بسم الله الرحمن الرحيم

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تم رفع هذه الرسالة بواسطة / سامية زكى يوسف

بقسم التوثيق الإلكتروني بمركز الشبكات وتكنولوجيا المعلومات دون أدنى

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An Accounting Model to Measure the Impact of Earnings Opacity on Corporate Value
- An Applied Study -

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy in Accounting

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صدق الله العظيم

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"An Accounting Model to Measure the Impact of Earnings Opacity on Corporate Value",

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Abstract

Earnings opacity is a pervasive phenomenon internationally which constitutes a major threat to the transparency and quality of financial reports. This study examines the existence and the extent of earnings opacity in the financial statements of Egyptian listed firms, further, the study measures the impact of earnings opacity and its main components (Earnings aggressiveness, Loss avoidance, Earnings smoothing) on the value of Egyptian listed firms. Based on 238 observations from 34 listed companies in the Egyptian stock Exchange (EGX 30) for the period from 2013 till 2019, the results of the study indicate that the overall earnings opacity and its three main components (Earnings aggressiveness, Loss avoidance, Earnings smoothing) do exist and significantly affect the financial statements of the Egyptian listed companies in the sample. Furthermore, results revealed that there is a significant negative impact of the overall earnings opacity and two of its main components (Earnings aggressiveness and Loss avoidance) on the value of the Egyptian listed firms in the sample. Findings indicate that these results can be generalized to the whole population of the study.

Keywords: Earnings, Opacity, Aggressiveness, Smoothing, Loss, Avoidance, Firm, Value.

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List of Abbreviations

Abbr.	Full term
AEM	: Accrual-based Earnings Management
CIFAR	: The Center for International Financial Analysis and Research
CMA	: Capital Market Authority
CMG	: Capital Market Governance
DEM	: Discretionary earnings management
EASs	: Egyptian Accounting Standards
EBC	: Equity-Based Compensation
ECCG	: The Egyptian Code of Corporate Governance
ECGC	: Egyptian Corporate Governance Code
EGID	: Egypt for Information Dissemination
EGX 30	: The Egyptian Stock Exchange
ESAA	: Egyptian Society of Accountants and Auditors
ESAROAS	: Egyptian Standards on Auditing Review and Other Assurance Services
FRA	: The Financial Regulatory Authority
IAS	: International Accounting Standards
IFIAR	: The International Forum of Independent Audit Regulators
IFRS	: International Financial Reporting Standards
IFRS	: International Financial Reporting Standards
IMF	: International Monetary Fund
ISA	: International Standards on Auditing
MAE	: Mean Absolute Error
MOI	: The Minister of Investment
NASDAQ	: National Association of Securities Dealers Automated Quotations
NAV	: Net Asset Value
OECD	: The Organization for Economic Cooperation and Development
REM	: Real Earnings Management
SSSR	: The Split-Share Structure Reform

Definition of Terms

10-K   A 10-K is a comprehensive report filed annually by a publicly traded company about its financial performance and is required by the U.S. Securities and Exchange Commission (SEC). The report contains much more details than a company's annual report.

Blockholder   Is the owner of a large block of a company's shares and/or bonds. In terms of shareholding, these owners are often able to influence the company with the voting rights awarded with their holdings.

Closed-End Fund   Like a mutual fund, a closed-end fund is a pooled investment fund with a manager overseeing the portfolio; it raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed, and traded like a stock on a stock exchange.

Corporate Transparency   The availability of firm-specific information to those outside publicly traded firms.

Corruption   Is defined as the misuse of public or business office for private gain, can be largely blamed for thwarting growth and investment.

Discretionary Earnings Management (DEM)   Can be defined as the judgmental adjustments in firm's reported accounting earnings by managers to upsurge firm value temporarily.

Earnings Aggressiveness   Is defined as the trend to postpone the recognition of losses and anticipate the recognition of gains. The opposite of aggressiveness is conservatism.

Home bias
Is the tendency for investors to invest the majority of their portfolio in domestic equities, ignoring the benefits of diversifying their portfolio into foreign equities.

Idiosyncratic Risk
Also sometimes referred to as unsystematic risk, is the inherent risk involved in investing in a specific asset, such as a stock. Idiosyncratic risk is the risk that is particular to a specific investment – as opposed to risk that affects the entire market or an entire investment portfolio. It is the opposite of systemic risk, which affects all investments within a given asset class.

Investor Protection
Constitutes a spectrum that binds together legal safeguards and corporate transparency that protects investors` rights and can be defined as the extent of laws that protect investors' rights and the strength of the legal institutions that facilitate the enforcement of law.

Managerial entrenchment
Occurs when corporate leaders put their own self-interests ahead of the company's goals. managerial entrenchment can affect shareholder value, employee morale, and even lead to legal action in some instances.

Managerial myopia
Defined as an action that boosts current earnings at the expense of long-term value.

Nonlinearity
Is a term used in statistics to describe a situation where there is not a straight-line or direct relationship between an independent variable and a dependent variable.