Social trust and accounting conservatism with emphasis on the role of internal control

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ABSTRACT

The present study has investigated the relationship between social trust and accounting conservatism with emphasis on the role of internal control in listed companies of Tehran stock exchange. In order to find the answer of designed questions, the data of 125 companies of Tehran stock exchange during 10 years from the beginning of 2011 to the end of 2020 were extracted and statistical test were performed on them. The method of present research is descriptive-correlation and it's design is experimental and uses an Ex-post fact research design. In order to test research hypotheses, multivariate linear regression has been used which is based on panel data and a combination of cross-sectional and time series used statistical methods and econometrics to investigate the effect of the independent variable on the dependent variable.

Findings of research showed that there is a significant and negative relation between social trust and accounting conservatism, also there is a significant and negative relation between internal controls and accounting conservatism; and internal controls do not balance the relation between the social trust and accounting conservatism.

Keywords:

Social trust, Accounting Conservatism, internal controls.

1. Introduction

In recent years, the social trust reporting has been paid attention by many researchers, as far as in their study, they consider the conservatism in the accounting as one of the dimensions of social trust and state that the more conservatism in the reporting of profits, the higher is the quality of social trust, because managers are usually reluctant to report losses. Thus the existence of standards based on the requirement of less verifiability to identify losses can lead to disclosure of information that managers are reluctant to disclose. Thus, accounting conservatism means providing more information regarding the situation in which the accounting standards require the same verifiability to identify incomes and costs. Therefore it can prevent managers from being opportunistic and overly optimistic about making a profit, and cause more reliable profits to be reported (Bolin & Hayses 2014).

On the other hand, in accounting knowledge, providing the profitable data for economical decision-making is considered as the main purpose as an initial index in financial reporting, and has helped financial analysts and another users to predict the future economic of company's financial situation with emphasis on the specificity and providing theoretical foundations of accounting and also providing reliable qualitative and quantitative information. Social trust of organization is the main factor survival of any organization. Todays, the role of business units in society has undergone many changes. As it is expected to trade business units, not only think to increase their profit, but also they must be accountable to their community, and be beneficial in the community in which they interact.

Business unit cannot escape from society and society cannot exist without a business unit. Therefore, there is a mutual communication between business unit and community. In recent years, a theory has expressed that business unit can create wealth, employment and innovation, secure the market, strengthen the market and improve their competition. Also, they can cooperate to preserve the community in which they played an important role in its start-ups; and in contrast, the society provides the suitable situations.

In order to obtain returns by investors and provide reassurance to stakeholders, concerning lack of arbitrary and unfair activities to develop and progress business unit.

As a result, company's responsibility to the community is beneficial both for business unit and for the community and can lead to more investment returns for companies by better providing its potential benefits. Among these benefits, it can pointed to increase sale and customer's loyalty, also many studies, point out to an services that have been created through companies with high social trust.

Although, the corporates social responsibilities in the west word, has been discussed for decades and huge progress has been made both in the field of studies and laws and also in the field of public options; but many companies in Asia have not addressed this issue. However, not only globalization lead to customers and industries to be closer together, but also it has brought philosophers and attitudes closer together, studies on corporate social responsibility (CSR) is developing; and every day its new dimensions are explored in management science and organizational behavior. But, Iran has been abandoned at the national level and in the management literature, so far.

Although there are many private and public corporates and agencies that have promoted the corporate social task in their business, for example many corporates in Iran, consider the environmental issues as a vital activity and are strongly committed to it. But, there is no proper understanding of the whole issue, regardless such activities another difficulty that can be pointed out is that Iran culture has been strongly affected by religion and ethical teachings derived by religion strongly influence in the attitudes, decisions and behavior of Iranians managers and combining this issue with national feelings among managers. Cause to decision making being more difficult in some cases. For example in case of unemployment there are many managers who are struggling in deciding between hiring mire staff than their companies capacity to reduce unemployment or earning more profitability towards stakeholders or company owner. On the other hand , interface in matters of ethics and humanitarian behavior with financial debates and even viability of corporation, complicates decision making in some cases for managers not only cause to unequal and perhaps contradictory behaviors of companies in similar situations, but also it result in misconduct of a company manager over time (Andress, 2014).

Therefore, considering the content above, social trust expressed managers' decision along with making profit, maintaining the level of whole society welfare (Moon et al, 2018). On the other hand according to the accounting conservatism, the result of performing conservatism is increase in the value of companies (Louis et al 2012). So, determine the relation between these two issues can improve the decision of investors to maintain social benefits. So, studying this research can fill the gap in previous studies.

Also, the question addressed in this paper asks, do social trust and accounting conservatism relate each other or business units in society in order to maintain social benefits try to use accounting conservatism in financial reporting?

To answer this question, investigate if there is any relation between these two variables. Also, establishing and applying internal controls will help strengthen this relation. Internal control is examined if cause any change between social trust and accounting conservatism relation.

Literature review

• Theoretical framework

Internal control is not a special event or situation, but it is a set of consecutive and comprehensive actions that penetrates all the activities of the organization. These measures occur continually within the scope of an organization actions and derive them in the direction that manage the organization and exist in a comprehensive and inseparable way. In the absence of an effective internal control system, fulfilling the main mission of the company, maintaining profitability and minimizing unexpected events is very difficult, and control system is an instrument by which the company can be more confident in accounting figures and information and uses the mentioned numbers and information as the basis for its decision. It also ensures them that the financial and administrative system and methods in the company are fully implemented. Below the shadow of social trust an effective internal controls ensure that the business unit can achieve its goals. To achieve this aim, it should be ensured that reports of internal control are reliable. It involves efficient obtaining to corporates rules, regulations, policies and commitments (Yin et al, 2020). Whenever internal control is violated by corporate's employees or managers, it is said that a weak internal control has

occurred in the company. Weakness in the internal control of company indicates a shortcoming in the current internal control system of the company can therefore harm the company and interfere in achieving the company's goal. The previous studies showed that there is a relationship between the qualities of internal control environment with conditional conservatism. One of the reasons for the establishment of internal control system inside any organization is to improve the quality control of accounting information. On the other hand, one of the qualitative properties of accounting information based on theoretical foundations of Iranian financial reporting is conservatism. Therefore theoretically it can be argued that the higher quality of internal control systems established inside in organizations will be the more applying conditional conservatism in financial reporting of related organization (Jun et al, 2020). Thus existing weakness in internal control system can lead to decrease the level of conditional conservatism. Establishing internal control would follow an economic incentive and studies showed that internal control lead to decrease agency costs. These findings are based on the hypothesis that providing excess information for owners concerning representative behavior (management) reduce the representational conflict between management and ownership and can prevent the employees and managers from the opportunistic behavior in overinvesting findings of other researches and show that a weak internal control involve with increased accounting conservatism on one hand and reduced quality of financial reporting. On the other hand In fact, weakness in internal control structure can decrease the excess cash in the company through overinvesting (because of lack of sufficient supervision by violating internal control); that in turn, it increase conservatism (yin et al 2020).

• Research background

Serainac etal (2021), examined the association between accounting conservatism and social responsibility (CSR), their results overall indicate that for whole sample period starting in the early 2005, higher levels of conservatism are negatively associated with a CSR orientation shown by firms, however analysis also indicate a significant reversing trend regarding the effect of conservatism on CSR, coinciding with the post financial crisis period. Their study suggests that, under monitoring pressure from

financial stakeholder firms prioritize commitment to accounting conservatism over the needs of non-financial stakeholders and other interest groups.

Anahita zandi (2021), investigated to develop an behavioral agency model by focusing on the moderating role of corporate social responsibility on the relationship between CEO risk incentives and corporate idiosyncratic risk. Empirical results showed that CEO risk incentives has a positive and significant effect on firm idiosyncratic risk only in low CSR firms that attempt to maximize only investing stakeholders' interests. In high CSR firms, that attempt to balance the interests of both investing and non-investing stakeholders CEO risk incentives has no effect on firm idiosyncratic risk. The findings contribute to enrich the corporate social responsibility, CEO risk incentives literature, and provide academics and managers a clearer understanding of the effect brought about by the corporate social responsibility and CEO risk incentives on corporate idiosyncratic risk.

Milad Biabani (2020), attempted to explain the disclosure and ranking of companies based on the Vigeo model of social responsibility and its relationship with the financial performance criteria. The results indicate that the highest disclosure of indicators in the corporate governance dimension and the lowest in the human rights dimension and in general, the level of disclosure of indicators in sample companies is very low. Also, findings show that the responsibility of companies based on Vigeo's social responsibility is positively related to the variable of return on assets, return on sales and return on invested capital and negatively on the return on equity and Tobin's Q. Among the performance criteria, return on assets were the highest and Tobin's Q had the lowest correlation with the corporate social responsibility of the Vigeo model.

Qanai (2016), investigated the relationship between social responsibility and conservatism of listed companies in Tehran stock exchange. In line with this aim, 123 companies were selected for a ten year period during 2001 to 2018. Research method was practical in term of aim, the type of research was casual descriptive and the statistical community of present study was listed companies in Tehran stock exchange. Research results showed that there is a negative and significant relationship between social responsibility and conservatism of listed companies in Tehran stock exchange.

Yin et al (2020), investigated the relation between social trust and accounting conservatism emphasizing on the role of internal control. They found that there is a negative and significant relationship between social trust and accounting conservatism, there is a positive and significant relationship between social trust and internal control; and internal control does not moderate the relation between social trust and accounting conservatism.

Tang xu (2020), examined the effect of institutional shareholders and social responsibilities reporting and internal control systems on conservative performance of companies. In this research, They found that the effect of institutional shareholders and social responsibilities' reporting and internal control systems on corporates conservative performance is positive and significant.

Jun et al (2020), focus on relationship between social trust and accounting conservatism. They explained that the atmosphere quality of internal control is associated with conditional conservatism, and one of the reasons for establishing internal control systems inside any organization is to improve the quality of accounting information. Therefor it can be theoretically argued that the more internal control systems established inside an organization applying conditional conservatism in financial reporting of related organization.

John et al (2019), investigated the effect of internal control weakness and resources distribution on the relationship between the agency costs of free cash flow and conditional conservatism result of investigating 140 listed companies in japan stock exchange during 2005 to 2015, demonstrated that there is a significant and positive relationship between excess cash and conditional conservatism. Also, results of research showed that the more distribution of resources among creditors can decrease the positive relation between excess cash flow and conditional conservatism. Also, finding indicated that the more distribution of cash profit among shareholders can decrease the positive relationship between excess cash flow and conditional conservatism.

Research methodology

The present research method is descriptive correlation, so that, it's design is experimental and uses an ex-post factor approach, In order to test the research hypothesis. The multivariate linear regression has been

used that based on panel data and a combination of cross sectional and time series; that investigate the effect of the independent variable on the dependent variable using statistical method and econometrics. The present research investigates the relationship between social trust and accounting conservatism emphasizing on the role of internal control. Duration of variable investigation is 10 years (2010 to 2019).

- **Hypotheses development**

Regarding provided theoretical principles, investigate the relation between social trust and accounting conservatism emphasizing on the role of internal control, indicate its importance and necessity. Thus,

conceptual model and research hypothesis is defined as follow:

Based on this model, what is the relationship between social trust and accounting conservatism; and secondly can internal control moderate this relationship or not?

In order to achieve the goals of present research, the hypotheses are explained as follows:

H_1: there is a significant relationship between social trust and accounting conservatism.

H_2: there is a significant relationship between internal controls and accounting conservatism.

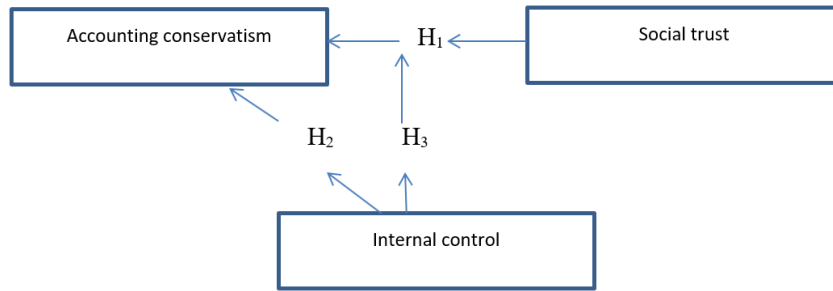H_3: internal control moderates the relationship between social trust and accounting conservatism.

Figure1: the conceptual model of research

- **Data collection**

To test variables of research, the information contained in the financial statements of sample companies has been used. In the present research 125 companies were selected using systematic removal method and related data firstly, calculated using excels software and then they analyzed using SPSS version. Statistical sample of the research is listed companies in Tehran stock exchange during 10 years from early 2011 to end of 2020. Screening method has been used to achieve optimal statistical sample; and statistical community moderated using following requirements:

At least, 10 years membership during 2011 to 2020 in Tehran stock exchange having fiscal year the same, Presence of sufficient financial information to test defined variables, except banks, financial institution, insurance, holding and leasing companies.

Companies	number
Total of listed companies in Tehran stock exchange from 2011 to 2020	498
Failure to end the fiscal year to end of year	(80)
Not membership in stock exchange for 10 years	(78)
Lack of financial information	(65)
Change of fiscal year	(83)
banks, financial institution, insurance, holding and leasing companies.	(79)
Total under studied	125

- **Research model and variables**

To tests research hypotheses the regression model that yin et al (2020) used in their research, has been used as follows:

H_1: $Z\ score\ E_{it} = \beta_1 soc_{it} + \beta_2 Top_{it} + \beta_3 Inst_{it} + \beta_4 State_{it} + \beta_5 Age_{it} + \beta_6 socRoa_{it} + \varepsilon_{it}$

Second regression model to test second and third hypotheses:

H[2-3]: $Z\ score\ E_{it} = \beta_0 + \beta_1 soc_{it} + \beta_2 Lin_{it} + \beta_3 Soc * Lin_{it} + \beta_4 Top_{it} + \beta_5 Age_{it} + \beta_6 socRoa_{it} + \varepsilon_{it}$

Measure research variable depends on the separation of independent and dependent variables that are investigating here. How to measure research variables is briefly shown in table 1.

Table 1: the method of measuring research variables

Name of variable	symbol	Type of variable	Measuring method
Accounting conservatism	Z score	Dependent	Mentioned variable is calculated based on Givoly & Hayan (2007) by following formula, the more resulting value of the formula, the higher is the level of conservatism. $$Cons_{it} = \frac{AFCC}{TA}$$ That in the above relation, we have: Cons : degree of conservatism AFCC: operational accruals (difference of net margins and operational cash flow in addition to depreciation cost) TA: book value of assets
Social trust	Soc	Dependent	Calculation based on information contained in table 2.
Block holders	Top	Control	Total shares owned by shareholders who have above 5 percent shares
Institutional holdings	Inst	Control	Total shares owned by institutional owners including banks and …
State ownership	State	Control	In the case that more than 50 percent of corporates share being owned by government (state owned company), the score is one, otherwise it is zero.
Return on asset	ROA	Control	$$\frac{Net\ profit(Loss)}{Total\ asset}$$
Company age	Age	Control	Natural logarithm of the number of months of activity in the company
Internal control	Moderator	Ling	Calculate based on information contained in table 3.

To measure social trust, a number of nine factors were binaurally defined; in the case of their determination, the score is one otherwise it is zero.

Table 2: a check list for measuring corporates social trust

Row	Description
1	Refers to the corporates social relation
2	Refers to how to manage company's affaires
3	Refers to employees relations
4	Refers to observe employee's rights
5	Refers to increase the value of trade mark
6	Refers to more accessibility to financial resources
7	Refers to using a healthier and safer workforce
8	Refers to risk management and more effective supervision
9	Refers to promote the trust and assurance of stakeholders

Finally, score obtained for each year company, is calculated by following relation:

Social trust score = $\frac{sum\ of\ scores\ of\ defined\ cases}{number\ of\ check\ list}$

On the basis of above formula, each company will have a score between $\frac{1}{9}$ to $\frac{9}{9}$ each year.

To measure internal control, in the case of their determination, the score is one and otherwise the criteria is zero.

Table 3: measure properties of internal control

Row	Item	Type of measurement
1	Using non-executive members on the board	Less ratio of non-executive members to total members than the calculated ratio for an all companies during one year is zero, otherwise it is one.
2	Separating the role of CEO from the board chairman	Non-separating CEO role from the board that its score is zero, otherwise it is one.
3	Stability of CEO	Change of CEO in the last two years, that is zero, otherwise it is one.
4	Rotation of accounting	No-change of partners who

Row	Item	Type of measurement
	institution partners	signed company's auditing reports in the last two years that is zero, otherwise it is one.
5	Being as a shareholders who have control right	Not being controlling shareholders that is zero, otherwise it is one (shareholders who have more than 50% of shares).
6	Concentrate on ownership	More ratio of free floating stocks of company to average total free floating stocks of company that is zero, otherwise it is one.
7	Institutional shareholders	In the case that institutional shareholders have more than 50% of ordinary shares of the company, it is one, otherwise it is zero.
8	Transaction with affiliates	More ratio of transaction with persons affiliated to company's sales to average of total companies that is zero, otherwise it is one.
9	Reliance (annual adjustment)	Presence of net annual tax adjustment that is zero, otherwise it is one.

Row	Item	Type of measurement
10	Reliance (auditors comment)	In the case of an unacceptable comment of auditor, it is zero, otherwise it is one.
11	Existence of an internal auditing unit	Lack of an internal auditing, it is zero, otherwise it is one.

Finally, the score obtained for each year-company is calculated by following relation:

Internal control score $= \frac{sum\ of\ scores\ of\ defined\ cases}{number\ of\ check\ list}$

Based on above formula, each year the score will be between $\frac{1}{11}$ to $\frac{11}{11}$

Findings

In order to ensure the normality of statistical distribution of model error sentences, Jarq bra test has been used, in the Eviews software environment. Considering that Jarq bra statistical probability value for model error sentences of research hypotheses, is more than 5 percent error level, it can be concluded that their statistical distribution is normal. Also in order to investigate the reliability Levin, lin & chus

test has been used.

Table 4: descriptive statistic of research variables during two understudied periods:

Variable name	Symbol	Average	middle	highest	lowest	Standard deviation	Observation
Accounting conservatism	Zscore	0.199	0.201	0.347	0.096	0.254	125
Social trust	SOC	0.444	0.556	0.889	0.222	0.954	125
Company age	AGE	5.220	5.244	5.416	5.043	0.200	125
State ownership	State	0.400	1.000	1.000	0.000	2.159	125
Rate of asset return	ROA	0.336	0.335	1.424	-0.110	3.159	125
Blockholders	TOP	0.233	0.342	0.413	0.098	5.412	125
Internal control	LINQ	0.455	0.545	0.899	0.121	4.938	125
Institutional shareholders	INST	0.286	0.333	0.364	0.110	0.705	125

Table 5: reliability test of research variables

Variable name	Symbol	Luin, lin chu statistics	Levin, lin chu Statistical probability
Accounting conservatism	ZSCORE	-21.254	0.000
Social trust	SOC	-11.698	0.000
Internal control	LINQ	-10.215	0.000
Interacting social trust and internal controls	SOCLINQ	-26.658	0.000
Blockholders	TOP	-11.201	0.000
Institutional shareholders	INST	-56.958	0.000
State ownership	STATE	-10.125	0.000
Asset return rate	ROA	-54.615	0.000
Companies age	AGE	-22.514	0.000

According to obtained results, research variable in the under studied period, were reliable because statistical probability of Levin, lin & chu in all variables is less than 5% error level. Results of study showed an alignment between research variables in table 6, for this reason. Tolerance and VIF (variance inflation factor) has been used.

Table 6: result of investigating alignment between research variables

Control and dependent variable		Linear statistic	
Variable name	Symbol	Variance inflation factor	Tolerance
Social trust	SOC	2.518	0.490
Internal control	LINQ	0.409	0.432
Interacting social trust and internal controls	LINQ*SOC	2.244	0.428
Block holders	TOP	2.483	0.418
Institutional shareholders	INST	2.409	0.420
State ownership	STATE	2.504	0.439
Asset return rate	ROA	2.441	0.408
Companies age	AGE	2.430	0.402

Considering that tolerance value, in all variable showed there is no linearity between research variables. To detect heteroscedasticity, white test is used, and obtained results indicated that probability value of mentioned test is more than 5% error level, thus it demonstrated the homoscedasticity and it considered that there is not heteroscedasticity problem.

Table 7: results of investigating heteroscedasticity in research variables

Name of test	Hypothesis	Test statistic	Freedom degree	Test statistical probability
White	First	4.182	(3.157)	0.0777
	Second and third	5.111	(4.452)	0.0740

Before test the research hypotheses, a suitable regression model has been selected in the first step, a panel data model has been used against combined data using F-limer test, considering that F-limer test statistic probability is less than15 error level, using panel data is confirmed. Because of selecting panel data model against combined data. Hausman test used to select fixed effect model against random effect model to perform regression. As it has been determined, statistical probability value of Hausman test is less than 5% error level: thus using a fixed model against random effect model is confirmed in mentioned hypotheses.

Test of first research hypothesis:

Table 8: regression model of fixed effect in the first research hypothesis:

Variable	Symbol	Regression coefficient	t-statistic	t-statistic probability
Fixed value	Z	-0.009	-1.200	0.2303
Social trust	SOC	-0.351	-3.586	0.0004
Block holder	TOP	0.005	0.280	0.7788
Institutional shareholders	INST	-0.0008	-0.358	0.7198
State ownership	STATE	0.292	5.195	0.0000
Assets return rate	ROA	5.605	6.189	0.0000
Companys age	AGE	-10.0001	-2.592	0.0062
Determination coefficient	Moderated determination coefficient	Durbin-watson statistic	F-statistic	F-statistic probability
0.894	0.888	1.947	71.789	0.0000

Results of above picture demonstrated that there is a negative and significant relationship between social trust and accounting conservatism. Firstly, its regression coefficient sign (-0.351) is negative, secondly its t-statistic probability (0.0004) is less than 5% error level thus the first research hypotheses is confirmed in 95% confidence level. On the basis of moderated determination coefficient of model, approximately 89% changes in dependent variable considering the effect of control variables are explained by independent variables changes. To investigate model significance, F-test is used, in which results showed the fitted regression model is significant, because statistical probability of related test (0.00) is less than 5% error level finally, to investigate auto correlation among research variables, Durbin-watson statistic has been used that its value equals 1.947; and because it is in the zero range with

difference of 4, the hypotheses of presence an auto-correlation among variables is rejected. Test of second and third hypotheses of research: regression model of fixed effect of above hypothesis has shown in table 9.

Table 9: regression model of fixed effect of third and fourth hypotheses

Variable	Symbol	Regression coefficient	t-statistic	t-statistic probability
Fixed value	Z	-0.009	-1.200	0.2302
Social trust	SOC	-0.0008	-0.358	0.7200
Internal control	LINQ	-0.291	-5.171	0.0000
Interacting social trust with internal control	SOCLINQ	-0.005	-0.281	0.7787
Block holder	TOP	0.350	3.574	0.0004
Institutional shareholders	INST	0.291	5.171	0.0000
State ownership	STATE	0.003	0.033	0.9736
Assets return rate	ROA	-0.0001	-0.038	0.9692
Company's age	AGE	-0.0008	-0.358	0.7210
Determination coefficient	Moderated determination coefficient	Durbin-watson statistic	F-statistic	F-statistic probability
0.847	0.838	1.957	5.479	0.0000

Results of above picture demonstrated that there is a negative and significant relationship between internal control and accounting conservatism. Because, firstly its regression coefficient is negative (-0.291), secondly the value of its statistic probability (0/00) is less than 5% error level. Thus second hypothesis is confirmed in 95% confidence level. Also findings indicated that internal control does not moderate relationship between social trust and accounting conservatism. Because, first its regression coefficient sign is negative (-0.05), secondly its t-statistical probability value (0.7788) is more than 5% error level. Thus third hypothesis is rejected in 95% confidence level based on moderated determination coefficient of model, approximately 84% dependent variable changes, considering control variable effect, are explained by independent variables changes to study the significance of model, F-t has been used in witch the results of mentioned test demonstrated that fitted regression model is significant. Because the statistical probability of related test (0.00) is less than 5% error level finally, to study auto correlation between

research variables, Durbin Watson research variables has been used that its value equals 1957, and because it is in the zero range with difference of 4, the hypothesis of presence an auto correlation among variables is rejected discussion and conclusion.

Discussion and conclusion

Social trust is the main factor of survival the organizations. Todays, the role of business units in society has undergone many changes. As it is expected to trade business units, not only think to increase their profit but also they must be accountable to the community, and beneficial in community in which they interact. Also, In recent researches conservatism in accounting considered as one of the dimensions of social trust, So state that the more conservatism in reporting of profits, the higher is the quality of social trust, because managers are usually reluctant to report losses.

This paper investigated the relationship between social trust and accounting conservatism with emphasis on the role of internal control in listed companies of Tehran stock exchange, the First hypothesis of presence study was looking for an answer to this question that is there a significant relationship between social trust and accounting conservatism. regard to experimental results, demonstrated that there is a negative and significant relationship between social trust and accounting conservatism, so the first hypothesis is confirmed in which the present findings are consistent with Serainac et.al (2021), Nazif (2015), Yin et al (2020) and Jun et al (2020) findings.

Second hypothesis of present study was looking for an answer to this question that is there a significant relationship between internal control and accounting conservatism. To test mentioned hypothesis, regarding results, there is a negative and significant relationship between internal control and accounting conservatism. Regarding the significance of this relationship are confirmed in which the presence findings are consistent with zandi Anahita (2021), Biabani milad (2020), Nazif (2015), Yin et al (2020) and Jun et al (2020) findings.

The third hypothesis of present research, was seeking for an answer to this question that does the internal control moderate the relationship between social trust and accounting conservatism. regarding the results, indicated that internal control does not moderate relationship

between social trust and accounting conservatism, so the third hypothesis was rejected and the present findings is not consistent with Nazif (2015), Yin et al (2020) and Jun et al (2020) findings.

These findings assumed that providing sufficient information about social trust and internal control caused to reduce accounting conservatism in financial reporting, so there is a conflict between social trust, internal control and accounting conservatism. Means increase in social trust and internal control effects the quality of financial reporting, and subsequently decrease the conservatism. Other findings showed that weakness in internal control does not effect to the relation of social trust and accounting conservatism.

It is recommended that decision makers such as shareholders, financial analysts and other financial users pay attention to disclosure and implementation of social trust in companies, because the quality of financial reporting and accounting conservatism in such companies are different. Furthermore, recommended to the securities and stock exchange organization to implement methods for disclosure of social trust in corporation.

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