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Accounting Choices During COVID 19 Pandemic: Does Corporate Strategy and Corporate Social Responsibility Matter?

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Abstract: This study aims to understand the accounting effects of the Corona pandemic in more depth and clarity, where the study explores the accounting choices during the pandemic period and the impact of the firm's strategic orientation and its social responsibility performance on those choices. Using data from non-financial Saudi companies, the accounting choices divided into aggressive accounting strategy and conservative accounting strategy, and regression models used to examine the study hypotheses. The results of the study provide a clearer and in-depth vision about the nature of accounting practices during the pandemic and indicated that business strategy affects accounting choices, while corporate social responsibility does not affect. The results can imply useful information for the market regulators that help them in controlling and stabilizing the market, as well as for professional accounting organizations to help them issue guidelines for accounting work during crises.

Keywords: Accounting choices – corporate strategy – corporate social responsibility – Covid 19 pandemic - Saudi companies.

JEL Classification: M41– I23 – Q56 – L26 – L31

1 Introduction

The Covid 19 pandemic imposed difficult financial and economic conditions all over the world, and firms in most business sectors faced deep financial problems, which represented a strong external shock to the markets. This crisis provides a suitable and strong environment for testing and exploring the nature of accounting work during crises. the accounting information and related disclosure in the financial statements are more important to market and investors at the time of the Corona crisis [1], which reflects the importance of the accounting choices, as the accounting information presented to the financial markets is a product of the accounting choices made by managers.

The choice of accounting policies related to a specific economic and social environment that is subject to laws and regulations, so the accounting system should be more sensitive, and the accounting choices should respond to new situations and problems in line with competition and uncertainty in the business environment. [2] argued that using the socio-economic approach to analysis of managers 'choices of accounting practices can provide a more in-depth and comprehensive explanation of the factors that affect information available to financial markets, and it also helps in identifying the degree to which social factors affect the economic behavior of managers. In this context, the current study addresses the relationship between the company's strategic orientation and its social responsibility performance and accounting choices in the Saudi business environment during Covid 19 crisis. On one hand, the corporate strategy represents a fundamental element in determining the corporate identity, and previous studies indicated that the strategic orientation largely determines the nature of the economic conditions in which the company operates. On the other hand, the social responsibility performance reflects the social response of the company and largely determines the social conditions in which the company operates [3]. Analysis the impact of the business strategy and the corporate social responsibility performance on accounting choices can provide a more complete picture of the company's behavior and helps to understand that behavior.

The importance of analysis the accounting choices is that the understanding of factors that affect the management's behavior helps in developing a theoretical framework to clarify accounting practices [4]. In addition, accounting choices imply some matters that affect the market's understanding of the company's performance [5]. Far from the possibility of fraud, choosing a specific accounting policy does not change the economic reality of the company, but there may be confusion in the financial markets if you could not understand through those choices. [6] suggests that investors may make their decisions not only based on disclosure but also based on whether the company a conservative accounting policy when producing the financial statements. In addition, the importance of analyzing accounting choices increases

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in times of crises such as Corona, as it provides more clear information about the accounting behavior of management considering the pressures caused by the crisis, and it also provides information on the effectiveness of accounting choices under the circumstances of the crisis.

There are many views concerning the motives of accounting choices, [7] has identified three viewpoints for choosing an accounting method, which are opportunistic behavior, contractual efficiency, and the information view. From an information perspective, managers use the flexibility available in accounting principles to choose the private information to disclose about the future visions of the company and to provide information that reflects the best expectation of the future performance of the company [8,9]. According to the perspective of opportunistic behavior, managers use accounting choices to cover the actual economic performance of their companies for their own interests [10,11,12,13]. From the point of view of contractual efficiency, managers seek to reduce contracting costs by maximizing the value of the company [14] . In times of crises, these perspectives acquire an additional dimension, where the accounting choices can represent a message from the management to the external parties about its vision of the company's position under the circumstances of the crisis and the way it deals with those circumstances, and its expectations for the future of the company. In addition, the crisis conditions may represent an additional motive for the opportunistic behavior of the management, which in turn will be reflected in the accounting choices during the crisis.

The accounting choices will be addressed from two sides: first, accounting choices are classified within the income increase strategy or income reduction strategy, where previous studies have shown that managers may choose accounting policies that could lead to increase or decrease profit when reporting financial results [15,16]. Second, classifying the accounting choices based on the accrual policy into aggressive or conservative choices using the model of measuring the earnings management through discretionary accruals, as this method reflects the net effect of a set of accounting policies [17] .

This study adds a new dimension to the previous studies concerning accounting choices by addressing the impact of both business strategy and social responsibility, which helps to understand the interaction between strategy, social responsibility, and accounting. The study also can provide a clear picture of the Saudi business environment, as the results provide updated data on the strategic direction of Saudi companies and the level of their commitment to their social responsibilities. This information is of particular importance to market regulators to help them understand the market movement and adjust its performance. It is also important for investors as it helps them to develop their perceptions of companies' performance better through analyzing the strategic direction and social performance of the company.

The study is proceeding as follows: The second section addresses the previous studies and the hypotheses; the third section presents the research methodology, while the results of the study are presented in the fourth section .

2 Literature and hypotheses

Increasing uncertainty during crises times makes investors more risk averse and more dependent on basic information because they consider other information to be confusing and conflicting [18]. Previous studies indicated that in times of crisis, the more reliable accounting information helps investors better assess the past and future performance of the company [19]. In this context, it can be suggested that the conservative financial reporting becomes more important considering high uncertainty in times of crisis. The importance of conservative financial reporting increases with increasing the problem of information asymmetry [19], as it reduces information asymmetry between managers, investors, and other contracting parties, enabling them to formulate more accurate forecasts about future accounting income [20]. Consequently, firms that report conservatively are more likely to face a lower level of uncertainty [21]. [1] argued that companies that have mechanisms that allow for the recognition of expected losses in a timely manner, consistent with adopting conservative accounting policies, are more able to exercise better crisis management than other companies during the Corona crisis. Investors are less about incomplete disclosure of bad news for the most conservative companies, therefore the market reaction to bad news is weaker for conservative companies [21]. Moreover, conservative companies can better negotiate credit terms with their suppliers, which may help them manage increased credit risk during the Covid-19 pandemic [22].

The analysis of accounting choices has generally relied on the positive approach, as the positive theory relies on economic variables as indicators of behavior. However, opponent suggest that the positive accounting theory narrows the scope of accounting research [23], and that accounting studies have not achieved tangible progress in expanding the understanding of accounting choices due to the limitations of using positive theory [24]. [25] examined the accounting choices for non-current assets when applying international reporting standards for the first time in French companies. The results indicated that the company's characteristics such as size, leverage, management ownership, and type of industry do not affect the accounting choices. In the same context, [26] found that, in Nigerian companies, the corporate size and the ownership concentration are determinants of accounting choices for non-current assets. [27] found that only bonus plans affect accounting choices in Australia while debt and political costs do not. [15] examined accounting policies in Asian countries and found that companies that follow accounting methods to increase income within their accounting policies are characterized by lower financial leverage, less ownership concentration, and higher investment opportunities. [28] found that the factors that affect accounting choices are the corporate size, internal financing, the proportion of independent directors, and labour force. [16] examined the accounting policy determinants considering the application of international standards and used the classification of policies to a strategy of increasing profit or reducing profit. The results show that firm size, investment opportunity set, leverage and ownership by the public are significant determinants of accounting policy choice in South Asian countries. In the Saudi environment, [29] examined the factors that affect accounting choices and found that there is no effect of company-specific variables such as size, leverage, and ownership concentration on accounting choices.

The current study, through focuses on the impact of business strategy and social responsibility performance on accounting choices, broadens the framework of positive theory through the socio-economic approach. The socio-economic approach by recognizing that managers are working in social settings provides a more complete understanding of the factors that influence behaviour than that provided by positive theory [2]. Social relationships affect what can be considered a benefit and cannot be excluded; therefore, all economic and social factors become important considerations for managers when choosing accounting practices. In addition, symbolic considerations such as the desire to retain legitimacy and suitability with social norms will become important considerations for managers' choices. Within the framework of the socio-economic approach, the economic social context in which the company operates will affect its various choices, and the business strategy and social responsibility performance play a large role in determining that context, consequently it can affect accounting choices.

2.1. Corporate strategy and accounting choices

Organizational studies suggest that business strategy is an essential and distinct component in determining a company's identity [30], and all company characteristics such as models, management values, and used resources are linked to business strategy [31]. In addition, the corporate strategy is stable over time, because the strategy includes a huge number of details and coordination between those details to change a strategy is more difficult than what is required to retain [32]. Consequently, the strategy is likely to as a basic determinant of the company's practices including the financial reporting practices. Consistent with this argument, some studies have suggested that business strategy influences financial reporting practices [33], tax planning [34] and third-party company operational risk assessment [35]. [36] argued that the ambiguous relationship between the strategy and the financial reporting process leads to an incomplete picture to the investors about the company's performance and the success of implementing the strategy.

According to the economic theory, it is necessary to differentiate between the risk and the uncertainty conditions [37], and some studies indicated that the strategic orientation greatly contributes to determining the nature of the conditions in which the company operates. The prospector strategy focuses on the future that there is no adequate basis for calculating the probabilities of the expected outputs, and the outputs themselves are largely unknown, while the defense strategy heavily focuses on dealing with known threats that include less ambiguity [38]. Thus, it can be argued that prospector firms face greater deal of uncertainty than defender firms do. Under uncertainty conditions, the decision-making model should by cautious because it improves the quality of decisions by making them more appropriate to a lack of knowledge [39]. Caution can be reflected in the context of the financial reporting in the form of conservative accounting policies, therefore, entrepreneurial firms that face greater uncertainty are likely to be more conservative in their financial reporting. In this context, [36] found that the defending firms have high levels of earnings management, while the entrepreneurial firms present a higher level of accounting conservatism.

On the other hand, [36] argued that the relationship between strategy and accounting policies could be explained from the viewpoint of political cost theory and transaction cost theory. According to the political cost theory, the companies that are considered as a high profit and significantly grow (the feature of prospector companies) attract the attention of external parties in general (publics and regulators), which results in bearing of additional burdens for those companies. Therefore, managers are interested in dealing with these considerations through public relations management or social work or adopting conservative accounting policies that improve the external parties' view of the company. Whereas companies that characterized by normal profit and moderate expansion focus on accounting policies that increase investor confidence, including strategies to increase disclosed profits. On the other hand, according to transactions costs theory, companies that grow through existing markets or new markets (prospectors) are more likely to increase the transactions cost associated with that expansion and thus their evaluation is not related to transaction costs, but investors will evaluate the defensive firms based on the costs of the transactions. Hence, the defending companies have an incentive to smoothing profits to maintain an acceptable level of transaction costs, while the entrepreneurial companies do not pay much attention to the cost of the transactions and instead are interested in conservative profits.

Based on the foregoing, the strategic orientation of the company seems to affect the accounting choices, as the prospector companies tend to adopt conservative accounting policies more than the defending companies do. Thus, the following hypothesis can be examined :

H1: prospector companies tend to adopt conservative accounting policies .

2.2. Social responsibility performance and accounting choices

The socio-economic approach expands the considerations that affect the behavior of managers, where instead of being limited to economic considerations only, it also includes social and political considerations. [2] indicated that accounting choices develop in a social context; accordingly, the corporate choices are affected by the economic and social context in which it operates. In this context, the corporate social responsibility performance represents the company's management response to the social concerns of the stakeholders, as the social contract could be damaged if the company fails to meet the public expectations [40]. Therefore, social responsibility performance determines, to a large extent, the social context of the company, which leads to the assumption of its influence on the choices of the company.

Some studies have suggested that there is interaction between social responsibility and accounting [41,42,43]. More specifically, it appears that high levels of social responsibility are positively correlated with high quality accounting [44], as social responsibility performance improves the quality of the financial reporting, which reduces the cost of capital [45] and improves the accuracy of analysts' expectations [46]. Also, transparency and accountability are among the principles of corporate social responsibility, which aims to reduce the possibility of misuse of the information to achieve an advantage over external parties. Disclosure of true and fair accounting profits is vital for the social responsibility because it provides external parties with a basis for confidence in the company's operations [47].

There are two perspectives concerning corporate social responsibility: first view considers it as an ethical commitment from the management towards the stakeholders and environment, second view believes that social responsibility can reflect an opportunistic behavior of management to hide poor practices and gain confidence of different parties. It can be suggested that from the positive view of social responsibility, companies with high social responsibility performance are highly concerned about the image of the company, which is consistent with the tendency to adopt conservative accounting policies. While companies with poor social responsibility performance appears to be less concerned with corporate image, which is consistent with adopting aggressive accounting policies. [48] found that a company that tends to conservative financial reporting, tends, to the same degree, to act in consistent with sustainable development and to take a committed stance towards all stakeholders at the same degree. Accordingly, it can be expected that the management's commitment of social responsibility affects its behavior concerning accounting choices, as the social responsibility commitment can be reflected in a conservative financial reporting, thus the following hypothesis can be formulated :

H2: companies with high social responsibility performance tend to adopt conservative accounting policies.

In addition, it can be argued that the business strategy is associated with corporate social responsibility, where the prospector companies are highly concerned with social responsibility activities because they are more beneficial to them [49]. This argument depends on three points; first, the prospector companies are concerned with innovation, developing new products, and entering new markets [50], and social responsibility activities help companies to be more sensitive to the requirements of the stakeholders and to identify new social needs and thus create new markets and develop new products [51]. Second, the competitiveness of the prospector companies depends on their ability to lead in products and markets, and this requires improving the company's reputation among customers [31]. In this context, it is expected that consumers consider the company's performance in social responsibility when making purchasing decisions [52], thus, when new products enter the market, social responsibility positively affects consumers' evaluation of the company and their purchase intentions [53], and plays a role in improving consumer loyalty, which is important for companies to develop new markets and acquire new consumers [54]. Third, prospector companies focus on innovation, which reflects their interest in a long-term investment [55], and social responsibility activities can be viewed as a long-term investment [56], and thus prospector companies are more likely to engage in social responsibility.

On the other hand, the defender firms focus on cost efficiency of production and distribution and tend to reduce expenditures in other areas, so using resources in social responsibility activities would represent a great opportunity cost for defender firms [51]. Also, the defender companies are more interested in short-term goals and performance, and social responsibility investment is long-term investment, so defender companies are less likely to engage in social responsibility activities.

According to the foregoing, there is a question arises concerning whether the company's social responsibility performance affects the nature of the relationship between strategy and accounting choices. According to the positive view of social responsibility, it will support the tendency of the prospector companies to conservative accounting policies. While from the other point of view, it will reduce the tendency of companies to adopt conservative policies.

Depending on the positive view of social responsibility, the following hypothesis can be examined :

H3: prospector companies with high social responsibility performance adopt conservative accounting policies.

3 Methodology

To examine the hypotheses of the study and achieve its goals, data from Saudi non-financial companies for the year 2021, which is the second year of the financial crisis resulting of declaring the spread of the Corona virus as a pandemic, is used. Using data of second year of pandemic allows analysing the management's accounting choices considering the crisis. Among the 144 companies representing 17 non-financial sectors in the Saudi financial market, the sample of the study consists of 107 companies after excluding companies for which all the data required for the study could not be accessed. The data was manually collected through the published financial reports of the sample companies, the companies' websites, and the Saudi Stock Exchange website Tadawul. The hypotheses test is based on the linear regression method .

3-1 Variables measurement

Accounting choices (dependent variable)

The accounting strategy can be defined as a group or mixture of accounting policies that lead to an increase or decrease in declared profit [57]. In this context, the accounting choices can be categorised in two strategies; conservative strategy that tend to adopt reducing-profits choices, and aggressive strategy that tend to adopt increasing-profits choices. Accounting strategy will be measured as a sum of two indicators: first, the ratio of the number of profit- reduction policies to the total number of accounting policies. The study addresses a set of accounting choices that can affect profit, and these choices are classified into profit-increasing choices or profit-reducing choices. Table 1 presents five accounting policies and their classification into profit-increasing and profit-decreasing choices. The indicator is calculated by assuming that the accounting policies in table (1) have the same effect on profit as no relative weights of any policies will be determined. Second, discretionary accruals can be used to express the aggressive and conservative accounting policies, where positive discretionary accruals reflect the aggressive policies and negative accruals reflect the conservative policies. So, the measurement of earnings management through discretionary accruals according to the model of Jones (1991) can be used, where the earnings management through discretionary accruals represents an objective measurement and reflects the combined effect of several accounting policies [17]. The second indicator can be represented through a dummy variable that takes the value 1 for conservative policies (negative discretionary accruals) and the value 0 for aggressive policies (positive discretionary accruals).

Table 1: accounting policies

Policies	Income increasing choices	Income decreasing choices
Depreciation	Straight line	Accelerated
Marketable securities	Cost	Fair value
Inventory	FIFO	Weighted average cost
Employee benefits	Liability	Expensed
Goodwill	Cost	Revaluation

Accordingly, the accounting strategy can be measured as a cumulation of the previous two indicators (ratio of income reduction policies to the total number of policies + the earnings management dummy variable), where higher value reflects the use of more conservative choices.

Social responsibility performance.

The framework of the Dow Jones Sustainability Index (as used in [58]) can be used to measure CSR. According to that framework, social responsibility includes three dimensions (and the governance dimension has been excluded) which is the economic, social, and environmental dimension. These dimensions can be measured as follows :

First: The economic dimension (ECO), which includes the company's contribution for shareholders and creditors, where:

1) The company's contribution for shareholders (SC) is represented in the percentage of profits per share = (net profit after tax - dividends for preferred shares) / Average stocks.

2) The company's contribution for creditors CC = (total interest expense / total debt).

Thus, ECO = (SC + CC) / 2

Second: The social dimension SOC includes the company's contribution for the government, employees, and suppliers, where:

3) The company's contribution for the government, GC = total tax expense / sales revenue.

4) The company's contribution for employees, EC = (total interest and benefits expense for employees / number of employees) / sales revenue.

5) The company's contribution for suppliers, SUC = total annual purchases / sales revenue.

Thus, SOC = (GC + EC + SUC) / 3

Third: The environmental dimension ENV includes two variables, namely the number of environmental notes and the value of fines related to environmental risks, where :

6) The first environmental variable EV1 = number of environmental observations / average number of observations in the industry.

7) The second environmental variable EV2 = the value of environmental fines / average value of fines in the industry.

Thus, ENV = (EV1 + EV2) / 2

CSR= ECO + SOC + ENV

Corporate strategy

To articulate the corporate strategy, I used a composite measure of six variables that are measured as an average of five previous years. The variables are the ratio of research and development expenditures to sales, the ratio of the number of employees to sales, the percentage of change in sales within one year, the rate of marketing and administrative expenses to sales, standard deviation of number of employees, ratio of net property, plant, and equipment to total assets. These measures are ranked into quintiles, where Observations in the highest (lowest) quintile receive a score of five (one). The firm's strategy is measured as the sum of the six scores, so that the strategy index ranges between 6 and 30. Higher scores represent a prospector-oriented strategy, and lower scores represent a defender-oriented strategy.

3-2 Empirical Model

To examine the study hypotheses, the following regression model will be used:

$$ACSTGY = a_1 + \beta_1\,STRGY + \beta_2\,CSR + \beta_3\,LEV + \beta_4\,CS + \beta_5\,OD + \beta_6\,IF + \beta_7\,BOIND + \beta_8\,ACIND + \varepsilon$$

Where:

ACSTGY	Accounting strategy
STRGY	Corporate business strategy
CSR	Corporate social responsibility performance
LEV	Leverage value
CS	corporate size as the natural logarithm of total assets
OD	ownership Dispersion as the number of major shareholders who own more than 5% of the shares.
IF	Internal financing as the ratio of retained earnings to net assets.
BOIND	Percentage of independent directors of the Board
ACIND	The percentage of independent directors in the audit committee

4 Results

4.1. Descriptive statistics

Table (2) presents the descriptive statistics of the variables. Concerning the accounting strategy, the results reveal the tendency of companies - to a low extent - to the aggressive strategy, and the results concerning discretionary accruals (not tabulated) show that 42 companies (39.3%) have negative discretionary accruals, and 65 companies (60.7%) have positive discretionary accruals. Regarding business strategy, the results indicate that the companies tend to defensive strategy. The companies can be classified according to the strategy index, whereby the companies whose index reaches 18 or less express the defensive strategy, while companies with an index of more than 18 express the prospector strategy. This classification showed that the prospector companies are 44 companies (41.2%), and defensive companies are 63 companies (58.8%), which confirmed that the most companies in the Saudi business environment adopt a defensive strategic orientation. Concerning the corporate social responsibility performance, the performance index ranges between 0.483333 and 0.974333, and the average performance indicator is 0.762824. Regarding control variables, the average size of companies measured in natural logarithms of total assets is 9.595109, the average leverage ratio is 0.4839821, and the average rate of internal financing is 0.1079588. The average number of major shareholders is 2 and the average percentage of independent directors in the board of directors is 65% and 73% in the audit committee.

Table 2: the descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
ACSTGY	107	0 .9678572	0.5156134	0	2
STRGY	107	17.08929	4.973664	8	26
CSR	107	0.762824	1.249032	0.483333	0.974333
LEV	107	0.4839821	0.2274694	0.142	0.863
CS	107	9.595109	2.768005	4.43	12.79
OD	107	2.196429	1.285155	0	7
IF	107	0.1079588	0.0954841	0	0.3859678
BOIND	107	0.6507143	0.1481014	0.33	0.88
ACIND	107	73.0402	16.32881	33.33	100

4.2. Correlation analysis

Table (3) presents the results of the correlation test. The results show a positive correlation between the accounting strategy and the business strategy, which reflects that the prospector companies tend to adopt the conservative accounting strategy. This result is consistent with the argument that the prospector companies tend to the conservative accounting policies that reflect the amount of caution they need considering the nature of the business environment in which they operate. The results show a negative correlation between social responsibility performance and accounting strategy, reflecting that companies with high performance in social responsibility tend to adopt aggressive accounting policies. This result is consistent with the opportunistic view of social responsibility, as the company may use social responsibility to cover its aggressive accounting policies. In addition, the results show a negative correlation between social responsibility performance and business strategy, reflecting that companies with high performance in social responsibility tend to adopt a defensive business strategy. This result is not consistent with the perspective that the prospector companies are more concerned with social responsibility.

Table 3: correlation results

	ACSTGY	STRGY	CSR	LEV	CS	OD	IF	BOIND	ACIND
ACSTGY	1.0000								
STRGY	0.1245**	1.0000							
CSR	-0.1978**	-0.2359**	1.0000						
LEV	-0.0482*	0.0206	-0.1179*	1.0000					
CS	0.0097**	-0.1109**	-0.0525**	-0.2160**	1.0000				
OD	-0.0451**	0.2300	-0.1803**	-0.1223	0.0784**	1.0000			
IF	-0.1164*	-0.1354**	0.0368*	-0.7360**	0.1167	0.1035	1.0000		
BOIND	0.0323	-0.0964*	-0.0338*	0.0506	0.1027*	-0.2584	0.0086	1.0000	
ACIND	-0.0685	0.4810	0.7074*	-0.1697*	-0.0863*	0.0234	-0.0312	0.0583**	1.0000

* Correlation is significant at the 0.05 level (2 tailed).

** Correlation is significant at the 0.01 level (2-tailed).

4.3. Hypotheses test

To examine the first and second hypotheses, Table 4 presents the results of the regression test. Regarding the first hypothesis, the results show a positive association between the accounting strategy and the business strategy, indicating that companies that adopt the prospector strategy tend to adopt conservative accounting policies, which leads to accept the first hypothesis. This result is consistent with the argument that the strategy is an essential component in determining the identity of the company, thus it influences the choices of the company, including what is related to the financial reporting. In addition, this result provides practical evidence that supports the perspective of political cost theory and transactions cost theory. This result is consistent with the results of [59] that the prospector companies present more conservative financial statements as part of a conservative strategy. The result supports the notion that uncertainty environment in which prospector companies operate represents a rational justification to adopt conservative policies that represent a tool of required caution for decision making models in such environment.

Regarding the second hypothesis, the results show that there is no association between social responsibility performance and accounting strategy, indicating that the social responsibility performance does not affect accounting choices, which leads to the rejection of the second hypothesis. Despite the non-significant association between social responsibility and accounting choices, the negative coefficient provides an indication of the tendency of socially responsible companies to aggressive accounting policies, which is largely consistent with the opportunistic interpretation of social responsibility. This result supports the perspective of legitimacy theory and stakeholder's theory, where social responsibility aims mainly to satisfy the various stakeholders and gain legitimacy from society. However, this result does not support the context of the socio-economic approach, as the results indicate that economic and organizational considerations are still the main factors regarding accounting choices .

Table 4: regression results

	Coef.	Std. Err.	t	P>|t|
STRGY	0.103694	0.0160082	2.23	0.008
CSR	-0.0888047	0.0613941	-1.45	0.155
LEV	-0.8353325	0.4945275	-1.69	0.098
CS	-0.0145311	0.0574973	-2.25	0.002
OD	-0.7003285	0.8059741	-0.87	0.390
IF	-1.343039	0.7410914	-1.81	0.077
BOIND	0.0004056	0.0047125	2.09	0.032
ACIND	0.706367	0.9505526	2.85	0.007
Prob > F	0.0005			
Adj R-squared	0.1170			

Concerning the third hypothesis, the interactive variable STRGY*CSR that represent the interaction between business strategy and social responsibility will be added to regression model. Table 5 presents the results of the regression test, where the results show that there is no significant association between the interactive variable STRGY*CSR and the accounting choices, which leads to the rejection of the third hypothesis. This result indicates that social responsibility does not play a role in modifying the relationship between business strategies and accounting strategy in a manner consistent with the non-impact of social responsibility on accounting choices and supports the notion that the adoption of accounting choices is determined according to economic and organizational considerations. Despite the non-significant relationship, the negative coefficient indicates that the prospector companies with high performance in social responsibility tend to aggressive accounting policies, which provides a clearer indication of opportunistic behaviour to explain social responsibility.

Table 5: regression results

	Coef.	Std. Err.	t	P>|t|
STRGY	0.1044526	0.0498866	2.09	0.029
CSR	-0.0467577	0.2513317	-0.19	0.853
STRGY* CSR	-0.002463	0.0142657	-0.17	0.864
LEV	-0.8738816	0.5477739	-1.60	0.118
CS	-0.0140102	0.0582353	-2.24	0.011
OD	-0.6862463	0.8192935	-0.84	0.407
IF	-1.376758	0.774621	-1.78	0.083
BOIND	0.0005791	0.0048714	1.12	0.056
ACIND	0.58909	1.17721	2.20	0.033
Prob > F	0.0094			
Adj R-squared	0.1170			

5 Conclusion

The current study aimed to analysis the impact of both business strategy and social responsibility performance on accounting choices, where the results provided evidence about the impact of business strategy on accounting strategy, as the prospector companies tend to adopt conservative accounting policies. This evidence supports the viewpoint of the political cost theory and transactions cost theory, and consistent with the context of economic theory where the nature of the business environment in which the company operates affects its choices related to financial reporting. The study also provided evidence that the social responsibility performance does not affect accounting choices or the relationship between business strategy and accounting choices. Overall, the study indicates that the financial reporting is mainly related to economic considerations and social considerations have not yet been incorporated into the formulation of the financial reporting process.

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Conflict of interest

The author declares that there is no conflict regarding the publication of this paper.

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