



**UNIVERSITI PUTRA MALAYSIA**

**VALUE RELEVANCE OF ACCOUNTING INFORMATION  
IN SELECTED MIDDLE EAST COUNTRIES**

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**GSM 2010 11**

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IN SELECTED MIDDLE EAST COUNTRIES**

By

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Thesis submitted to the Graduate School of Management (GSM),  
University Putra Malaysia (UPM), in Partial Fulfillment of the  
Requirements for Degree of Doctor of Philosophy

**December 2010**

## DEDICATION

*To my beloved mother and wife, my son Amir Hossein, my daughter Fatima for their constant support, patience, understanding and love.*



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

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**Chair: Professor Shamsheer Mohamed Ramadili, PhD**

**Faculty: Graduate School of Management**

In the past, stock markets in the Middle East have been widely ignored by international investors due to imposed limitations on foreign stock ownership, the lack of common accounting standards and corporate transparency, or they have been simply dismissed on the basis of economic and political uncertainty. Currently, most of the Middle East countries had some economic reforms and structural adjustment programs (e.g. changes on institutional setting and regulations such as establishing security market regulation, investor protections, trading rules based on shared regulatory responsibility, etc.). Following improvements in financial markets, the Middle East accounting standards have also been reformed to improve the quality of accounting information. Thus, the role of the Middle East stock exchanges have recently become more effective in the international financial system due to the efforts made to increase development in the areas of financial markets, accounting and economic growth. Despite their effective role, the review of literature showed

that there is no comprehensive study to identify the value relevance of accounting information and effects of accounting reforms in this region.

This study investigates the value relevance of accounting information through three main objectives a) determine the value relevance of accounting information in selected Middle Eastern countries, b) investigate the effect of reform and enforcement of accounting standards in the selected Middle East markets and c) investigate the effect of different classifications of transaction on value relevance of cash flow statement in the Middle Eastern countries. The study uses both the regression-variations and the portfolio-returns approaches to measure the value relevance. Using both approaches provides different perspective on the issue of value relevance of accounting information.

Overall, the findings in selected countries showed that firstly, accounting information in all of selected countries is value relevant. Secondly, the results for each country showed, there is a significant difference in value relevance between the periods before and after reform. In other words, accounting standards reforms had impact on the value relevance of accounting information in all of the selected countries.

The results showed that accounting standards reforms have improved value relevance of accounting information in Bahrain and Saudi Arabia's stock exchanges, while for the UAE and Iran reforms did not improve value relevance of accounting information. The results of control variables for selected countries indicated difference in value relevance of accounting information in large and small companies. Findings also revealed greater value relevancy of accounting information

of small companies in Bahrain, UAE, and Iran than the large companies, whereas for Saudi Arabia the results are reverse. Results in selected countries revealed differences in value relevance of accounting information in different industries.

The results also indicated that information content of cash flow statements based on International Financial Reporting Standards (IFRS) is more value relevant than statement based on the Financial Accounting Standards Board (FASB).

Overall, the relevancy of accounting information in selected countries is consistent with the literature. Inconsistent with expectations, the reforms initiated in different countries to improve quality of selected financial information did improve value relevance in only some countries.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia  
sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**RELEVANSI NILAI MAKLUMAT AKUNTANSI DI BEBERAPA NEGARA  
TIMUR TENGAH**

Oleh

**JAMAL BARZEGARI KHANAGHA**

**Disember 2010**

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Pada masa lepas ,pasaran sekuriti di Timur Tengah diabaikan sepenuhnya oleh pelabur-pelabur antarabangsa disebabkan had-had dikenakan ke atas pemilikan skuriti asing, kekurangan piawaian yang diterima umum dan ketelusan korporat, atau syarikat yang terlibat dengan sendirinya mengambil mudah atas asas ketidakpastian ekonomi dan politik. Buat masa ini, kebanyakan negara-negara Timur Tengah mengalami program penstrukturan dan pelarasan struktur (cth: perubahan keatas penetapan dan peraturan seperti pengstabilan peraturan pasaran sekuriti, perlindungan pelabur, peraturan perdagangan berasaskan peraturan-peraturan tanggungjawab bersama, dan lain-lain yang berkaitan). Berikut adalah penambahbaikan dalam pasaran kewangan, piawaian perakaunan Timur Tengah yang juga telah mengalami penstrukturan untuk meningkatkan kualiti maklumat perakaunan. Oleh itu, peranan pasaran saham Timur Tengah , baru-baru ini telah

menjadi lebih efektif dalam sistem kewangan antarabangsa disebabkan usaha dibuat untuk meningkatkan pembangunan dalam skop pasaran kewangan, perakaunan dan pertumbuhan ekonomi. Di samping peranan aktif, ulasan karya menunjukkan, tiada kajian komprehensif untuk mengenal pasti relevansi nilai untuk maklumat perakaunan dan kesan ke atas penstrukturan perakaunan di rantau ini.

Kajian ini menyiasat relevansi nilai maklumat perakaunan melalui tiga objektif utama a) menentukan relevansi nilai maklumat perakaunan bagi negara-negara Timur Tengah yang terpilih, b) menyiasat kesan penstrukturan dan menguatkuasakan piawaian perakaunan pasaran Timur Tengah yang terpilih dan c) menyiasat kesan perbezaan klasifikasi bagi transaksi ke atas relevansi nilai bagi penyata aliran tunai di Negara-negara Timur Tengah. Kajian ini menggunakan kedua-dua pendekatan variasi-regresi dan pulangan portfolio relevansi nilai. Dengan menggunakan kedua-dua pendekatan, ia menyediakan perspektif yang berbeza ke atas isu nilai relevan bagi maklumat perakaunan.

Secara keseluruhan, keputusan dari ujian bagi hipotesis utama dan subsidiari dan dapatan yang lain bagi negara-negara terpilih menunjukkan pertama, maklumat perakaunan bagi semua negara-negara terpilih adalah relevansi nilai. Kedua, keputusan untuk setiap negara menunjukkan, terdapat perbezaan yang signifikan dalam relevansi nilai di antara jangkamasa sebelum dan selepas penstrukturan. Dalam kata lain pengstrukturan piawaian perakaunan mempunyai impak ke atas relevansi nilai bagi maklumat perakaunan dalam semua negara-negara terpilih.

Keputusan terperinci menunjukkan penstrukturan piawaian perakaunan menunjukkan peningkatan relevansi nilai bagi maklumat perakaunan di dagangan sekuriti Bahrain



dan Arab Saudi, sementara untuk UAE dan Iran, penstrukturan tidak menunjukkan peningkatan relevansi nilai maklumat perakaunan di pasaran negara-negara ini. Keputusan kawalan pengubahsuaian untuk negara terpilih menunjukkan relevansi nilai maklumat perakaunan adalah tidak sama bagi syarikat besar dan syarikat kecil di Timur Tengah. Dapatan kajian juga mendedahkan relevansi nilai maklumat perakaunan bagi syarikat kecil di Bahrain, UAE dan Iran adalah lebih berbanding syarikat besar, manakala untuk Arab Saudi keputusannya adalah vis versa. Keputusan bagi negara –negara terpilih mendedahkan perbezaan dalam relevansi nilai maklumat perakaunan dalam industri yang berbeza di negara –negara Timur Tengah yang terpilih. .

Keputusan juga menunjukkan klasifikasi traksaksi ke atas penyata aliran tunai mengikut Piawaian Pelaporan Kewangan Antarabangsa (IFRS) adalah lebih relevan berbanding klasifikasi transaksi berdasarkan Lembaga Piawaian Perakaunan Kewangan (FASB).

Secara keseluruhan, perkaitan maklumat perakaunan di negara-negara yang dipilih adalah konsisten dengan kesusasteraan. Tidak sesuai dengan harapan, pembaharuan bermula di pelbagai negara untuk meningkatkan kualiti maklumat kewangan yang dipilih tidak meningkatkan perkaitan nilai hanya beberapa negara.

## ACKNOWLEDGEMENT

First and foremost, I would like to thank God the Almighty, for without his consent, it would be impossible to achieve what has been done in this work , for giving me the strength and determination to keep going even during the most difficult moments. May Allah accept this work, counts it as a good deed and make it useful.

I am greatly indebted to Professor Dr. Shamsheer Mohamad Ramadili Mohd who excellence in supervision and devotion to research has inspired my work. Without his untiring assistance, direction, encouragement, comments, suggestions, and constructive criticism throughout this study, this thesis could have not been completed. He has provided a continual source of intellectual stimulation and motivation, which will extend beyond this study. It has been an honorable experience working with him.

Special thanks also to Associate Professor Dr. Taufiq Hassan Shah Chowdhury (my co-supervisor) because without his expertise in methodological and technical aspects of econometric, my thesis would have been a more difficult journey. His explanation, discussion and comment reflect how good he is in this area. In addition, I would like to thank Associate Professor Dr. Zulkarnain Muhamad Sori (my second co-supervisor) for his comments. A special gratitude goes to my friends Dr Gholamreza Mansourfar, Mr mohammad Reza Mehrabanpoor, Mr Amir Hossein and Ali Taebi for their advices, supports and beneficial discussions. My Regards goes to everyone who has supported me to complete this thesis especially to the GSM students.

I also wish to express again my deepest gratitude to my children Amir Hossein and Fatima for their love, patience, encouragement and understanding. Of course, the largest part of my thanks go to my wife Mahbobeh, who has served as a most patient listener as well as the caretaker of all family affairs that would otherwise intrude upon my work. The constant support and patience of my family has provided me with the motivation for this study.

I want to extend my thanks to all the staff members and research postgraduate students in the Graduate School of Management (GSM) Universiti Putra Malaysia (UPM) for their kind support, encouragement and help. I would also like to acknowledge help and financial support from Yazd University, my university in Iran.

### **APPROVAL**

I certify that an Examination Committee has met on 3th of December 2010 to conduct the final examination of Jamal Barzegari Khanagha on his PhD thesis entitled "Value relevance of accounting information in selected Middle East countries" in accordance with Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U(A) 106] 15 March 1998. The Committee recommends that the student be awarded the degree of Doctor of Philosophy.

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## DECLARATION

I hereby declare this thesis entitled “*Value relevance of accounting information in selected Middle East countries*” is the result of my own research except as cited in the references. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

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**JAMAL BARZEGARI KHANAGHA**

Date:

## TABLE OF CONTENTS

	<b>Page</b>
DEDICATION	
ABSTRACT	i
ABSTRAK	iv
ACKNOWLEDGEMENT	vii
APPROVAL	viii
DECLARATION	x
LIST OF FIGURES	xv
LIST OF TABLES	xvi
LIST OF ABBREVIATIONS	xviii
<b>CHAPTER</b>	
<b>1 INTRODUCTION</b>	
1.1 Background of the Study	1
1.2 Problem Statement	6
1.3 Research Objectives	9
1.4 Importance of the Study	11
1.5 Organization of the Thesis	15
1.6 Summary of the Chapter	18
<b>2 OVERVIEW OF RESEARCH ENVIRONMENT</b>	
2.1 Introduction	19
2.2 Middle East at Glance	19
2.3 History of Accounting In Middle East	20
2.4 Background of Financial Environment in United Arab Emirates	22
2.5 Background of Financial Environment in Bahrain	23
2.6 Background of Financial Environment in Saudi Arabia	25
2.7 Background of Financial Environment in Iran	28
2.8 Cash Flow Statement in Selected Countries	35
2.9 Summary of Chapter	38
<b>3 LITERATURE REVIEW</b>	

3.1 Introduction	39
3.2. Interpretations of Value Relevance	39
3.3 Theoretical Foundation	41
3.3.1 Valuation Theory	42
3.3.2 Theory of Value Relevance	45
3.3.3 Clean Surplus Theory	46
3.3.4 Decision Usefulness Paradigm	48
3.4 Classifications and Approaches in Value Relevance Studies	49
3.5 Prior Studies On Value Relevance	55
3.6 Factors Influencing the Value Relevance of Accounting Information	57
3.7 Review on Value Relevance of Various GAAP	58
3.8 Studies of The Value Relevance in Middle East	61
3.8.1 Review on Related Studies in Saudi Arabia	64
3.8.2 Review on Related Studies in Bahrain	66
3.8.3 Review on Related Studies in The United Arab Emirates	68
3.8.4 Review on Related Studies in Iran	69
3.9 Review on Cash Flow Reporting Literature and Differences in Classification	71
3.10 Summary of the Chapter	75
<b>4</b> <b>METHODOLOGY, HYPOTHESES AND DATA</b>	
4.1 Introduction	77
4.2 Conceptual Background	77
4.3 Research Variables	79
4.4 Relationship Between Variables	79
4.5 Operationalize the Value Relevance of Accounting Information	81
4.5.1 Portfolio>Returns Approach	82
4.5.2 Regression-Variations Approach	85
4.6 Comparison of the Models	92
4.7 Development of the Hypothesizes	95
4.8 Data and Sample	105
4.9 Econometric Issues	112
4.10 Summary of the Chapter	115
<b>5</b> <b>FINDINGS</b>	
5.1 Introduction	118
5.2 Descriptive Statistics	120
5.3 Results	129
5.3.1 Regression-Variations Approach	130
5.3.2 Portfolio>Returns Approach	144
5.3.3 Control Variables (Size and Industry Effects)	169
5.3.4 Result of Different Classification of Transaction on Value Relevance of Cash Flow Statements	182
5.4 Summary of the Chapter	187

<b>6</b>	<b>SUMMARY AND CONCLUSIONS</b>	
6.1	Introduction	190
6.2	Summary of Findings and Conclusion	190
6.2.1	Summary of Findings on Relevancy of Accounting Information in the Bahrain Stock Exchange	191
6.2.2	Summary of Findings on Relevancy of Accounting Information in the Saudi Arabia Stock Exchange	194
6.2.3	Summary of Findings on Relevancy of Accounting Information in the Abu Dhabi Securities Market (ADSM)	200
6.2.4	Summary of Findings on Relevancy of Accounting Information in the Tehran Stock Exchange	197
6.2.5	Overall Findings and Conclusion	203
6.3	Comparison of the Results across the Selected Countries	207
6.4	Comparison with Previous Studies	207
6.5	Summary of Findings about Different Classification of Transaction on Cash Flow Statements	211
6.6	Implication	212
6.7	Limitations	213
6.8	Future Research	214
	<b>REFERENCE</b>	<b>216</b>
	<b>LIST OF APPENDICES</b>	<b>233</b>
	<b>BIODATA OF THE CANDIDATE</b>	<b>257</b>