

SESSION 1: FINANCIAL ACCOUNTING AND REPORTING

DATE: FRIDAY, FEBRUARY 23

TIME: 3:30 – 5:00 PM

**An Empirical Investigation of the Validity
of the Positive Theory in Developing Countries:
The Case of The Kingdom of Saudi Arabia**

Mohamed Sherif Tawfik
Commerce-Zagazig University Egypt

ABSTRACT: This paper extends accounting choice research to investigate variables affecting both single policy and portfolio strategy choices to developing countries. Because the validity of the positive theory hypotheses regarding accounting choice have not been tested outside the USA, the research provides a pioneer insight into the determinants of accounting choice in the Kingdom of Saudi Arabia (KSA).

Two sets of hypotheses related to economic factors and proposed environmental factors are developed and tested. Research findings indicate that there is strong evidence that accounting choice in the KSA is inconsistent with both political cost and debt/equity hypotheses. However, KSA accounting choice is generally consistent with the set of environmental variables hypotheses, mainly degree of conservatism and auditor preference. These findings can be attributed to the lack of management awareness of the economic consequences of accounting choice, the minimum role of the political process in accounting choice, and the current early development stage of both accounting profession and accounting regulation in such developing countries.