

Corporate governance in relationship to value relevance and accounting conservatism: SBF 120 firms

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Abstract: *This study examines the relationship between disclosure quality as measured by value relevance and accounting conservatism and the corporate governance mechanisms such as the characteristics of the financial market, board of directors and ownership structure of French companies listed on the SBF 120. The result shows that the companies can have a high-value relevance of accounting information or practice accounting conservatism when they are featured by the existence of a high number of financial analysts who follow the company, are listed on a US stock exchange or have a dispersed structure capital. The findings show also that the significant institutional shareholders, foreign ownership, a board with small size, separation of functions as well as the creation of a supervisory board, as well as high performance and a low level of leverage contribute to improving the quality of accounting value. We can argue that the results may be of practical interest to potential investors in the SBF 120 firms. This study recommends the usefulness that companies invest in the financial disclosure policy to increase the credibility perceived by the users. of the annual report as to the quality of the information disclosed. In addition, we can argue that the outcomes that emanate from this research work are of interest to the information users who are concerned with the search for quality financial information. Indeed, our results reveal that SBF 120 companies have a divergence in the quality of their financial disclosures, which is why the managers of these companies must invest in the publication of financial information in accordance with the expectations of the different stakeholders.*

Keywords: value relevance; accounting conservatism, board of directors, ownership structure, financial market.

JEL Codes: G44, M41

1. Introduction

It is generally accepted that certain business characteristics affect the quality of financial disclosure. However, what specific feature of the business is supposed to affect the quality of financial disclosure? Several variables concerning performance and firm characteristics can explain the quality of financial information, such as the size of the company, leverage, profitability, audit quality and the stock market listing (Elshandidy et al., 2018; Glaeser, et al., 2020). A second category of factors influencing the quality of financial information includes corporate governance characteristics (Michelon et al. 2020; Elberry, & Hussainey 2020).

The quality of financial communication is assessed through the study of the statistical relationship between a stock market value and the published accounting and financial figures. This technique corresponds to the approach of "accounting value relevance" and it consists of evaluating the relevance of the accounting figures by determining whether these figures are associated with the share prices of companies (Dennis et al., 2019, Fortin et al., 2019, Burke et

al., 2020, Amel-Zadeh, et al., 2020, Rahmat et al., 2020, Liao et al., 2020). Thus, there are two steps to the relevance assessment process, the first of which is to consider a decision to be made (as well as an accounting figure related to that decision). The second step is to consider a variable that is likely to be modified following the publication of the information.

Several models have been used to evaluate the change in stock price that reflects the information investors use in the decision-making process (Ohlson 1995), these studies focus mainly on the coefficients in regression models on the one hand, as well as on the association test between the dissemination of accounting data and the change in the value of the action.

Based on Ohlson's 1995 and Basu's 1997 models, this study aims to present the determinants of value relevance and accounting conservatism of listed French companies. These determinants are related and specifically represented by firms' characteristics and corporate governance.

The remainder of this study is structured as follows: a literature review and research hypotheses followed by a description of the study methodology, a discussion presentation of the results, and a conclusion and professional and managerial involvement of the study.

2. Literature review and research hypotheses

Veltri, et al., (2020) present the importance of institutional factors and the cost of capital in explaining information disclosure in the annual report. Indeed, corporate governance has become like a subset of a company's contracts that help align the actions and choices of managers with shareholder interests (Christensen et al., 2019; Glaeser et al., 2020; Cheng et al., 2020).

Regarding results of recent research on accounting aims, Li et al., 2020, Do & Zhang, 2020, Driskillet al., 2020, Druz et al., 2020; Frenkel, et al., 2020 provide that external consultants positively affect the quality of publicly available information. Flores et al.; 2019; Cormier et al., 2019; Hassan, & Marston 2019; Araújo et al., 2020; Frenkel et al., 2020; Gavana, et al.; 2020; Zhang et al., 2020 show that firms that disclose more voluntary information can increase the number of financial analysts who are interested in it. The empirical results lead to a positive association between the number of financial analysts who follow the value of the company and financial disclosure. Considering these advances, the following hypothesis have been formulate:

H1.a: Ceteris paribus number of financial analysts affects accounting value relevance and conservatism.

Early studies state that cross-listing allows companies to lower their cost of capital, increase liquidity, increase visibility, and facilitate the flow of information (Areneke, & Kimani, 2019; Healy, & Serafeim, 2020; Liu, & Li, 2020, et al., 2020). Businesses extending their business abroad can benefit from some publicity, which attracts media attention and tends to meet the needs of local users. In conclusion, it can be argued that cross-listing pushes companies to respect the regulations of various places, which has the effect of forcing them to have a quality financial disclosure. The following hypothesis has been formulated:

H1.b: Ceteris paribus cross-listing affects accounting value relevance and conservatism.

After the Enron financial scandal, several US laws such as the Sarbanes-Oxley Act, standardization organizations (the SEC...), and the New York Stock Exchange have increased the requirements for quality financial disclosure. Compared to the continental countries, the Anglo-Saxon markets are more developed and their obligations in terms of disclosure of financial information are more restrictive. In this sense, taking care of the quality of financial disclosure becomes an essential condition to gain access to the American market. Ghadhab, (2019); Li et al., (2019) show that companies listed on the US market, and particularly those listed on the New

York Stock Exchange, face significant financial reporting. The following hypothesis has been formulate:

H1.c: Ceteris paribus listing in a US market affects accounting value relevance and conservatism.

Enache, & García-Meca. (2019) characterize the board as "the heart of governance". Indeed, this control mechanism is responsible for representing the interests of the shareholders, defending their interests, and fighting against incompetent managers. Several authors have highlighted the difficulties of organization and coordination in large boards (Dennis et al., 2019). Nguye et al., 2019, Al-Shaer, & Harakeh, 2020) point out that a large group presents a risk of individual demotivation coupled with coordination problems in management decisions, which has negative consequences for the decision-making process. In the same perspective, several authors, relying on the principles of group cohesion and problems of coordination between administrators, have argued that a small board is more efficient (Enache, & García-Meca, 2019, Nguye et al., 2019). The following hypothesis has been formulated:

H2.a: Ceteris paribus board size affects accounting value relevance and conservatism.

The first quality of a board of directors is related to its composition: the presence of loyal directors, including the operation of the company's business, defending the interests of all groups of shareholders and effectively participating in the definition of corporate strategy (Bouton report, 2002). Al-Shaer, & Harakeh, (2020) suggest that one of the foundations of board effectiveness would be the degree of independence from the leadership.. Enache, & García-Meca (2020) conclude that there is a positive and significant relationship between the percentage of independence of the board and the extent of the voluntary dissemination of information in the annual report of the companies studied. Nasr & Ntim 2018; Liao et al., 2020; Harakeh et al., 2020, Agyei-Mensah et al., 2020, have observed the independence and experience of directors urge executives to publish more information voluntarily. The following hypothesis has been formulated:

H2.b: Ceteris paribus board independence affects accounting value relevance and conservatism.

In practice, two forms of organization are observed in French companies with a board of directors: the first form is characterized by the dissociation of the two functions within the board of directors, some authors predict that this form facilitates the control of the company and the monitoring of the leaders. The second form is characterized by the choice to retain a CEO while creating specific committees as provided by the Viénot I report. This specificity of the French context leads to the motivation to examine whether the choice of governance can influence the quality of the financial disclosure of listed companies. Empirically, the work of (Nasr & Ntim 2018; Goergen et al., 2019; Yin et al., 2020), highlighted a positive relationship between the quality of financial disclosure via the annual report of companies and the separation of the functions of CEO/chairman. The following hypothesis has been formulated:

H2.c: Ceteris paribus CEO/chairman duality affects accounting value relevance and conservatism.

Some research such as those of Agyei-Mensah et al., 2020, Lin et al., 2020, De Silva Lokuwaduge, & de Silva, 2020, emphasized the importance of setting up an audit committee to ensure the transparency of information disseminated in the financial market. As for, the nomination committees, their mission is the appointment of new directors, to palliate the

resignation of the directors of the board, or to comply with the requirements and expectations of investors in terms of director independence (Gantyowati, & Fitria, 2020). Potepa, (2020) provides that "the definition and control of remuneration policies is a key element of the management framework of managerial latitudes", and proposes to create separate committees (remuneration and appointment) to ensure maximizing their respective effectiveness (Al-Shaer, & Harakeh, 2020, Elmagrhi et al., 2020). Given these theories and the results of previous research, the following hypothesis has been formulated:

H2.d: *Ceteris paribus* creation of supervisory committees within the board affects accounting value relevance and conservatism.

The ownership/control separation generates conflicts of interest within the company between managers and shareholders. Karajeh, (2019) has shown that the ownership concentration in the hands of a small number of majority shareholders can anchor company managers, as they are less and less subject to governance by members of the company. Board of directors, and so the majority shareholders can increase the costs of the agency and benefit from the control costs they hold (Crawford et al., 2020). Several empirical studies have shown a positive association between ownership structure and the quality and/or extent of information disclosure (Fiandrino et al., 2019, Viana & Crisóstomo 2019, Karajeh, 2019, Albitar et al., 2020, Hegde et al., 2020). Through this research, the results show that companies whose ownership structure is more dispersed disseminate more voluntary information to meet the needs of their minority shareholders. The following hypothesis has been formulated:

H3.a: *Ceteris paribus* ownership concentration affects accounting value relevance and conservatism.

Cheng et al., (2020) emphasize that institutional investors are considered the most demanding agents in terms of regular financial disclosure, and are attracted to companies that widely disseminate their information. If institutional investors become shareholders in a company, they can respond to financial disclosure practices in different ways. The same observation was obtained by (Dai, & Ngo, 2020) who have shown that the participation of institutional investors in the capital of companies broadens the scope of voluntary corporate disclosure. As Elliott et al., (2020) suggest in their research, the institutional investment horizon and the ability of institutional investors to gather information determine their attitude to the disclosure strategy. In addition, Huan et al., (2020) indicate that institutional investors offer good protection for the interests of minority shareholders in civil law countries, where investors' rights are not protected. The following hypothesis has been formulated:

H3.b: *Ceteris paribus* institutional investors affect accounting value relevance and conservatism.

The explanation of the relationship between the quality of information disclosure and the presence of foreign investors is based on the arguments advanced by the agency theory and the signal theory. Indeed, it is more difficult for foreign investors in a country, than for those nationals, to collect the financial information disclosed. The presence of foreign investors is an indicator of information asymmetry between shareholder groups (Wang et al., 2019, Tsang, et al., 2019; Cheng et al., 2020, Araújo, et al., 2020) Indeed, the publication of increased information by the company's managers reduces the asymmetry of information and reassures foreign investors. The following hypothesis has been formulated:

H3.c: *Ceteris paribus* foreign investors affect accounting value relevance and conservatism.

In the context of the relationship between the officers and the shareholders of the company, the conflicts of interest related to the fact that the agent seeks the profit maximization of the company at the expense of its stock market value are more marked in the case where the managers hold a small share of the capital of the company. Budiharta et al., (2020) predict that the larger the share of ownership held by the managers, the lower the divergence of their interests with those of the shareholders. These theoretical arguments have been tested by empirical studies by (Solichah, & Fachrurrozie, 2019; Florackis et al., 2020) who have shown that low participation of managers in the capital of the firm widens the gap between their interests and the interests of the shareholders, and leads to increased demand for transparent financial disclosure (Tsang, et al., 2019; Cheng et al., 2020, Araújo, et al., 2020, Choi, & Nam, 2020). The following hypothesis has been formulated:

H3.d: Ceteris paribus managerial ownership affects accounting value relevance and conservatism.

3. Research Methodology

The initial sample of this study consists of companies listed on the French SBF 120 index. Indeed, according to the accounting literature, banks and financial and insurance companies are excluded from the initial sample. The ignorance of these entities is due to the structure of their activity and their specificity concerning informational obligation. The choice of SBF 120 companies is justified by several reasons, including:

- The importance of the market capitalization of the companies that make up this index: indeed, this index contains 120 SBF: of which the first 40 stocks that make up the CAC 40 index beyond the 80 other securities (SBF 80 created since the year 1997). So the SBF 120 is wider and more diverse than the CAC 40 index.
- The diversification of industries and sectors of activity.
- The size of the companies (over 300,000 people employed, turnover, world rank of these companies).
- From this population, we have excluded banks, and financial and insurance companies since they are subject to specific rules.

Table 1: Sample of firms during the period of 2008-2013

Companies forming the SBF 120 index.	120	100%
Banks, Insurance and Holding Companies	20	16,67%
Absence of data during the study period	20	16,67%
Final sample	80	66,66%
Number of observations	480	

Based on the work of Ohlson (1995), whose variation in the market price of the firm (dependent variable) is explained through the accounting data as presented in the following equation:

$$P_{it} = \gamma_0 + \gamma_1 EPS_{it} + \gamma_2 BV_{it} + \varepsilon_{it} \quad (\text{eq. 1})$$

P_{it} : Share price of the company i six months after year-end Ohlson (1995); Areneke, & Kimani. 2020, Burke et al., 2020, Amel-Zadeh et al., 2020.

EPSit: Earnings per share of a company i at time t, Ohlson (1995); Choi, & Nam, 2020, Cormier, et al., 2020, Liao et al., 2020, Dennis et al., 2020.

BVit: Carrying amount of equity per share of company i at time t; (Ohlson (1995), Fortin et al., 2019, Areneke, & Kimani, 2019, Dennis et al., 2020,

Pit: the closing price of the company's shares six months after the end of the financial year (t). That is three months after the publication of the financial statements of the company following the work of Ohlson (1995); Areneke, & Kimani, 2019, Gavanet al., 2020, Liao et al., 2020, Rahmat et al., 2020.

Several studies on accounting information relevance, based on the share price model in different contexts, concluded the importance of the book value of shareholders' equity per company share (BV) and the earnings per share EPS in explaining the market value of the firm. Based on this result we expect a positive effect book value of equity per company share (BV) and earnings per share (EPS) on the Market value of the company

(Arenek & Kimani, 2019, Azar et al., 2019; Fortin et al., 2019, Gavan et al., 2020, Liao et al., 2020) the following model proposes to test the effect of governance mechanisms and accounting data in the assessment of the market price of the company.

$$Pit = \gamma_0 + \gamma_1 EPSit + \gamma_2 BVit + \gamma_3 NBRA + \gamma_4 COTMLit + \gamma_5 COTUSAit + \gamma_6 TAILCOMit + \gamma_7 BINDit + \gamma_8 DUALit + \gamma_9 COMSURVit + \gamma_{10} OWNCONCEit + \gamma_{11} OWINSTit + \gamma_{12} OWNEXTit + \gamma_{13} OWMANAGit + \gamma_{14} SIZEit + \gamma_{15} ROAit + \gamma_{16} GEARit + \epsilon it \quad (eq. 2)$$

Pit: Share price of the company i six months after the closing of the financial year t;

EPSit: Earnings per share of company i at time t;

BVit: Carrying amount of equity per share of a company i at time t;

NBRAit The number of financial analysts who follow the company

COTMLit Binary variable that takes the value 1 if the company is listed on two or more stock markets and 0 otherwise.

COTUSAit Binary variable that takes the value 1 if the company is listed on a US market, and 0 otherwise.

TAILCONit Total number of directors on the board of directors.

BINDit The proportion of independent directors of the board of directors

DUALit Binary variable takes the value 1 in the case where the functions of president and general manager are assumed by the same person and 0 otherwise.

COMSURVit Coded binary variable 1 if the firm has one or more specialized committees and 0 otherwise.

OWNCONCEit is the sum of the squares of the percentages of shares held by the first and second shareholders.

OWINSTit The proportion of shares held by French and foreign institutional investors.

OWNEXTit The proportion of ordinary shares held by foreign investors,

OWMANAGit The proportion of ordinary shares held by company executives.

SIZEit Natural logarithm of total assets of the company.

ROAit the profitability of invested capital

GEARit the ratio of long-term debts

Table 2 summarizes the trend of each of the variables in the relevance model of the accounting data, the average value of the variable P is of the order of 46.55681. For the EPS variable, the average is 3.657567, while the average book value of equity per share is around 25.10118.

Table 2: Descriptive statistics of variables in the accounting data relevance model

Variable	Mean	Standard Dev.	Min	Max
P	46,55681	29,60848	5,95178	151,65
EPS	3,657567	1,903488	-0,6270784	5,33
BV	25,10118	21,05904	0,6661521	103,3168

The interpretation of the results presented in the table below allows us to put forward some analyses concerning the general characteristics of the empirical model as well as the validation of the hypotheses of research carried out by the multivariate analysis. Indeed, the value taken by the explanatory power of the first adjusted R2 model of the first model $R^2_{\text{adjusted}} = 0.5723$ reflects a good quality of the model, with an adjusted R2 of 57.23% making useful the judgment of a good quality of the empirical model. The adjusted pseudo R2 resulting from the estimation of the second model takes the value of 0.6167. This assumption implies that the integration of the different explanatory variables explains 61.67% of the variation of the dependent variable. The estimation of the second model shows that the integration of the new explanatory variables makes it possible to improve the quality of the model compared with the first model, which reflects a strong association between accounting figures, corporate governance, and the value of the market. This result is consistent with the work Azar et al., 2019; Rahmat et al., 2020, Liao et al., 2020, Amel-Zadeh et al., 2020, Burke et al., 2020, Firmansyah, & Yusuf, 2020. Following the confirmation of the quality of the evaluation models, we will mobilize the theoretical framework of the argumentation of the results of the multivariate analysis which justifies the relation between the relevance of the accounting data and corporate governance

Regarding the result of the γ_1 estimate (table 3), we can emphasize that the regression coefficient for the EPS variable, which is the net income per share, is positive and significant at the 1% level. Comparing the estimation result of the model (eq.1) with that resulting from the estimation of (eq.2), we find that the integration of the different assumptions related to the hypotheses ensures the connection between the market value, the corporate governance mechanisms, and book value. This postulates that fair value makes accounting information more relevant, so it can be seen as a common thread in the convergence of accounting and finance. The results obtained confirm the expected signs and corroborate the results of previous work (Ohlson 1995, Li, et al., 2019, Crawford et al., 2020 Francis et al., 2020, Rahmat 2020 et al., 2020, Driskil et al., 2020) which prove the positive effect of earnings per share on the share price of the company.

Regarding the result of the estimation, we can emphasize that the coefficients relating to the variable BV, denoting the carrying amount of equity per share, are positive and significant at the 1% level respectively for both the first model and the second model. This assumption implies that an increase in the carrying amount of equity per share is equal to the increase in the market value of the shares. Like the results of the work of (Ohlson 1995, Wang et al., 2019), the results of our

study indicate that the accounting information of own funds better reflects the share price of SBF 120 companies.

An examination of the γ_3 coefficient (Table 3) is used to assess the intensity of the relationship between the relevance of accounting data and the number of financial analysts. Indeed, said association is positive but not significant. Indeed, having a positive sign implies that the higher the number of financial analysts, the more likely it is that it sends a signal to the market about its importance and that it broadcasts more relevant information (Flores, et al., 2019, Gleason, et al., 2019, Li, et al., 2020). This signal is justified by the influence on investors' expectations and its brand image.

The results give the elements of acceptance of the hypothesis of the cross-listing indeed, an unexpected sign of the coefficient of this variable leads to the conclusion that the cross-listing on several stock exchanges makes an interest for the company which diffuses relevant accounting figures at a significance rate of 1%. Such a positive association indicates that SBF120 companies that are listed in two or more overseas markets need to enforce different regulations and face a demand for information that is more relevant than the domestic financial market (Ghadhab, 2019).

The results show the existence of a positive association between listing in a US market and the relevance of accounting data. The coefficient relative to the variable COTUSA, denoting the quotation on a US market, is positive and significant at 10% Such a positive association indicates that an SBF120 company listed on a US market and that complies with its developed and binding regulations, sends a signal on the quality of the accounting figures which allow it to attract potential US investors, face a demand for information that is more relevant than the domestic financial market. This proves that for American investors, the price of the company's stock constitutes an "optimal signal" that directs the allocation of resources to the capital markets (Ghadhab, 2019).

The regression coefficient of the variable TAILCON, denoting the size variable of the board of directors, is negative and statistically significant at a rate of 5%, this indicates that the smaller the Boards are they are associated with a higher market valuation (Cormier et al., 2019).

The results give the elements of acceptance of the hypothesis of the independence of the members of the board of directors. Indeed, an expected coefficient sign of this variable leads to the conclusion that the percentage of independent directors positively but not significantly affects the share price of SBF 120 companies. The results found highlight the importance of the effect of the BIND variable on the market value (Areneke, & Kimani, 2019, Adeabah et al., 2019).

About the result of the estimation of the second model, the results give the elements of acceptance of the hypothesis of the duality of the functions indeed, an expected coefficient sign of this variable leads to the conclusion that the duality of functions Chairman and CEO negatively affects the share price of SBF 120 companies at the level of 1%. The results found highlight the importance of the effect of the DUAL variable on the market value (Areneke, & Kimani, 2019, Almujaed, & Alfraih, 2020).

The regression coefficient of the COMSURV variable, designating supervisory committees within the board, is positive and statistically significant at a rate of 1%. This assumption implies a strong positive association between the value of the enterprise market and the creation of a supervisory board (Elmagrhi et al., 2020).

The results give the elements of acceptance of the property concentration hypothesis indeed, an expected coefficient sign of this variable leads to the conclusion that a concentrated property structure negatively affects the share price of the property. enterprise of SBF 120 companies at a significant rate of 5%. The results found highlight the importance of the effect of the OWNCONCE variable on the market value (Fiandrino et al., 2019, Karajeh, 2019, Hegde et al., 2020).

As for the variable OWINST, denoting the proportion of shares held by French and foreign institutional investors, it has a positive and significant regression coefficient). This assumption shows that an increase in the institutional ownership of a unit is worth the increase in the market value (Cheng et al., 2020, Dai, & Ngo, 2020).

For the outcome of the second model estimate, the regression coefficient for the variable OWNEXT, which is the proportion of common shares held by foreign investors, is positive and statistically significant at a level of 10%. This assumption implies the existence of a strong association between the market value of the company and the proportion of shares held by foreign investors. This indicates that the ownership of foreign investors is considered an important determinant of portfolio choice by investors and therefore of the company's stock price (Cheng et al., 2020, Araújo, et al., 2020).

The regression coefficient of the variable OWMANAG, derived from the estimation of the second model, is negative but statistically insignificant. This assumption implies the existence of a negative association between the value of the enterprise market and the managerial property (Tsang, et al., 2019, Choi, & Nam, 2020).

As for the other control variables, the GEAR variable, denoting the level of indebtedness of the company, is negatively and statistically significant during the action. The variables SIZE and ROA, respectively designating the size of the firm and the profitability of the capital invested, have positive but not significant effects on the accounting value relevance (Florackis et al., 2019, Albitar et al., 2020).

Table 3: Regression results

Variables	(eq. 1)			(eq. 2)		
	Coefficient	t-student	p-value	Coefficient	t-student	p-value
Cons	21.27144	15.39***	0.000	45.54742	1.27	0.203
EPS	.2811724	5.81***	0.000	.3213659	6.75***	0.000
BV	.9663673	22.10***	0.000	.9643095	2.28***	0.000
NBRA	.	.	.	.1400492	0.96	0.336
COTML	.	.	.	3.551134	3.77***	0.000
COTUSA	.	.	.	4.910342	1.98*	0.090
TAILCON	.	.	.	-.5771624	-2.15**	0.032
BIND	.	.	.	1.968087	0.34	0.738
DUAL	.	.	.	-6.47528	-3.09***	0.002
COMSURV	.	.	.	.9675125	5.26***	0.000
OWNCONCE	.	.	.	-5.110372	-2.09**	0.025
OWINST	.	.	.	1.602975	1.57*	0.061
OWNEXT	.	.	.	4.121193	1.96*	0.051
OWMANAG	.	.	.	-1.959664	-0.73	0.466
SIZE	.	.	.	4.673368	1.16	0.249

ROA	.	.	.	1.35781	0.87	0.930
GEAR	.	.	.	-.3536059	-1.33***	0.085
F(2, 477)	321.41			F(16, 463)		49.16
Prob > F	0.0000			Prob > F		0.0000
R2	0.5740				0.6295	
R2 adjusted	0.5723				0.6167	

Note: ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

The accounting conservatism approach

To appreciate the degree of conservatism practised by the French companies of the SBF 120, we will use the model of Basu (1997) also called the differential in the speed of publication in the result of bad and good news (the differential timeliness of earnings with respect to bad and good news. The general form of Basu's (1997) model equation is:

The basic model of conservatism developed by Basu (1997):

$$\frac{X_{it}}{P_{it-1}} = \beta_0 + \beta_1 D_{it} + \beta_2 R_{it} + \beta_3 R * D_{it} + \varepsilon_{it} \text{ (eq. 3)}$$

To establish the validity of the implication of corporate governance on accounting conservatism, we will proceed to the use of a modified model of Basu (1997), which integrates in addition to the explanatory variables of Basu's model.

$$\begin{aligned} \frac{X_{it}}{P_{it-1}} = & \beta_0 + \beta_1 D_{it} + \beta_2 R_{it} + \beta_3 R * D_{it} + \beta_4 NBRA + \beta_5 COTML_{it} + \beta_6 COTUSA_{it} + \\ & \beta_7 TAILCOM_{it} + \beta_8 BIND_{it} + \beta_9 DUAL_{it} + \beta_{10} COMSURV_{it} + \beta_{11} OWCONCE_{it} + \\ & \beta_{12} OWNINST_{it} + \beta_{13} OWNEXT_{it} + \beta_{14} OWMANAG_{it} + \beta_{15} SIZE_{it} + \beta_{16} ROA_{it} + \\ & \beta_{17} GEAR_{it} + \varepsilon_{it} \end{aligned} \text{ (eq. 4)}$$

X_{it} The earnings per share of firm i for fiscal year t .

P_{it-1} The price per share i at the beginning of the fiscal year t .

R_{it} : The firm's yield per share for twelve months beginning nine months before the end of the fiscal year t (P_{t-1}) and ending three months after and ending three months after the end of the fiscal year t the year tax t (P_t),

D_{it} : A dichotomous variable is equal to 1 if $R_{it} < 0$ and 0 otherwise.

Descriptive statistics

The results present the trend of each of the accounting conservatism model variables. During the study period, concerning the practice of accounting conservatism, we note that the value of the Profit / Price ratio varies between -.5840761 and 0.82, with a standard deviation of .1911776 and an average of .0375848. means that the distribution of results is off-axis to the left (or negatively off-axis). This is consistent with the intrinsic characteristics of accounting figures that underestimate the value of the company due, in particular, to the practice of accounting conservatism. The results are consistent with those of previous research (Rahmat et al., 2020).

Table 4: Descriptive statistics

Variable	Moyenne	Ecart-type.	Minimum	Maximum
$X_{it}/P_i(t-1)$	.0375848	.1911776	-.5840761	.82
D	.3333333	.4718963	0	1
R	.0604915	.838029	-1.9011494	2.591796
RD	-.0755545	.1480259	-1.9011494	0

Multivariate Analysis: Results and Interpretations

The interpretation of the results presented in the table below allows us to put forward some analyses concerning the general characteristics of the empirical models as well as the validation of the hypotheses of research carried out by the multivariate analysis. In fact, the value taken by the explanatory power of the first adjusted R² model of the first model $R^2_{adjusted} = 0.4426$ reflects a good quality of the model. The adjusted R² resulting from the estimation of the second model takes the value of 0.4804. This assumption implies that the integration of the different explanatory variables explains 48.04% of the change in accounting conservatism of the companies in the sample. The estimation of the second model shows that the integration of the new explanatory variables improves the quality of the model compared with the first model, which reflects a strong association between conservatism, and the variable corporate governance of the basic model. Basu 1997. This result is consistent with the work (Zulfikara, et al., 2020, Yin et al., 2020)

After confirming the quality of the evaluation models, we will mobilize the theoretical framework of the argumentation of the results of the multivariate analysis that justifies the relationship between accounting conservatism and corporate governance mechanisms.

As regards the result of the estimation β_1 (Table 5), we can emphasize that the regression coefficient relating to the variable D, which takes a value of 1 if the yield per share of the firm $R_{it} < 0$ and 0 otherwise, is negative but not significant for the first evaluation model (eq.3). This shows that the importance of this variable as a determinant of accounting conservatism level. By integrating the different explanatory variables in the second model (eq.4), the results are similar to those obtained with the estimation of the first model (eq.3). The regression coefficient related to variable D takes a significant value. By comparing the estimation result of the model (eq.3) with that resulting from the estimation of (eq.4), we find that the integration of the different assumptions related to the hypotheses ensures the connection between the stock market return, the mechanisms of corporate governance and accounting conservatism. The results obtained confirm the expected signs and corroborate the results of the previous studies (Nasr, & Ntim, 2018, Solichah, N., & Fachrurrozie, 2019, Nguyen et al., 2019, Rahmat et al., 2020) provide the negative effect of the dummy variable related to stock market performance on the level of conservatism of the company.

In Basu's (1997) model, the interaction between accounting conservatism and positive return, which is the proxy for good news, is evaluated by the β_2 coefficient. About the result of the estimate, we can emphasize that the coefficients relating to the variable R, designating the yield per share of the firm i during twelve months starting nine months before the end of the fiscal year t (P_{t-1}) and ending three months after and ending three months after the end of the fiscal year t (P_t), are positive and significant at the 1%, for the second model. The positive sign of the

coefficient assigned to the firm's return-by-share variable presents a response for good and bad news spread by the companies. Like the results of the work of (Nasr, & Ntim, 2018, Nguyen et al., 2019, Rahmat et al., 2020, Dai, & Ngo, 2020), the results of this study indicate that all regression coefficients are positive and that only constant and the β_2 coefficient are statistically significant at the conventional 1%. This means that listed French firms practice accounting conservatism.

The relation between the accounting result and the negative returns, which represent the substitution variable of bad news, is measured by the sum of the coefficients β_2 and β_3 . Concerning the result of the estimation, we can emphasize that the coefficients relating to the variable. DR, denoting the response coefficient that detects the effect of bad news, has positive values and significant values at levels of 10% and 1% respectively for the first model of Basu as well as for the second model of Basu (1997) modified. Referring to the work of Nasr, & Ntim, 2018, Nguyen et al., 2019, Rahmat et al., 2020, Dai, & Ngo, 2020, the β_3 coefficient measures the sensitivity of the results to negative returns.

The comparison of the explanatory power of the Basu (1997) R2 basic model applied to the study sample with that of the Basu model (1997) modified by the integration of the governance mechanisms, reveals that the implication of the mechanisms of governance shows that the accounting results of French listed companies are faster to incorporate the bad news than the good news. Indeed, the fact of having a coefficient of determination R2 of the model (eq. 4) is clearly greater than the R2 of the model (eq. 3). This coefficient of determination is of the order of 46.13% in the (eq. 4), while it reaches 44.61% in the (eq. 4). Based on the coefficient of determination, it seems that the governance mechanisms contribute to the explanation of conservatism practices of French firms. These results are broadly in line with those found by the empirical research of (Nasr, & Lobo et al., 2020, Dai, & Ngo, 2020).

Examining the β_4 coefficient allows us to assess the intensity of the relationship between earnings and the number of financial analysts. Indeed, the association is significant and positive at a level of 5%. Indeed, having a positive sign implies that the higher the company is followed by a higher number of financial analysts, the greater the probability that it practices accounting conservatism (Nasr, & Ntim, 2018; Healy, & Serafeim, 2020; Liu, & Li, 2020, Rahmat et al., 2020, Dai, & Ngo, 2020). This signal is justified by the influence of good news and bad news on earnings per share.

The results give the elements of acceptance of the hypothesis of the cross-listing indeed, a positive sign of the coefficient of this variable leads to the conclusion that the companies listed on two or more markets practice more accounting conservatism than those of the financial market. Such a positive association indicates that companies listed in two or more markets practice more accounting conservatism than those in the domestic financial market (Flores et al., 2019; Do & Zhang 2020, Driskill et al., 2020, Druz, et al., 2020).

The results show the existence of a positive association between listing in a US market and accounting conservatism. The coefficient relative to the variable COTUSA, denoting the quotation on a US market, is positive and significant at 10%. Such a positive association indicates that companies listed on a US market practice more conservatism accounting than those listed on other trading areas (Ghadhab, 2019; Li et al., 2019).

The regression coefficient of the variable TAILCON, denoting the size variable of the board of directors, is negative and statistically significant at 1%, this indicates that the more the advice

of administration is small plus the more effective, because of the ease of coordination (Enache, & García-Meca, 2019, Yin et al., 2020).

The results give the elements of acceptance of the hypothesis of the independence of the members of the board of directors. Indeed, an expected coefficient sign of this variable leads to the conclusion that the percentage of independent directors positively affects the accounting conservatism practice. The results found highlight the importance of the effect of the BIND variable on the practice of corporate accounting conservatism (Nguyen et al., 2019, Nguyen, et al., 2020, Al-Shaer, & Harakeh, 2020).

With regard to the result of the estimation of the second model, the results give the elements of acceptance of the hypothesis of the duality of the functions indeed, an expected coefficient sign of this variable leads to the conclusion that the duality of functions Chairman and Chief Executive Officer negatively affects the share price of SBF 120 companies.

The results found highlight the importance of the effect of the DUAL variable on the market value several researches show that no significant effect can be exerted by the combined structure on the decision-making of disclosure. On the contrary, other studies found that firms with a combined structure exert a greater demand for accounting conservatism to offset the weakness of corporate governance. Like the works of Goergen et al., 2019, and Arayssi et al., 2020), the results of the study show a negative and significant association between the combined structure and the level of accounting conservatism practice of the companies in the study sample. The regression coefficient of the COMSURV variable, designating supervisory committees within the board, is positive and statistically significant at the 1% level. This assumption implies a strong positive association between the value of the enterprise market and the creation of a supervisory board (Agyei-Mensah et al., 2020, Budiharta et al., 2020).

The results give the elements of acceptance of the property concentration hypothesis indeed, an expected coefficient sign of this variable leads to the conclusion that a concentrated property structure negatively affects the share price of the property. SBF 120 companies at a significant rate of 5%. The results found highlight the importance of the effect of the OWNCONCE variable on the market value (Viana & Crisóstomo 2019, Karajeh, 2019).

As for the variable OWINST, designating the proportion of shares held by French and foreign institutional investors, it has a positive and statistically significant coefficient. This assumption shows that an increase in institutional ownership of one unit is worth the increase in the market value (Tran, & Beddewela 2020).

Regarding the result of the estimation of the second model, the regression coefficient of the variable OWNEXT, denoting the proportion of ordinary shares held by foreign investors, is positive and significant at the level of 10%. This assumption implies the existence of a strong association between accounting conservatism and the proportion of shares held by foreign investors. This indicates that the ownership of foreign investors is considered an important determinant of portfolio choice by investors and therefore of the company's stock price (Tsang et al., 2019).

The regression coefficient of the variable OWMANAG, derived from the estimation of the second model, is negative but statistically insignificant. This assumption implies the existence of a negative association between the value of the enterprise market and the managerial property ($\beta_{14} = -1.959664$ and t-student = -0.73). Solichah, & Fachrurrozie 2019, Zulfikara et al., 2020, Dai, & Ngo, 2020 obtained similar results that show that managerial property is negatively related

to accounting conservatism. As for the other control variables, the variable GEAR, denoting the level of indebtedness of the company, is negatively and statistically significant. According to the theory of the agency, the separation between ownership and management, and the existence of creditors give rise to an agency conflict, the information asymmetry between them leading to an asymmetrical loss function, which induces an accounting conservatism (Ahmed, et al., 2020; Kim, 2020). The variables SIZE and ROA, respectively designating the firm's size and the profitability of the capital invested, have positive but not significant effects on the level of conservatism of French companies (Ahmed, et al., 2020; Burke et al., 2020).

Table 5: Regression results of accounting conservatism models

Variables	(eq. 1)			(eq. 2)		
	Coefficient	t-student	p-value	Coefficient	t-student	p-value
Cons	.0300471	3.68***	0.000	.602285	0.82	0.415
D	-.0226887	-1.13	0.259	-.0346252	-4.55***	0.000
R	.0322298	18.74***	0.000	.1935427	18.13***	0.000
RD	.0581806	2.26**	0.062	.1470169	6.94***	0.000
NBRA	.	.	.	.000758	2.01**	0.045
COTML	.	.	.	.0391704	1.34	0.191
COTUSA	.	.	.	.0047104	2.05*	0.071
TAILCON	.	.	.	-.0009531	-2.02*	0.092
BIND	.	.	.	.0301298	2.23*	0.054
DUAL	.	.	.	-.0250242	-2.07*	0.070
COMSURV	.	.	.	.0079034	1.74	0.116
OWNCONCE	.	.	.	-.1306518	-3.98**	0.018
OWINST	.	.	.	.0327626	1.37	0.171
OWNEXT	.	.	.	.2186745	2.36**	0.026
OWMANAG	.	.	.	-.0523342	-1.51	0.164
SIZE	.	.	.	.0713705	0.85	0.395
ROA	.	.	.	.010788	0.25	0.799
GEAR	.	.	.	-.0001386	-0.27	0.802
F(2, 477)	127.80			F(16, 463)		
Prob > F	0.0000			Prob > F		
R2	0.4461			0.4804		
R2 ajusté	0.4426			0.4613		

Note : ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Conclusion

Through this research, we have attempted to study the determinants of the quality of the financial disclosure of companies listed on the SBF 120 stock exchange during the periode 2012 to 2018. We found that a company may have a high probability that its financial disclosure is of high quality associated with the existence of a large number of financial analysts who follow the company, a listing on a US stock exchange, and the structure of the company. dispersed capital, shareholders of institutional investors hold a significant stake in the capital of the company, foreign shareholders are important, a board of directors is characterized by a small size, a large

proportion of independent directors, a separation of functions as well as the creation of a supervisory board, as well as a high performance and a low level of debt. The results obtained, by the estimation of (eq. 1) relating to the choice of the model of relevance and accounting conservatism, have shown that the evaluation of market quotation by the fair value better reflects the economic and financial reality of the company than that based on the historical cost. This implies that quality information disseminated by the company has become a preferred tool for investors in their investment choices.

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