

A Proposed Accounting Model for Disclosing the Risks and Contingent Liabilities of Outsourcing Activities Applying to The Logistics Activities of Industrial Companies

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Abstract

The main objective of this research is to introduce model for disclosure of risks and contingent liabilities resulting from outsourcing of logistic activities. This objective will be achieved through identifying the nature and types of risk, Those risks that arise from outsourcing of logistic activities include the inefficient management of outsourced operations, asymmetry of information between the company and the contractor, the loss of the ability to innovate the logistics, dependence on the logistics service provider, the difficulty in assessing and controlling the performance of the logistics service provider, and the conflict of culture, In addition to a number of hidden costs; clarifying the impact of outsourcing on increasing the potential risks. The research also rendered a governance mechanism to overcome most of outsourcing risks, in addition to construction a model for disclosure of outsourcing risks this model intended to develop the accounting disclosure about the risks and potential obligations of outsourcing activities in general and the outsourcing of logistics activities in particular, through the development of a proposed form of items to be disclosed, in addition to rendering some quantitative methods that help to control some risks Outsourcing and thus achieving efficient and effective outsourcing. An applied study to measure the level of disclosure of risks and contingent liabilities of outsourcing activities by applying to the logistic activities of industrial companies registered on the Egyptian Stock Exchange and listed in the (EGX100) index during the financial years 2018, 2019, 2020, 2021 ,in addition to testing the opinions of a sample of specialists (financial management and external auditors) of the sample companies on the proposed accounting model for disclosing the risks and contingent liabilities of outsourcing activities.

Finally, the research has found that there is a lack of adequate disclosure of logistics cost data in the accounting reports and financial statements, one of the problems with measuring outsourcing performance is finding what exactly should be measured. The companies usually disclose risks and contingent liabilities when only have the techniques to overcome those risks, also the disclosure of risks and contingent liabilities for outsourcing logistical activities in the Egyptian environment is still below the minimum level, as it is still done on a voluntary basis, in addition to the absence of an accounting standard which regulate the disclosure process.

Keywords: (logistic activities outsourcing –contingent liabilities –risk disclosure – contingent liabilities disclosure).

1. Introduction

Companies are currently competing for four key factors, namely innovation, time, quality and cost, the success of companies in the market and their ability to continue and compete depends on the continuous improvement in performance levels related to these four factors , the availability of technology has allowed most companies to improve the quality of their products , and these improvement requires more costs, but the intensity of the competition prevents the possibility of increasing the selling prices. Therefore, the competitive advantage is now for the company, which can provide its products and services to the for the highest quality and lowest cost.

Logistic activities, which are known as the process of planning and executing the efficient transportation and storage of goods from the point of origin to the point of consumption to meet customer requirements in a timely, cost-effective manner is one of the most important activities, which constitute a significant part of the total cost of the product due to the high cost of assets for these activities and the high cost of operation and maintenance.

Many entities tend to rely on external sources for carrying out their logistic activities to avoid its higher cost, where about 51% of transport and shipping expenses and 36% Of the operating expenses of the warehouse in America they are outsourced (Guarnieri et al., 2015) .

The idea of outsourcing is based on the existence of a party that owns the asset (the external source) and a party that has the right to use such assets (the client enterprise) according to a set of conditions and criteria (Baatartogtokh et al., 2018), in order to benefit from the advantages of Outsourcing of logistics activities including exclusion of investments in infrastructure, access to world class operations, products, services and technology, improved ability to respond quickly to changes in the work environment, focus on core activities, and risk sharing especially when investments of enterprise large , and here Risk is distributed among a number of suppliers, better cash flow, reduced operating costs, conversion of fixed cost to variable cost, access to resources not available to organizations seeking outsourcing, inventory reduction, and many other financial advantages (Cephas, 2010) .

Despite, those advantages many studies (Bera, 2017; Odnokonnaya, 2017; X. Zhu, 2016) indicates that there are many risks that arise from outsourcing in general and outsourcing of logistic activities in particular, including the inefficient management of outsourced operations, once logistics are outsourced, logistics operations are difficult to manage, , also asymmetry of information between the company and the contractor, the loss of the ability to innovate the logistics, dependence on the logistics service provider, the difficulty in assessing and controlling the performance of the logistics service provider, and the conflict of culture, in addition to a number of hidden costs.

One of those risks or threats associated with outsourcing activities is contingent liabilities which defined as obligations arising from past events but whose implementation is associated with the occurrence or non-occurrence something which is not certain to occur in the future and is not under the control of the enterprise, or an existing obligation resulting from events that occurred in the past but is not expected to lead to sacrificing economic resources or cannot be measured with sufficient reliability (Fernandez et al., 2012).

There are some examples of those obligations in addition to actual liability resulting from the outsourcing logistic activities for some companies - Egypt Beni Suef Cement - (*) where the contract included some items (The company is committed to providing rooms for employees, Provide a source of water to spray roads , Provision of stores for spare parts of cars and equipment close to the quarries area, the company is committed to providing electricity source, and treatment of drivers in case of injury).

Therefore, the researcher attempts to study through this research the risks of outsourcing , the reasons why some companies departure from disclosing those risks - specially contingent liabilities - , the nature of contingent liability resulting from the outsourcing of logistics activities and what actions are taken by the Company to meet this liabilities and whether such procedures are disclosed, as well as the appropriate mechanism by which the outsourcing of logistics activities should be managed . In addition to introducing a proposed model for the form and substance of disclosure of contingent liability applied to logistic activities includes the disclosure of each contract separately and the nature of the liabilities associated with that contract, and determining whether those liabilities is probable and can be measured, so provision is required for or can't so require only disclosure.

It's necessary to manage the outsourcing process of the logistic activities by suitable governance mechanism to ensure the integrity of the outsourcing process (W. Zhu et al., 2017) . So it's important to search for convenience ways to ensure the success of the outsourcing process in general and the outsourcing of the logistics activities in particular, by focusing on the criteria of selecting the best supplier, where the selection of an inefficient outsourcing contract may force the company to follow the large storage policy. This means increasing storage costs and thus increasing the total costs.

2. Conceptual Framework

The main objective of this section is to introduce the conceptual framework of Details of emergences of outsourcing phenomenon, outsourcing process, motivation and drivers, disadvantage of outsourcing and risks of outsourcing.

(*) Source: The Arab Company for Transport and Mining, and Misr Beni Suef Cement Company, **Undertaking Contract for Logistics Activities.**

2.1 Definition of outsourcing:

Generally, there is no common agreement on the term but there are many definitions for outsourcing from different perspectives. But generally outsourcing is defined as the allocation of business activities from a source internal to an organization to a source outside of The organization (Awe et al., 2018). Advancement in technology, social media and cloud computing has made outsourcing a very plausible option for most industries as buyers, suppliers and vendors in different parts of the world can collaborate and communicate in a matter of seconds, also Pasha (2006) simply defined outsourcing as a strategy by which an organization contracts out major functions to efficient service providers who after some time become valued business partner.

Thus, the researcher can define outsourcing as "managerial philosophy build on the base of operational planning process inside the entity, it depends on that there are external provider maintain the ability to accomplish the work, or perform a determined function to the entity, that's because he owns the ability or technology or high efficiency to accomplish the work, and this lead to accomplish this work by more speeds and quality, in addition to reduction of the cost.

2.2 Types of out sourcing:

This section aims to shed light on the different categories of outsourcing.

Classification according to the level of decision analysis

- 1) **Traditional outsourcing –simplified-**: This type of outsourcing was implemented from the late 1980s to the mid-1990s when outsourcing activities started on a large scale. There was not an established relationship between the vendor and the client (Abdullatif, 2018).
- 2) **Strategic outsourcing**: The main objective of strategic outsourcing is done more on a long term basis compared to traditional outsourcing and should be part of the overall strategy of the organization. There is a higher level of risk sharing between the vendor and the client, which normally could result in a higher level of trust and reciprocity (Jimmy Gandhi et al., 2012).
- 3) **Futuristic outsourcing**: Futuristic outsourcing, like strategic outsourcing, is also a form of partnership, but has as its main objective a better future market position. It is normally a long term co-operation in which there is a joint company vision. This concept is called futuristic outsourcing because it is currently not very common, but it is the direction towards which outsourcing trends should be shifting in order to obtain better value for the stakeholder. (Ghandi, 2010).

Classification according to proportion of outsourcing

- A) **Total outsourcing**: Total outsourcing is used when the contractor processes over 80% of the project. (Hussein, 2018). Total outsourcing relatively a risky strategy, as the company does not have control over the project and it usually takes more time to grown-up properly and also in case of failure, because of

inadequate contractor choice or other risks involved, the loss will be reasonably scarce. The researcher concluded that, total outsourcing is risky decision, and adhering to it requires management policy to control those risks, and also require an experienced company with dependable contractors.

- B) **Partial outsourcing:** These type of outsourcing indicates that companies don't outsource 100% of their activities; Partial outsourcing is common in many industries as most manufacturers outsource their operations to some degree, subject to changes in business and economic conditions. Most outsourcing agreements outsourcing companies retain at least some of their essential employees to manage the relationships (Gao and Driouchi, 2018).
- C) **Transitional outsourcing:** Transitional outsourcing is the practice of temporarily outsourcing during a major transition for a company, such as bringing in a new technology. It is a rapid push to control a movement from an old system to one that is new(Akbari,2013).

Classification according to geographical location of outsourced project

Outsourcing at this category classified according to the location where, finding the company providing service or materials as follow:

- A) **Domestic outsourcing (Onshore outsourcing):** This business function is also commonly called domestic outsourcing, it's also called near shore outsourcing is understood as an outsourcing to a neighboring or nearby country or a region with similar, or a very close time-zone.
- B) **International outsourcing (Offshore outsourcing):** This is commonly called global sourcing or international outsourcing, "the main purpose of international outsourcing that firms try to utilize international factor price differences across economies by outsourcing (Journal & December, 2019).

2.3 Motives-benefits of outsourcing decision:

In the next part a brief discussion for benefits gained from outsourcing decision.

- Reducing operating costs: elimination of infrastructure investments; improved ability to sense and respond real-time to changes business environments; sharing risk; and access to resources not available in-house (Mokrini et al.,2016).
- Converting fixed costs to variable costs: it's allows to outsourcing firms to reduce its fixed costs such as expenditure on equipment, information technology, fixed salaries of employees, facilities, rent, insurance, logistics and overhead expense (Liu and Tyagi, 2017).
- Increasing global competition has forced many manufacturing enterprises (outsourcers) to focus on their core competences and outsource low value-added parts machining activities to suppliers to increase product quality and productivity as well as cut cost (Leng et al., 2015).
- Cost savings and profitability: This reduced investment in manufacturing capacity lowers fixed costs and leads to a lower break-even point. Thus,

outsourcing may be an attractive method of improving a firm's financial performance, especially in the short run (El Mokrini et al., 2016).

- Quality, productivity and flexibility: Outsourcing may contribute to increases organizational commitment to a specific type of technology and may constrain flexibility in the long run.
- Promote competition among outside suppliers: Thereby ensuring availability of higher-quality goods and services in the future. Quality improvements may also be realized by outsourcers, because they can usually choose suppliers whose products or services are considered to be among the best in the world.
- Focus on core competence: An increased focus on a firm's core competencies is another important benefit associated with outsourcing.
- Tighter control of budget through predictable costs.
- Hosny (2011) and Pal Bera (2017), stated that the advantage of outsourcing for developing countries include (Global outsourcing gives employment opportunities in developing countries like India, China, Philippines, Mexico, and Brazil etc, Offshore outsourcing helps increase the standard of living in third world countries, Companies in developed nations can cut huge costs and concentrate on their core businesses by outsourcing their back office jobs.

2.4 The factors of outsourcing decision success:

Ishizak and Blakiston (2012) determined many success factors that ensure a long term outsourcing arrangement from client side.

✦ **Commitment from top management**

The top management must be involved from the beginning and should be regularly informed of their service provider's performance. top management of the client company begin to receive a monthly update on performance and changes that are occurring, they also meet personally 3-4 times a year with the service provider's management team.

✦ **Clear aims and objectives**

The client should provide clarity, what is expected, their business objectives, customer service requirement, so there is no ambiguity there.

✦ **Confidence**

Building confidence to this level has allowed the client company to value their service provider " as a partner rather than just supplier".

✦ **comparative treatment**

Whoever is working together needs to sit together so they are seen as one team and don't have these artificial barriers.

✦ **Capability to conduct and control**

Management of outsourcing arrangement must be "conducted in an ordered and disciplined way.

According to (Mojsilovi et al., 2017; salanta and popa, 2016; Foggin and John, 2004) there are many factors that help to reach a successful logistic outsourcing and better evaluating to the outsourcing logistics risks. The

client requirements should be realistic and the provider promising to meet them. Each company must establish its priorities and expected outcomes regarding outsourcing its logistic activities, companies must set their own and complex list of key performance indicators and measure them constantly through this way.

Yuana et al. (2020) argue that third party logistic provider's asset specificity one of the most factors that help to reach a successful logistic outsourcing which refers to the degree to which the assets used for completing a process are specific to that process and they can't be redeveloped to other process when not required by the process. Asatiani et al. (2019) indicated that the high level of assets specificity leads the 3PL provider to make efforts to safeguard these specified assets and to maintain the relationship.

2.5 Theoretical frame work for risks resulting from outsourcing activities:

▪ Risks and logistic outsourcing

One form of risk that results from outsourcing activities is the contingent liabilities, the contingent liabilities or risks faced by companies are of a special nature because they arise from a historical or current event, but their financial effects depend on the occurrence of one or more events in the future, and then the company bears negative financial results, especially if an outflow of economic resources occurs in conjunction with the occurrence of the event or future events. According to the IASB (2015) conceptual framework, the general objective of financial reporting is to provide useful information (Serrasqueiro and Mineiro, 2018). Chia and Davalo (2009) indicated that there are two options towards the definition of risk. Firstly, risk is defined as an umbrella term which consists of two elements where risk with positive effects is known as opportunity while threat is risk with negative effects. Secondly, the word uncertainty is an overarching term to express risk solely representing negative effects or threat and refers opportunity to be an uncertainty that have positive effect. Gandhi& et al., (2017) defined risk as potential problems or issues that may arise and adversely impact the progress or outcome of a project, also noted that Risk is a part of every project and while usually associated with adverse or negative outcomes and is therefore perceived as a danger or hazard.

Thus, from the previous discussion the researcher can conclude that risk is a very general term but it has several implications. There are various terms that are related to the word risk such as chance, possibility, danger, gamble, hazard, jeopardy, peril, speculation and uncertainty. The risks are a concept used to express the state of uncertainty about events and the results that have material impact on the objectives of the institution, that is illustrated by the previous concepts that all involved the existence of negative effects of risks on the operations of the institution and its assets of all kinds, or the existence of cases of

uncertainty or Instability in the business of enterprises and their results, which affect the objectives of the organization that pours at the main objective of the majority of organizations which is to achieve profits.

Increasing diversity of risks is considered one of the most important challenges facing several organizations and impact its operations and their ability to achieve their objectives, so the main reasons for raising risks is the rapid change of environmental components (technological, economic, social, and political) where the only constant in business is change. Random unexpected factors, such as unknown viruses (software or natural) that are sometimes most influential in the emergence of risk compared to other factors (Ridha and Alnaji, 2013).

Theoretical framework for contingent liabilities

Contingent liabilities are among the elements that have a special importance in taking decisions from the "stakeholders", and this importance is related to their impact on the financial position of the economic unit in determining the future expenditures that can be incurred and may include lawsuits, ensuring private products and taxes (Cebotari, 2008). The International Accounting Standard (IAS 37, 2010) in its introduction (18) defined potential liabilities as a result of past events and is confirmed by a future event that does not have Economic entity controlled or may arise as a result of past events that have not been recognized due to the lack of an inflow of economic resources or reliable measurement. Craig (2004) define contingent liabilities as commitment to take on an actual liability if some economic event happens in the future.

Although contingent liabilities are not definite facts, they are as effective as information disclosed in financial statements over decisions made by users of financial statements. Thus, they may change financial future of a company (Darabi and Faghani, 2018). Therefore, the researcher conclude that the integrated definition of contingent liabilities should include (the need to achieve the condition of materiality for contingent liabilities, the association of the contingent item to a particular future situation or set of future specific circumstances, those future circumstance should characterize by uncertainty, the absence of this uncertainty will result in the expectation of a loss or gain in the future, the possibility of performing the entity by itself or by using specialists to estimate the degree of confirmation of the event with a certain probability.

2.6 Measurement of risks resulting from of outsourcing activities

Companies in general, and industrial ones in particular, are exposed to many risks as a result of conducting their activities in a business environment that characterized by complexity and intense competition, one of those risks which many industrial companies are exposed to are risks that results from outsourcing and outsourcing logistical activities in particular. there are many risks and contingent liabilities associated with outsourcing activities that required to measure (Bloem, 2015; Tsai et al., 2012)..

First: qualitative risk technique**A) Failure mode and effect analysis:**

Failure Mode and Effects Analysis referred to as FMEA is a technique that was developed in the late 1940s by engineers in the US armed forces.

Singh (2012) indicated that the steps for implementing FMEA technique includes.

identify components and associated functions, identify failure modes, identify effects of the failure modes ,determine severity of the failure mode ,identify causes of the failure mode,determine probability of occurrence ,identify controls ,determine effectiveness of current controls ,calculate risk priority number,determine actions to reduce risk of failure mode.

B) Probability and impact matrix:

Such a matrix is often referred to as a heat map and an example is presented below (Krstic and Kahrovic, 2015).

Table No. (2) probability matrix

Probability	High	Medium	High	Critical
	Medium	Low	medium	High
	Low	Insignificant	Low	Medium
		Low	Medium	High
		Impact		

One could also solve this mathematically by setting up an equation:

$\text{Risk} = (\text{Loss if risk occurs}) * (\text{Probability that risk occurs})$

The Qualitative methods are simple and easy to use yet they cannot give consistent results.

Second Quantitative techniques:

Quantitative methods convert the impact of risks into numerical terms. They obtain a more accurate image of risks but they cannot function without the availability of detailed data under international standards (ChenChen et al., 2020).

Some of these techniques are less applicable as they necessitate the need for detailed information which is generally not available at the planning stage and thus there is a difficulty in making accurate decisions.

1- Standard Deviation:**2-Beta:****3-Value-At-Risk.**

- Determine the stability operations for any type of organization's assets (cash, bonds, etc).
- Determine the link matrix (historical relations between liquidity and interest rates, exchange rates, etc.)
- Determine the period of conversion to liquidity (a day, week, month or period for which the organization considers to be protected from risk)
- Determine the level of statistical confidence (95% or 99%).

- Determine the final outcome, e.g.: estimate the size of the portfolio under threat and indicate how much the organization will lose exercising their activities, for example, if the organization has chosen one day and confidence level (99%) (50) million dollars.

4-Conditional Value at Risk (CVar):

5-Monte Carlo analysis:

6-The criterion of the greatest loss

2.7 risk disclosure concept and benefits

- **risk disclosure concept** risk Disclosure has been defined as the communication of information concerning a firm's strategies, operations and other external factors that do have the potential to affect its expected results (Alkurdi et al.,2019). Defining risk disclosure is necessary to establish a solid framework for the current research, so its required to determine the levels of risk disclosure. First, internal level at this level the reports provided to the executive management of the organization and users, including their involvement in the definition, measurement and development of performance and control, these (internal reports) help the management and users to increase the efficiency of the organization's performance in achieving its objectives by providing them with Strategic information on a regular basis about the risks to the organization first of all ,(Salim and el rewashed , 2010) .

second, the intermediate level this type of reports submitted to the Board of Directors to inform them about the level of control at the Executive Management and the extent of its success in managing risks (Elsharawy ,2017).

Thus the researcher concluded that the disclosure of risks to the investors whether in annual reports or in interim report help investors to makes their investment decision according to their ability to take risks and the corresponding returns.

- **benefits of outsourcing risk disclosure**

(Niemansburg et al.,2014; Adamu,2013; Abdelhaffar et al.,2019; Mhadi and Mahmood, 2018; Tavana et al., 2016), argue that the benefits that gained in general as a result of disclosure of outsourcing risk represented in the following.

- It can improve corporate transparency; consequently, the activities of the capital market can be enhanced.
- Assist users in evaluating a company's financial position and performance, as well as in identifying the sustainability and fluctuation of earning.
- Help users to evaluate the fluctuation of cash flow, as outsourcing have the potential to affect the firm's future cash flow generation.
- Companies that acknowledge the importance of outsourcing risk reporting are most likely to successfully develop and improve their risk management strategies, and this may result in maximizing shareholder value.

- supporting investor protection through helping investors confirm or amend their views about a company's risk profiles.
- Risk disclosure helps enhancing the confidence of the investors and thus reduces cost of capital of two aspects. Disclosure reduces transaction costs, because increased disclosures assist potential investors to overcome adverse selection of bid-ask spreads and reduce the cost of equity capital, also more disclosure reduces adverse price effects associated with large trades; reduces information asymmetry to investors, which leads to higher demand for securities in the market and thus reduces transaction costs and improves liquidity, in turn reducing the cost of equity capital. Increased disclosure reduces uncertainty or estimation risks (Nahar and Azim,2016).
- These reports inform the users on the existing and probable opportunities, prospects and dangers that will result from each outsourcing contract.
- Risk disclosure is an important tool for improving the efficiency of capital markets, as it provides for monitoring the behavior of managers and reducing uncertainty among investors regarding future cash flow.
- providing outsourcing risk information could lead to designing a model for best practice of risk management policies and standardized risk measurement, which in turn may result in an enhancement in the awareness of companies in regard to risk management and measurement.

Thus, the resaecher concluded that this benefit that indicated previously justify the importance of risk reporting, also the benefits of outsourcing risk disclosure are greater than costs, and any decision has benefits and their costs and the management should choice the alternative that give higher benefits. Despite these benifits till now there is no clear framework for the form and content of outsourcing risk disclosure.

2.8 risk disclosure measurement

Elsayed and Hussaine (2019), indicated that there are many methods used to measure the effectiveness of risk disclosure.

- **Counting the narrative disclosure**

Counting the narrative disclosure is a direct method of measuring the narrative disclosure. Although it seems a simple method, it is effective when measuring the quantity rather than the quality.

- **Constructing risk disclosure index**

this method to measure disclosure is very effective, especially if the objective is to examine the compliance with disclosure regulations, where the checklist could contain the disclosure items as imposed by the disclosure standard or regulation. Moreover, to be a good indicator of disclosure level, the items included in the checklist should be adequate and cover the different aspects of disclosure under investigation, and this investigation should be performed by risk management department and the external auditor (Ibrahim and Hussainey,2019).

- **Dummy variable**

Using a dummy variable is another method to differentiate between disclosers and non-disclosers or providers of high-quality disclosure and those of low-quality disclosure.

- **Ready disclosure measurements**

Hassan and Marston (2010) and Oliveira et al. (2011) found to direct to ready measurements of disclosure published by professional or academic bodies, or even prepared by prior studies. For example, the Association of Investment, Management and Research (AIMR) in the USA used to provide ratings of disclosure, known as AIMR ratings, to encourage and improve corporate disclosure.

- **Surveys & interviews**

Conducting surveys or interviews is another indirect method that examines disclosure by investigating observations of financial analysts, investors or other user groups about firms' disclosure practices through questionnaires or interviews.

Risk disclosure level can be measure by using scoring techniques. The score "1" was given to the items disclosed by the company's risk and a score "0" was given to items that were not disclosed by the company (Zulfikar et al., 2017).

$$RD = \frac{\sum score}{\sum max} \times 100$$

Description equation:

- RD: Score of Risk disclosure
- SCORE: Score of risk items disclosed by the company
- MAX: Total risk items that must be disclosed company

The general indicator of risk disclosure is calculated by dividing the total disclosures (the sum of the cumulative scores granted to each item in the disclosure list divided by the maximum possible degree of disclosure).

2.9 Limitations on applying accounting standards for reporting outsourcing.

Materiality: Materiality is dependent upon the size of an item relative to the total activity of the entity, the precision with which the item can be estimated, and the nature of the item itself. A crucial factor is whether the materiality of an event is judged transaction by transaction or whether all related transactions should be considered together.

Conservatism: Conservatism is a reaction to uncertainty and may mislead users of financial statements if it results in understatement of net assets and net income or to steps that affect the company's risk exposure (e.g. outsourcing contingent liabilities to the service supplier). Such arrangements may produce biased financial

statements in subsequent years that contradict the basic characteristic of representational faithfulness, neutrality, and comparability of financial statement.

cost-benefit considerations, and industry practice: Cost benefit considerations arise from a concern that the benefits received from disclosing outsourcing agreements are more than the costs involved in auditing and presenting outsourcing agreements in the financial statements. Where the overwhelming majority of our sample of outsourcing companies do not include any reference to the outsourcing contract, this may reflect an industry practice.

the indicator of measurement of the amount of accounting disclosure about risks and contingent liabilities of outsourcing activities

The component of this indicator used to measure the amount of risks and contingent liabilities of outsourcing activities that should be disclosed in a separate report subsequent to financial statement, this indicator can be summarized by the following table:

Table No. (4) criteria for measurement of the amount of accounting disclosure about risks and contingent liabilities of outsourcing activities

Groups	The purpose of measurement
The first group: general information about the company: • A Brief History of the Company • The organizational structure of the company • Major factories, warehouses and projects • Description of products/services • Market share • Discuss past and future industry trends • Discussing macroeconomic trends • Date of establishment of the company • An overview of the tangible short-term risk factors associated with a particular industry	Measuring the extent to which the company provides information on the general conditions of the company, the economy, and the industrial sector to which the company belongs
The second group: information about the company's strategy and benefits: • Defining the overall strategy and objectives • The impact of the adopted strategy on current and future results • An overview of the general strategy adopted by the company and the goals it wishes to achieve during the tenure • Significant changes that occurred during the period of preparing the Social Responsibility Report with respect to the company's basic data	Measure the extent to which information about the company's long-term planning is provided to build forecasts of future flows, and to determine the suitability of the company's planning to achieve goals

Groups	The purpose of measurement
The third group: the specifications of stakeholders of interest when disclosing outsourcing activities • Disclosure that information on outsourcing activities is directed primarily to all parties, namely employees, investors, creditors, suppliers, owners, partners and management, the company's audit team (internal - external), bondholders, lenders from banks, financial analysts, civil work organizations, and society as a whole. • Disclosure and precise identification of the specifications of stakeholders of interest when disclosing outsourcing activities	Measuring the extent of the company's disclosure of stakeholders related to the disclosure of outsourcing activities and the degree of participation with them
The Forth group: the items that must be disclosed about outsourcing activities • Disclose the objectives and motives of the outsourcing process • Disclosure of the outsourcing period concluded in the contract. • Disclosing the percentage of outsourced services to the total services. • Disclosure of the conclusion of the contract of outsourcing operations and the related obligations and terms of the contract and the set of financial and non-financial effects resulting from this contract • Disclose the costs resulting from the outsourcing process and how to measure those costs. • Disclosure of the costs of logistics activities in a separate item within the income statement • Disclosing the financial returns resulting from taking the outsourcing decision. • Disclosing the types of outsourcing process (full-part outsourcing or transformational outsourcing) • Disclose the impact of the outsourcing decision on the value of the facility • Disclosing the agency's problems and risks related to the external source's relationship as an agent in managing the facility as a principal. • Disclosing the performance evaluation of the external source from the technical and financial aspects. • Disclosing risk management reports and applying governance mechanisms. • Disclosure of the type of news (bad, good, and neutral), including comparative information for previous periods	Measuring the amount of accounting disclosure about outsourcing activities and the risks and potential obligations related to them

Groups	The purpose of measurement
and goals for future periods. • Brief description of each type of risk to which the facility is exposed. • Disclosure of activities that carry risks by their nature. • Disclose the mechanism taken by the company to reduce potential risks and obligations related to outsourcing activities	
• Disclose the meaning and objectives of outsourcing governance • Disclose the metrics used to measure the performance of outsourcing activities. • Disclosing information related to the potential financial impact of potential obligations without elaborating on details that may cause confusion for decision makers. • Disclosure and determination of the cost of the obligations expected / likely to occur to reduce the case of uncertainty. • Disclosure of the existence of a clear and strict responsibility to provide accurate reports on potential obligations that suggest a commitment to international disclosure standards • Disclosure of the extent of compliance with the application of the standard (IAS 37) concerning contingent liabilities and provisions • Disclosure of potential costs and obligations related to the outsourcing decision • Full disclosure of all information regarding potential obligations in order to make a decision	

Source: prepared by researcher

The indicator of measurement of quality of accounting disclosure about risks and contingent liabilities of outsourcing activities:

The component of this indicator can be summarized by the following table:

Table No. (5) criteria for measurement of quality of accounting disclosure about risks and contingent liabilities of outsourcing activities

Criteria	Disclosure Items
Relevance	• Disclosure of risk Management. • Disclosure of risk occurrence probabilities • Disclosure of the impact of risk (positive or negative, quantitative or qualitative both current and expected • Disclosure of Significant risk factors and risk concentrations. • Disclosure of the impact of development in current activities of the company on the opportunities and threats that possess the company.
Understandability	• Disclosure of Specific definition for each type of risk. • Definition of risk management. • Disclosure of each type of risk separately • Using tables, graphs and illustrations along with descriptive narrative information. • Definition for the measurement models used. • Presentation of risk information in the context of the company's strategy, business model, and past performance. • Presentation of risk information in the context of the company's plans and expectations for the future
Comparability	• Consistency in the presentation bases of risk information from period to period. • Include comparable risk information for year proceeds the reporting year • Consistency in the measurement bases of risk from period to period. • Disclosure of any changes in disclosure or measurement bases and its causes and impact. • Disclosure of any changes in risks compared to the period before the reporting period. • Disclosure of any changes in risk treatment compared to the previous period. • Disclosure of any changes in risk management strategies compared to the previous year
Verifiability	• Disclosure of quantitative information about risk. • Disclosure of information about measurement models used. • Disclosure of the basic assumptions underlying the measurement models used. • Disclosure of the limitations of the measurement used.
Predictive value	• Disclosing information about future events that helps predict risks • Disclosure of information related to risks in a separate section • A comprehensive and sufficient disclosure of future information related to risks that helps in making decisions
Neutrality	• Disclose in detail the impact of negative events on the financial statements. • Disclose negative events in detail in the margins • Disclosure in a balanced manner of positive and negative events

4. Research methodology

4.1: hypotheses of applied study:

According to the theoretical framework of the research and based on the objectives that the research seeks to achieve, the researcher can formulate a set of hypotheses as follows.

First hypotheses: There is a discrepancy between companies in the level of disclosure of contingent risks and contingent liabilities for outsourcing logistics activities in the Egyptian business environment.

The fourth hypothesis: Disclosure of the contingent risks and contingent liabilities of outsourcing logistical activities leads to improving the company's reputation.

The fifth hypothesis: The proposed model helps in developing the disclosure of contingent risks and liabilities resulting from outsourcing logistics activities.

4.2 population and study sample

The study population is represented by the joint stock companies registered in the Egyptian stock market and listed in the (EGX100) index. The researcher has selected a sample of those companies distributed over a number of different economic sectors belonging to industrial activity according to the extent to which the companies fulfill a set of determinants and controls identified by the researcher, which are:

The shares of these companies are listed on the Egyptian Stock Exchange and have previously been listed in the (EGX100) index, and are subject to trading throughout the study period.

That the company belongs to the industrial sectors or activities, thus excluding financial services companies, educational services and other non-industrial sector companies.

That the information content of the company has evidence that the company is engaged in logistical activities, including the availability of information on the costs of shipping or transportation activities in the general expenses item, especially since most companies did not list a separate item in the income statement in addition to that any industrial company must have activities Logistics, and there is information on carrying out these activities in the financial notes of the company

The company must have been listed in the stock exchange for more than three years, and the company has not made regular losses during the study period, and has not been subjected to delisting, merger or suspension during the study period.

The company's financial reports should be available regularly, and disclosed in the Egyptian currency through the company's website on the Internet, and sufficient data should be available to calculate the study variables

The application of the previous criteria resulted in the selection of (49) companies to represent the study sample distributed over a number of different economic sectors (*), and the following table shows the study population and the sample selection procedures, as follows:

4.3 Study variables:

Based on the study's objectives, hypotheses and limits, the study variables are represented in independent variables, dependent variables, and control variables as follows:

First: the main variables of the study

The main variables of the study can be described the following:

1- Disclosure of the contingent risks and liabilities of the Logistics Outsourcing (RCLD):

Due to the absence of a report on the disclosure of potential risks and liabilities for outsourcing logistics activities in the Egyptian business environment at the present time, as the companies listed on the Egyptian Stock Exchange do not publish a report on these risks and liabilities, but – according to the initial survey conducted by the researcher of the informational content of the financial reports of the sample companies - Information about outsourcing logistics activities and the potential risks and liabilities associated with this may be published in the notes supplementing the financial statements, especially within the analysis of the item of general and administrative expenses, The researcher followed the same approach as many previous studies to create an indicator to measure the level of disclosure of risks and potential obligations for outsourcing logistical activities to companies listed in the stock exchange and selected within the study sample, Consists of (46) items based on the un weighted dual approach that treats all items with equal importance and gives accurate results over other measures.

According to this indicator, the level of disclosure of potential risks and contingent liabilities for outsourcing logistic activities is measured through the following steps:

Assigning a fake variable to the items contained in the indicator so that the value is given (1) if the company discloses the item and the value is given (0) if the company does not disclose the item.

aggregate of scores for each company and its ratio to the maximum items to be disclosed to indicate potential risks and obligations for outsourcing logistic activities, which are (46) items

(*) At the end of 2019, the management of the Egyptian Stock Exchange restructured the market sectors and divided them into (18) sectors, where new sectors were added, and other sectors were merged with each other. Sector for ease of statistical analysis, and for more details about the restructuring of the Egyptian Stock Exchange sectors, review the following:

The Egyptian Stock Exchange website on the Internet through the following link:

https://www.egx.com.eg/ar/EGX_Milestones.aspx?Year=2019.

4- Company reputation (Tobin's Q): Reputation of the firm in the market

The company's reputation in the market is measured based on some accounting measures, including the (Tobin's Q) model (Liang Fu and et.al., 2016), which is a measure of the market value of the facility and calculates the value of the facility through the following equations:

$$\frac{\text{market value of equity} + \text{book value of total liabilities}}{\text{book value of total assets}}$$

So the market value of equity calculated as follow:

Market value of equity = number of shares traded (list) x market value of the share (closing price)

Second: Control variables:

The control variables, as shown in the following table, include some of the factors affecting the basic variables of the study, but they do not fall within the scope of the study in question. They were added in order to neutralize their impact and adjust the relationship between the independent variables and the dependent variables, among the most important variables identified by the researcher according to the results of previous studies are the size of the company, its financial performance, the size of the audit office and the characteristics of quality of governance.

The researcher can clarify the method of measuring the control variables through the following table:

Table No. ()Controlling study variables and their measurement method

Variables	Code	Measuring method
company size	FSIZE	the natural logarithm to total assets at the end of the year
The company's financial performance	ROA	It is measured by the return on assets through dividing the net profit after tax by the total assets
audit office quality	AQ	Dummy variable that takes (1) if the audit office is one of the major auditing offices or one of the offices associated with the major offices, or (zero) otherwise.
Corporate Governance	CG	It is measured as an aggregate variable whose value ranges from (1 to 10) according to the availability of some quality characteristics of governance characteristics and this was measured through an indicator proposed by the researcher as shown in Appendix No. (4).

4.4 testing the validity of the data for statistical analysis.

This is done by doing the following:

Test the extent to which the data follow the normal distribution (Normal Distribution Test):

To verify the extent to which the data are close to their normal distribution, (Kolmogorov-Smirnov) and (Shapiro-Wilk) test were used to ensure that the distribution pattern followed by the study data is a normal distribution for the continuous study variables (continuous variables), which are (disclosure of contingent risks and liabilities of outsource of logistic activities, company size, company profitability, corporate governance), in order to determine the type of tests that the researcher will use in the statistical analysis of data between the parameter tests and the non-parametric tests, and the following table shows the values of (Kolmogorov-Smirnov) and (Shapiro-Wilk) test And the level of significance for each variable in front of each test:

Table No. (): the normal distribution of the related study variables.

Continuous Variables		Kolmogorov-Smirnov Statistic		Shapiro-Wilk Statistic	
		Value	Sig.	value	Sig.
Disclosure of risks and potential liabilities for logistic activities outsourcing	RCLD	.066	.040	.962	.000
Firm size	FSIZE	.066	.039	.984	.026
Firm profitability	ROA	.119	.000	.925	.000
Quality of Governance Mechanisms	CGQ	.177	.000	.873	.000

It is clear to the researcher from the previous table that the value of the level of significance (Sig.) for the (Kolmogorov-Smirnov) test and (Shapiro-Wilk) test is less than (0.05) for all related variables, and accordingly, the data for the study variables (disclosure of risks and contingent liabilities for outsourcing of logistic activities, company size, company profitability, corporate governance) do not follow a normal distribution

According to the previous, the researcher is committed when testing the differences associated with the level of disclosure of risks and contingent liabilities of logistical activities outsourcing to Non-parametric tests.

4.5 Descriptive analysis of the study variables.

The researcher gives an analytical description of the study variables as follows:

Table No. () Descriptive statistics for the study variables

Data	Code	Year	The middle	Standard deviation	Maximum value	Minimum value
first : Continuous Variables						
Disclosure of risks and contingent liabilities for outsourcing logistics activities) over the course of the study years(level of disclosure as a whole	RCLD18	2018	20.7959	7.87395	33	3
	RCLD19	2019	19.2857	8.61684	33	3
	RCLD20	2020	19.3469	8.70477	33	2
	RCLD21	2021	18.3061	8.88398	33	3
	RCLD	2018-2021	19.4337	8.50946	33	2
Firm reputation (over the course of the study years) level of disclosure as a whole	Tobin's Q 18	2018	3.10285	3.495561	19.942	.151
	Tobin's Q 19	2019	2.96215	3.802914	19.163	.175
	Tobin's Q 20	2020	3.02414	3.967514	18.454	.151
	Tobin's Q 21	2021	4.16925	10.054649	36.719	.162
	Tobin's Q	2018-2021	3.31460	5.964460	36.719	.151
Firm size (over the course of the study years) On average	FSIZE18	2018	21.54820	1.348414	24.313	18.190
	FSIZE19	2019	21.67427	1.359820	24.502	18.451
	FSIZE20	2020	21.71372	1.346973	24.614	19.361
	FSIZE21	2021	21.79052	1.344831	24.863	19.402
	FSIZE	2018-2021	21.68168	1.342477	24.863	18.190
The company's financial performance (over the course of the study years) On average	ROA18	2018	.11856	.112541	.403	-.108
	ROA19	2019	.09725	.102031	.449	-.121
	ROA20	2020	.07178	.104125	.366	-.102
	ROA21	2021	.07747	.094992	.405	-.121
	ROA	2018-2021	.09127	.104449	.449	-.108
Corporate governance quality (over the course of the study years) On average	CGQ18	2018	7.8163	1.40940	10	4
	CGQ19	2019	7.8776	1.43806	10	4
	CGQ20	2020	7.9388	1.43481	10	4
	CGQ21	2021	8.3469	1.42231	10	4
	CGQ	2018-2021	7.9949	1.43043	10	4

From the table, it becomes clear to the researcher the following results:

The sample companies disclosed the risks and continent liabilities for outsourcing logistic activities with an average of (19.4337) according to the 46-item index developed by the researcher, which is a weak percentage. The reason is that the disclosure of risks and contingent liabilities for outsourcing logistical

activities in the Egyptian environment is still below the minimum level, as it is still done on a voluntary basis, in addition to the absence of an accounting standard regulating the way it is prepared and disclosed. The researcher believes that companies should pay more attention to disclosing risks and obligations. potential outsourcing of logistical activities.

3) The average natural logarithm of the total assets of the sample companies reached (21.68), and the results confirm the increase in the size of companies from 2018 to 2021, reaching, respectively, (21.54), (21.67), (21.71) and (21.79).

4) As for the financial performance, which is expressed through the rate of return on assets, which on average amounted to (.091) for the sample companies, with the highest financial performance of (.118) in 2018, and the results confirm the fluctuation of the rate of return on assets for the sample companies over the years of the study, Where it reached (.118), (.097), (.071), (.077) for the years of study, respectively

5) The average commitment of the sample companies to the rules and mechanisms of governance was (7.99) according to the indicator developed by the researcher, which consists of 10 items, and results indicate an improvement in the quality of governance characteristics from year to year, where the average reached (7.81) in 2018 and continued to rise over the years of study until it reached (8.34) in 2021.

6) Regarding the quality (size of CPA firm), the number of views representing the sample companies committed to the audit at one of the major auditing offices or one of the offices associated with them reached (76) views, with a percentage of (38.8%), to represent this percentage of the size and quality of the audit office for the sample companies, and then The quality of the external audit.

4.5 analyzing the results of the study hypotheses test.

4.5.1 Analysis of the results of the first hypothesis test

The text of the first hypothesis: There is a discrepancy between companies in the level of disclosure of risks and contingent liabilities for outsourcing logistics activities in the Egyptian business environment.

The validity of this hypothesis is tested by studying the extent of the difference between the different companies and sectors that make up the sample companies in the disclosure of risks and contingent liabilities for outsourcing logistical activities in the Egyptian business environment, through the (Kruskal-Wallis Test) (*) to measure the variance between to between sectors, and that as can be seen from the following table:

(*) (The Kruskal-Wallis Test), which is one of the non-parametric tests, was used to fit the variable of disclosure of potential risks and obligations for outsourcing logistic activities, whose data does not follow a normal distribution

Table No. () Extent of variation in the level of disclosure of risks and contingent liabilities for outsourcing logistic activities

Sector	Extent of variance between sectors		Kruskal-Wallis Test sig.
	No of views	average rank	
Trade and distributors	8	124.88	0.000
industrial products and automotive	8	103.75	
Textile,Garment,durable goods	12	80.42	
Transportation, shipping services	8	138.75	
Real Estate	40	70.05	
Basic resources	44	89.42	
building materials	12	82.25	
Tourism and Leisure	8	115.13	
Food and beverage	28	114.88	
Contracting, engineering construction	12	149.54	
pharma and health care	16	109.16	
Total	196		

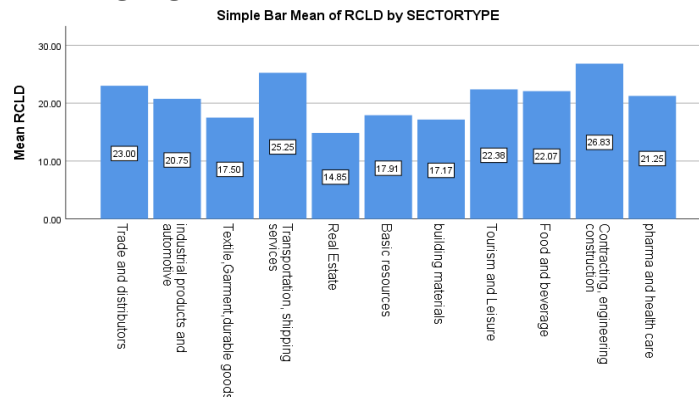
It is noted from the previous table that:

The difference in the level of disclosure of risks and contingent liabilities for outsourcing logistic activities from companies in different sectors, where the level of sig. for the (Kruskal-Wallis Test) test reached a value of 0.000, which is less than (0.05), and this indicates that there are significant differences between companies in the level of disclosure of risks and contingent liabilities for outsourcing Logistic activities.

according to the moral differences between sectors in the level of risk disclosure and contingent liabilities for outsourcing logistic activities, the results confirm that the highest disclosure sector is the transportation, shipping services sector, while the sector that discloses the least risks is the real estate sector.

The following figure confirms the previous results, which shows the extent of variation in the level of disclosure of risks and contingent liabilities for outsourcing logistics activities by sector type, as follows:

Figure No. () Extent of variation in the level of disclosure of contingent liabilities and risks for outsourcing logistic activities



The researcher believes that the presence of significant differences between the sectors that make up the sample about the disclosure of risks and contingent liabilities for outsourcing logistic activities is not only caused by the difference in the sector, but also caused by the difference from one company to another, as each company has characteristics that distinguish it from the other company such as size, age, profitability, degree of financial leverage and extent of commitment with governance.

According to the foregoing, the researcher concludes that the first hypothesis is valid, which states that “there is a discrepancy between companies in the level of risk disclosure and f contingent liabilities or outsourcing logistic activities in the Egyptian business environment”.

4.7 Analysis of the results of the fourth hypothesis test

The text of the fourth hypothesis: Disclosure of the risks and contingent liabilities of outsourcing logistical activities leads to an improvement in the reputation of the enterprise.

The validity of this hypothesis is tested and a quantitative equation is formed for it by following the following:

First: Correlation analysis of the variables of the forth hypothesis:

To test the correlation between the disclosure of risks and contingent liabilities for outsourcing logistic activities and Firm reputation measured by Tobin's Q (Correlation Analyze) was performed, and the following table shows the correlations for the variables of the third hypothesis, as follows:

Table No. () the correlation between the variables of the forth hypothesis.

Dependent variable	Correlation coefficient and level of sig.	Independent variable	Control variables			
		RCLD	F SIZE	ROA	AQ	CGQ
The reputation of a business measured by Tobin's Q	Correlation	.556**	-.269- **	.014	-.015	.480**
	Sig.	.000	.000	.844	.837	.000
**Indicates the significant correlation coefficient at the 0.01 significance level						

It becomes clear to the researcher the following results:

There is a positive, medium, statistically significant correlation between the level of disclosure about risks and contingent liabilities for outsourcing logistic activities and the reputation of the facility, measured by Tobin's Q ratio, as the correlation coefficient is positive and the level of sig. (sig) is less than (0.01),

Regarding the control variables and the extent of their relationship to the dependent variable, the researcher found, according to the results of the previous table, a positive and statistically significant correlation between the company's financial performance, the quality of corporate governance, and the reputation of

the facility, while the company's size and the audit office's size were associated with a negative relationship with the facility's reputation, measured by Tobin's Q.

The researcher concludes from the foregoing that according to the controls of the selected sample, the more the company discloses the level of disclosure of risks and contingent liabilities for outsourcing logistic activities, the more this leads to an improvement in the company's reputation in the market.

According to the foregoing, the researcher concluded that there is a statistically significant correlation between the disclosure of risks and contingent liabilities to outsource logistical activities and the reputation of the company, which supports the validity of the fourth hypothesis.

Second: Regression analysis and formulation of a quantitative model for the fourth hypothesis:

To measure the impact of disclosing the risks and contingent liabilities of outsourcing logistical activities on the firm's reputation, measured by Tobin's Q, the researcher used a multiple regression model, and the following table presents the results of the regression analysis as follows:

Table No. () Results of the regression analysis of the variables of the fifth hypothesis

Dependent variable			The reputation of a business measured by Tobin's Q				
Independent variables			B Coefficient	Beta	T Value	sig. level	Interpretation of the results at the level of significance 0.05
(Constant)		Constant	-18.137-		-2.134	.034	Statistically significant
Dependent variable	RCLD	Level of disclosure of risks and contingent liabilities for outsourced logistics activities	.474	.677	5.700	.000	Statistically significant
Control variables	Fsize	Firm size	.581	.131	1.659	.099	Statistically significant at 0.10
	ROA	Firm financial performance	-13.614	-.238-	-3.523	.001	Statistically significant
	AQ	CPA firm size	-.486-	-.040-	-.613-	.541	Not Statistically significant
	CGQ	Quality of Governance Mechanisms	.132	.032	.295	.768	Not Statistically significant
The explanatory value of the model			coefficient of determination R^2 = 0.354				
The overall significance of the model			Significance level to ANOVA analysis = 0.000				
Value Durbin-Watson			D-W value = 1.530				

It is clear to the researcher from the previous table the following results:

The value of the coefficient of determination (R^2) is (0.354), which reflects that the explanatory value of the model is high, and that the independent variables explain the changes that occur in the dependent variable by (35.4%).

The overall significance of the regression model used through the analysis of variance (ANOVA) for the regression model, which reached the level of significance (0.000), which indicates the high sig. of the model used in the study and its validity to achieve the study's goal.

The calculated (D-W) value amounted to (1.530), which is within the ideal range, which is close to 2 (1.5-2.5), which indicates that there is no problem of self-correlation between independent variables that affects the validity of the results.

There is a positive, statistically significant effect of disclosing the risks and contingent liabilities of outsourcing logistic activities on the firm's reputation, measured by Tobin's Q ratio, where the regression coefficient sign (β) was positive, and at a significant level less than (05.).

According to the foregoing, a regression model can be formulated for the impact of disclosing the risks and contingent liabilities of outsourcing logistics activities on the firm's reputation, measured by Tobin's Q ratio in the presence of the control variables as follows:

Model No. (3): The forth hypothesis

Tobin's Q = -18.137+ 0.474 (RCLD) +.581 (FSIZE)- 13.614 (ROA)- .486 (AQ)+ 0.132 (CGQ)+ ϵ it

Where: (Tobin's Q): The reputation of the business measured by Tobin's Q per year per year (t), (β_0): the value of the constant in the regression equation, (RCDL): disclosure of risks and contingent liabilities of logistic activities outsourcing, (F SIZE): Company size, (ROA) The company's financial performance, (AQ) Audit office size, (CGQ) Governance quality, (ϵ it): random error item.

After examining the results of the forth hypothesis test (correlation analysis and regression analysis, the researcher concludes that the fourth hypothesis has been proven correct, that disclosing the risks and potential liabilities of outsourcing logistical activities leads to an improvement in the reputation of the facility.

4/2/3/5 Analysis of the results of the fifth hypothesis test

To confirm the results of the applied study, the researcher conducted a field study based on a survey list with the aim of surveying the opinions of a sample of accountants and auditors in joint stock companies included within the sample and accounting and auditing offices that review the financial statements of the sample companies as follows:

Inquiries about the proposed model for developing and improvement of disclosure about risks and contingent liabilities related to outsourcing activities specially related to logistic activities.

The role of proposed model in improving efficiency of financial reporting and hence improving the value of entity and its reputation.

After selecting the sample for all groups of society, the researcher distributed survey lists (60 lists) through personal interview and hand delivery or sending and receiving by e-mail or by preparing a form for the survey list through Google Forms.

The researcher sorted the recovered forms to determine the response rate by the study groups and the validity of these forms to be subjected to statistical analysis and statistical results were drawn from them, and The sample of the study whose responses were analyzed was 55 items, where the share of accountants and auditors in joint stock companies was (36) individuals at a rate of 65.5%, and the share of accountants and auditors in accounting and auditing offices associated with the sample companies was (19) individuals at a rate of 34.5%.

To determine the validity and extent of dependence on the elements used in measuring the variables of the fifth hypothesis, the researcher found Cronbach's alpha coefficient as follows:

Table () Results of Cronbach's alpha coefficient for the survey list

	number of phrases	Cronbach's Alpha
the proposed model for Disclosing The Risks and Contingent Liabilities of Outsourcing Activities Applying to The Logistics	8	.773

We find that the value of Cronbach's alpha parameter for all elements is a high value close to the correct one, confirming that all the elements that the researcher specified to measure the proposed model for Disclosing the Risks and Contingent Liabilities of Outsourcing Activities Applying to The Logistics are valid, and highly reliable in the measurement.

The researcher subjected the views of the sample to the descriptive statistical measures (arithmetic mean, t-test, relative importance and arrangement of items) and the following results showed:

Table () describing opinions on the specific elements of the proposed model's role in developing disclosure of risks and contingent liabilities resulting from outsourcing logistics activities

The elements (phrases) that define The proposed framework for disclosing disclosure risks and contingent liabilities related to outsourcing activities specially related to logistic activities and its. role in improving efficiency of financial reporting	Arithmetic mean	Standard deviation	significance t-test	relative weight %
the proposed model for Disclosing The Risks and Contingent Liabilities of Outsourcing Activities Applying to The Logistics	4.42	.567	0.000**	88.40%
The proposed model improve the quality of disclosure about f risks and contingent liabilities of outsourcing activities.	4.25	.584	0.000**	85.00%
The proposed model increase the confidence of investors in relying on this information in making investment decisions.	4.36	.557	0.000**	87.20%
The proposed model contributes to reduce information asymmetry .	4.15	.524	0.000**	83.00%
The proposed model helps in Measuring the degree of disclosure of risk information in the annual reports of industrial companies	4.64	.649	0.000**	92.80%
The proposed model helps to evaluate the quality of disclosure of risk information in the annual reports of industrial companies.	4.62	.561	0.000**	92.40%
The proposed model render better disclosure frameworks that achieve consistency and comparability.	3.98	.707	0.000**	79.60%
The proposed model consider guide line that helps entities to properly disclosure information about outsourcing process .	4.35	.355	0.000**	87.00%
developing disclosure of potential risks and obligations resulting from outsourcing logistics activities	4.3351	.36084	0.000**	86.70%

**Statistically significant at the 0.05. Significance level

It is noted from the previous table that:

The arithmetic mean values of all the respondents' responses about all the elements indicate (more than 3) that opinions tend in favor of agreeing on the importance of the proposed model and its role in developing disclosure of l risks and contingent liabilities resulting from outsourcing logistic activities and that it received a good evaluation with relative importance that reached (88.40%) by The study sample; This is confirmed by the relative weight ratios of all the elements, which are more than 60%, representing the "neutral" choice

The significance of the (t-test) test, which is (0.00) for all expressions, which is less than (05.) indicates that all arithmetic means are statistically significant and that there are differences (significant differences) in the opinions of the respondents from them.

The researcher deals with the variance (the extent of agreement and difference) in the opinions of the sample groups about the statements related to the fifth study hypothesis through the (Mann-Whitney Test), which is one of the nonparametric tests that are applied with variables whose data do not follow the normal distribution to measure the variance between two independent samples, as follows: Table (30) analysis of variance in the opinions of the sample groups about the data of the fifth hypothesis

Data	Regression coefficient (B)	T-test values	sig. level	Statistical significance
fixed amount (BO)	3.000	8.762	.000	Statistically significant
Improvement pf disclosure of risks and contingent liabilities resulting from outsourcing logistics activities	.302	3.931	.000	Statistically significant
Correlation: The correlation coefficient R = 0.475				
$R^2 = 0.226$ The explanatory value of the model: coefficient of determination				
The overall significance of the model: the level of significance for ANOVA analysis = 0.000				

**Statistically significant at the 0.05. Significance level

It is noted from the previous table that the values of the level of significance of the (Mann-Whitney Test) for all data are greater than 5%, and this indicates that there are no differences between the groups representing the sample in question about the variables of the fifth hypothesis, and according to the above, the researcher concluded that there is agreement between the study sample on The importance of the proposed model and its role in developing disclosure of risks and contingent liabilities resulting from outsourcing logistics activities, which supports the validity of the fifth hypothesis of the study.

The researcher also tested the relationship between the proposed model and the development of disclosure of risks and contingent liabilities resulting from outsourcing logistic activities, and the results of the correlation and regression were shown as in the following table:

Table () Results of correlation and regression analysis of the survey list

Data	Regression coefficient (B)	T-test values	sig. level	Statistical significance
fixed amount (BO)	3.000	8.762	.000	Statistically significant
Improvement pf disclosure of risks and contingent liabilities resulting from outsourcing logistics activities	.302	3.931	.000	Statistically significant
Correlation: The correlation coefficient R = 0.475				
$R^2 = 0.226$ The explanatory value of the model: coefficient of determination				
The overall significance of the model: the level of significance for ANOVA analysis = 0.000				

The following results are evident from the previous table:

There is a strong direct correlation between the proposed model and the development of disclosure of risks and contingent liabilities resulting from outsourcing logistic activities, where the correlation coefficient is positive, and the level of sig. is less than (01.).

There is a positive impact of the proposed model on developing disclosure of risks and contingent liabilities resulting from outsourcing logistics activities, where the regression coefficient is positive, and the level of sig. is less than (05.).

According to the foregoing, the researcher concluded the validity of the fifth hypothesis that “the proposed model helps in developing disclosure of l risks and contingent liabilities resulting from outsourcing logistic activities.

5. Conclusions and Recommendations

5.1 Conclusions:

The research concluded that outsourcing can provide more immediate increased efficiency by reducing straight investment costs. Outsourcing reduces the required investment in employees, expertise, and assets required to perform an activity, the lack of adequate disclosure of logistics cost data in the accounting reports and financial statements under the liberalization of world trade and the opening of the markets of the world's countries has led to the interest of many economic units in the sector reports on the costs of logistics activities in order to increase and support Competition in financial markets, further , the researcher founded that one of the problems with measuring outsourcing performance is finding what exactly should be measured and companies usually disclose risks and contingent liabilities when only have the techniques to overcome those risks. Also research conclude through theoretical part that most important difficulties and constraints faced by risk management is Lack of understanding of risk and its measurement tools, and the inadequate application of some of the risk-management tools in operation. And recommended that the company should create detailed plan for mitigation risk, the risk mitigation plan should minimize the impact of realized risk by reducing the frequency of occurrence or the impact on the business, or hopefully both.

5.2 Recommendations:

- 1- The proposed model for disclosure of risks and contingent liabilities must be taken into account by the concerned authorities and considered the cornerstone for building an accounting standard for outsourcing activities
- 2- The researcher recommends the necessity of Participation of stakeholders in identifying the contents of the disclosure of risks and contingent liabilities of outsourcing logistics activities and their interests.
- 3- Disclosure of the quality of quantitative data about the important aspects of disclosing the risks and contingent liabilities of outsourcing logistics activities,

either in the form of tables or graphic forms, and not only descriptive disclosure.

- 4- Necessity to development of the Egyptian index of corporate responsibility to include disclosure of the risks resulting from outsourcing and the mechanisms taken by the company to face these risks and the size of potential liabilities resulting from outsourcing.
- 5- Emphasizing the role of the auditor in asserting the disclosure of the risks and potential liabilities resulting from the outsourcing of the logistics activities.

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