

“The board of directors influence on the information quality of financial reporting through accounting conservatism – Empirical evidence on Vietnamese listed enterprises”

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ARTICLE INFO	Dang Anh Tuan, Tran Quoc Thinh and Le Xuan Thuy (2023). The board of directors influence on the information quality of financial reporting through accounting conservatism – Empirical evidence on Vietnamese listed enterprises. <i>Investment Management and Financial Innovations</i> , 20(1), 265-276. doi: 10.21511/imfi.20(1).2023.23
DOI	http://dx.doi.org/10.21511/imfi.20(1).2023.23
RELEASED ON	Wednesday, 22 March 2023
RECEIVED ON	Tuesday, 21 February 2023
ACCEPTED ON	Monday, 20 March 2023
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Investment Management and Financial Innovations"
ISSN PRINT	1810-4967
ISSN ONLINE	1812-9358
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

42



NUMBER OF FIGURES

0



NUMBER OF TABLES

5

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BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 21st of February, 2023

Accepted on: 20th of March, 2023

Published on: 22nd of March, 2023

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Conflict of interest statement:

Author(s) reported no conflict of interest

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THE BOARD OF DIRECTORS INFLUENCE ON THE INFORMATION QUALITY OF FINANCIAL REPORTING THROUGH ACCOUNTING CONSERVATISM – EMPIRICAL EVIDENCE ON VIETNAMESE LISTED ENTERPRISES

Abstract

The information quality contained in financial reporting has practical implications for stakeholders. Accounting conservatism is a criterion that affects the authentication of the value of assets and liabilities related to the financial reporting of enterprises. The role of the board of directors is to supervise the information quality of an enterprise. The purpose of the paper is to examine how the board of directors influences the information quality of financial reporting through accounting conservatism. The survey sample includes 100 listed enterprises that have the highest capitalization in Vietnam's stock market. Time series data taken for the last five years are published by enterprises from 2018 to 2022. The paper implements the quantitative method of ordinary least squares to test the hypotheses. The results explore that board size, board independence, and audit organization affect the information quality of financial reporting through accounting conservatism. Accordingly, board size has the strongest influence, and board independence has the weakest effect on the information quality of financial reporting through accounting conservatism. The research suggests some policies for Vietnamese listed enterprises to have appropriate regulations for the board of directors and strengthen control of the information quality of financial reporting.

Keywords

accounting information, duality, independent member,
financial statement, stewardship

JEL Classification

G34, G41, M42

INTRODUCTION

Accounting conservatism (abbreviated as conservatives) is considered to be the relevant principle underpinning the determination of financial information. It contributes to ensuring the information quality of financial statements. Conservatives are a significant qualitative feature of financial accounting because of the validation of assets and liabilities of enterprises. Conservatives are the prudent response to uncertainty that requires a higher level of verification and assurance for profit recognition than for losses. Conservatives will result in the book value of enterprises being underestimated relative to market value, which leads to disproportionate income recognition (Basu, 1997; Givoly & Hayn, 2000; Lara et al., 2007).

To control estimates of prudential reporting, managers need to be examined by establishing some corporate governance mechanism in which the role of the board of directors (abbreviated as Board) is prac-

tically significant. The Board is a set of systems, processes, and structures that use internal and external mechanisms to protect stakeholder rights, accountability, transparency, and fairness within the enterprises. Accounting information shows that the Board is an essential factor in increasing the effectiveness of contracts. Independent members of the Board can improve the monitoring process by making managers more cautious when presenting accounting information (Watts, 2003; Ball & Shivakumar, 2005). The mechanisms of the Board can enhance the level of conservatives. Corporate governance characteristics like board size and board independence can decrease conservatives. Enterprises that establish good board characteristics will have a positive impact on the implementation of conservatives. The Board and conservatives are closely related (Chi et al., 2009; Lim, 2011).

In Vietnam, the actual situation of organizing the Board is always concerned to control the information quality from state management agencies. The regulations are made by the Enterprise Law for board size and board independence. Some regulations on corporate governance related to the organization and management of the Board (Vietnam National Assembly, 2020). Although the regulations are issued related to the above issues, the application of Vietnamese enterprises in the past time has not fully complied. Vietnamese listed enterprises have not cared about the organization of the Board to control the quality of information, which is an interesting issue for conservatives. The judgment of provisions relating to the assets and liabilities of listed enterprises has not been verified (Anh & Thuy, 2018; Dang & Tran, 2020). It poses many challenges for Vietnamese listed enterprises to enhance the information quality to meet the trust of stakeholders.

1. LITERATURE REVIEW

The International Accounting Standards Board (IASB) defines conservatives as the degree of caution in making the judgments necessary to make estimates under conditions of uncertainty. Accordingly, liabilities and expenses are lower, while assets and income are not higher (IASB, 2018). Besides, the Financial Accounting Standards Board (FASB) also regulates conservatives. Conservatives are a cautious response to uncertainty to demonstrate that the uncertainty and risk arising in trading transactions are fully examined (FASB, 2021). According to the Law on Accounting in Vietnam, conservatives are the consideration and judgment necessary to make accounting estimates under uncertain conditions. When implementing the principle of prudence, it is required that enterprises pay attention to issues such as setting up provisions, but not allowing too large deductions; assessment of the value of the property and the examination income should not be overvalued the actual value; assess the value of liabilities and expenses are not underestimated; revenue and income are counted with clear evidence of the possibility of economic benefits while expenses will be recognized as soon as there is evidence of the possibility of incurring costs (Vietnam National Assembly, 2015).

The Board is a set of connections between the directors and the shareholders of a company. The Board establishes a structure that helps establish an enterprise's goals to obtain those goals and effectively monitor their achievement. The goal of the Board is to build a mechanism of credibility, palpability, and responsibility. The elements needed to promote long-term development, economic stability, and professional ethics that in turn support growth and build inclusive societies (OECD, 2021). Thus, the Board is placed on a higher level to ensure that the company will be managed effectively and meet the benefit of stakeholders.

The structure of the Board should ensure a balance between members who have knowledge in the law, economic, and business areas of the enterprise and consider gender factors. The members of the Board of a public enterprise need be at least three and at most eleven. A public enterprise needs to minimize the number of members of the Board concurrently holding executive positions of the enterprise to ensure the independence of the Board. Board independence is not for people currently working for the company. Independent members of the Board are not people who are receiving salary and remuneration from the company, except for allowances that board independence is entitled to according to regulations (Vietnamese

Government, 2017). The Board is the governing body of an enterprise, making decisions on behalf of the enterprise to ensure the interests of the organization (Alves, 2021). The Board is the governing body for all activities of a company and is fully authorized to handle the company's activities. The board performs its responsibilities carefully for the benefit of stakeholders and the enterprise (Jarbouli, 2013). The Board demonstrates the responsibility to decide on essential policies and outlines business plans that demonstrate the importance of strategy (Rustiarini et al., 2021).

Agency theory is invented by Jensen and Meckling (1976). It deals with the relationship of the contract under which the owner hires the performer. The owner will authorize the performer to make some related decisions. Because the parties are all trying to maximize benefits so there is a proxy cost to direct the principal to behave in the direction of maximizing the interests of the principal. The cost of the agent can be formed from supervision, linkage, and other costs. One of the problems that agency theory poses is establishing a board structure to ensure the interests of shareholders, and the owners of an enterprise. Boards are established to support management control (Baysinger & Butler, 1985). The board is designed to minimize agency costs through structures that allow board members to monitor the behavior of the management team. It also minimizes the difference in interests between shareholders and managers (Deegan, 2004).

Stewardship theory assumes that the manager will accompany the owner's goals. Managers have common goals with owners for mutual benefit (Donaldson & Davis, 1991). Accordingly, the management mechanism is in the direction of assigning corresponding rights and responsibilities to each level of management. It ensures effective management at all levels. This theory suggests that managers are encouraged to participate to decrease conflicts between management and shareholders. Managers' goals are achieved by maximizing shareholder wealth so shareholders will offset the benefits to managers (Davis et al., 1997). This theory elicits that no conflicts arise among stakeholders. Managers should not build an external monitoring mechanism to check the behavior of managers for the sake of ensuring a balance between the parties (Smallman, 2004).

Some previous studies on conservatives have examined different aspects of the sample, board factors, and the time and space of the research. Typically, Beekes et al. (2004) look at non-financial firms listed in the United Kingdom from 1993 to 1995. Ordinary least squares are used the test the model. The results explore firms with board independence can control conservatives. Ahmed and Duellman (2007) survey 306 companies in the S&P 500 from 1999 to 2001. By the regression method of ordinary least squares, the research results elicit board independence negatively affects conservatives; the ownership rate of board independence effect in the same direction as conservatives; duality and board size do not affect conservatives. Lara et al. (2007) choose a sample of 69 companies quoted in Spanish for the period 1997–2002. The research demonstrates companies with high board sizes can control conservatively. Chi et al. (2009) check the influence of corporate governance on conservatives. The data is the enterprises listed in Taiwan from 1996 to 2004. The results explore companies with weaker corporate governance tend to have more conservatives.

Lim (2011) investigates the impact of the Board, audit organizations, and external auditors on the conservatives of Australian companies. The results show that board independence and duality positively affect conservatives. However, board size and audit organization do not affect conservatives. The special thing is that the use of Big Five/Four auditors interacts in the same way as the conservatives. Ahmed and Henry (2012) examine the impact of corporate governance and conservative mechanisms on some Australian listed enterprises. Based on the regression method, the research indicates the presence of an audit organization and board independence impact in the same direction as conservatives; board size negatively affects conservatives; duality and external equity ownership have no impact on conservatives. Amran and Manaf (2014) check the impact of independent directors on conservatives. The sample includes Malaysian companies for the year 2000–2012. The study finds board independence does not affect conservatives. Elshandidy and Hassanein (2014) observe the impact of board independence on conservatives in UK non-financial firms. The data is listed in the FTSE 100 index for the period 2002 to 2007. The results suggest board inde-

pendence influences conservatives. Al-Sraheen et al. (2014) use annual reports of 113 Jordanian-listed companies in 2011. The study concludes there is a positive effect of foreign ownership, board independence, and audit organization on conservatives, while board size does not affect conservatives.

Mohammed et al. (2017) examine 824 observations of Malaysian listed companies from 2004 to 2007. The study uses regression models to test hypotheses. The research affirms the audit organization has a positive effect on conservatives, while the ownership ratio of the Board negatively influences conservatives. Alkurdi et al. (2017) test 99 Amman listed companies from 2005 to 2013. The research uses the usual least squares method of multiple regression. Results indicate government ownership negatively affects conservatives, while foreign ownership and institutional ownership positively influence conservatives, and ownership concentration has no effect on conservatives. Nasr and Ntim (2017) consider a sample selected for the EGX 100 index as a representative of the Egyptian corporate landscape. Research states board independence positively impacts conservatives. In contrast, board size and audit organization have an inverse relationship with conservatives, while duality does not affect conservatives.

El-habashy (2019) conducts a sample study of 40 Egyptian non-financial companies from 2009 to 2014. Through regression analysis, the study points out that board independence, management ownership, and audit organization positively influence conservatives, while board size does not affect conservatives, but duality is the opposite of conservatives. Al-Saidi (2020) investigates 87 non-financial firms in 2019. Ordinary least squares are used to test hypotheses. The results find board size, board independence, and family governance affect conservatives. Sholikhah and Baroroh (2021) check 184 Malaysian manufacturing companies between 2016 and 2018. The paper uses ordinary least squares for linear regression. The results explore ownership concentration does not affect conservatives. Mrad (2022) looks at 60 companies in France from 2014 to 2019. Based on regression analysis, the results elicit that board size and management

ownership negatively affect conservatives, but board independence positively influences conservatives, while company ownership has no relationship with conservatives.

Research on the influence of corporate governance on the application of conservatives in Vietnam is still limited and has not been mentioned much because of incomplete data. Anh and Thuy (2018) also only study the impact of board independence on the implementation of conservatives in Vietnamese listed companies. Dang and Tran (2020) focus on studying the factors of financial information such as financial leverage, management remuneration, corporate governance, and risk of litigation that affect the application of the careful principle. Data are collected from 2014 to 2016 from the above-listed companies in Vietnam. Thus, it can be considered that the research on the Board influences on this problem has not been studied in recent times by Vietnamese enterprises.

Previous studies have explored the influence of conservatives in different ways. It is an essential issue to improve the quality of information. Conservatives are also the basis for increasing the confidence of stakeholders through data from financial statements. However, there has not been in-depth research to examine the influence of the Board on conservatives. The purpose of this study is to evaluate the influence of the Board on the information quality of financial reporting through conservatives of 100 listed enterprises in Vietnam. The factors affecting the quality of financial statements by conservatives are considered from previous studies. Common Board-related factors that often influence these issues include board size, board independence, duality, ownership concentration, and audit organization.

1.1. Board size

Board size is an essential element of board structure. The division of responsibilities of the members of the Board to perform management duties. The Board plays an important role in controlling the activities of an enterprise. Many studies investigate the influence of board size on conservatives (Lara et al., 2007; Ahmed & Henry, 2012; Nasr &

Ntim, 2017; Al-Saidi, 2020; Mrad, 2022). However, some results indicate that board size does not affect conservatives (Ahmed & Duellman, 2007; Elshandidy & Hassanein, 2014).

1.2. Board independence

The independent directors of the Board affect the ability of managers to effectively monitor the behavior of managers. Board independence is an essential problem of corporate governance (Fama & Jensen, 1983). Board independence will affect the effective monitoring of the actions of managers. The studies by Ahmed and Duellman (2007), Elshandidy and Hassanein (2014), and Al-Sraheen et al. (2014) demonstrate that board independence affects more conservative financial statements. Lim (2011), Ahmed and Henry (2012), Nasr and Ntim (2017), El-habashy (2019), Al-Saidi (2020), and Mrad (2022) consider board independence to have a positive effect on caution accountants. Meanwhile, Amran and Manaf (2014) find board independence has a negligible influence on conservatives.

1.3. Duality

The dual function of the chief executive officer is undesirable and limits processing supervision and increases inter-agency conflicts and information asymmetry. The separation between the chairman of the board and the chief executive officer can assist in defining clear responsibilities for decision-making. Research by Elshandidy and Hassanein (2014) shows duality increases the possibility of being more cautious in the reports of enterprises. Previous studies suggest duality does not affect conservatives (Ahmed & Duellman, 2007; Lim, 2011; Ahmed & Henry, 2012; Nasr & Ntim, 2017).

1.4. Ownership concentration

Ownership concentration is centralized ownership of a small number of shareholders. Typically, these shareholders own a large number of shares to be involved in management to direct the activities and policies of enterprises. However, ownership concentration can affect power relative to a few members (Ahmed & Duellman, 2007). Members with concentrated ownership will dominate the enterprises even if there is a conflict of control with minority shareholders. It may affect

the interests of stakeholders (Nasr & Ntim, 2017). However, ownership concentration sometimes also improves the performance of the enterprises. It can ensure selection accounting policies to reduce opportunistic behaviors and increase investor confidence (Mrad, 2022). Elshandidy and Hassanein (2014) find that ownership concentration affects conservatives.

1.5. Audit organization

Audit organization is responsible for communicating with the internal audit and monitoring reporting. It performs many key functions, of which the major function of the audit organization is to arrange the information process. Lim (2011) argues that it is the responsibility of the audit organization to exercise the completeness of the enterprise's financial reporting. Audit organization ensures the Board performs tasks related to the financial and accounting matters of the enterprises (Ahmed & Henry, 2012). This organization is likely to play an important role in increasing the supply of discretion in accounting. Al-Sraheen et al. (2014) and Nasr and Ntim (2017) show that audit organization influences conservatives. The studies by Mohamme et al. (2017) and El-habashy (2019) suggest the audit organization has no relationship with conservatives.

Based on the theory and overview of previous studies about the influence of the Board on conservatives, the paper proposes a research model. This model includes hypotheses of influences on the information quality of financial reporting through conservatives. The specific research hypotheses are as follows:

- H1: Board size positively influences the information quality of financial reporting through conservatives in VN100 listed enterprises.*
- H2: Board independence has the same effect as the information quality of financial reporting through conservatives in VN100 listed enterprises.*
- H3: Duality interacts, in the same way, with the information quality of financial reporting through conservatives in VN100 listed enterprises.*

H4: *Ownership concentration interacts in the same way with the information quality of financial reporting through conservatives in VN100 listed enterprises.*

H5: *Audit organization positively influences the information quality of financial reporting through conservatives in VN100 listed enterprises.*

2. METHODOLOGY

The sample is the top 100 listed enterprises with the largest capitalization on the stock market of Vietnam (VN100). These are listed enterprises representing the level of growth and development in recent times. Data are taken for the most recent 5-year period from 2018 to 2022. These are data of sixty-five non-financial enterprises of various industries. The data used for the empirical study of the paper are gathered from the annual reports and financial statements on the website of the State Securities Commission in Vietnam. The paper performs quantitative tools to check the hypotheses. The analysis is performed using the STATA 14 software.

To examine the variables of this study, the paper is based on inheriting from previous studies and combining with an expert opinion survey of managers of VN100 listed enterprises to develop a regression model as follows:

$$\begin{aligned} CONSER_{it} = & \beta_0 + \beta_1 \cdot SIZE_{it} + \\ & + \beta_2 \cdot INDE_{it} + \beta_3 \cdot DUAL_{it} + \\ & + \beta_4 \cdot CONC_{it} + \beta_5 \cdot AUDI_{it} + \varepsilon_{it}, \end{aligned} \quad (1)$$

where *CONSER* – conservatives; *SIZE* – the size of the Board; *INDE* – an independent member of the Board; *DUAL* – the duality between the chief executive officer and the chairman of the board; *CONC* – ownership concentration; *AUDI* – audit organization.

The measurement method of conservatives is interesting in some previous studies. Typically, Basu (1997) assesses by asymmetric timeliness; Beaver and Ryan (2000) measure the ratio of book value to market value (market to book ratio); Givoly and Hayn (2000) measure negative accruals; Ball

and Shivakumar (2005) assess by the asymmetric accruals to cash flow. In particular, the method of Givoly and Hayn (2000) is commonly used in studies to measure the prudential principle of accounting. It is also consistent with the incompatible information on the financial statements of VN100 listed enterprises in Vietnam, the formula for measuring conservatives is as follows:

$$\begin{aligned} \text{Nonoperating Accruals (NA)} = \\ = \text{Total Accruals before depreciation (TA)} \times (2) \\ \times \text{minus Operating Accruals (OA)}, \end{aligned}$$

where *TA* = Net income + Depreciation – Cash Flow from Operations, *OA* = Δ Accounts Receivable + Δ Inventories + Δ Prepaid Expenses – Δ Accounts Payable – Δ Taxes Payable, Regarding the independent variables, the measurement of these variables is determined to include:

Board size (*SIZE*): Total number of members of the Board;

Independent board (*INDE*): Number of independent members of the Board;

Duality (*DUAL*): The dummy variable, if there is duality, is 1, otherwise, it is 0;

Ownership concentration (*CONC*): Percentage of shareholders owning more than or equal to 5% of total equity;

Audit organization (*AUDI*): The dummy variable, audit organization by Big Four is 1, and vice versa is 0.

3. RESULTS

The results of Table 1 indicate that the mean of the conservatives is 0.120069, which is quite good. The maximum is 0.276724 and the minimum is 0.081399. It elicits that VN100 listed enterprises are conservative in estimates of accounting information. The standard deviation low is 0.039631 respectively, and it has no difference between VN100 listed enterprises.

The average of members on the Board (*SIZE*) is 6.8599, and this size is quite appropriate. The maximum is 12 and the minimum is 4. The result is con-

Table 1. Descriptive statistics

Source: Authors' elaboration.

Variables	CONSER	SIZE	INDE	DUAL	CONC	AUDI
Mean	0.120069	6.8599	3.1849	0.1594	0.2921	0.6197
Maximum	0.276724	12.000	6.0000	1.0000	0.6145	1.0000
Minimum	0.081399	4.000	0.0000	0.0000	0.0000	0.0000
Std. Dev.	0.039631	1.7361	0.1722	0.0669	0.1982	0.2644
Observations	325	325	325	325	325	325

Note: Methodology presented is the sample that these are data from non-financial enterprises of various industries, so there are only 65 non-financial enterprises for a five-year period (2018–2022), that is, the number of observations is 325.

sistent with the current regulations of the Law on Enterprises in Vietnam. Also, the standard deviation of the scale is 1.7361 so it also has a relative difference between VN100 listed enterprises. Board independence (INDE) has an average of 0.1849, where the maximum is 6 and the minimum is 0 members. It is also true with the regulations of the Law on Enterprises in Vietnam. The standard deviation is 0.172, so there is also a gap between VN100 listed enterprises. Duality (DUAL) has an average of 0.1594, and the result is also relatively low. Furthermore, the standard deviation is not significant. Ownership concentration (CONC) is an average of 0.2921. This level is also relatively consistent, where the maximum is 0.6145 and the minimum is 0.0000. However, the standard deviation is quite high, and this shows a significant difference between VN100 listed enterprises in terms of ownership concentration. Finally, the audit organization by Big Four (AUDI) has an average of 0.6197, which is quite high. Standard deviation is also relative between VN100 listed enterprises, equivalent to 0.2644.

The correlation coefficient is an indicator that measures the strength and weaknesses of the relationship between variables. The coefficients are all

less than 0.8, so the model does not generate multicollinearity (Nunnally & Burnstein, 1994). Table 2 affirms the negative correlation coefficient for conservatives, including board size and audit organization, but vice versa for board independence, duality, and ownership concentration. Correlation coefficients are quite stable among the variables in the model in the range from 0.249810 to 0.67476. All significance levels corresponding to the relationship between variables are less than 0.05. This model ensures statistical relevance.

Probability of the variable less than 0.05 is reliably significant. Furthermore, Prob (F-statistic) is 0.000000, so the model is statistically significant (Hair et al., 2009). The regression results from Table 3 verify that the Adjusted R-squared is 0.864041, which means the independent variables explain 86.40% of conservatives. Variables that affect conservatives include board size, board independence, and audit organization. Among the variables that affect conservatives, the board size has the strongest impact. In contrast, duality and ownership concentration does not affect conservatives. Thus, the model has the following specific results:

Table 2. Correlation matrix

Source: Authors' elaboration.

Probability	CONSER	SIZE	INDE	DUAL	CONC	AUDI
CONSER	1.000000					
SIZE	-0.46318 0.0075	1.000000 -				
INDE	0.27078 0.0046	0.59477 0.0217	1.000000 -			
DUAL	0.249810 0.0069	-0.28599 0.0026	-0.26701 0.0489	1.000000 -		
CONC	0.67476 0.0340	-0.49206 0.0319	0.56148 0.0154	-0.43164 0.0139	1.000000 -	
AUDI	-0.423643 0.0308	-0.54157 0.0066	0.48272 0.0330	0.37567 0.0134	0.65535 0.0482	1.000000 -

Table 3. Regression

Source: Authors' elaboration.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.17968	0.04711	2.380902	0.0000
SIZE	-0.45390	0.00597	-3.900367	0.0000
INDE	0.12337	0.05840	2.254478	0.0000
DUAL	0.17629	0.02730	0.645738	0.5192
CONC	0.52078	0.04979	0.045754	0.2969
AUDI	-0.24607	0.00051	-3.062829	0.0000
R-squared				0.905115
Adjusted R-squared				0.864041
F-statistics				10.35618
Prob(F-statistics)				0.000000

$$CONSER = 0.17968 - 0.45390.SIZE + 0.12337INDE - 0.24607.AUDI.$$

The model has variables with a variance inflation factor (VIF) greater than or equal to 5.0 that may have multicollinearity (Hair et al., 2009). The phenomenon of multicollinearity in the model will be high when the variance inflation factor of the variables is large, and vice versa. Table 4 indicates that the variables range from 1.07 to 1.64 and the variables less than 5.0. This confirms that the model has no multicollinearity.

Table 4. Variance inflation factor of the variables

Source: Authors' elaboration.

Variable	VIF	1/VIF
SIZE	1.32	0.8641
INDE	1.64	0.8046
DUAL	1.17	0.8912
CONC	1.52	0.8315
AUDI	1.07	0.9038

The results of Table 5 show that there are three significant hypotheses out of the total five hypotheses of the model. Statistically significant hypotheses include H1, H2, and H5.

Table 5. Results of hypotheses

Source: Authors' elaboration.

Hypotheses	Results
H1 (Board size positively influences the information quality of financial reporting through conservatives in VN100 listed enterprises)	Supported (negative)
H2 (Board independence has the same effect as the information quality of financial reporting through conservatives in VN100 listed enterprises)	Supported (positive)
H3 (Duality interacts, in the same way, with the information quality of financial reporting through conservatives in VN100 listed enterprises)	Not supported
H4 (Ownership concentration interacts in the same way on the information quality of financial reporting through conservatives in VN100 listed enterprises)	Not supported
H5 (Audit organization positively influences the information quality of financial reporting through conservatives in VN100 listed enterprises)	Supported (negative)

4. DISCUSSION AND POLICY RECOMMENDATIONS

Research indicates that three factors influence the information quality of financial reporting through conservatives, including board size, board independence, and audit organization. The result is similar to previous research by Ahmed and Henry (2012), Nasr and Ntim (2017), El-habashy (2019), Al-Saidi (2020), and Mrad (2022). Moreover, the research is also similar to the opinion of the controller in Vietnam that the board size, board independence, and audit organization are one of the influences on the information quality of financial reporting through conservatives of VN100 listed enterprises. The foundation theory of agency and stewardship theory also explained the reason for the influence of the Board factors on conservatives.

Board size is the factor that has the strongest influence on the conservatives of VN100 listed enterprises. The result is similar to Lara et al (2007), Ahmed and Henry (2012), Nasr and Ntim (2017), Al-Saidi (2020), and Mrad (2022). It is completely consistent with the Vietnamese context where the Board of VN100 listed enterprises plays the role

in controlling the activities of the executive board. The current Law on Enterprises in Vietnam also clearly stipulates the responsibilities of the members of the Board in supervising activities to protect the legitimate interests of related parties. In the development trend, VN100 listed enterprises should clearly define the responsibilities of its members to well manage the business's activities. The information provided to users must ensure transparency and authenticity by the accounting figures of the financial statements, in which conservatives are always a notable issue to ensure the appropriateness of the information. In the development strategy for international accounting integration, VN100 listed enterprises must comply with the provisions of accounting standards to increase the information quality of financial statements (Vietnamese Government, 2022).

Board independence is one of the factors of the Board affecting conservatives. The result is similar to previous studies by Lim (2011), Ahmed and Henry (2012), Nasr and Ntim (2017), El-habashy (2019), Al-Saidi (2020), and Mrad (2022). This shows that board independence has affected the conservatives of VN100 listed enterprises. Unlike board size to control conservatives, board independence reduces this role. It reflects the reality of the situation in Vietnam when the role of members of the Board is involved in controlling activities. The current Law on Enterprise in Vietnam also stipulates a certain percentage of board independence. In the coming time, VN100 should stipulate a low rate and limit for board independence. Increasing the number of members of the Board to participate in supervision is essential to manage the activities of the enterprise. The issue of accounting information is important to ensure the quality of information for users. Therefore, members of the Board need to be more responsible in participating in monitoring the activities of the enterprise.

Audit organization influences conservatives. The study is similar to Al-Sraheen, et al. (2014) and Nasr and Ntim (2017). Big Four audit organization companies are reputable and experienced, so they will review the appropriate information. It is always encouraged in the actual situation of Vietnam in the past time. Big Four audit organization is important for determining accurate in-

formation about the estimates of provisions. The value of assets and liabilities must be calculated appropriately. Provisions must be determined by the provisions of accounting standards and legal regulations. In the coming time, VN100 should pay more attention to the Big Four audit organization to ensure information quality. It will ensure confidence in investors, as well as stakeholders about the appropriateness of information.

From the research results, to ensure the information quality shown in financial statements for information users, synchronous policies need to be agreed upon based on coordination among stakeholders.

For VN100 listed enterprises, the research explores the Board influences on the application of conservatives. To promote control and apply the prudential principle, VN100 listed enterprises should pay attention to board size and board independence to match the size and characteristics of the enterprises. Listed enterprises need to clearly define the responsibilities of the members of the Board, as well as the independence of the members. This contributes to increased accountability and clarity among members in supervising the prudential principles of accounting. VN100 listed enterprises should comply with accounting regulations on prudential accounting standards. VN100 listed enterprises need to raise awareness about proper calculations to ensure the quality of information reasonably provided to users. VN100 listed enterprises also need to pay attention to monitoring and checking to ensure that the policy is complied with. It is the basis for creating confidence in the stakeholders about the information in the financial statements. VN100 listed enterprises should strengthen information disclosure on how to concretize the information in the notes so that the users of the financial reporting have a basis to reasonably assess the economic efficiency of enterprises.

For the audit organization, to strengthen the appropriate application of conservatives, the role of auditing organizations in general and Big Four in particular is important and contributes to increasing the application of conservatives to improve the quality of accountant information. Accordingly, the audit organization should

encourage VN100 listed enterprises to apply accounting standards to make a prudent judgment of accountants on assets and liabilities according to appropriate valuation methods and techniques to ensure appropriate information. Based on their knowledge and experience, the audit organization supports VN100 listed enterprises by providing professional advice and guidance to accounting personnel to help them understand the nature of accounting caution, as well as other methods, valuation methods and techniques. From that, VN100 listed enterprises consider the importance of appropriately applying it to enhance the quality of financial statements.

State management agencies of Vietnam should issue more regulations on conservatism principles, and specific regulations applicable to each different industry to suit the business characteristics of each industry. Accordingly, industries with special features with high turnover or receivables should be required to pay more attention than the remaining industries in recognizing revenue

and expenses, ensuring income is noted carefully. The promulgation of policies applicable to each sector makes the principle of conservatives focused and uniformly applied. Legislative bodies in general should create a legality to prioritize protecting the interests of investors, shareholders, and stakeholders in applying the principle of due diligence of an enterprise. State management agencies need to handle fines for violations against VN100 listed enterprises, which greatly affects the benefit of investors and stakeholders in the presentation of information related to the principle of conservatism accounting. The legal provisions protecting investors need to be uniform and synchronous. Besides, state management agencies should develop guiding mechanisms and clearly define the responsibilities and obligations of members and independent members of the Board. In particular, the number of these members should also be clearly defined in terms of knowledge and professional qualifications to ensure that each enterprise can be operated effectively.

CONCLUSION

The objective of the paper is to examine how the board of directors influences the information quality of financial reporting through accounting conservatism of the top 100 listed enterprises in Vietnam. The results show that board size, board independence, and audit organization influence the information quality of financial reporting through accounting conservatism. Board size and audit organization have a positive effect on accounting conservatism, and vice-versa on board independence. Board size is the strongest influencing factor, while board independence has the weakest influence on accounting conservatism. Accordingly, Vietnam's state management agencies should adjust flexibly the number of members of the board of directors, as well as restrict the board independence to control the effectiveness of the governance mechanism. It is the basis for the control of conservatives to improve the information quality of enterprises. Furthermore, an audit organization should review appropriate documents related to conservatives to ensure information quality for stakeholders.

AUTHOR CONTRIBUTIONS

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