

The Impact Of The Financial Report's Quality On The Stock Price Crash Risk Of Investment Companies Listed On The Palestine Stock Exchange: An Applied Study

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Abstract: *The study aimed to demonstrate the difference in the significant negative impact of the quality of financial reports on the risks of the collapse of stock prices of investment companies listed on the Palestine Stock Exchange, according to the difference in the quality of the review and the percentage of short-term debts. The subject of the study, the study was applied to a sample of 11 investment companies listed on the Palestine Stock Exchange for the period (2012-2021), and the results of the study showed a statistically significant relationship between each of (the quality of financial reports, the rate of return on assets) on the risk of collapse Stock prices, and there is a negative impact of the quality of financial reports on the risk of collapse of the stock prices of investment companies listed on the Palestine Exchange, and the negative effect of the quality of financial reports on the risk of collapse of stock prices of investment companies listed on the Palestine Stock Exchange does not differ according to the quality of The difference in the significant negative impact of the quality of financial reports on the risks of the collapse of the stock prices of investment companies listed on the Palestine Exchange, according to the short-term debt ratio to The study recommended the need to motivate the management of investment companies to take all appropriate measures to avoid limiting the possibility of a future collapse of corporate stock prices.*

Keywords :reports finance; risk of price collapse shares; companies' investment; Palestine Stock Exchange.

1. Introduction:

Indeed, the primary means of communication between the company and the stakeholders is financial reports, for many reasons, the most important of which are: It is the main factor on which sound and rational decision-making is depended on by the officials who take these decisions, and it is also the piercing rays that reach the depths of the company, its future, and its future and destiny In terms of success or failure and survival or demise if it continues on its current approach, and therefore it serves as an early warning device for investors that informs them of these possibilities.

Therefore, one of the most important characteristics and advantages that these reports should have is that their information should be of a high degree of accuracy and reliability, for a main reason that is to enhance the confidence of its users, and also among these characteristics is that they avoid complexity as much as possible and that they are readable so that they can achieve the goals. desired ones. (Abdel Wanis, 2020)

(Hamad, 2017) stressed the need for these reports to be of a high degree of quality due to their importance, as they are the main source of information on which the parties related to companies rely on decision-making, and he indicated that what happened at the end of the twentieth century in terms of the collapse of many giant international companies undermining confidence in these reports, and this led to a rise in voices and an increase in the demand that quality should be its distinguishing characteristic.

Many writers have agreed(Hutton et al., 2009; DeFond et al., 2015; Blake & Liu, 2007).However, the quality of financial reports is very important, as it is one of the most important determinants of the risk of stock price collapse, which gave it this great importance for many reasons, the most important of which are: It entails many benefits to the stock market such as reducing the cost of capital, increasing liquidity, and increasing the degree of comparability between financial reports.

Studies have focused on that the occurrence of the risk of a future collapse of the share price will reflect the rise in the level of ambiguity in the financial reports. These studies also indicated that the main reason for the risk of the collapse of the company's share price is mainly due to the managers' withholding or concealment of bad or negative news, which is driven by the negative impact of the agency problem between Management, shareholders and other related parties, as a result, the level of transparency decreases, and the level of ambiguity increases in the company's financial reports. This makes it difficult to discover the misbehavior of the company's management, so the final and undesirable result is the risk of a collapse in the company's share prices.

The risk of a collapse in stock prices (SPCR)Stock Price Crash RiskIt represents an important aspect for both investors and companies and for the company's management of its risks (Sultana, et al. AL., 2019The reason for this is that it reflects many related

factors, the most important of which is the quality of financial reports. Financial Reporting Quality (FRQ) Where these reports are prepared in the light of a set of determinants within the facility (Abdul Majeed, 2019)

has confirmed (Dang et al., 2018) He also considered that the financial reporting environment represents an important determinant of the risk of stock prices collapsing. He also indicated that these writers have reached a principle that explains the relationship between the transparency of the reporting environment and the risk of stock prices collapsing. They indicated that this relationship is inverse, meaning the greater the transparency of the financial reporting environment. The lower of the risk of a stock price crash.

2. Study Problem:

Since the risks of the collapse of corporate stock prices reflect the effects of many important factors, therefore, these risks receive the attention of investors, financial analysts, and company managers, and among these factors whose effects reflect these risks is the quality of accounting information contained in the companies' financial reports., many studies (DeFondet al., 2014; Lim et al., 2016; Habib et al., 2018; Kim et al., 2016; Yeung & Lento, 2018) It proved that there is a negative (inverse) relationship between the quality of accounting information, the transparency of the financial reporting process, or the lack of ambiguity in the company's financial reports on the one hand, and the risks of the collapse of corporate stock prices, meaning the greater the transparency of the financial reporting process, the lower of the risks of the collapse of corporate stock prices.

Based on the foregoing, the problem of the study is determined by answering the following main questions:

1. Does the quality of financial reports has a significant negative effect on the risk of collapse of investment companies' stock prices? Listed on the Palestine Exchange?
2. Is there a significant negative effect of the quality of financial reports on the risks of the collapse of stock prices of investment companies listed on the Palestine Exchange according to the quality of the review and the percentage of short-term debts?

And branch out from this main question the Second following sub-questions:

2a: Does the significant negative effect of the quality of financial reports differ on the risk of collapse of stock prices? The investment companies listed on the Palestine Exchange according to the quality of the reference?

2b: Does the significant negative effect of the quality of financial reports differ on the risk of collapse of stock prices? The investment companies listed on the Palestine Exchange with a difference in the percentage of short-term debts?

3. Objectives of the study:

This study seeks to achieve the following goals:

1. Knowing the negative impact of the quality of financial reports on the risk of collapse of investment companies' stock prices listed on the Palestine Stock Exchange.
2. Explanation of the difference in the significant negative effect of the quality of financial reports on the risks of the collapse of the stock prices of investment companies listed on the Palestine Exchange, according to the difference in the quality of the review and the percentage of short-term debts.

It branches out from this main objective the second following sub-objectives:

2a: Clarifying the difference in the significant negative effect of the quality of financial reports on the risks of stock prices collapse the investment companies listed on the Palestine Exchange, according to the quality of the reference.

2b: Disclosure of the difference in the significant negative impact of accounting information on the risks of the collapse of stock prices The investment companies listed on the Palestine Exchange with a difference in the percentage of short-term debts.

4. Importance of the study:

The importance of this study lies in two dimensions:

1- Scientific importance: This importance stems from two aspects:

First: the importance of the variables he studies, which are represented in the quality of financial reports and the risks of the collapse of stock prices on the one hand, and the importance of its results for dealers in the Palestine Stock Exchange on the other hand.

Second: the scarcity of current studies that dealt with the impact of the quality of financial reports on the risks of the collapse of stock prices of companies listed on the Palestine Exchange.

2- Scientific importance This study derives its practical importance from its benefit to users of financial reports in Palestine and other developing countries whose business environment is similar to the Palestinian business environment, through the analysis that the researcher will present the impact of the quality of financial reports on the risks of the collapse of the stock prices of companies listed on the Palestine Stock Exchange.

5. Study hypotheses:

The hypotheses of this study emerge from its problem and the objectives it seeks to achieve. These hypotheses are as the following:

H1:The quality of financial reports has a significant negative impact on the risk of collapse of investment companies' stock prices listed on the Palestine Stock Exchange.

H2:The significant negative effect of the quality of financial reports on the risk of collapse of the stock prices of investment companies listed on the Palestine Exchange differs according to the quality of the review and the percentage of short-term debts.

The following sub-hypotheses are derived from the second hypothesis:

H2a:The significant negative impact of the quality of financial reports on the risk of stock prices crashingThe investment companies listed on the Palestine Exchange, according to the quality of the reference.

H2b:The significant negative impact of the quality of financial reports on the risk of stock price collapse varies .The investment companies listed on the Palestine Exchange with a difference in the percentage of short-term debts.

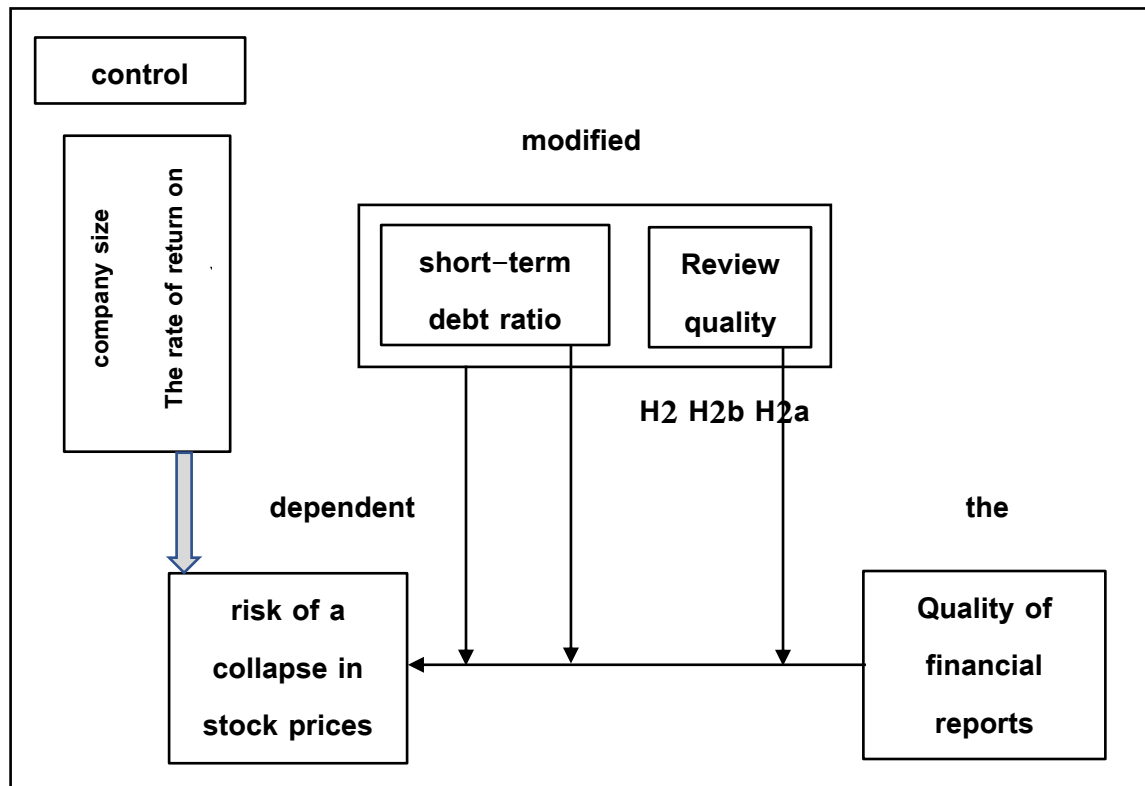
6- Study variables and how to measure them

The study variables are:

- 1- The independent variable represented in: the quality of financial reports.
- 2- The dependent variable represented in: the risk of stock price collapse.
- 3- The modified variables represented in: process quality, auditing and short-term debt ratio.
- 4- Regulatory variables represented in: the size of the company, the rate of return on assets, and the market value to the book value of equity.

7- Study form: Figure No. (1)

The study model can be explained as follows:



(Source: Prepared by the researcher)

First, the independent variable: the quality of financial reports: Financial Reporting Quality (FRQ)

And since the aim of the financial reports is to reduce the state of information inconsistency, the quality of the financial reports will be tested through the degree of information asymmetry, as it is seen (2015) that the lower of the margin ratio between the highest price and the lowest price, this indicates a decrease in information asymmetry between the parties to the financial market, and that the amount and type of information available to the buying and selling parties in the financial market are very close. The following equation indicates the method used in calculating the supply and demand margin (Al-Jaifi et al, 2017):

$$SPREAD_{it} = \frac{1}{D_{it}} \sum_1^{D_{it}} \frac{(Ask_{it} - Bid_{it})}{[Ask_{it} + Bid_{it}]/2}$$

whereas:

SPREAD it is the margin of supply and demand, which is a direct measure of information discrepancy.

Dit The number of days in a year when the highest ask price and the lowest price are available.

Ask it the highest price per share

BiditThe lowest price per share

Second: the dependent variable is the risk of stock prices collapsing Stock Price Crash Risk (SPCR):

The risk of a collapse in stock prices was measured in the current study using the method of fluctuations in weekly returns per share from bottom to top, according to studies (Massoud, 2020).;Hunjra et.al., 2020), and this measurement is based on dividing the weekly returns of each company over the time period under measurement into two groups, the first: is the Down-Weeks group, which represents the group of observations that decreased on the average returns calculated for the time period The place of measure, as for the second group: it is the high group (UP-Weeks), which is the group of observations that exceeded this average, then the standard deviation was calculated for each group separately, and the value of the volatility measure from bottom to top is the natural logarithm of the standard deviation ratio of the total observations low to the standard deviation of the sum of the high observations, and this measure can be explained through the following equation:

$$SPCR_{jt} = \text{Log} \frac{(Nd-1)\sum_{down} w_{2jt}}{(Nu-1)\sum_{up} w_{2jt}}$$

whereas:

- Nd: represents the number of weekly views of the low group.
- Nu: The number of weekly views of the high group.

High values of this measure indicate a higher negative skewness in the distribution of returns, and thus a higher risk of a collapse of the company's share price, and vice versa. (Ghoneim, 2019; Masoud, 2020).

Third: The modified variables represented in:

The quality of the review process Audit Quality):

It is measured as a dummy variable that takes the value of 1 when the accounting and auditing firm is a partner with one of the firmsBIG4 takes the value to zero otherwise. (Lim et.al., 2016)

short-term debt ratio (DEBT):

It is measured by the ratio of short-term debt to total debt. (Dang et.al, 2018)

Fourth: the regulatory variables represented in (Lim et.al, 2016): company size ((SIZE:

It is measured in natural logarithm of the company's total assets at the end of each fiscal quarter

rate of return on assets ((ROA:

It is measured as a percentage of net income after tax year end to total assets.

market value to book value of equity ((MTP:

It is measured by dividing the closing price by the book value of the company's stocki at the end of each fiscal quarter.

8 -The limits of the study:

1- Spatial boundaries:

The study was applied to a sample of (11) investment companies on the Palestine Stock Exchange, and Arkan Real Estate Company was excluded because its listing date is 3/7/2022.

2- Temporal limits:It is represented by the annual financial reports of the investment companies, the sample of the study issued for the years (2021).–2012)

9 -Previous studies:

The researcher has had access to a number of previous studies related to the subject of the study, and the following is a summary of the most important of these studies:

1- The study (Aita, 2021) targeted:Obtaining analytical evidence from the Egyptian business environment of the impact of the effectiveness of the audit committees and the quality of the financial report on the risk of the collapse of stock prices in the Egyptian joint stock companies. Significantly significant for the effectiveness of the audit committees on the risk of the collapse of stock prices, in the Egyptian shareholding companies.

2- The main objective of the study (Elsayed, 2021)It is to determine the extent to which the debt structure affects the risks of collapsing future stock prices and their various measures, and the purpose of that is to reduce the risks of collapsing stock prices, help investors for better understanding of the consequences of collapsing risks, and establish a sound system of affiliative protection. This study found that companies with high ratio of trade credit, net trade credit, trade credit to bank credit, and debt structure characteristics had a lower risk of stock price collapse as measured by the negative skew coefficient of weekly unfair returns, volatility from the bottom. As for the controlling variables, which are the average weekly returns, financial leverage, and the rate of return on assets, it had a negative impact on the three measures of the risk of the collapse of stock prices. As for the size of the company, it had a positive impact on the risk of collapsing stock prices.

3- As for the study (Kim et al., 2019):It dealt with the importance of disclosing weaknesses in the internal control system, and its impact on the risk of collapsing stock prices, for a sample of (75) US companies listed on the stock exchange during the period (2004).–2012) The study concluded that the risk of stock price collapse increases in the first years of disclosing weaknesses in the internal control system and then gradually decreases after addressing weaknesses in the internal control system, and this disclosure encourages management not to withhold bad news, and thus the quality of the internal control system It reduces the risk of the collapse of stock prices, and maintains the stability of the market. The study also found that the effectiveness of the audit committees works on the effective evaluation of internal control systems, which affects the reduction of the risk of the collapse of stock prices.

4-A study (Du, 2018):By examining the relationship between accounting conservatism and the risk of the collapse of the share price, using a sample of Chinese companies consisting of 8173 observations (1682 companies) during the period from 2009 to 2014, the study concluded that the relationship between accounting conservatism and the risk of the collapse of the share price is an inverse relationship, meaning This is because accounting conservatism reduces the risk of the collapse of the share price, and the interpretation of this is that accounting conservatism reduces the tendency of managers to exploit the informational advantage that they have to engage in opportunistic behavior and store bad news, which leads to reduce the risk of the collapse of the share price.

5-A study (Khalaf, 2020):To test the impact of the industrial specialization of the auditor and the quality of the financial reports on the investment efficiency in the industrial joint-stock companies listed on the Egyptian Stock Exchange, the study concluded that the Egyptian industrial joint-stock companies with high quality financial reports that were reviewed by a specialized auditor in the industry have a high level of investment efficiency. Where investments decrease more than necessary, and the reason is that the audited industrial specialization contributes to improve the relationship between the quality of financial reports and investment efficiency.

6-A study was conducted (Al-Khazendar and Ibrahim, 2020):By examining the effect of applying international financial reporting standards on the quality of financial reports by studying the behavior of income smoothing and signaling by using the loan loss provision scale and measuring profit fluctuations, the study concluded that the banks' commitment to international financial reporting standards reduces income smoothing through the loan loss provision compared to the period .

This study did not find any evidence that the commitment of banks increases the tendency of banks to give signals through the provision for loan loss compared to the pre-commitment period.

7- The study (Al-Sabbagh, 2019) targeted:Examining the impact of the quality of accounting information on the risk of collapse of share prices of companies listed on the Egyptian Stock Exchange. The negative impact of the quality of accounting information on the risks of collapse of stock prices of previous companies varies according to the quality of the review and the percentage of short-term debts.

8- A study (Faraj, 2019) showed:The impact of applying the practices of conditional and unconditional accounting reservations on the risks of the collapse of the share price, and its reflection on the market value of the establishment. The study concluded that there is a significant relationship with statistical significance between them.

9- A study (Al-Saeedi, 2019) dealt with:The impact of the use of information technology in improving the quality of financial reports, and the study concluded that information technology contributes to improve the quality of financial reports, as it makes these reports more relevant, reliable, comparable, and understandable.

10- A study (Hamidah, 2019) carried out:An initial assessment of the mandatory adoption decision of IFRSIFRSIn the Kingdom of Saudi Arabia at the beginning of 2017 by studying its impact on the risk of the collapse of the company's share price, and the study concluded that this adoption reduced the risk of the collapse of the company's share price. In light of this adoption, both audit quality and accrual accounts also reduced this risk. As for debts short-term, which leads to an increase in it, but in an immaterial way.

11- As for the study (Al-Jabali, 2018):It suggests preparing reports to support the original reports to meet the information needs of users of financial reports that are difficult for the original reports to provide.

12- The study (Hamad, 2017) aimed:To show the impact of the external auditors' commitment to professional competence, professional ethics and information technology on the quality of financial reports, the study concluded that the external auditors' commitment to these matters has an impact on the quality of financial reports.

13- She conducted a study(Khodarahmi et al., 2016.):To show the relationship between information asymmetry between the management and the investors and the risks of the collapse of stock prices using a sample of 1170 observations from the companies

listed on the Tehran Stock Exchange during the period from 2001 to 2013. A picture of the company's conditions, so it delays announcing bad news and spreading good news, and this increases the risk of a collapse in stock prices.

14- As for a study (Kibiya et.al., 2016):It explained the relationship between the audit committee members' ownership of the company's shares and its financial experience and the quality of the financial reports for a sample of 101 companies registered on the Nigerian Stock Exchange during the period (2010–2014), and the study concluded that there is a positive (proportional) relationship between them. The study also indicated that there is no relationship between the independence of the audit committee and the quality of reports, while the size and age of the thank you have a significant impact on its quality.

15- A study dealt with (Zhu, 2016):A statement of the relationship between the quality of optional benefits in these financial reports and the risk of a collapse in stock prices, using a sample of American companies.

Commenting on previous studies:

These studies dealt with the risks of the collapse of stock prices at the international and regional levels. They explained the effectiveness of each of the audit committee, debt structure, weaknesses in the internal control system, accounting conservatism, industrial specialization, quality of accounting information, information asymmetry between management and investors, and the characteristics of the audit committee accordingly. The risks of the collapse of stock prices, but it did not address (to the extent of the researcher's knowledge) a statement of the impact of the quality of financial reports on the risks of the collapse of stock prices of investment companies listed on the Palestine Stock Exchange. The study is an additional value that pours into the pot of studies that are interested in reducing the risks of the collapse of stock prices.

10 -Theoretical framework:

The first requirement: the quality of financial reports

The concept of quality of financial reports:

He knew her (Hamdan, 2011: 418).–419):They are reports free from material misrepresentation, which give a fair picture of the company's financial position, and thus its predictive ability to assess the current and future situation increases.

And define it (Salamah, 2011: 276):They are reports that include information that is free from error, distortion, forgery, fraud and exaggeration, and is therefore characterized by realism.

And he defined it (Abu Hammam, 2009: 54):They are reports that are free from distortion and misleading and are prepared in accordance with a set of legal, professional, regulatory and technical standards. Thus, they are characterized by the credibility of accounting information and thus achieve the goal of using them to achieve the benefit of users.

The researcher's definition of it based on the previous definitions: It is the provision of financial information characterized by transparency and free from distortion and misleading and reflects the nature of the company's work and thus enables users to make rational and wise decisions.

Types of quality of financial reports:

He explained (Abdul-Fattah, 2013: 66): There are three types of quality by which the quality of financial reports on the institution is achieved, and these types are:

1- The quality of the drafting of the report:This is achieved by describing the data by choosing appropriate and understandable words that are clear and accurate expression of the data.

2- Quality of report content:This is achieved by including the correct values and being free from fundamental errors, and being characterized by comprehensiveness, completeness and accuracy.

3- The quality of the presentation of the report:This is easily achieved by obtaining it in a timely manner or presenting information under homogeneous headings or in a way that does not need further explanation and clarification.

Factors affecting the quality of financial reports

The quality of financial reports is affected by many factors that increase the state of uncertainty and increase the possibility of making estimation errors. These factors are as follows:

1- Length of operation: This factor leads to a decrease in the quality of financial reports because the length of the period increases the state of uncertainty and increases the possibility of making estimation errors.

2- The small size of the company: This factor may lead to a decrease in the quality of the financial reports, because the activities of the small company are less stable than the large company and therefore cannot be predicted, and this increases estimation errors, as well as small companies with limited activities and commercial divisions, and this increases the relative impact of estimation errors.

3- High fluctuations and instability of sales volume: It is one of the factors that lead to a decrease in the quality of financial reports, because it is an indicator of increasing changes in the operating environment that need large estimates, which increases the state of uncertainty and the occurrence of estimation errors.

4- High fluctuations and instability in income and cash flows: This factor also leads to a decrease in the quality of financial reports for the same reason explained in the aforementioned factor.

Mechanisms for measuring the quality of the financial report in the accounting literature

The quality of the financial report can be measured through several models, the most important of which are:

Model of qualitative characteristics of accounting information: One of the most important features of this model is that it is a direct measure of the quality of the financial report, which depends on the characteristics of the quality of accounting information according to the conceptual framework for financial accounting released in 2010 by (FASB& IASB)

These are the characteristics that make accounting information more useful to its users in making decisions.

These characteristics are divided into:

1- Basic: such as relevance and credibility

2- Booster: Such as comparability, verifiability, comprehensibility, and timeliness, and these characteristics enhance the usefulness of accounting information (Yurisandi & Puspitasari, 2015).

The second requirement: the risks of the collapse of stock prices

Concept of risk of stock price collapse:

1- Definition (Al-Sabbagh, 2019: 10): It is the possibility of a sharp decline in the market value of the company's shares, which can be determined through the deviation, or negative distortion in the dividend distributions on shares during the trading period.

2- definition (DangLee & Zeng, 2018): It is the severe collapse in the market value of shares, which leads to a sharp decline in shareholder wealth.

3- definition (Zhu, 2016): It is the possibility of a large, sudden and non-recurring drop in the company's share price.

4- Defining the researcher: It is the sharp deterioration in the market value of the company's shares over a short period of time and suddenly leads to a sharp decline in the value of the company and the wealth of the owners.

Reasons for the collapse of the share price:

There are many reasons that lead to the occurrence of this collapse, the most important of which, as indicated by accounting research and studies that dealt with the concept of risk of collapse:

Stock up on bad news: Where managers hide bad news from investors in particular and from the financial community in general for as long as possible, in response to certain motives and to achieve certain advantages, and this is what studies have shown ((Dange et.al., 2018).And(Callen and Fang, 2017)

And also reach out(Graham, et al., 2005): He pointed out that the reason for the collapse was that managers postponed the publication of bad news compared to the good news.

and sees(Jin and Myers, 2006):The manager's ability to store bad news is limited, so the blocking process will not last forever.

and sees(Habib et.al., 2018):It follows from continuing to store bad news until it reaches a turning point, which is the point that exceeds the management's ability to store, and at this point these news are announced all at once and when they reach the market, this causes a collapse in the share price.

This explanation of the risk of a stock price crash requires that managers have the ability and incentive to control public access to some of the bad information about the company's value.(DeFond et al., 2015).

Among the reasons that lead them to this is to improve their career path, as well as to improve the rewards or compensation they receive, which depend on the declared profits, which makes their personal wealth linked to the accounting performance and the share price.(Zhu, 2016)

Determinants of stock price collapse:

Since the risks of this collapse have an impact on decision-making and the value of the company, therefore, these risks are of importance to both investors and the company's departments.(Dang et al., 2018)

This risk is considered an essential determinant of the value of expected returns in the sector in which the company operates. This is at the level of the company. As for the market level, this risk explains an important part of the amount of change in equity (Meligy, 2019).).

There is also a set of determinants, including accounting conservatism, corporate social responsibility, earnings management practice, quality of financial reports, quality of accounting accruals, ability to pay short-term obligations, and compatibility with the expectations of financial analysts.(Meligy, 2019: Abdul Majeed,Habib et al., 2018)

Measure the risk of a stock price crash

Accounting literature provided many ways to measure the risk of stock price collapse, most of which relied on the weekly returns of the company's shares, so that each measure reflects the factors specific to the company more than a reflection of the broad movements in the money market.

(Massoud, 2020Hunjra et al., 2020; Jeon, 2019;) The most important of these measures can be explained as follows:

- The first measure: the possibility of a sharp decline in the weekly returns of the share during the following year.
- The second measure: the negative skewness coefficient of the weekly returns of the stock.
- The third measure: fluctuations in the weekly returns of the stock from bottom to top.

Based on the foregoing, and to measure the risk of the collapse of stock prices in the current study, it will be relied upon to measure it on the method of fluctuations in the weekly returns of the stock from bottom to top, as it is more accurate and commonly used in accounting studies.Hunjra et al., 2020; Lim et al., 2016), in addition to the availability of the required data for this measure in the Palestinian environment.

Table No. (1)

Investment companies listed on the Palestine Exchange

company	Company code	number of parameters	percentage of the sample
Arab Palestinian Investment - APIC	APIC	8	10.7
Commercial real estate for investment	AQARIYA	7	9.3
Arab investors	ARAB	4	5.3
Jerusalem for real estate investments	JREI	6	8
Palestine for Development and Investment	PADICO	10	13.3
Palestinian Investment and Development	PID	8	10.7
Palestine for Industrial Investment	PIIC	10	13.3
Palestine for real estate investment	PRICO	10	13.3
Support for construction resources	SANAD	2	2.7

Union Construction and Investment	UCI	10	13.3
total summation		75	100

11 -Statistical analysis and testing of study hypotheses

Testing the suitability of the study data to the assumptions of the regression analysis

To ensure the suitability of the study data with the assumptions of the regression analysis, it was confirmed that there is no high correlation between the independent variables by performing the linear overlap test. Multicollinearity Test by calculating the Tolerance Coefficient and the Variance Inflation Factor (VIF) for each of the independent variables, taking into consideration that the value of the permissible variation is greater than (0.05) and the variance inflation coefficient does not exceed the value (10).

It appears from Table No. (2) The value of the variance inflation coefficient (VIF) for all indicators of the independent variables is less than (10), and the values of the Tolerance test for those variables were greater than (0.05), indicating that there is no high correlation between the independent variables.

table number (2)

The results of the allowable variance test and the inflation factor

independent variables	allowable varianceTolerance	inflation coefficientlive
Quality of financial reports	0.857	1167
The rate of return on assets	0.821	1219
Company size (log of assets)	0.501	1996
Audit quality	0.558	1791
short-term debt ratio	0.643	1555

Correlation analysis results (Correlation Analysis)

The correlation matrix was found between all the independent variables of the study to ensure that there is no problem of multiple linear overlap between the independent variables, and it is evident through the correlation matrix for the variables of the study that there is no problem of the multi-linear relationship between the majority of the variables, and through this table it is possible to note the negative correlation between the quality of accounting information And the risks of the collapse of stock prices, as well as the negative correlation between the rate of return on assets and the risk of the collapse of stock prices.

Schedule (3)

Matrix of correlation between independent variables

	Quality of financial reports	The rate of return on assets	Company size (log of assets)	Audit quality	short- term debt ratio
The rate of return on assets	0.324**	1			
Company size (log of assets)	0.256*	0.258*	1		
Audit quality	0.198	0.293*	0.635**	1	
short-term debt ratio	-0.112	-0.271-*	-0.557-**	-0.489-**	1
risk of a collapse in stock prices	-0.340-**	-0.320-**	0.03	0.02	0.046

Descriptive statistics of variables

Table No. (4) It shows the arithmetic mean and standard deviation for each indicator of the study, through which it is clear that the arithmetic mean and standard deviation of information discrepancy as an inverse indicator of the quality of financial reports were respectively (0.0013, 0.0043), while the return on assets was (0.0248, 0.052), while The short-term debt ratio was (0.667, 0.216), while the audit quality was (0.760, 0.430), and the logarithm of assets as an indicator of the size of the company was (7.757, 0.729), while the dependent variable represented by the risk of stock price collapse was the arithmetic mean and its standard deviation, respectively (0.013, 1.317).

table number (4)

The results of the descriptive statistics of the variables

variable	Smaller value	Larger value	Arithmetic mean	standard deviation
Quality of financial reports	-0.01	0.02	0.0013	0.00434
The rate of return on assets	-0.17	0.2	0.0248	0.05223
Company size (log of assets)	0	1	0.6267	0.48695
Audit quality	6.48	8.93	7.7572	0.72917
short-term debt ratio	0.28	0.99	0.6666	0.21552
risk of a collapse in stock prices	-5.04	2.98	0.0125	1.31695

Test the study hypotheses

Testing the first hypothesis: The quality of financial reports has a significant negative impact on the risk of collapse of the stock prices of investment companies listed on the Palestine Exchange.

To test this hypothesis, correlation and regression analyzes were used between each of the financial reporting quality index (negative information asymmetry index) and the risk index of the collapse of investment companies' stock prices. Table No. (4) The level of statistical significance of the correlation coefficient of (0.439) is less than 0.05, which means that there is a statistically significant relationship between each of (the quality of financial reports, the rate of return on assets) on the risks of the collapse of stock prices, and through the indicators of the regression coefficients, it is clear that The quality of the information has an adverse effect on the risks of stock prices collapsing, which means that the quality of the information, which indicates a minimum level of inconsistency, would reduce the risks of stock prices collapsing. The share is fair, which reduces the risk of its collapse. It is also noted that the rate of return on assets was associated with an inverse relationship with the risk of the collapse of stock prices, as the increase in profits would increase the investors' confidence in the company's shares, while the size did not have a clear effect on the risk of the collapse of stock prices.

Accordingly, it is possible to accept the hypothesis and conclude that there is a negative effect of the quality of financial reports on the risk of collapsing the stock prices of investment companies listed on the Palestine Exchange. According to the following form:

$$\text{Crash} = -2.385 - 90.555(\text{QAI}) - 6.768(\text{ROA}) + 0.316(\text{Size})$$

table number (4): Results of correlation analysis (Pearson) and linear regression

The impact of the quality of financial reports on the risk of collapse of stock prices

The impact of the quality of financial reports on the risk of collapse of stock prices	B1	test functionT	probability valueSig
Regression line segment (fixed)	-2,385	-1.511	0.135
Quality of financial reports(QAI)	90,555-	2.598-	0.011
rate of return on assets (ROA)	-6,768	-2,337	0.022
Firm size (log of assets) (SIZE)	0.316	1,557	0.124
Crash = -2.385 – 90.555(QAI)-6.768(ROA)+0.316(Size)			
correlation coefficientR	0.439	The coefficient of determination	0.193

test laboratoriesF	5,644	The probability value of the model	0.002
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sub-hypothesis test (H2a), which states: "The significant negative effect of the quality of financial reports on the risks of collapsing the stock prices of investment companies listed on the Palestine Exchange differs according to the quality of reference".

to hide R This hypothesis analysis was used Hierarchical Interaction Regression. In the first step, the impact of the quality of financial reports on the risks of stock price collapse was measured, which was tested in the first hypothesis. In the second step, the first interactive variable (review quality) was introduced. The results showed that the audit quality There was no significant change in the relationship between the quality of financial reports and the collapse of stock prices, as the value of the change in the coefficient of determination was (ΔR^2) 0.143, and this value is not statistically significant, as the probability value of change amounted to (0.352), which is less than the significance level of $0.05 \geq \alpha$. This is due to the fact that the audit process is carried out in the majority of the Palestinian companies listed on the Palestine Exchange by major international auditing companies (Big4), which does not make the audit quality a variable with a significant impact, in addition to the fact that the audit process is carried out to ensure the veracity of the disclosed information, and not the size of this information, which in turn is reflected in the quality of the financial reports, so the second hypothesis can be rejected and it is concluded that the negative impact of the quality of the reports does not differ. Finance on the risks of the collapse of the stock prices of investment companies listed on the Palestine Exchange, depending on the quality of the reference.

Table No. (5): The results of the hierarchical regression analysis of the role of the modified variable (review quality) in the difference in the impact of the quality of financial reports on the risk of a stock price collapse

variants	The first step			The second step		
	B	t	Sig.	B	t	Sig.
Regression line segment (fixed)	-2,385	-1.511	0.135	-1,842	-0.991	0.325
Quality of financial reports	-90,555	2.598-	0.011	81,379-	2.128-	0.037
The rate of return on assets	-6,768	-2,337	0.022	-7.159	-2,411	0.019
Company size (log of assets)	0.316	1,557	0.124	0.232	0.909	0.367
Audit quality				0.169	0.432	0.667
(Quality of Audit * Quality of Reports)				55,804	0.612	0.543
correlation coefficientR	0.439			0.448		
The coefficient of determinationR Square	0.193			0.201		
change in the coefficient of determination	0.158			0.143		
change in valueF	0.193			0.008		
The probability value of a change in valuesF	5,644			0.352		

sub-hypothesis test (H2b), which states: "The significant negative impact of the quality of financial reports on the risks of collapsing stock prices of investment companies listed on the Palestine Exchange differs according to the percentage of short-term debts."

To test this hypothesis, the analysis used Hierarchical Interaction Regression. In the first step, the impact of the quality of financial reports on the risks of stock price collapse was measured, which was tested in the first hypothesis. In the second step, the first interactive variable (short-term debt ratio) was introduced. The results showed that The ratio of short-term debts caused a change in the sign of the regression coefficient between the quality of financial reports and the collapse of stock prices, and it also caused a change in the significance of the impact on the quality of financial reports. From the percentage of his skepticism about the

information, assuming that the management beautifies this information to obtain debt financing, which supports the second hypothesis, and that there is a difference in the significant negative effect of the quality of financial reports on the risks of collapsing the prices of investment companies listed on the Palestine Exchange, according to the difference in the percentage of short-term debts. However, the value of change in the coefficient of determination of the model (ΔR^2) 0.031, and this value is not statistically significant, as the probability value of change was (0.265), which is greater than the significance level of $0.05 \geq \alpha$. However, this is specific to the model as a whole and does not mean that the quality of financial reports is not affected by entering the modified variable.

Table No. (6): The results of the hierarchical regression analysis of the role of the modified variable (short-term debt ratio) in the difference in the impact of the quality of financial reports on the risk of a collapse in stock prices

variants	The first step			The second step		
	B	t	Sig.	B	t	Sig.
Regression line segment (fixed)	-2,385	-1.511	0.135	-1.875	-0.814	0.419
Quality of financial reports	90,555-	2.598-	0.011	1019,444	1,456	0.150
The rate of return on assets	-6,768	-2,337	0.022	-7,171	-2,428	0.018
Company size (log of assets)	0.316	1,557	0.124	0.238	0.947	0.347
Audit quality				0.112	0.139	0.890
(Quality of Audit * Quality of Reports)				158,809	1,590	0.117
correlation coefficientR	0.439			0.472		
The coefficient of determinationR Square	0.193			0.223		
change in the coefficient of determination	0.193			0.031		
change in valueF	5,644			1,356		
The probability value of a change in valuesF	0.002			0.265		

12 -Results and recommendations:

First: the results

1. There is a statistically significant relationship between each of (the quality of financial reports, the rate of return on assets) on the risks of the collapse of stock prices.
2. There is a negative impact of the quality of financial reports on the risk of collapse of the stock prices of investment companies listed on the Palestine Exchange.
3. The negative impact of the quality of financial reports on the risk of collapse of the stock prices of investment companies listed on the Palestine Exchange did not differ according to the quality of the reference.
4. There is a difference in the significant negative effect of the quality of financial reports on the risks of the collapse of the stock prices of investment companies listed on the Palestine Exchange, according to the percentage of short-term debts.

Second: Recommendations

1. Stimulating corporate management investment by taking all appropriate measures to avoid limiting the possibility of a future collapse of corporate stock prices.
2. The need to pay attention to the quality of audits obtained by companies because of their impact on the risks of the collapse of stock prices.
3. The need for companies to pay attention to the quality of accounting information and to treat problems and issues facing companies that have an impact on the quality of financial reports.
4. Work to be careful when using short-term debts because of their importance in reducing the risks of the collapse of company name prices.

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