

**Fachbereich Wirtschaftswissenschaft**

**Financial Statement Quality:  
First Evidence from the Georgian Stock Exchange**

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zur Erlangung der Doktorwürde  
durch den  
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der Universität Bremen**

**vorgelegt von  
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Berichte aus der Betriebswirtschaft

**Erekle Pirveli**

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**List of Abbreviations**

AC	<i>Audit Council</i>
ACN	Accounting Conservatism
ACCA	<i>Association of Chartered Certified Accountants</i>
AIM	<i>Alternative Investment Market</i> (of the London Stock Exchange)
APB	<i>Accounting Principles Board</i>
BEEPS	<i>Business Environment and Enterprise Performance Survey</i>
CC	<i>Commandite Company</i>
CO	<i>Cooperative Company</i>
CPD	<i>Continuing Professional Development</i>
EM	Earnings Management
EU	<i>European Union</i>
E&CA	European and Central Asian Countries (developing only)
FASB	<i>Financial Accounting Standards Board</i>
FIN	Financial Industry
FSQ	Financial Statement Quality
GAAP	<i>Generally Accepted Accounting Standards</i>
GDP	<i>Gross Domestic Product</i>
GeSE	Georgian Stock Exchange
GFPAA	<i>Georgian Federation of Professional Accountants and Auditors</i>
GLS	<i>Generalized Least Squares</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
IFAC	<i>International Federation of Accountants</i>
IFRS	<i>International Financial Reporting Standards</i>
IMF	<i>International Monetary Fund</i>
IPO	<i>Initial Public Offering</i>
JLC	<i>Joint Liability Company</i>
JSC	<i>Joint Stock Company</i>
LLC	<i>Limited Liability Company</i>
LMI	Lower Middle Income Countries
LOE	Georgian Law on Entrepreneurs
LSM	Law on Securities Market of Georgia

MANUF	Manufacturing Industry
NBG	<i>National Bank of Georgia</i>
NSCG	<i>National Securities Commission of Georgia</i>
NSOG	<i>National Statistics Office of Georgia</i>
OLS	<i>Ordinary Least Squares</i>
OTC	<i>Over-The-Counter</i>
PCEs	<i>Politically Connected Entrepreneurs</i>
R&D	<i>Research and Development</i>
SCD	<i>Securities Central Depositary</i>
SERV	Service Industry
SISSG	<i>State Insurance Supervision Service of Georgia</i>
SMEs	<i>Small and Medium-Sized Enterprises</i>
TIG	<i>Transparency International Georgia</i>
TSPE	Time-series Properties of Earnings
UK	<i>United Kingdom</i>
USA	<i>United States of America</i>
US GAAP	<i>United States Generally Accepted Accounting Standards</i>
USAID	<i>United States Agency for International Development</i>
USSR	<i>The Union of Soviet Socialist Republics</i>
WBR	World Bank Report
WTO	<i>World Trade Organization</i>

**List of Symbols**

ASSETS	Total assets
CA	Current assets
CASH	Cash and cash equivalents
CL	Current liabilities
CFO	Operating cash-flows calculated as a subtraction between net income and total accruals
DCFO	Dummy variable that is set to 1 if $CFO < 0$ and to 0 otherwise
DACCR	Discretionary accruals
D_TAX	Dummy variable that is set to 1 for the financial statements subject of tax payments and to 0 otherwise
D_YEARS	Dummy variable that is set to 1 for the financial statements belonging to 2008 or 2009 and to 0 otherwise
D_RET	Dummy variable that is set to 1 if $return < 0$ and to 0 otherwise
DEPR	Depreciation
GROWTH	Growth rate calculated as change in net income divided on the previous year's net income
INTER_CFO	Interaction term between CFO and its dummy variable
INTER_RET	Interaction term between RET and its dummy variable
INTER_NI	Interaction term between NI and dummy variable on years
LEV	Financial leverage calculated as total liabilities divided on total equity
NI	Net income after income taxes
NDACCR	Non-discretionary accruals
PPE	Property, plant and equipment
REV	Revenues
REC	Accounts receivables
ROE	Return on equity calculated as net income divided on total equity
RET	Return for 9 months before fiscal-year end to 3 months after fiscal-year end
STD	Short-Term Debt
TACCR	Total accruals
t	Time subscript
$\Delta$	Change operator
$\gamma_0, \gamma_1, \dots, \gamma_n$	Coefficients generated as OLS regression estimates

$\varepsilon$       Error term