Accepted: 19 June 2015
Published Online: July 2015

Key words:

accounting conservatism, corporate governance, earning timeliness

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Abstract

The present study involves on investigation of the relationship between accounting conservatism, earning timeliness and corporate governance system (as reflected through corporate governance index). The pertinent model examination is carried out within the context of the set Tunisian firm's standing over this period 2006-2013. Our achieved results reveal well that accounting conservatism and earnings timeliness turn on to be positively related to a higher corporate governance index. As for the empirical tests, they appear to indicate that corporate governance system proves to depend highly information quality (evaluated through accounting conservatism) as well as on publication time.

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INTRODUCTION

The financial turmoil aroused following the recent financial scandals and the successive bankruptcies affecting large companies (e.g. Enron, WorldCom, Parmalat, etc. ...) have enticed the area concerned actors to set up safeguarding polices and precautious strategies such as the instauration of good corporate governance systems. These systems are designed to redefine the management pertaining rules and corporate control regulations for the sake of minimizing eventually potential firm's risk. In this regard, several researchers dealing with this study area have starred to question the governance system's ability to align the stakeholders interests of reduce accounting manipulative without ion and ensure a fair view of diffuse financial information.

In this context, the concept of information transparency concept seems to constitute an integral part of the corporate governance system. Simultaneously, integrating the concepts of accounting conservatism and earning timeliness in this way, accounting conservatism is defined as the asymmetrical recognition requirement for gains and losses regarding which a highly effective assessment level is required to decipher and distinguish good news from the bad ones in regard of earnings accumulation (Watts, 2003). Similarly, a major aspect of transparency is discovered to bearing publishing timeliness, it is generally maintained that it would sound be more consistent speaking to disclose information sooner rather than later despite the prevalence of there are some trade-offs.
It is actually is this context, that the present research can be set, with the aim of providing a further complementary contribution to previous studies, by attempting to analyse the ability of financial reporting transparency to further enhance promote the corporate governance function ability within the context of Tunisian companies.

The remainder of the paper is organized as follows. The second section indicated to discuss previously evidence concerning the factors of accounting conservatism, earning timeliness and the internal governance mechanisms. As for section three it is designed to discusses the research design methodologies, regression models related variables and measurements variables while Section 4 achieved the results empirical and relevant discussions. Ultimately, section 5 bears the concluding remarks, comments and potential research perspective.

1. Literature review and hypotheses development

In what follows, is review presentation of literature dealing in a, first stage, with the relationship between accounting conservatism and corporate governance system, and in a second stage, with the relationship bending between earning timeliness and corporate governance system. This literature review section will help us formulate our research pertaining hypotheses.

1.1. Accounting conservatism and corporate governance

With respect to corporate governance issues, accounting conservatism constitutes an effective mechanism whereby can be reduced agency problem as it helps greatly in curb managers' opportunistic behaviour by reducing their ability to overstate earnings and net assets (Watts, 2003).

As matter of fact, accounting conservatism proves to be higher regarding firms which enjoy good corporate governance mechanisms. Indeed, Firms with a higher proportion of outside directors their board tend most of them, to record more losses on a timelier basis than firms with fewer outside directors (Beekes and al., 2004; Ahmed & Duellman, 2007; Lara, Osma & Penalve, 2007). In this context, LaFond and Roychowdhury (2008) aalong with Cullinan and al. (2012) have discovered that accounting conservatism appears to be negatively associated with managerial ownership. In a study conducted with respect to the US context, whoever, banks with effective governance structures has been discovered to undertake higher levels of accounting conservatism practice (Leventis, Dimitropoulos & Owusu-Ansah, 2013).

Ahmed and Henry (2012) they have found that firms which tend to voluntarily adopt the best of highly perceived corporate governance mechanisms 'practices (voluntary audit committee formation, increased board independence and decreased board size) rove to pursue on unconditional accounting conservatism policy as a complementary agency control instrument.

One of the major corporate governance mechanisms is board independence, usually measured through its composition. For an effective monitoring to take place, the directors' board should normally involve the most appropriately fit number of independent non-executive directors. In a Study conducted by Lin, Fan and Cheng (2012), it has been revealed show that listed companies in China turn out to implement accounting conservatism practices in their accounting policies. In fact, the increasing percentage of independent directors prevalent in the board helps well in promoting of accounting conservatism.

In this regard, the agency theory suggests that a higher proportion of non-executive directors are likely to help increase the board effectiveness. Besides, a diversity of previously conducted studies indicates that higher the non-executive directors proportion in the board is, the more conservative tend to be (Beekes and al., 2004; Ahmed & Duellman, 2007; Lim, 2011).

Within the same line, of thought an number of previously elaborated studies conducted mainly by Beeks, Pope and Young (2004), Duellman Ahmed (2007), Wuchun, Chiawen and Taychang (2007), Garcia, Beatriz and Penalva (2009) as well as Rahimah (2011) prove to confirm the argument stipulating that such internal governance mechanisms as the Board size and outside directors' participation in the board tend to be closely associated with the practice of conservative accounting.

In a sample involving a number of U.S companies, Duellman and Ahmed (2007) have been led to conclude that outside directors 'percentage appears to be positively connected with the level of conservatism, and that the inside directors' proportion negatively associated with the accounting information qualitative characteristic. Their reached finding highlights that the more effective governance practice is the higher accounting conservatism level will turn out to be.

In addition to the board characteristics that seem to influence well the accounting conservatism level , the literature review appears to underline that, in turn, ownership structure appears a noticeable impact on the accounting conservatism undertaking (Klein, 2002; Ahmed and Duellman, 2007; Lafond and Roychowdhury, 2008 and Gao and Wagenhofer, 2012).

Lafond and Roychowdhury (2008) have shown that the accounting conservatism level turns out to be remarkably high whenever ownership structure proves to be rather dispersed. Similarly, Lafond and Watts (2008) have found that information asymmetry prevailing between managers and shareholders is discovered to yield rather conservative reports. Furthermore, Ramalinge Gowda and Yu (2012) have documented that external shareholders help greatly in reinforcing the control board considered as en effective managers 'monitoring tool.

Concerning of the relationship between accounting conservatism and institutional ownership, some researchers, with citing among whom are: such as Ball (2001), Watts (2003), Gaspar and al. (2005), along with Chen and al. (2007) document that the presence of institutional investors help greatly promote accounting conservatism as a guarantee for an efficient governance practice.

In addition to corporate governance internal mechanisms, external audit is considered as an enhancing mechanism for managers to practice accounting conservatism policy, given the fact that the auditors 'mission consist primary in checking and monitoring whether the financial statements produced are actually consistent with the accounting standards' code.

In this regard, Dechow and al. (2010) maintain that the auditors' influence impact on accounting information quality can well have its explanation in their role in the detecting anomalies manipulations and distorts on in regard of information content. They have also discovered respective role of find that the difficulty of measuring published information quality may well be justified by the fact of using such concepts such as conservatism, earnings management and relevance.

In turn, Hamdan and al (2012), Moeinaddin and al (2012) as well as Yaganeh and al. (2012) have noted a positive relationship to prevail between audit firm size and the accounting conservatism such as association can be clearly manifested by the fact that these firms are able to improve their respective accounting conservatism level. Thus, our first concerned hypothesis would be is formulated as follows:

Hypothesis 1: A higher accounting conservatism level is positively related to an effective corporate governance set

1.2. Earnings timeliness and corporate governance.

Another crucially important determinant of financial transparency lies in the fulfilment of timeliness condition. Indeed, several studies have considered to examine the relationship between the board' characteristics and earnings timeliness. In this context, Abdel Salam and Street (2007) along with AfifL (2009) have documented provide that the accumulation of functions is after associated with less prompt publications.

In this respect, i.e. show an analysing the relationship between the outside directors' proportion in the board and earnings timeliness, Ezat and El-Masry (2008) tend to emphasize that companies with a high number of outside directors turn out to be updates in their publications. For them, a large proportion of outside directors help yield a rather effective oversight of executive directors and wile safeguarding the **investors'** interests, usually yearning for accurate and timely disclosure. Similarly, AfifL (2009) has found a significantly negative relationship to persist between earning timeliness and the outside directors' percentage. Indeed, the presence of outside directors within the board appears to improve the quality of financial communication and reduced the annual report achievement period in turn. Abdelsalam and Street (2007) have also discovered a negative association to prevail between board independence and the annual report timely publication.

In addition, several other studies have proposed to address the relationship associating ownership concentration and the earning timeliness, worth mentioning among whom are Apadore. K and al. (2013), who have concluded that ownership the concentration is likely to increase the annual report processing time.

Moreover, Al-Ajimi (2008) as well as Abdelsalam, and al (2007) have reported that increased institutional ownership may well participate in minimizing the time lapse necessary for the audit task de be completed, which would certainly reduce annual report achievement deadline.

With regard to the relationship between earnings timeliness and the auditor selection procedure, Raja Kamarudin, (2003), Ibrahim and al (2004) along with Owusu-Ansah Leventise (2006) tend to confirm the fact that the largest audit firms usually spend require a short time interval necessary to audit the financial statements as compared to smaller audit firms.

Similarly, on dealing with the Tunisian company's context, Fouzi and al. (2008) have noted that the Big 4 audit firms prove to be more likely to reduce the time period necessary for completing and achieving audit reports. This finding might well have its explanation in the fact that the large audit firms usually enjoy the appropriately required human and material resources, along with the skilfully qualified and competent personnel.

Similarly, Clatworthy and al. (2011) have confirmed that the presence of a large audit firm results in a more timely information disclosure broadcast. Besides, Shukeri and al (2012) have heighted that the annual report completion period is highly associated with of the auditor type Indeed, companies audited by large firms prove to enjoy a remarkably reduce publication time. At this function, our second hypothesis can be formulated as follows:

Hypothesis 2: Earning timeliness is negatively associated to an effective corporate governance set

2. Research methodology

3.1 Study Sample

The sample, subject of study is composed of 28 Tunisian companies listed in the Tunisian Stock Exchange (TSE) belonging to the non-financial sector. The study period ranges from the beginning of 2006 up in to the end of 2013. Thus, after exclusion of financial firms, along with companies with insufficient date, 28 firms and 224 observations will constitute our final sample construct. Our database has been collected from the financial statements available on the Tunis Stock Exchange and Financial Market Council (FMC) websites.

Table 1 : sample selection

Initial sample	**77**
Financial firms	**(34)**
Firms with insufficient data	**(15)**
Final sample	**28**
Study duration	**5**
Total observations	**224**

3.2 Research model and measurement

For the purpose of a more thorough, study of the relationship binding accounting conservatism, earning timeliness and corporate governance, the following model will be applied which we consistent to be usefully helpful for testing the accounting conservatism and earning timeliness impact on corporate governance index. To note, each of the above cited control variables (i.e. debt level, firm size and Book-to-Market) has been included in this model as follows:

$$CGI = \beta_0 + \beta_1 AC\ it + \beta_2 ET\ it + \beta_3 FSIZE\ it + \beta_4 LEV\ it + \beta_5 BM\ it + \varepsilon it$$

The indices i and t correspond, respectively to the company and the year (2006-2013)

CGI: corporate governance Index; **AC**: Accounting Conservatism; **ET**: Earning Timeliness; **LEV**: debt level; **FSIZE**: size firm; **BM**: book-to-market ratios

Corporate governance index: CGI

Worth highlighting, corporate governance system constitutes our dependent variable, which would be measured via corporate governance index (CGI). In fact, some empirical research works have discovered that several governance structures appear to be worth undertaking as signs of good practices. They can actually be synthesized through a score reflecting these practices.

Indeed, there exist several scores fit for evaluating corporate governance quality, among which are the index Standard & Poor (S & P) index as well as the Governance Metrics International (GMI) (Olivéro and Hanène, 2011), which take into account the transparency level and good information disclosure factor, standing as major synthesis signs regrouping both international policy as well as current procedures of governance.

In this regard, the Standard & Poor (2002) index stipulates that governance quality could well be assessed in terms of the extent to which director's board, ownership structure and audit process intermingle and overlap to serve such as a purpose while taking into account the nature of relationships prevailing between the various transparency contexts involved actors.

Similarly, Gompers and al. (2003) have devised an index where by shareholders can be protected against any takeover attempt, which has made this design stand as a reference criterion for several conducted studies. Noteworthy, in this respect, a diversity of well know empirical works have been elaborated in the basis of this

index, (see, for instance, Amit and Villalonga, 2004; Core et al, 2004; Cremer et al, 2004; Cremer and Nair, 2004; Fahlenbrach, 2004;, Harford et al, 2004; Klock et al, 2004 ; Litov, 2005; Yermack, 2005 Chava et al, 2005);
According to these authors, an effective protection of shareholder's rights, as proposed by the Gompers and al. (2003) designed index, is aimed at achieving a highly efficient governance practice.
It is worth specifying, at this stage, that our proper good governance score calculation methodology has been inspired by the work elaborate by Louizi (2007), who has maintained the OECD (1999) adopted governance principles, along with the rating agencies relevant codes of good governance practices and methodologies' codes, with respect to the selected items, while the assessment measures have been inspired from the Gompers and al. (2003) elaborated work.
Hence, our index turns out to consist of 12 items, each of which would serves to present every theme major relevant features. Table 2, below, depict, respectively, the major proposals identification relevant to each theme, along with the measures adopted.

Table 2 : Corporate Gouvernance Index(CGI)

The Total score is a percentage corresponding to the items proportion, which takes value equal to 1, if the entireties of items are satisfied and otherwise. Thus, the maximum potential score turns to be 100%.

gouvernance mechanisms	items	Measures
Board Composition	Board size	1 : more than 5 directors 0 : otherwise
	the CEO and chairman separation	1: accumulation of both functions 0: dissociation
	Presence of external directors	1: existence of outside directors 0: otherwise
	Percentage of external directors	1 : more than50% 0 : otherwise
audit process	Existence of audit committee	1 : existence of audit committee 0 : otherwise
	Audit-firm zise	1 : auditor is a member of the Big 4 0 : otherwise
	Auditor specialization	1 :auditor is an expert 0 : otherwise
	Audit opinion	1 : company receives a qualified opinion 0 : otherwise
	Co-commissariy	1 : company is audited by **second** auditor and more 0 : otherwise
Ownership structure	Ownership concentration	1 : capital percentage held by the largest shareholder is less than 30% 0 : otherwise
	Presence institutionnal investors	1 : existence institutionnal investors 0 : otherwise
	Fraction held by institutiona investors l	1 : 1: over 20% 0 : otherwise

Where: CGI = Firm i item value / Total items (12 items).

Earnings timeliness

Most of the previously conducted research works would measure earnings timeliness through financial reports 'timely completion. Consequently, T period will be under this study as a measurement means of financial reporting timeliness ,(retracing the step of : Banimahd and al, 2012; Leventis and al, 2005; Owusu-Ansah and al, 2000;

Oladipupo and al, 2013; Paurali and al, 2013; Clatworthy, 2010; Shukeri and al, 2012; Piot, 2008; Mohamed North and t al, 2010).

T PERIOD: number of days between the year achievement date and the financial statements publication date.

Accounting conservatism

The accounting conservatism level constitutes a component belonging to the independent variables set. In conformity with Givoly D, Hayn C. and Natarajan (2007) jointly advanced work; we argue that Basu (1997) stimulated considerable research in accounting conservatism and that his proposed accounting conservatism measurement model has been widely used in the empirical literature in large scale. Indeed, The Basu (1997) conservatism measurement framework model reports a single conservatism dimension in income statement but does not take into account conservatism in entity'sbalance sheet statements, a fact that stands as a limitation with regard to the previously elaborated research.

Another limitation underlined by Roychowdhury, S., and. Watts R. L. (2007**)** lies in with fact such as measurement approach overlooks the effects of conservatism prior to the estimation period thus it does reflect total or absolute conservatism. In this particular context, Khan, M., and. Watts R. L. (2009) have proposed a (C-Score) measure whereby reflect the conservatism timing shifts can be reflected along with and the conservatism variation across firms within a certain industry. The authors have undertaken to empirically test and confirmed the C-Score efficiency as an accounting conservatism measure.

Reeling the Basu (1997) designed model of asymmetric timeliness measuring, Ahmed, and. Duellman (2013) along with Khan, M., and. Watts R. L. (2009) estimate a firm-year measure amount of conservatism. For note, Basu (1997) devise model can be written as:

$$X_{i,t} / P_{i,t-1} = \beta_0 + \beta_1 [D_{it}] + \beta_2 [R_{it}] + \beta_3 [R_{it} D_{it}] + \varepsilon_{i,t} \quad (1)$$

Where $X_{i,t}$ is the earnings per share for firm i in fiscal year t, $P_{i,t-1}$ is the price per share at the beginning of the fiscal year; R is the return on the firm i over the nine months period preceding the fiscal year-end t to three months after fiscal year-end t, D it is a dummy variable that equal 1 when $R_{it} < 0$ and 0 otherwise, and $\varepsilon_{i,t}$ stands for the residual. The good news timeliness measure is β_2. The measure of incremental timeliness for bad news over good news, or conservatism, is β_3 while the total bad news timeliness is the sum of $\beta_2 + \beta_3$.

On using a sample of over 5.000 debt issues, Nikolaev, V. V. (2010) has proposed to test whether firms highly applying extensive covenants in their public debt contracts would exhibit timelier recognition of economic losses in accounting earnings. The highlights the fact that that covenants prove to govern the transfer of decision-making and control rights from shareholders to bondholders whenever a company seems to approach financial distress, thereby, limiting the managers' abilities to expropriate bondholders' wealth. The author documents that covenants are expected to constrain managerial opportunism only in case financial statements are prepared with a high level of conservatism eventually. Nikolaev, V. V. (2010) has managed to prove that too much reliance on covenants in public debt contracts is positively associated with the accounting conservatism degree.

Worth recalling, in this respect Khan, M and Watts R. L. (2009), are introduced a number of variables in the Basu (1997) initial model, namely: the market-to-book ratio, firm size, and firm leverage for the purpose of generating C-Score, useful for estimating conservatism level. They have presumed and subsequently discovered that conservatism turn out be a linear function of the Market-to-Book Ratio, size and leverage. Hence, The C-Score specifications appear to:

$$\text{C-SCORE}_{i,t} = \lambda_0 + \lambda_1 [SIZE_{i,t}] + \lambda_2 [(M/B)_{i,t}] + \lambda_3 [LEV_{i,t}] + \varepsilon_{i,t} \quad (2)$$

Where

SIZE: is the natural log of equity market value

M/B: denotes the market-to-book ratio

LEV: L is leverage, defined as a long-term and short-term debt deflated by equity market value.

The empirical estimators of λ_i, i=0 to 3, are constant across firms, but denotes vary over time as since they are estimate in terms of annual cross-sectional regressions. In fact, C-Score denotes the firm-year measure of conservatism, or incremental bad news timeliness. Thus substituting ß3 with C-Score in equation 1, lead to the following equation:

$$X_{i,t} / P_{i,t-1} = \beta_0 + \beta_1 [D_{i,t}] + \beta_2 [R_{i,t}] + D_{it} R_{i,t} [\lambda_0 + \lambda_1 (SIZE)_{i,t} + \lambda_2 (MB)_{i,t} + \lambda_3 (LEV_{i,t})] + \varepsilon_{i,t} \quad (3)$$

To estimate every single firm's respective conservatism level, the following approach seems worth applying: on a first stage estimating λ_i, i=0 to 3 as in equation 3, then introducing, in a second stage the estimated parameters in the C-Score equation.

Table 3: Summary of variables definitions and measurements

Variable names		Measures
Corporate governance index	**CGI**	**Value of the item for firm i / Total items**
Earnings timeliness	**ET**	T period
Acounting conservatism	**AC**	C-score
Debt level	**LEV**	Total liabilities to total assets
Firm-size	**FSIZ**	Log of firm's total assets
Book-to market	**BM**	Market value / book value

3. **Results and discussion**

3.1. Descriptive Analysis

Table below depict the entirety of the studied variables relevant descriptive statistics.

4. **Table 4: variables' descriptive statistics**

variables' descriptive statistics					
Variables	**N**	**Mean**	**Min**	**Max**	**Std dev**
CGI	**224**	**0.44**	**0.08**	**0.91**	**0.17**
ET	**224**	**155.21**	**70**	**40.67**	**40.67**
AC	**224**	**-0.13**	**-2.25**	**0.37**	**0.37**
LEV	**224**	**0.47**	**008**	**0.97**	**0.19**
FSIZE	**224**	**17.99**	**15.5**	**21.13**	**0.98**
BM	**224**	**2.58**	**-0.66**	**31.8**	**3.22**
CGI: Item value for firm i / Total items ET:T period; AC:C-score, LEV :Total liabilities to total assets, FSIZE; Log of firm's total assets, BM: Market value / book value					

To sum it up, the table highlights the following major results: CGI variable displays a minimum of 0,083 and to a maximum of 0.917, with an average is 0.448, indicating which shows that the corporate governance index sounds vary widely among the Tunisian companies subject of study.
On examining these results, one may well note that the figures prove be high with respect some companies owing to the fact that these companies have been able to implement good governance practices.
Regarding the dependent variable, the ET variable reveals that the annual reports publication takes on average, 155 days following the fiscal, year end, but this should not, by **any means,** denote hiding the extremes ranging from 70 to 333 days.
This value remarkably exceeds the regulatory limit (four months). This may have its explanation by the fact that most sample firms are characterized worth information unreliability, a factor which can likely well lead to in the audit and control mission. Noteworthy, also, the AC variable identifies a minimum of -2.25 and a maximum of 0.62 with an average of -0.31. This finding demonstrates well the fact the Tunisian enterprise are generally characterized by the predominance non-conservative financial statements.
Concerning the control variables: debt and firm size, one can notice that the debt proportion has an average of 47%, indicating that most of Tunisian companies are expressing leverage situation. As for company size, and given than the sample exclusively involves listed companies, the result reveals the prevalence of large firms' sizes. As for the market to book control variable it appears to display a minimum of -0.66 and a maximum of 31.8.

4.2Correlation Analysis

Prior testing the regression model, one had to cheek, first the absence of any correlation problem among variables, by means of Pearson correlation. A review of Table (3) indicate well that the entirety of correlation coefficients fall below the threshold of 0.8, the limit traced by Kennedy (1985). So, one may deduce that our regression model introduced do not appear to demonstrate any present a serious correlation problem.

	CGI	ET	AC	LEV	FSIZE	BM	VIF
CGI	**1**						**-**
ET	**-0.105**	**1**					**1.170**
AC	**0.005**	**-0.048**	**1**				**1.968**
LEV	**-0.078**	**0.021**	**0.049**	**1**			**1.115**
FSIZE	**-0.083**	**0.065**	**0.122**	**0.168***	**1**		**1.194**
BM	**0.030**	**0.016**	**0.142**	**0.087**	**-0.040**	**1**	**1.828**

CGI: Value of the item for firm i / Total items ET:T period; AC:C-score, LEV :Total liabilities to total assets, FSIZE; Log of firm's total assets, BM: Market value / book value

Table 3: Pearson Correlations analysis

In addition, it has been discovered that the tolerance level relevant to all variables appears to be close to 1, testifying that no collinearity assumption is well confirmed. Besides on calculating the VIF values, the figures reveal that they prove to fall below the threshold of 2 with regard to all variables. These results allow us to confirm the absence of multi collinearity problem in concerning multiple regression models.

4.3 Regression Analysis

Now at this level, regarding of the multivariate analysis, we propose to expose and analyze the regarding model reached results, testing the association between accounting conservatism, the earnings timeliness and corporate governance system.

Table 4: Regression results

	CGI		
	Coefficients	**Z statistic**	**P>|z|**
Constant	**-1.514**	**-10.62**	**0.000**
AC	**0.170**	**7.48**	**0.000**
ET	**-0.000**	**-0.64**	**0.525**
LEV	**0.124**	**3.71**	**0.000**
FSIZE	**0.104**	**13.38**	**0.000**
MB	**0.025**	**7.28**	**0.000**
N		**224**	
R-square		**36.22**	
Prob>Chi-2		**0.000**	

CGI: Value of the item for firm i / Total items ET:T period; AC:C-score, LEV :Total liabilities to total assets, FSIZE; Log of firm's total assets, BM: Market value / book value

An examination of this table helps reveal a number of observations, to identify the following points, Indeed the model fit quality turn out to be is satisfactory ,as Chi-2 probability significant is discovered to be since it is within the level of 1%. Thus explanatory power of the regression model proves to be equal to 36.22%.

With respect to corporate governance system, the AC variable coefficient seems to be positive and significant; this reached result can be interpreted through the fact that accounting conservatism stands as means whereby accounting manipulations could be reduced. This finding helps us maintain that this concept (i.e., accounting conservatism) helps well in further in enhancing and promoting accounting data relevance, thus, clearly reflecting the prevalence of effective governance practices.

It is worth noting that our achieved results appear to be consistent with the studies conducted by Beekes et al. (2004), Lobo and Zhou (2006), Duellman Ahmed (2007), García and al. (2009), Ramalingegowda and Yu (2012), Gao and Wagenhofer (2013), Bushman and Smith (2001); who have demonstrates that a significant relationship does actually persist between accounting conservatism and corporate governance. Noteworthy, however, this finding has been refuted by a number of other elaborates studies, mainly, that conducted by Larcker and al. (2007) who has discovered no relationship to prevail between governance and conservatism.

Moreover, the ET variable coefficient seems to be negative through insignificant, denoting means that the shorter annual report completion time is, the higher governance score well be. This can be explained by the fact that when the report achievement time is short, information reliability would prove to be remarkable, a fact that is supposed to stands as a means whereby good governance practice can be reinforced .Actually our result sounds to confirm well the results released by Bushman and al. (2006), Shukeri and Nelson (2010), Hashim Rahman (2010), AfifL (2009) along with Nour and Al-Fadel (2006); highlighting a negative relationship prevail between the reporting timeliness and corporate governance.

With regard the control variables, the variables' FSIZE, LEVL and BM respective coefficients appear to be positive and significant by fit for our model, reveals the company characteristics' comprehensive influence on the corporate governance system. This finding have its explanation by the fact that the large-size companies along with the most indebted and high ratio -to-book market ones are discovered to record the higher scores such as an effectives .governance practice can well be explained by the fact that the application of debt can certainly well serve as a real control tool.

5. Conclusion

As already stated, the research objective has been to test the relationship binding accounting conservatism, earning timeliness and corporate governance system with respect to a sample made up of 28 Tunisian companies observed over the period 2006-2013.

In regard of reliability, the empirical results appear to indicate that accounting conservatism has actually had a significantly positive effect on corporate governance index. It also worth noting that the company is more conservative in the design of its financial statements a company is the more effective practice of good governance principals it will enjoy.

Besides, with respect to the relationship between earnings timeliness and corporate governance system, the discovered negative relationship turn out to match with our presumed forecasts, with attained results indicating that whenever the annual report achievement proves to be short the corporate governance index is discovered to be high.

Jointly considered, these results illustrate well the key role played by financial information transparency, as disclosed by both of the good governance practices cited proxies (i.e., accounting conservatism and earnings timeliness).

Just like any other research, the present elaborated study involves certain limitations. Firstly, sample proves to be which is somewhat reduced given the current Tunisian revolution characterized context. So it would seems to be rather interesting to extend the study scope so as to include such governance attributes as behavioural aspects, namely, the executive remuneration and shareholder behaviour. As for the second limit, it relates to the neglect of certain information transparency determinates, above all information voluntary disclosure.

Hence, it would seem rather interesting, to include, in a potential research work, the entirety of these factors for the sake of achieving results that would prove to be as realistic as possible.

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