Measuring the Effect of Accounting Disclosure of Sustainable Development on the Quality of Financial Reports: Practical Evidences from Saudi Stock Exchange Companies

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Abstract: The research aimed to measure the effect of accounting disclosure of sustainable development on the quality of financial reports for selected companies listed on the Saudi Stock Exchange. The independent variable is represented by the accounting disclosure about the sustainable development which includes quality and quantity of disclosure. The dependent variable is represented by the financial report quality (FRQ), which has been measured through discretionary accruals, accounting reservation and asymmetry of information. The study adopted content analysis methodology to examine the financial reports of sample of (153) company listed on the Saudi Stock Exchange during the year 2016. The main findings of research shows that there is a significance effect for quantity of accounting disclosure on the value of discretionary accruals, whereas, there is no significance effect for quality of accounting disclosure on the value of discretionary accruals. The finding also shows significance effect for quantity and quality of accounting disclosure on the value of accounting reservation. Finally, the finding shows no significance effect for accounting disclosure on the sustainable development on information asymmetry.

Key Words: Accounting disclosure, sustainable development, quality of discretionary accruals, information asymmetry, accounting reservation.
Introduction:

The interest to the sustainable development practices increased after the economic meltdown, financial crises and the climate changes happened in the world recently. It was explained in the document of UN summit for sustainable development held during the period 25 – 27 September, 2015 GC as mentioned in the paragraph No (54) the importance of strengthening the economic development, social practices and sustainable environment (United Nations Sustainable Development Summit – 2015). In building its reputation, the several companies are not relying on the philosophy of maximizing the economic profit only but they resort to the disclosure about financial and non-financial information with the aim to provide the stakeholders with necessary information about social, environmental, economical and governance performance of company to evaluate its performance in the correct way and specify the fair value of investment in the shares and its ability to deal with the risks. This reflects on the improvement of reputation and image of the company in the society, guarantees the sustainability of its profitability and achieves competitiveness for the company. (Silvia et al., 2014; Prayag et al., 2015).

The study “Moneva & Llena, 2000” indicated that several professional bodies around the world recommended to include social and environmental report in the “Annual Report” of the company because the social and environmental information can be beneficial for financial interests of the parties associated with the company. (Graham et al., 2000; Richardson & Welker, 2001; Reverte, 2009). Also, those parties not only receive numbers and trends of profit but the method to achieve these profits also. (Brady & Honey, 2007; Dragomir & Cristina, 2009). The disclosure about the sustainable development through the annual reports or through the complementary reports overcomes one of the weaknesses of financial report (Martínez-Ferrero et al. 2013) and so there is need to study the nature of relation between them.

In this context, the current study aims to examine the relation between disclosure about the sustainable development and quality of financial reports of the companies listed in the Saudi Stock Exchange. In spite of great importance of financial report for managers, shareholders and creditors, one of the weak points of that report is that it doesn’t provide information about the issues which have great importance at the present time and which are related to the social and environmental aspects of activities of the company. So, several companies face criticism about its social and environmental effects despite financial or technological progress (Reverte, 2009). The community’s interest to the social and environmental issues has increases and as a result the disclosure about the information in this frame has been increases greatly in the last decades. (Patten, 2002; Frias-Aceituno et al., 2012).

At the level of Saudi environment, the disclosure about sustainable development did not get enough attention from governing bodies as each standard of presentation and disclosure, issued from “Saudi Commission for Certified Public Accountants”, and the third chapter of “Bylaws of Corporate Governance” according to the decision 1-212-2006 modified on 01-10-2010 GC did not indicate to the policies and procedures related to disclosure about the
practices of sustainable development. Also, no accounting standard was issued so far which can regulates it. This indicates to the absence of professional organization for disclosure about the reports of sustainability in the Saudi environment and unavailability of a unified model for its disclosure.

In fact, there is no scale agreed upon for the quality of financial report (Dechow et al., 2010) as the accounting studies contained various scales such as: quality of receivables, accounting reservation and weakness of internal control (Hope et al., (2012); Choi & Pae, 2011; Garrett et al., 2012; Martinez-Ferrero et al., 2013). Also, high quality of financial report is considered to be a very important tool to reduce the problem of asymmetry of information (Chen et al., 2011). Therefore, researchers relied on three different methods to express the quality of financial report which are: discretionary accruals, accounting reservation and asymmetry of information. Based on that, the study developed the following research questions:

1. What is the relationship between the disclosure about the sustainable development and the discretionary accruals in the Saudi companies listed in stock exchange?
2. What is the relationship between the disclosure about the sustainable development and accounting reservation in the Saudi companies listed in stock exchange?
3. What is the relationship between the disclosure about the sustainable development and asymmetry of information in the Saudi companies listed in stock exchange?

**Research Importance:**

The present study derives its importance from the fact that the importance of disclosure about the sustainable development increases dramatically. Also, it moves gradually to a typical and mandatory form. Therefore, it is very important for legislators to understand the effect of that disclosure on decisions of managers including the decisions related to financial report. Also, the understanding of relation between the disclosure about sustainable development and quality of financial report can provide useful information for stakeholders in the Market, especially while understanding and analyzing the financial data. Moreover, this study can be benefited to regulatory bodies in the Kingdom of Saudi Arabia to put forward an accounting standard which regulates the disclosure about the practices of sustainable development and develop regulation of corporate governance so that it reflects these practices. Also, the study will be a focus of attention of companies for more discretionary accruals about these practices to improve the quality of financial reports.
Research Objectives:

1. The present research tries to achieve the following objectives:
   Measuring the relationship between the disclosure of the sustainable development and discretionary accruals.
2. Measuring the relationship between the disclosure of the sustainable development and accounting reservation.
3. Measuring the relationship between the disclosure of the sustainable development and asymmetry of information.

Literature Review and Hypotheses:

There are several theories which concerned to the disclosure and according to the theory of “agency”, there is asymmetry of information between the parties inside the market and the companies use “disclosure” to reduce that problem but that theory has been criticized because it focuses on economic considerations and doesn’t take into account the potential use of environmental and social information (Cormier et al., 2005). Therefore, two theories emerged to explain the disclosure about the information of sustainable development. The two theories are: Legitimacy Theory and Stakeholders Theory. According to the legitimacy theory, the company will exceed the limits of economic objectives to include the social and environmental objectives to meet the expectations of community and all concerned parties and that is to assure the continuity and development of the company (Deegan, 2000; Archel et al., 2009). As for the stakeholders theory is concerned, the ability of the company to create sustainable wealth depends on its relation with different parties associated to the company (Freeman, 1984; Donalson & Preston, 1995; Jones, 1995; Jones & Wicks, 1999; Post et al., 2002). As a result, the disclosure about the information of sustainable development can be considered as a mechanism to meet the needs of those parties.

At the level of accounting literature, several studies made efforts to analyze the relation between the disclosure about sustainable development and the quality of financial reports. The study of Jennifer et al., 2015 tried to examine the relation between the quality of financial reports and the quality of information of social responsibility through an study of sample of 747 registered international companies in 25 countries during the period 2002 to 2010 GC. The study concluded that there is positive correlation between the quality of financial reports and the quality of accounting disclosure about the practices of sustainable development. Also, the companies, which maintain the high level of quality of benefits or decrease the practices of profit management, are characterized by the quality of its accounting profits and thus the quality of its financial reports and such companies are very much ready for disclosure about the practices of sustainable development.

The study of Choi & Pae, 2011 analyzed the relation between the work ethics and the quality of financial report and found that the companies which have high level of ethical commitment are having less motives to practice the profit management and they are more conservative in the declared profits and
more accurate in the expectation of future cash flows. So, the ethical commitment is associated with the high quality of financial report as well as it is related to the practices of sustainable development. Based on this, it is possible to expect the positive correlation between disclosure about the sustainable development and the quality of financial report. So, the socially responsible companies tend to profit management as less as possible and the managers have ethical motives in the work (Moser & Martin, 2012). Also, the study of (Chih et al., 2008) concluded that the social responsibility and sustainable development increases the transparency and decreases boosting the profit and hiding the losses and that is by reducing the probabilities of practicing profit management.

Some studies, which were done in the Arab environments, agreed with the previous result as the study of (Al-Sayed, 2009) found that the disclosure about the social and environmental performance led to improving the performance of Saudi Companies while the study of (Ahmed, 2013 and Moshapit, 2016) concluded that the disclosure about the report of sustainability has positive impact on sustainability of performance of Egyptian Companies. Also, the study of (Ahmed, 2016) found that the disclosure about the social responsibility, under adoption of good governance practices, leads to increase the value of Egyptian Companies.

Also, some studies explained that the quality of financial report have a positive impact on disclosure. The study of (Verrecchia, 1990) explained that the companies, which have high quality financial information, have motives to provide more information such as information of social responsibility. Also, the study of (Francis et al., 2005) found that there is integration relationship between the quality of profits as an indicator for the quality of financial report and optional financial disclosure. In addition, the disclosure about the information of sustainable development decreases the asymmetry of information. As a result, the companies, which profits are low, have fewer motives for optional disclosure because the investors look to them as less credible (Francis et al, 2008).

On the other hand, the disclosure about the sustainable development can hide the opportunistic behavior as the study of (Chih et al., 2008) recommended to assume the conflicting objectives which indicates that the company takes care of practices of social responsibility and sustainable development which maximizes the problem of agency and motivates the practices of profit management. The concern of the company to the stakeholders as per the concept of social responsibility and sustainable development prepares not only one but several objectives for the company as the stakeholders are several groups such as employees, customers and financial institutions etc. and each stakeholder has its own priorities. So, the managers who have different objectives utilize the internal information available to them to take the decisions based on their personal interest and in order to hide those opportunistic practices they resort to use the practices of profit management. This is consistent with the assumption of opportunism as the managers work to serve their personal objectives and the quality of financial report is affected by those
unethical behaviors (Hope et al., 2012). In this context, the study of (Salewski & Zülch, 2012) found that the practices of social responsibility are associated positively with the earning management and negatively with the accounting reservation. Consequently, it is associated with the lower quality of financial report. In consistent with that, the study of (Prior et al., 2008) found the positive effect of practices of social responsibility on the cheating behavior.

In the light of above mentioned, there is lack of agreement on the nature of relation between the disclosure about the sustainable development and the quality of financial report. Therefore, on one hand, this relation might be integration relationship as the companies, which enjoy high quality financial information, have motives to disclose all types of information such as the information of sustainable development which can be considered as a mechanism of promotion for the company. On the other hand, it can be alternatives relationship as the companies of low quality financial report resort to the information of sustainable development as a mechanism to compensate the deficiency in the quality of financial information. In addition to above, the study of (Yip et al., 2011) found difference in the nature of relation between the social responsibility and profit management in the different sectors as the negative relation was found between them in the sector of petrol and a positive relation in the sector of food industries. Those results indicate to the existence of an impact for political considerations in addition to ethical considerations.

In the light of that theoretical disagreement, the following three hypotheses can be designed:

**First Hypothesis:** There is significant effect at the significance level ($\alpha \leq 0.05$) for the disclosure of the sustainable development on the value of discretionary accruals. Two Sub Hypotheses derived:
- There is an effect at the significance level ($\alpha \leq 0.05$) for quantity of disclosure on the value of discretionary accruals.
- There is an effect at the significance level ($\alpha \leq 0.05$) for quality of disclosure on the value of discretionary accruals.

**Second Hypothesis:** There is significant effect at the significance level ($\alpha \leq 0.05$) for the disclosure about the sustainable development on accounting reservation. Two Sub Hypotheses derived:
- There is an effect at the significance level ($\alpha \leq 0.05$) for quantity of disclosure on the value of discretionary accruals.
- There is an effect at the significance level ($\alpha \leq 0.05$) for quality of disclosure on the value of discretionary accruals.

**Third Hypothesis:** There is significant effect at the significance level ($\alpha \leq 0.05$) for the disclosure about the sustainable development on information asymmetry. Two Sub Hypotheses derived:
- There is an effect at the significance level ($\alpha \leq 0.05$) for quantity of disclosure on the value of information asymmetry.
There is an effect for Quality of disclosure on the value of information asymmetry.

Methodology:

This research is investigating the effect of accounting disclosure of sustainable development on the quality of financial reports for selected companies listed on the Saudi Stock Exchange Market (SSEM). The population of the present research paper is based on the registered companies in (SSEM) during the year 2016, these are 176 companies distributed to 15 sectors. The research sample drawn from SSEM is 153 companies with the percentage of 86.93% of total population, which have complete data about the research variables. The researchers adopted purposive judgment sampling technique. Quantitative research method through Regression Analyses has been adopted to measure the various relation between variables. The data are collected independently from annual reports and supplementary annual reports and the provisional announcements of SSEM database.

Measuring Variables of the Study: The variables of the study are:

a) Independent Variable: The independent variable is represented in the accounting disclosure about the sustainable development and includes:
- Quantity of disclosure which has been measured based on number of paragraphs of sustainability disclosed in the annual report of the company.
- Quality of disclosure which has been measured through building an indicator for disclosure comprised of 40 elements in 5 groups. This indicator has been build based on the following research (Al-sawi, 2012, Ahmed, 2013, Ahmed, 2015, Ronald & Dennis, 2010; AL-Sawy, 2012; Ahmad, 2015).

b) Dependent Variable: The dependent variable is represented by the Financial Report Quality (FRQ), therefore, researchers have relied on the following three different models for measuring FRQ.

First: Earning Management:

The Modified Jones Model (Jones, 1991) is widely used model to measure the earning management. This model relies on calculation of discretionary accruals as an indicator to manage the profits (Brian et al., 2015) and which can be calculated through following steps:

1- Specifying the Value of Accounts of Total Accruals (TA):

The total accruals was measured using the method of cash flow through difference between the net income before extraordinary items or income after interests, taxes and cash flow from operational processes.
TA\textsubscript{it} = IBEI\textsubscript{it} - CFO\textsubscript{it}

- **I**: represents the company and takes the value from 1 to 116.
- **T**: represents the year which is related to the variable and is confined between 2014 – 2016.
- **TA**: represents total accruals for the company (i) during the period (t).
- **IBEI\textsubscript{it}**: It represents the income before extraordinary items or income after interests and taxes of the company (i) in the year (t).
- **CFO\textsubscript{it}**: It represents the cash flows from the operational activities of the company (i) in the year (t).

2- Building the Regression Model for a Group of Variables Affecting the Accounts of Total Accruals (TA):

The model suggested by Kothari et al. 2005 was used which represents modification for the model of Jones 1991 with financial performance of the company and it is called the “Performance – Matched (PM) model. According to this model, the equation of regression used for the elements affecting the calculations of total accruals is as follows:

$$TA_{it} = \beta_0 + \beta_1 \left( \frac{1}{A_{it}} \right) + \beta_2 \left( \frac{\Delta REV_{it} - \Delta AR_{it}}{A_{it-1}} \right) + \beta_3 \left( \frac{PPE_{it}}{A_{it}} \right) + \beta_4 \left( \frac{ROA_{it}}{A_{it-1}} \right) + \epsilon_{it}$$

- **A**: total assets at the end of the year.
- **\Delta REV**: represents the change in the revenues of the company (i) in the year (t) from the previous year (t – 1).
- **\Delta AR**: represents the change in the accounts receivable of the company (i) in the year (t) from the previous year (t – 1).
- **PPE**: represent gross value of property, plant and equipment for the company i in the current year t.
- **ROA**: represents percentage of return on assets.
- **\epsilon**: It represents the residuals or error term in the equation of regression.

3- Specifying the Value of Accounts of Nondiscretionary Accruals:

In this stage, the book values for the parameters of regression model ($\beta_{01234}$) in the previous stage will be used to specify the value of non-discretionary accruals for each company individually and during each year of study and that is through the following equation:
\[
\text{NDA}_t = \hat{\beta}_0 + \hat{\beta}_1 \left( \frac{1}{A_{it}} \right) + \hat{\beta}_2 \left( \frac{\Delta \text{REV}_i - \Delta \text{AR}_i}{A_{i,t-1}} \right) + \hat{\beta}_3 \left( \frac{\text{PPE}_i}{A_{i,t-1}} \right) + \hat{\beta}_4 \left( \frac{\text{ROA}_i}{A_{i,t-1}} \right) + e_t
\]

**NDA**: represents non-discretionary accruals.

**4- Estimation of Discretionary Accruals (DA):**

Discretionary Accruals (DA) was estimated through the difference between each of total accruals and non-discretionary accruals as following:

\[
\text{DA}_t = \text{TA}_t - \text{NDA}_t
\]

DA was used as an indicator for earning management as the positive value of discretionary accruals indicates to the exiting of earning management practice of the company in order to increase the income, while the negative value indicates to the exiting of earning management in order to decrease the income. If the value of discretionary accruals is equal to zero or near to zero, it indicates to non-existence of earning management.

**Second: Accounting Reservation:**

Several studies stressed that the quality of financial reports can be judged through measuring the level of accounting reservation adopted while preparation of financial statements, as improvement in the level of accounting reservation indicates to improvement in the quality of financial reports. The most used standard in the accounting studies to measure the level of accounting reservation in the financial statements (Beaver and Rtan, 2000, Xie, 2015) is “Market to Book Ratio (MTB) which will be calculated as:

\[
\text{Cons} = \text{BV} ÷ \text{MV}
\]

**BV**: book value of company’s shares at the end of the year.

**MV**: market value of company’s shares at the end of the year.

Indeed, researchers relied on the previous model based on the availability of data and ease of calculation. Moreover, the model has the ability to reflects the cumulative effect of accounting reservation reflects from the date of establishment of the company to the date of assessment. In addition, it connects the elements of financial statements with market variables.
Third: Information Asymmetry:

The information asymmetry can be calculated through the following equation (Jennifer and Isabel, 2015):

<table>
<thead>
<tr>
<th>Information Asymmetry=\text{EPS}-\text{median of forecasted EPS}/\text{Share Price}</th>
</tr>
</thead>
</table>

- **EPS**: Earning per share.
- **EPS**: Median Forecasts of Analysts about the earning per share.
- **Share Prices**

Model of the Study:
This model aims to examine the effect of disclosure about the sustainable development (independent variable) on the quality of financial reports (dependent variable). Also, the model includes some control variables such as: size of the company, return on assets, financial leverage and the nature of activity of the company. This model can be designed through following equation:

\[
SR = a_1 + \beta_1 DA + \beta_2 CONS + \beta_3 \text{INFS} + \beta_4 \text{CG} + \beta_5 \text{FSIZE} + \beta_6 \text{ROA} + \beta_7 \text{LEV} + \beta_8 \text{SG} + \beta_9 \text{INDU} + \varepsilon
\]

Where \( SR \) Dependent Variable which denotes to accounting disclosure about the report of sustainability and include (\( ESD \) Quantity of Disclosure + \( QSD \) Quality of Disclosure), while \( DA \) denotes to the absolute value of discretionary accruals, \( CONS \), the measurement of the accounting conservatism of the company (i) in the period (t), \( INFS \), Information Asymmetry, \( CG \), Quality of Corporate Governance, \( FSIZE \), Size of Companies: natural logarithm of total assets in the end of the year. \( ROA \), Return on Assets: net profit after the taxes to the total assets. \( LEV \), Financial Leverage: total liabilities on total assets in the end of the year. \( SG \), Rate of Sales Growth: percentage of sales to total assets. \( INDU \), Nature of Company’s Activity: imaginary variable takes the value (1) if the company is industrial and the value (0) if it is not.

The previous model examines the three hypotheses of the study as the validity of those hypotheses proved if the values of transactions (\( \beta_1, \beta_2, \beta_3 \)) are significant.

Discussion on Findings:

Table (1) presents the (ANOVA) test, after including the independent variables (quality of disclosure and quantity of disclosure), the analysis of variance for independent variables, entered in the equation, was calculated.
It is observed from table (1) that the value of statistical significance is 0.023 which is less than the level of statistical significance ($\alpha \leq 0.05$) which emerged at the independent variable (quantity of disclosure). This shows that the independent variables (quantity of disclosure) explain the variation of the dependent variable (value of discretionary accruals) and no statistical significance emerged between the independent variable (quantity of disclosure) and dependent variable (value of discretionary accruals).

Table (2) explains Model Summary of “Simple Linear Regression Analysis”

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Degree of Freedom</th>
<th>Mean Squares</th>
<th>(F)</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6513782734997.002</td>
<td>1</td>
<td>6513782734997.002</td>
<td>155</td>
<td>0.023b</td>
</tr>
<tr>
<td>Residual</td>
<td>191524389837136.90</td>
<td>154</td>
<td>1243664869072.318</td>
<td>5.238</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>198038172572133.90</td>
<td>155</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Statistically Significance at the level ($\alpha \leq 0.05$)

b: Independent Variable (Quantity of Disclosure)

It is observed from the table (2) that the value of correlation coefficient reached 0.181 and the value of coefficient of determination ($R^2$) is 0.033 while the value of adjusted coefficient of determination (Adjusted $R^2$) reached 0.027 which shows that the independent variable (quantity of disclosure) could explain 2.7% of changes occurred in the dependent variable (value of discretionary accruals).

To know the variables that have an effect on dependent variable, we relied upon “standardized coefficients” and unstandardized coefficients. Table (3) explains it.

Table (3) : Coefficients of Standardized and Unstandardized Multiple Linear Regression Equation

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Table (3) depicts that there is statistical significance for the constant of multiple liner regression equation as the value reached (t=3.235) with statistical significance 0.001 which is less than the level of statistical significance ($\alpha \leq 0.05$). This shows that there exists a significance for Constant of multiple liner regression equation which its value has reached 822050.168.

On the other side, table (3) depicts that there is statistical significance for the coefficients of standardized and unstandardized multiple liner regression equation related to the independent variable (quantity of disclosure as the value reached (t=2.781) with statistical significance 0.006 which is less than the level of statistical significance ($\alpha \leq 0.05$). This shows the acceptance of hypothesis which says that there is an effect at the significance level ($\alpha \leq 0.05$) for quantity of disclosure on the value of discretionary accruals. Thus, there exists a significance for coefficients of standardized multiple liner regression equation which is related to the quantity of disclosure which its value has reached 0.317 and unstandardized (319279.306). It's clear from table (3) that there is no statistical significance for standardized coefficients and unstandardized multiple liner regression equation related to the independent variable (quantity of disclosure as the value reached (t=1.646) with statistical significance 0.102 which is more than the level of statistical significance ($\alpha \leq 0.05$). This shows the rejection of hypothesis which says that there is an effect at the significance level ($\alpha \leq 0.05$) for quality of disclosure on the value of discretionary accruals.

Main Hypothesis (2):

Table (4) presents the (ANOVA) test, after including the independent variables (quality of disclosure and quantity of disclosure), the analysis of variance for independent variables, entered in the equation, was calculated.

Table (4) : ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>(T)</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>822050.168</td>
<td>254097.160</td>
<td>-</td>
<td>3.235</td>
</tr>
<tr>
<td>Quantity of Disclosure</td>
<td>319279.306</td>
<td>114824.861</td>
<td>0.317</td>
<td>2.781</td>
</tr>
<tr>
<td>Quality of Disclosure</td>
<td>-</td>
<td>831035.294</td>
<td>-0.188</td>
<td>-</td>
</tr>
</tbody>
</table>

*Statistically Significance at the level ($\alpha \leq 0.05$)
<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Degree of Freedom</th>
<th>Mean Squares</th>
<th>(F)</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>959.215</td>
<td>1</td>
<td>959.215</td>
<td>479.232</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>308.241</td>
<td>154</td>
<td>2.002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1267.457</td>
<td>155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Regression</td>
<td>1009.440</td>
<td>2</td>
<td>504.720</td>
<td>299.292</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>258.016</td>
<td>153</td>
<td>1.686</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1267.457</td>
<td>155</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Statistically Significance at the level (\(\alpha \leq 0.05\))
\(b\): Independent Variable (Quantity of Disclosure)
\(c\): Independent Variable (Quantity of Disclosure, Quality of Disclosure)

It is observed from the table (4) that the value of statistical significance for all independent variables is 0.00 which is less than the level of statistical significance (\(\alpha \leq 0.05\)), which means that the independent variables (quantity of disclosure and quality of disclosure) explain the variation of the dependent variable (accounting reservation).

**Table (4) : Model Summary of “Simple Linear Regression Analysis”**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R squared</th>
<th>Adjusted R squared</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.870(^a)</td>
<td>0.757</td>
<td>0.755</td>
<td>1.41477</td>
</tr>
<tr>
<td>2</td>
<td>0.892(^b)</td>
<td>0.796</td>
<td>0.794</td>
<td>1.29861</td>
</tr>
</tbody>
</table>

\(a\): Independent Variable (Quantity of Disclosure)
\(b\): Independent Variable (Quantity of Disclosure, Quality of Disclosure)

Table (4) depicts that the value of multiple correlation coefficient is 0.892 and the value of coefficient of determination (\(R^2\)) is 0.796 while the value of adjusted coefficient of determination (Adjusted \(R^2\)) is 0.794 which shows that the independent variables (quantity of disclosure and quality of disclosure) could explain 79.4% of changes occurred in the dependent variable (accounting reservation). Also, it is observed from the table (4) that the variable (quantity of disclosure) could individually explain the percentage (75.5%) of changes occurred in the dependent variable (accounting reservation) while the variable (quality of disclosure) could explain the percentage (3.9%) of changes occurred in the dependent variable (accounting reservation).

To know any changes that have an effect on dependent variable, we relied upon “standardized coefficients” and unstandardized coefficients” as shown in table (5).

-12-
Table (5) : Coefficients of Standardized and Unstandardized Multiple Linear Regression Equation

<table>
<thead>
<tr>
<th>Multiple Linear Regression Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Value (T)</th>
<th>Statistical Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-1.470</td>
<td>0.298</td>
<td>-4.941</td>
<td>*0.000</td>
</tr>
<tr>
<td>Quantity of Disclosure</td>
<td>0.734</td>
<td>0.134</td>
<td>0.288</td>
<td>5.457</td>
</tr>
<tr>
<td>Quality of Disclosure</td>
<td>12.217</td>
<td>0.973</td>
<td>0.662</td>
<td>12.555</td>
</tr>
</tbody>
</table>

*Statistically Significance at the level (α≤0.05)*

Table (5) depicts that there is a statistical significance for the constant of multiple linear regression equation as the value reached (t= -4.941) with statistical significance 0.000 which is less than the level of statistical significance (α≤0.05). This shows that there exists an explanation for the constant of multiple linear regression equation which value has reached -1.470. On the other side, table (5) shows that there is statistical significance for the coefficients of standardized and unstandardized multiple linear regression equation related to the independent variable (quantity of disclosure) as the value reached (t=5.457) with statistical significance 0.000 which is less than the level of statistical significance (α≤0.05). This shows the acceptance of hypothesis which says that there is an effect at the significance level (α≥0.05) for quantity of disclosure on the value of accounting reservation. Thus, there exists a significance for coefficients of standardized multiple linear regression equation which is related to the quantity of disclosure which its value has reached 0.288 and unstandardized (0.734). Table (5) depicts that there is statistical significance for the coefficients of standardized and unstandardized multiple linear regression equation related to the independent variable (quality of disclosure) as the value reached (t=12.555) with statistical significance 0.000 which is more than the level of statistical significance (α≤0.05). This shows the acceptance of hypothesis which says that there is an effect at the significance level (α≤0.05) for quality of disclosure on the value of accounting reservation. Thus, there exists a significance for coefficients of standardized multiple linear regression equation which is related to the quality of disclosure which its value has reached 0.662 and unstandardized (12.217).

Third Hypothesis:
Table (6) presents the (ANOVA) test, after including the independent variables (quality of disclosure and quantity of disclosure), the analysis
of variance for independent variables, entered in the equation, was calculated.

Table (6) : ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Degree of Freedom</th>
<th>Mean Squares</th>
<th>(F)</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.228</td>
<td>2</td>
<td>0.114</td>
<td></td>
<td>2.588</td>
</tr>
<tr>
<td>Residual</td>
<td>6.738</td>
<td>153</td>
<td>0.044</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.966</td>
<td>155</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Statistically Significance at the level (α≤0.05)

b: Independent Variable (Quantity of Disclosure, Quality of Disclosure)

It is observed from the table (6) that the value of statistical significance for all independent variables is 0.078 which is bigger than the level of statistical significance (α≤0.05). This shows that there is no explanation power of using the multiple liner regression analysis model between the independent variables (quantity of disclosure and quality of disclosure) and dependent variable (information asymmetry). Thus, we reject the hypothesis which says that there is significant effect at the significance level (α≤0.05) for the disclosure about the sustainable development on information asymmetry.

Results and Recommendations:

The research investigated the effect of accounting disclosure of sustainable development on the quality of financial reports for selected companies listed on the SSE, therefore, testing possible relationships between the independent variable represented by the accounting disclosure about the sustainable development which includes quality and quantity of disclosure, and the dependent variable represented by the financial report quality (FRQ), which has been measured through various methods. Initial findings indicated that there is a significant effect for quantity of disclosure on the value of discretionary accruals, and this is supported by (Jennifer et al.,2015; Ahmad,2016; Moser & Martin, 2012). The research also resulted into a rejection of hypothesis which says that there is significant effect for quality of disclosure on the value of discretionary accruals which has been contradicted with Jennifer et al.,2015. The finding of this research resulted there is a significant effect for quantity and quality of disclosure about the sustainable development on the value of accounting reservation. Therefore the hypothesis is accepted. This is supported by (Verrecchia, 1990; Francis et al., 2005; Francis et al, 2008). Finally, the finding shows a rejection of the hypothesis which says that there is significant effect for the disclosure about the sustainable development on information asymmetry, which has been contradicted with the research of (Francis et al., 2005; Francis et al, 2008).

Based on the previous results, the research recommends that the companies, listed in the Saudi Business Environment, should adopt the optional
disclosure of sustainable development and that is through including these information in the Annual Report or issuing a separate report for this with the importance of its disclosure through its website as it will reflect positively on attracting the investors and their investment decisions. Also, it is important for “The Capital Market Authority of Saudi Arabia” to develop an indicator to measure the level of accounting disclosure about the sustainable development in the Saudi companies and the assistance of the indicator, suggested in the present study, can be taken provided that the companies are listed according to its commitment with the elements of indicator of disclosure. The professional bodies and associations responsible for the profession of accounting and auditing in the Saudi environment should issue “accounting standard” that regulates all accounting aspects for “sustainability report” in terms of report format and important information contained in the report. This will guarantee a unified format for the report.

References:

8- Brian Bratten,Jeff L.Payne and Wayne B.Thomas.(2015)."Earnings Management:Do Firms Play"Follow The Leader?".Contemporary Accounting Research.2(4):1-27

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