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Article:	**Accounting Standards as a Moderating Stimulus on the Nexus between the Corporate Governance and Accounting Conservatism: Insights from the Emerging Market Economy**
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ABSTRACT

This study aims to investigate the moderating influence of accounting standards on the relationship between corporate governance and accounting conservatism in the financial statements of firms in the Islamic Republic of Pakistan. A sample of the seventy most active nonfinancial firms for the period 2009-2021 is used for hypothesis testing. The corporate governance mechanisms used in this study cover ownership structure, and board characteristics. Data of relevant variables have been obtained from the open door for all, PSX, and sites of SBP. Panel data methodology has been employed to ensure the influence of corporate governance on conservatism in presence of accounting standards used as a moderator. The findings of the first model (direct effect) in this study indicate that managerial ownership, Institutional ownership, board attendance, board independence, and board diversity have a significant positive association whereas, foreign ownership has a negative significant relationship with conservatism. The findings of the second model (moderating effect) show that accounting standards positively moderate the nexus of corporate governance and conservatism. The study's findings are significant for a think tank that develops policies for the corporate sector in Pakistan to focus on governance, conservative accounting principles, and accounting standards for discouraging agency problems and information asymmetry.
Keywords: Accounting standards; Accounting conservatism; IFRS; GAAP; Firm Governance; Agency theory

1. INTRODUCTION

Accounting scandals and irregularities are what are referred to as corporate scandals when they are committed by a company's management with the intent to manipulate financial reports and present them dishonestly in order to deceive investors and sway their judgment, which has a negative impact on the firm's earnings and status (Khan, Ahmad, & Malik, 2022). According to the agency theory, the manager, who acts as an agent, and the principal, who is the owner, has different levels of information (Jensen & Meckling, 1976, 2019). Management should give shareholders accurate reports about the state of the company because managers are better knowledgeable than shareholders about a company's internal situation and imminent business possibilities (Narastri, 2022). However, the information could not accurately reflect the company's true state. This results from conflicting of interests between the agent and the principal of pertinent firms (Gholamrezapoor, Kazemi, Amirnia, & Arab, 2022).

Corporate governance refers to the set of guidelines, rules, and SOPs that regulate and control firms, their whole activities and discouraging agency issues for developing the trust of shareholders in capital markets. Corporate governance practices align managers' and shareholders' interests in the firm concerned for smooth functions (Khan et al., 2022; Sharma & Kaur, 2021; Yousaf Khan, Ahmad, & Malik, 2021).

An accounting standard is a typical set of guidelines that serve as a framework for financial accounting rules and norms. The entire scope of an entity's financial outlook, including assets (related to holdings), liabilities (concerned with creditors), revenue (source of inflow), expenses (means of outflow), shareholders' equity (concerned with capital), and other financial operations across entities and through time, are subject to accounting standards (Malone, Tarca, & Wee, 2016). In the US, both public and private organizations frequently apply the GAAP. Most of the rest of the world employs IFRS. The use of these standards is needed by multinational firms. In essence, accounting standards increase financial reporting's integrity across the world (Kohlbeck & Warfield, 2010; Perry & Nöelke, 2005). International Financial Reporting Standards (hereinafter IFRS) are a pool of accounting codes of practice for public firms' financial statements designed to make them standard, integrity, and vivid to understand worldwide. It is now usual practice for governments to adopt IFRS as part of their statutes. The IFRS have been adopted by many countries, and some more are in the process of doing so (Christensen, Lee, Walker, & Zeng, 2015; Rashid, Amin, & Farooqui, 2012). The introduction of IFRS by the IASB in 2004 as an improvement to IAS leads to greater accounting quality, increased market volatility, and the lowest return on capital. IFRS is the only standard that provides current information that may be used to make decisions when compared to GAAP (also called US GAAP). Since shareholders would be able to more easily follow the management of the company's actions regarding high-performance groups. Adopting IFRS will improve a company's possibility to maximize overall value proposition (Bellandi, 2012). Adoption of accounting standards (IFRS) could increase the level of conservatism by delaying the recognition of gains (Hamdan, Kukrija, Awwad, & Dergham, 2012; Srivastava & Tse, 2009). International accounting standards have undergone a notable transformation recently in order to guarantee acceptance and comprehension by those who used accounting information. To improve financial statement comparability and transparency, a unified set of international accounting standards called IFRS has been introduced. As a result, it is anticipated that this strategy will lessen the level of earnings management and guarantee greater financial reporting quality (Ferentinou & Anagnostopoulou, 2016; Hasan & Rahman, 2017).

Accounting conservatism is generally defined as anticipating no profit while anticipating every loss. A less extreme version of accounting conservatism has replaced this extreme one, though. Today, Accounting conservatism, one of the Core precepts of financial reporting, reflects a firm's tendency to recognize 'bad news' more promptly than 'good news' (Basu, 1997). Actually, conservatism requires a greater level of verifiability for recognizing good news than bad news in earnings. According to the accounting conservatism principle, firm accounts must be prepared with prudence and extensive verification. Gains can only be recognized once they have been completely realized, whereas all probable losses are recorded as soon as they are found. Accounting conservatism, one of the essential principles of accounting, reflects a firm's tendency to notice "bad news" more quickly than "good news" in financial reporting (Basu, 1997; Bliss, 1924). Paradoxically, conservatism demands more verifiability for identifying positive earnings news than negative. Simply, Conservatism is characterized from the perspective of profit and loss by a tendency to discern losses promptly and profits slowly.

Shareholders are ruthlessly curious in how managers use accounting conservative rules to their financial projections either because it typically leads in enhanced shareholder protection (Khan et al., 2022). The fact that not all accounting-related aspects are covered by accounting standards and some require a manager's discretion—which can range from unbiased to aggressive, and then finally to conservative behavior and decisions—is one factor contributing to the growing interest in accounting conservatism. As a result, it may be said that a manager's plans affect the degree of accounting quality (Barth, Landsman, & Lang, 2008; Nasr & Ntim, 2018).

Many of the scholars (Bhagat & Bolton, 2019; Yousaf Khan et al., 2021) examined the influence of firm governance on performance and conservatism in reaching the appropriate outlook about the fairness of the financial statements and resolving the agency issues that take place between shareholders and firms' management. Some researchers have examined the relationship of firm governance and conservatism by applying different moderating variables including audit quality, disclosure quality, state ownership and leverage (Eforis & Uang, 2015; Hajawiyah, Wahyudin, Kiswanto, Sakinah, & Pahala, 2020; Saeed & Saeed, 2018; Yousaf Khan et al., 2021).

There is a plethora of ways in which this study differs from prior studies. First, we instigate by directly examining the impact of CG processes. Second, we look into the moderating effect of global accounting standards on the relationship between CG mechanisms and conservatism for the growing economies of Pakistan to discourage agency issues and develop the trust of shareholders in the capital market of Pakistan.

The rest of the study is divided into the following sections. In Section 2, the paper provides the literature on CG mechanisms, accounting standards, accounting conservatism, and the development of the hypothesis. Research methodology is presented in Section 3 before an empirical analysis which is shown in Section 4 of this article. The article's conclusion is covered in Section 5. The study ends with Theoretical and Practical Contributions in Section 6.

2. LITERATURE

2.1 Theorical literature

The concept of corporate governance includes various theoretical perspectives. As a result, each pertinent theory is warily considered. Agency theory and positive accounting theory are the most relevant for extensive studies on corporate governance, accounting conservatism, and accounting standards.

2.1.1 Agency Theory

This idea was first put forth by Alchian and Demsetz in 1972, and J. and mackling later indorsed it in 1976. It focuses on the relationship between top executives (management) and all stockholders. The former provides the latter authority to make decisions on their behalf. According to Bonazzi and Islam (2007) and Susilo and Ria (2022) the latter, however, fails to advance the principal's interests beyond his own, potentially leading to agency conflict and asymmetrical interaction.

2.1.2 Accounting theory

The core norm of positive accounting theory is that accounting theory should explain and forecast accounting behaviors. The goal of positive accounting theory is to explain a method that makes use of accounting knowledge, techniques, and understanding as well as accounting standards that are best suited for handling particular future scenarios.

2.2 Imperical literature and Hypothesis

2.2.1 Managerial ownership and Conservatism

Agency theory states that managers of firms are more motivated to inflate their profits in order to secure ongoing pay (Shapiro, 2005). With the right monitoring, managers' actions could be discouraged (Narastri, 2022). Khan et al. (2022) pointed out a positively significant association between Managerial shareholding (MOW) and accounting conservatism (ACons) in the firms of PSX for the period of 10-years ranging from 2010-2019. Shuto and Takada (2008) have conducted research study in Japan and Abbas, Ismail, Taqi, and Yazid (2022) in Indonesia by examining the effect of managerial ownership on conservatism. They also reported positive relationship between inside shareholding and conservatism. However, it contrasts with the findings of Nugroho and SITI (2012), Ho (2009) and Brilianti (2013)'s study, which found that if the percentage of managerial ownership in firms is low, agency issues will arise that are even higher, leading to a rise in the demand for accounting conservatism in financial statements.

This shows that management's ownership of large shares is linked to or may have an impact on the firms' conservative financial reporting. Thus the following hypothesis in the light of above literature is proposed:

H_1: There is a positive significant association between managerial ownership and conservatism.

2.2.2 Institutional ownership and Conservatism

Large institutional ownership limits managers' actions and has the power, resources, and capacity to influence and control them. Previous researchers found that institutional shareholders are a governance mechanism that contributes significantly to the demand for conservative accounting (Rustiarini, Gama, & Werastuti, 2021). Khan et al. (2022) document a positively significant relationship between Institutional shareholding and conservatism in the firms of PSX for the period of 10 years ranging from 2010-2019. El-habashy (2019) conducted research in Egypt by examining the influence of CG attributes on conservatism. Her sample was 40 firms for the period ranging from 2009 to 2014. She documented in her findings that Instituitional ownership has significant negative influence on conservatism. Similary, Lin (2016) carried out study in US and documented negative association Instituional shareholdings and conservatism. Al-Abedi, Hasen, Mohaisen, and Flayyih (2022) found no relationship between conservatism and instituitional ownership. Therefore, the following hypothesis in the light of above literature is settled:

H2: There is a positive significant association between institutional ownership and conservatism.

2.2.3 Foreign ownership and Conservatism

An (2015) discovered that foreign ownership had a considerable (significant) impact on businesses' conservative accounting in Korea. As a result, he advises that foreign ownership be more active in overseeing management's adherence to accounting principles like conservatism because, in most situations, foreign owners have a tendency to be less vigilant in this regard. Le, Pavelkova, Do, and Ngo (2017) carried out research study in Vietnam and reported negative relationship between FOW and ACons and urged that foreign investors with the low level of ownership do not have significant incentives to oversee managers, hence not going to affect the quality of reporting of firms. Khan et al. (2022) reported no association between the said variables. Therefore, the following hypothesis in the light of above literature is developed:

H3: There is a positive significant association between foreign ownership and conservatism.

2.2.4 Board attendance and Conservatism

A director's demeanor and degree of effort can be evaluated by their attendance at board meetings. The board of directors should meet frequently so they can discuss new ideas and evaluate every part of the economy(Hossain & Oon, 2022). In a French setting, Boussaid, Hamza, and Sougne (2015) look at the association between the characteristics of firm boards of directors and conservatism. They have applied a regression model for the years 2009 through 2012. They argued that being attendance at board meetings encouraged financial statements to be more conservatively stated. Yousaf Khan et al. (2021) have also pointed out positive significant nexus between the said variables with the justification that all relevant issues of firms in meeting of board are discussed which may result in prosperous consequences of firms. Fajarwati and Witiastuti (2022) found that a board that meets less frequently performs poorly than a board that meets more frequently. Thus, the following hypothesis is proposed:

H4: There is a positive significant association between board attendance and conservatism.

2.2.5 Board Independence and Conservatism

Non-executive directors (Bind) are better at supervising management, safeguarding shareholders' interests, and limiting agency conflict (Chiedu, Anichebe, & Emeka-Nwokeji, 2022; Jha, 2021). According to agency theory, Managers of firms are more interested to overstate the profit of firms with the intention to receive more and more payments (DiGabriele, 2021). The behavior of managers could be discouraged through proper monitoring (Thangaveloo, Dorasamy, Bin Ahmad, Marimuthu, & Jayabalan, 2022). In this regard, Mohammed, Ahmed, and Ji (2017) reported that independent directors have more knowledge of financial matters due to their service in other firms, which improves the quality of accounting and understands the worth of implementing conservative accounting. It was argued that the maximum level of board independence allows them to oversee managers by the implementation of accounting conservatism. Khan et al. (2022) andChiedu et al. (2022) pointed out a positively significant relationship between BIndi and conservatism in respective country firms for the period of 10-years period 2010-2019. likewise, El-habashy (2019) conducted research in Egypt and found significant association between BIndi and conservatism. Conversely, Lim (2011) conducted research in Australia and found no correlation between conservatism and the ratio of board independence. Thus the following hypothesis in the light of above literature is developed:

H_5: There is a positive significant association between board independence and conservatism.

2.2.6 Board diversity and Conservatism

Boussaid et al. (2015) in a French setting examined the nexus between the traits of firm boards of directors and conservative reporting for the specified period 2009-2012. They argued that gender (female) on board encouraged financial statements to be more conservative. Similarly, Makhlouf, Al-Sufy, and Almubaideen (2018) and Yousaf Khan et al. (2021) have also reported positive significant nexus between the relevant variables with the justification that female on board have varied confidence which may vividly discourage the malpractices of management in the firms and consequently result in conservative reporting. Hence, the following hypothesis in the light of above literature is established:

H_6: There is a positive significant association between board diversity and conservatism.

2.2.7 Managerial ownership, Conservatism and accounting standards

Latif, Chaudhary, and Waqas (2020) conducted a research study in Pakistan from 2008 to 2017 by examining the moderating role of IFRS on the nexus of conservatism and investment efficiency. They have used panel data methodology techniques over the sample period. They have also used some control variables including size, growth, ROA, and leverage in the research model. They have reported that adopting global accounting standards (IFRS) positively moderates the nexus of conservatism and investment efficiency in Pakistan. Asiriuwa et al. (2019) did research on the association between conservatism and ownership structure during the years 2013 to 2017. Regression analysis was used to test the study's main hypothesis. They reported a positive but insignificant association between ACons and MOW. They urged that financial statements include a more thorough analysis of the ownership and shareholding arrangements in order to give users of the accounting information more information for making decisions and, as a result, reduce agency problems. Hence, the following hypothesis in the light of above literature is established:

H_7: Accounting standards positively moderate the nexus between managerial ownership and conservatism.

2.2.8 Institutional ownership, Conservatism and accounting standards

In Nigeria, between 2013 and 2017, Asiriuwa et al. (2019) conducted research on the relationship between conservatism and ownership structure. The major premise of the study was put to the test using regression analysis. They pointed out the positive but insignificant relationship between conservatism and institutional ownership. Ames (2013) carried out a research study by studying the influence of IFRS on South African accounting quality. They found that earnings quality (accounting quality) does not significantly improve post-adoption. However, value relevance (accounting quality) positively impacts post-adoption. Hence, the following hypothesis in the light of above literature is developed:

H_8: Accounting standards positively moderate the nexus between institutional ownership and conservatism.

2.2.9 Foreign ownership, Conservatism and accounting standards

Asiriuwa et al. (2019) examined the relationship between ownership structure and conservatism in a study conducted in Nigeria between 2013 and 2017. Regression analysis was employed to assess the study's hypothesis. They reported negative and insignificant relationship between foreign ownership and conservative accounting. Ferentinou and Anagnostopoulou (2016) studied the influence of IFRS adoption on EM (earnings management) and reported their findings that this practice is therefore expected to reduce the level of earnings management and ensure higher financial reporting quality. They added suggested that, in order to ensure acceptance and understanding by people who used accounting information, IFRS adoption has recently undergone a dramatic change. IFRS have been adopted to enhance the comparability and transparency of financial statements. Almaqtari, Hashed, Shamim, and Al-ahdal (2021) found that foreign shareholders have negatove significance on compliance with accounting standards (global IFRS). Hence, the following hypothesis in the light of above literature is developed:

H_9: Accounting standards positively moderate the nexus between foreign ownership and conservatism.

2.2.10 Board attendance, Conservatism and accounting standards

Almaqtari et al. (2021) found board attendance (meeting) has negative significance on compliance with accounting standards (global IFRS) in firms in Saudi Arabia. Yousaf Khan et al. (2021) have reported positive significant nexus between the pertinent variables with the justification that all handicaps of firms in meeting of board are conversed which may upshot in affluent concerns of firms. Hashed and Almaqtari (2021) explored at how corporate governance practises affected IFRS compliance and the calibre of financial reporting in a few particular Gulf states. The purpose of the study is to examine this problem using a sample of 98 companies listed in Gulf states between 2015 and 2018. The results are estimated using regression analysis. The findings show that in Gulf enterprises, CG qualities (board participation in meetings) have a greater influence on IFRS compliance and conservative financial reporting. Hence, the following hypothesis in the light of above literature is developed:

H_{10}: Accounting standards positively moderate the nexus between board attendance and conservatism.

2.2.11 Board independence, Conservatism and accounting standards

Almaqtari et al. (2021) reported that CG mechanisms (board independence) encourage the conservative accounting reporting under the sets of accounting standards in sample firms of BSE for the period 2014-2018. Agyei-Mensah (2017) investigated how CG procedures and IFRS compliance are associated. The regression results showed a strong and positive correlation between the percentage of non-executive directors and the degree of IFRS compliance with risk reporting standards. Kabwe, Mwanaumo, and Chalu (2020) found the results indicate a positive statistically insignificant relationship between board independence and IFRS compliance in Zambian listed companies. Hence, the following hypothesis in the light of above literature is developed:

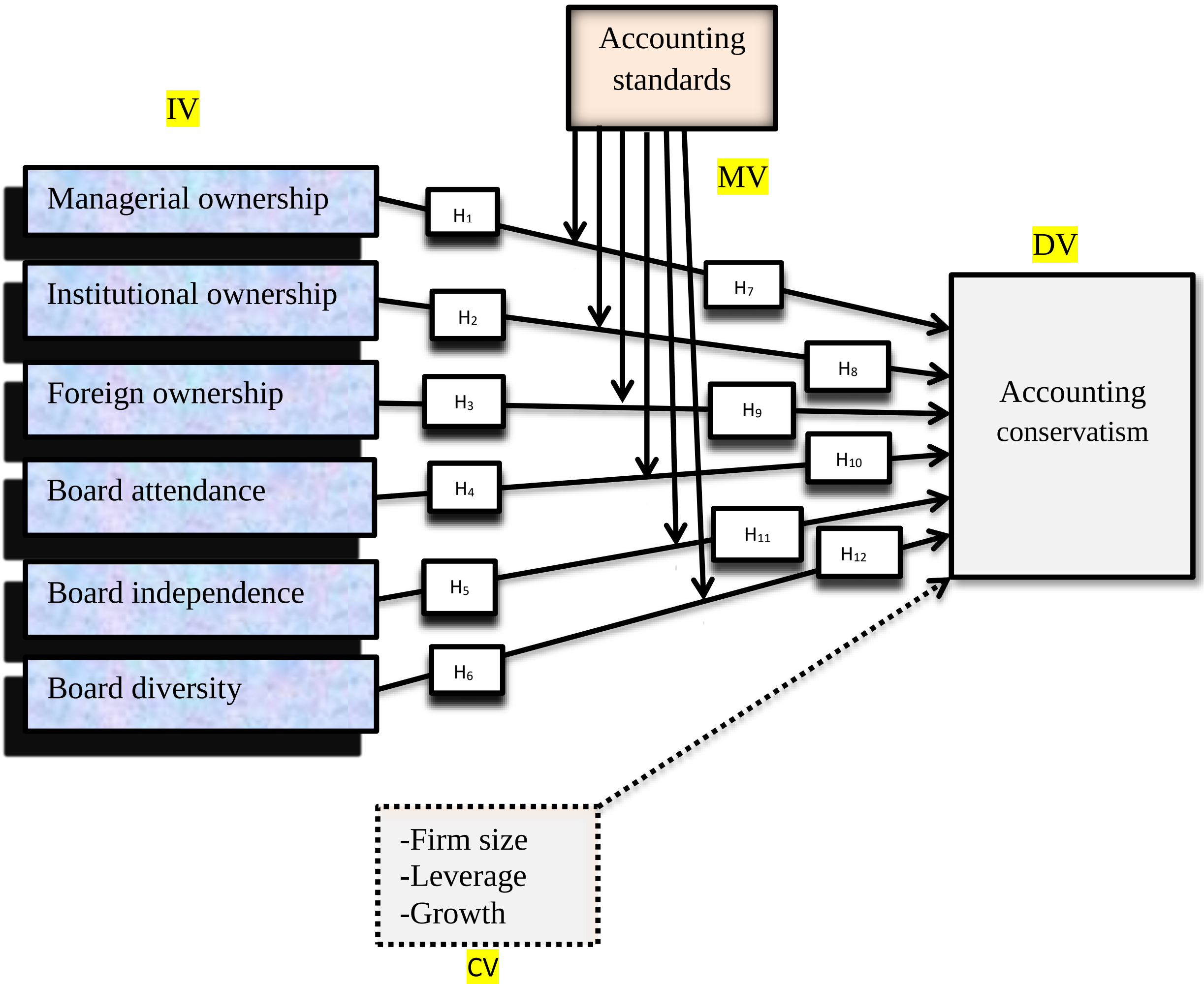
H_{11}: Accounting standards positively moderate the nexus between board independence and conservatism.

2.2.12 Board diversity, Conservatism and accounting standards

Manawadu, Azmi, and Mohamed (2019) investigate how IFRS adoption in South Asia has a moderating impact on the association between FDI and accounting conservatism. They investigated the moderating impact of IFRS adoption on the connection between FDI and conservatism; they employed the model proposed by Basu (1997). The panel generalized method of moments estimate is used to test the data for the years 2006 through 2015. The association between FDI and conservatism in South Asia was found to be moderated by the implementation of IFRS. Kabwe et al. (2020) explored the association between CG characteristics and IFRS compliance in Zambian listed firms. Data was gathered through content analysis of the 2012–2018 annual reports and audited financial statements of 20 Zambian listed companies. They discovered that there is a positive, statistically significant correlation between IFRS compliance and board diversity (gender). Therefore, the following hypothesis in the light of above literature is proposed:

H_{12}: Accounting standards positively moderate the nexus between board diversity and conservatism.

2.3 Theoretical Framework



3. METHODOLOGY

3.1 Sample selection and data

The listed companies on listed on PSX from 2009 to 2021 make up the study's population. Due to variations in reporting structures and standards, financial institutions and insurance companies are precluded. After adjusting for outliers, the final sample, which consists of seventy more active non-financial firms, excluded firms with inadequate data. Data of pertinent variables of sample active firms has been extract from the annual reports (downloaded from PSX and Open door) of non-financial firm listed in the said period of study.

3.2 Measuring variables

3.2.1 Measuring CG attributes

The percentage of common stock that is owned by management is known as managerial ownership (Khan et al., 2022). The proportion of common shares held by institutional investors within firm (Mishra, 2022). The proportion of common shares held by foreigners that are referred to as foreign ownership (Webster, Okafor, & Barrow, 2022; Yousaf Khan et al., 2021).

The board of directors should meet frequently, quarterly or annually so they can discuss new ideas and evaluate every aspect of the business (Makhlouf et al., 2018). The independence of the board is one of the elements of corporate governance. Board composition is used to estimate independence. The appropriate number of independent non-executive directors should be on the board of directors for efficient governance (Koji, Adhikary, & Tram, 2020). The percentage of female directors on corporate boards is known as board diversity (Khan et al., 2022).

3.2.2 Measuring conservatism

There isn't yet a single proxy or measure that is widely used in research around the world to represent conservatism (Khan et al., 2022). For measuring conservatism, many academics have utilized a variety of proxies and measurements in the past. In this study, we employ Basu's (1997) measure of accommodating conservatism as our measure. Basu describes conservatism as occurring when bad news is reported more quickly than positive news. Basu predicted that in a reverse regression of earnings on stock returns, a stronger relationship of earnings with negative stock returns than with positive stock returns would be detected. Stock returns were used as a surrogate for good and bad news(Manoel & Moraes, 2022). The following is Basu's regression model:

$$\boldsymbol{E_{it} = \beta_0 + \beta_1 R_{it} + \beta_2 D_{it} + \beta_3 R_{it} * D_{it} + \varepsilon_{it}}$$

3.2.3 Measuring accounting standards

Accounting standards is measured by IFRS adopted as moderating variable in this study which is being estimated by considering as a dummy Variable. If a company reported its financial statements adopting IFRS, it was recorded as one; otherwise, it was marked as zero (Bryce, Ali, & Mather, 2015; Latif et al., 2020; Manawadu et al., 2019).

3.2.3 Measuring Control Variables

Following previous studies (Khan et al., 2022; Latif et al., 2020; Vuong, 2021; Yousaf Khan et al., 2021), three control variables such as Firm size; Leverage and Growth are used in this article. The first variable is computed as the log of the total assets of each firm. The second is determined by calculating the total sales of the respective firms by their percentage increase. To calculate the third variable, divide the firm's total liabilities by its total assets.

3.3 Empirical Models

A multiple regression analysis is utilized to test the developed hypothesis. Correlation analysis is used in order to check for multi-collinearity and make sure the data is devoid of this phenomenon. Following (Khan et al., 2022), The following regression models have been developed so as to test the proposed hypothesis of this article.

Model 1: Relationship between CG mechanisms and $ACons_{it}$

The following model is developed to investigate direct influence of CG mechanisms and accounting conservatism.

$$ACons_{it} = \beta_o+\beta_1(MOW_{it}) + \beta2(IOW_{it}) +\beta3(FOW_{it}) +\beta4(BAttc_{it})+\beta5(BIndi_{it})+ \beta6(BDiv_{it})+ \beta_7 FirmS_{it} +\beta_8 Levg_{it} + \beta_9 Grwth_{it} +\varepsilon_{it}$$

Model 2: Moderating effect of IFRS on the relation of CG mechanisms and $ACons_{it}$

The following model is developed to investigate moderating effect of accounting standards (IFRS) on the nexus of CG mechanisms and conservatism in firms of PSX.

$$ACons_{it} = \beta_o+\beta_1(MOW_{it}) + \beta2(IOW_{it}) +\beta3(FOW_{it}) +\beta4(BAttc_{it})+\beta5(BInd_{it})+ \beta6(BDiv_{it})+ \beta_7(MOW_{it} * IFRS_{it})+ \beta_8 (IOW_{it} * IFRS_{it})+\beta_9 (FOW_{it} * IFRS_{it})+\beta_{10} (BAttc_{it} * IFRS_{it})+\beta_{11} (BInd_{it} * IFRS_{it})+\beta_{12} +(BDiv_{it} * IFRS_{it})+ \beta_7 FirmS_{it} +\beta_8 Levg_{it} + \beta_9 Grwth_{it} +\varepsilon_{it}$$

4. ANALYSIS AND RESULT

4.1 Descriptive Statistics

Descriptive statistics give an overview of the entire set of data. The results of the analysis provide us the values for the variable means and standard deviation.

Table-1 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
MOW	27.5010	15.7949	0000	72.4800
IOW	12.8319	11.3061	0000	85.8600
FOW	7.0136	14.5525	0000	93.200
BAttc	5.8000	2.9369	4.000	15.000
BIndi	0.2972	0.1994	0.125	0.9600
BDiv	0.1012	0.1003	0000	.5714
ACons	0.1430	0.1727	-.9685	0.4821
IFRS	0.3121	0.4636	0000	1.000
MOW*IFRS	7.9808	9.326	0000	72.48
IOW*IFRS	0.3903	0.2930	0000	1.000
FOW*IFRS	1.2950	2.0580	0000	77.98
BAct*IFRS	1.8560	3.2078	0000	15.00
BIndi*IFRS	1.1579	2.1729	0000	0.9600
BDiv*IFRS	0.1016	0.1002	0000	0.5714
FirmS	6.4640	5.5817	7.17	12.054
Levg	.4760	.4456	0.1200	0.8639
Grwth	.5075	.5390	-.6364	2.5586

The first independent variable Managerial ownership (MOW) has a mean ($\bar{x}$) value of 27.5010 and an SD of 15.7949. The 2nd independent variable Institutional ownership (IOW) has a mean of 12.8319 and a SD of 11.3061. The 3rd independent variable foreign shareholding (FOW) has a mean of 7.0136 and a SD of 14.5525. The 4th independent variable is Board attendance (BAttc) has a mean of 5.8000 and a SD of 2.9369. The 5th independent variable Board independence (BIndi) has a arithmetic mean ($\bar{x}$) of .2972 and a SD of .1994. The 6th independent variable board diversity (BDiv) has a mean of .1012 and a SD of .1003. The mediating variable accounting Standards (IFRS) have a mean of .3121 and a SD of .4636. The dependent variable accounting conservatism (ACons) has an $\bar{x}$ of .1430 and a SD of .1727.

4.2 Correlation Analysis

Correlation is a statistical method (technique) that describes the relationship between two variables and shows whether there is any relationship whatsoever, as well as how highly, moderately, or poorly it is related. It illustrates how strongly the variables are correlated. A statistical measure that depicts the interdependence of two or more variables (Gogtay & Thatte, 2017). The use of correlation coefficients is crucial for presenting some initial evidence for the study's hypotheses. The correlation ranges from a value of -1 to a value of +1. A significant but positive correlation between the variables is shown by values closer to +1, whereas a significant but negative correlation is shown by values closer to -1. A correlation coefficient value between .01 and 0.29 indicates a weak relationship between the variables, a value between 0.3 and 0.69 indicates a moderate relationship, and a value between 0.7 and 1.0 indicates a strong relationship between the variables. The value 0 (zero) indicates that there is no linear correlation between the required variables of the study (Akoglu, 2018; Benesty, Chen, Huang, & Cohen, 2009).

According to the values in the Correlation Matrix below, managerial ownership (MOS) has a positive significant and moderate correlation with institutional ownership (IOW) ($r = .638$, $p < 0.01$). MOS also shares a positive significant and moderate correlation with foreign ownership (FOW) ($r = .432$, $p < 0.01$). MOS shares a positive significant but weak correlation with board attendance (BAttc) ($r = .218$, $p < 0.01$). IOW has a positive significant but weak correlation with BAct ($r = .196$, $p < 0.01$). IOW has a positive significant and moderate correlation with BIndi ($r = .435$, $p < 0.01$). IOW has a positive significant and weak correlation with BActi ($r = .167$, $p < 0.01$). IOW shares a positive significant and moderate correlation with accounting standards (IFRS) ($r = .342$, $p < 0.01$). FOW has a positive significant and moderate correlation with BAct, BInd and BDiv ($r = .487$, $p < 0.01$), ($r = .475$, $p < 0.01$), ($r = .371$, $p < 0.01$) respectively.

Table-2 Correlation Matrix

Variable	ACons	MOW	IOW	FOW	BAct	BIndi	BDiv	IFRS	MOW*IFRS	IOW*IFRS	FOW*IFRS	BAct*IFRS	Bind*IFRS	BDiv*IFRS	FirmS	Levrg	Grwth
ACons	1.0000																
MOW	0.0993	1.0000															
IOW	0.0405	0.1173	1.0000														
FOW	-0.2377	0.0664	0.0407	1.0000													
BAttc	0.1565	0.0152	0.0420	-0.0127	1.0000												
BIndi	0.2670	-0.1491	-0.0992	0.0600	0.0922	1.0000											
BDiv	0.1560	0.0494	-0.0173	-0.0264	-0.1125	0.0437	1.0000										
IFRS	0.1243	0.0429	0.1150	-0.0485	0.0198	-0.0899	-0.0759	1.0000									
MOW*IFRS	0.1013	0.3732	0.2007	0.0850	0.0381	-0.1244	-0.0707	0.4848	1.0000								
IOW*IFRS	0.1147	0.0884	0.4917	0.1039	0.0180	-0.1064	-0.0824	0.4700	0.6646	1.0000							
FOW*IFRS	-0.1545	0.0691	0.1087	0.4419	0.0124	-0.0178	-0.0283	0.3586	0.3606	0.3273	1.0000						
BAct*IFRS	0.1351	0.0160	0.1011	-0.0435	0.3194	-0.0147	-0.0900	0.480	0.4712	0.3973	0.3006	1.0000					
BIndi*IFRS	0.1147	0.0960	0.0389	-0.0271	0.0942	0.3137	-0.055	0.4530	0.4026	0.4773	0.2834	0.4744	1.0000				
BDiv*IFRS	0.0572	0.0439	0.0257	-0.0289	-0.0313	0.0146	0.3881	0.4782	0.4226	0.3666	0.2057	0.4524	0.5079	1.0000			
FirmS	0.0831	0.0478	0.0645	-0.1065	-0.1098	-0.0701	-0.0196	0.0400	0.0482	0.1320	0.0039	-0.0277	-0.0082	0.0717	1.0000		
Levrg	0.4886	-0.0545	-0.0601	-0.1861	0.0831	-0.1349	-0.0490	0.1414	0.1296	0.1695	-0.0173	0.1193	0.0643	0.0696	0.1732	1.0000	
Grwth	0.0696	0.0440	0.0482	-0.0392	0.0233	-0.0312	-0.0515	0.0678	0.0196	0.0678	0.0366	0.0271	0.0586	0.0393	0.1818	0.0508	1.0000

FOW has a positive significant but weak correlation with ACons and AStd ($r = .246$, $p < 0.01$), ($r = .224$, $p < 0.01$) respectively. BAct has a positive significant and moderate correlation with BInd ($r = .362$, $p < 0.01$). BAct has a positive significant and weak correlation with ACons and AStd ($r = .296$, $p < 0.01$), ($r = .274$, $p < 0.01$). No significant correlation was found between BAct and BDiv ($r = .093$, ns). ACons has a positive significant and moderate correlation with AStd ($r = .386$, $p < 0.01$).

4.3 Regression Analysis and Discussion

The Hausman test is used to choose between fixed effect and random effect models for panel data analysis. The heterogeneity of firms is covered by panel data analysis, which also includes the impact of time oscillations. The P-value for the pertinent test is less than 5%, which indicates that the fixed effect model is suitable for data estimation. The VIF score is below 10, which indicates that there is no multi-collinearity between these study variables. Tables 3 show the results of the panel regression, and it is obvious that for all regression features, the value of R-square is high and the value of F-statistics is statistically significant, both of which confirm the validity of the findings.

Table-3 Results of Fixed Effect Model

ACons	Model 1		Model 2		Collinearity Statistics	
	Coeff	P-value	Coeff	P-value	Tolerance	VIF
MOW	.0317	0.018	.0654	0.002	0.969824	1.03
IOW	.0219	0.030	.0920	0.049	0.962725	1.04
FOW	-.0304	0.051	-.0603	0.049	0.950408	1.05
BAttc	.0239	0.003	.0358	0.002	0.951174	1.05
BIndi	.0659	0.045	.0964	0.003	0.955167	1.05
BDiv	.0251	0.005	.0183	0.026	0.977817	1.02
IFRS	-	-	.0208	0.022	0.164632	5.71
MOW*IFRS	-	-	.0448	0.034	0.230912	4.33
IOW*IFRS	-	-	.0329	0.003	0.250891	3.99
FOW*IFRS	-	-	.0421	0.054	0.422901	1.56
BAttc*IFRS	-	-	.0326	0.028	0.173631	5.76
BInd*IFRS	-	-	.0972	0.040	0.278846	3.59
BDiv*IFRS	-	-	.0203	0.001	0.457378	2.19
FirmS	.0166	0.290	.0193	0.450	0.906624	1.10
Levrg	-.0177	0.357	-.0023	0.900	0.911986	1.10
Grwth	.1697	0.030	.16543	0.000	0.957433	1.04
Summary	**Model-1 Diagnostics**		**Model-2 Diagnostics**			
R-Square	0.4192		0.5190			
Adj. R-Square	0.3249		0.4877			
F-Statistics	26.33		53.215			
P-Value	0.0000		0.0000			

The findings specify that managerial ownership (MOW) has a significant positive influence on accounting conservatism of pertinent firms, thus H_1 of the study is accepted. This finding agrees with the results of Shuto and Takada (2008) for Japanese firms, Abbas et al. (2022) for Indonesian firms and Khan et al. (2022) for Pakistani firms. This finding is consistent with the agency's theory, which contends that greater managerial ownership is likely to encourage the use of more conservative accounting as a tool to lessen agency issues and enhance management oversight. It is in contrast to the conclusions of studies by Nugroho and SITI (2012), Ho (2009) and Brilianti (2013), which revealed that agency conflict will increase if the amount of managerial ownership in firms is low, increasing the need for accounting conservatism in financial statements. The disparity in ownership structures between countries' enterprises can be used to explain this. Compared to developed nations, Pakistan has a more concentrated ownership structure. In this way, agency charges contribute to improving conservative accounting as a control over managers' opportunism.

The findings demonstrate that institutional ownership (IOW) has a statistically significant impact on accounting conservatism in Pakistan at the 1% level in relevant PSX entities, supporting the study's hypothesis H2. According to Rustiarini et al. (2021). institutional shareholders are a CG mechanism that significantly increases the demand for conservative accounting. These findings are in line with those of Khan et al. (2022), who found a substantial positive association between institutional ownership and conservatism in PSX firms during a 10-year period, from 2010 to 2019. These findings, however, contrast with those published by El-habashy (2019), who found that institutional ownership has a strong negative impact on conservatism. Similary, Lin (2016) conducted research in the US and found a link between institutional shareholdings and conservatism that was unfavourable. No association between conservatism and institutional ownership was reported by Al-Abedi et al. in 2022.

The findings indicate that foreign shareholdings (FSO) have a negative and insignificant effect on accounting conservatism, which clearly refutes hypothesis H3 of the study. This result backs up the findings of Le et al. (2017), who conducted research in Vietnam and found a negative relationship between FOW and ACons. They also urged that foreign investors with low levels of ownership have few incentives to supervise managers and won't have a significant impact on the reliability of firms' reporting. The findings of An (2015), on the other hand, show that foreign ownership significantly affects Korean firms' conservative accounting. He suggests that foreign ownership become more involved in monitoring management's adherence to accounting standards as a consequence.

The results show that board attendance has a 1% level strong influence. This finding is consistent with the findings of Boussaid et al. (2015) that attendance at board meetings caused financial statements to have a more conservative character. Youssef Khan and others (2021) have also highlighted a positive significant nexus between the aforementioned variables with the explanation that all relevant domain concerns are timely handled in board meetings, which may have opportune business outcomes. As a result, firms aim to reduce managers' opportunistic behaviour in order to be more cautious than other firms where meetings occur infrequently. Fajarwati and Witiastuti (2022) found that a board that meets less frequently performs worse than a board that meets more frequently in this regard.

According to the findings, there is a link between accounting conservatism and the percentage of independent directors, hence hypothesis H5 is accepted. The findings of Chiedu et al. (2022), El-habashy (2019), and Thangaveloo et al. (2022), which all imply a positive link between the proportion of board independence and the conservative accountant, are supported by this one. This finding bolsters the agency's hypothesis by indicating that more non-executive directors are likely to use more conservative accounting as a strategy to lessen agency issues and improve management oversight. On the other hand, Lim (2011)'s research in Australia revealed no connection between conservatism and the percentage of board independence.

The findings indicate a strong significant correlation between gender diversity and conservative accounting at the 1% level; as a result, hypothesis H6 is accepted. This outcome is consistent with the relevant study theory. The level of accounting conservatism in the accounting environment of the individual PSX firms is increased by the presence of female directors. In developed countries, increasing board diversity is a successful strategy for promoting conservative accounting. However, in developing economies like Pakistan, conservative accounting serves as a governance tool to reduce agency conflict. The study's findings are in line with those of Boussaid et al. (2015), Makhlouf et al. (2018), and Yousaf Khan et al. (2021), who also reported a positive significant nexus between the relevant variables. They justified their findings by arguing that female board members have varying levels of confidence, which may effectively deter management malpractice in the firms and lead to conservative reporting.

In model 2, accounting standards (IFRS) have a significant positive influence (.0208) on conservative accounting at the 5% level of significance, meaning that one unit increase in the adoption of IFRS causes an increase in the choice of conservative accounting of about 2.08 percent. Interaction terms have positive coefficients (.0448,.0329,.0421,.0326,.0972 &.0203) and are more significant. These findings demonstrate that interactive terms could not disrupt the association between accounting conservatism and CG systems in firms of PSX. Positive evidence suggests that implementation of Accounting Standards (IFRS) has increased associations between CG attributes and conservative accounting. To measure the overall impact, the interactive term's coefficient is positive, indicating that the adoption of IFRS improves the association between conservatism and good governance of pertinent firms.

Firm size, growth, and leverage are not significant predictors of accounting conservatism when considered in relation to the control variables. Large enterprises do not restrict the application of conservative accounting, according to positive and insignificant coefficients. It contends that big firms don't often have better internal controls. Furthermore, high leverage does not result in the corporation having to undertake more financial commitments (El-habashy, 2019). Growth significantly and positively impacts conservative accounting. The outcome is consistent with Vuong (2021), and it implies that companies with strong growth prospects are likely more cautious in their reporting.

5. CONCLUSION

This study aims to examine the direct relationship of CG mechanisms on conservatism and then the moderating effect of accounting standards on the nexus of CG mechanisms and accounting conservatism in emerging economies. The study concludes as per model one of the study that managerial ownership, institutional ownership, board attendance, board independence, and board diversity have a significant positive effect on accounting conservatism. While foreign ownership has a negative insignificant effect on accounting conservatism. This happens because high shareholding by foreigners in fact encourages expropriation of the company. So, the foreign shareholders are more likely to use more aggressive accounting principles. On the other hand, as per model two (2), accounting standards (IFRS) can moderate the effect of managerial ownership, board independence, board attendance, and board diversity (gender) on accounting conservatism. Additionally, accounting standards cannot moderate the effect of Institutional ownership and foreign shareholdings on accounting conservatism. This happens because of high shareholdings by Intuitional and Foreign due to their different culture and aggressive attitudes and principles.

This finding backs up the argument put forth by the agency, indicating that efficient CG mechanisms are likely going to use more conservative accounting as a tool to alleviate agency conflicts and improve control. The managers were also driven by the accounting standards to implement accounting policies that did not represent their preferences but rather the economic reality.

This study was limited to observation periods of 13 years and the sample firms are seventy (70). Future researchers may extend the period and sample. This study has used regression techniques for testing the proposed hypothesis. Further research can use different measurement tools including the system GMMS for testing the hypothesis. This study has considered the nexus between corporate governance and accounting conservatism with the moderating role of accounting standards in Pakistan along with some control variables such as growth, size, and leverage. Future research may consider the relationship between composite corporate governance and composite accounting conservatism by the moderating effect of investment efficiency, Big4 audit (audit quality), and a composite score of earnings quality. This research study has been conducted in emerging economies (Pakistan) however; future researchers may consider such research in other countries of South Asia.

6. THEORETICAL AND PRACTICAL CONTRIBUTIONS

The researcher can make a number of recommendations based on the findings and restrictions discussed above, including the suggestion that other researchers use the findings of this study as a guide to expand their knowledge of exploring ownership structures and CG attributes in opponents to conservatism. Then, it is preferable for investors to make investments in businesses while taking ownership structure and CG qualities into account. Shareholders can then take into account the variables that affect how accounting conservatism is adopted when making investment decisions. The results of this study can be used as a source of information as the company pays closer attention to the percentage of ownership in the company, maintaining the independence of efficient, accurate, and quick decision-making for the stakeholders.

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