

The Accounting and Auditing Profession in Jordan: Its Origin and Development

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Abstract

This study reviews the historical development of accounting the auditing profession in Jordan. It investigates the social, economic, and political factors which have affected the accounting and auditing profession in Jordan. In addition, this study tracks the development of the accounting and auditing profession themselves and the related commercial legislations since the beginning of the twentieth century to the current era, with the aim of providing a general background about the development of accounting and auditing in Jordan. The findings indicate that the Anglo-American model was adopted in accounting as a result of social, political, and economical factors. Also, Jordan is currently committed to financial reporting standards and international auditing standards.

Keywords: Accounting; Auditing profession, Emergence, Development, Financial reporting

1. Introduction

Several factors, such as political and economic influences, cultural, and other factors, can have a significant influence on accounting practices (Radebaugh and Grey, 1997). In addition, the outcome of this study indicates that a country's accounting systems are influenced by factors that are unique to its particular environment.

Previous international accounting research has focused on developed countries, while Jordan has been neglected, as indicated by Kamla (2004), who states:

very little is known about accounting practices and accounting regulations in the Arab Middle East, with most studies available in the English speaking world being concerned mainly with the larger and more economically significant countries of the Middle East, such as Egypt and Saudi Arabia (p.3).

Understanding the environmental factors that helped shape Jordan's accounting practices and documenting their impact takes on a particular importance at this time of change and economic growth.

This paper, therefore, fills a gap in accounting research. It investigates key social, economic, and political factors and links them to the development of the accounting and auditing profession in Jordan. Further, it discusses the emergence of the Jordanian financial market and its effect on the accounting and auditing profession.

The paper also discusses the legal framework for the auditing profession in Jordan. It sheds light on the main legislation that governs financial reporting in Jordan. Finally, it discusses accounting and auditing education in Jordan.

The remainder of this paper is structured as follows. Section two provides a brief background about the Kingdom of Jordan. Section three discusses the factors that influence the orientation of accounting in Jordan. The emergence of the Amman Financial Market and its effect on accounting and auditing profession are presented in section four. The development of the auditing profession in Jordan is discussed in section five. Section six discusses the auditing laws that regulate the auditing profession in Jordan. Section seven reviews financial reporting in Jordan. Section eight sheds light on accounting education at Jordanian universities. Finally, a discussion and summary are presented in sections nine and ten.

2. Jordan - Historical Background

The Hashemite Kingdom of Jordan is a constitutional monarchy where executive power is vested in the Council of Ministers, which is appointed by the King and is accountable to a bicameral parliament. The King appoints the Upper House, while the Lower House deputies are directly elected.

Jordan is a small, developing Arab country, within an area of 92,342 square kilometers located in the Middle East, bounded on the north by Syria, the northeast by Iraq, the south and southeast by Saudi Arabia, and on the west by the West Bank and Israel.

In 2014, Jordan's population, was estimated at 6.6 million (DOS, 2014). The official language is Arabic, but English is used widely in commerce and government, is taught in schools as a second language and is the language for teaching science and business in Jordanian universities. The widespread use of the English language facilitates the process of accessing the Internet, western textbooks, journals and more specifically the western accounting and auditing literature worldwide, by Jordanian academics and students in the various accountancy schools.

3. Factors Influencing Accounting Profession in Jordan

Understandably, social, economic, and political factors have had a considerable impact upon the way accounting and auditing is practiced and regulated in Jordan.

3.1 Social Influences

From the social standpoint, as a consequence of English being used instead of the Arabic language during the British colonization period, many accounting documents, rules and procedures have been derived from those prevailing in the United Kingdom (Hells, 1992). Moreover, many Jordanian students have studied accountancy abroad (mainly in the UK and the US) contributing to accounting practitioners' potential awareness of Anglo-American auditing practices.

3.2 Economic Influences

From an economic perspective, during the British occupation the Jordanian economy was described as, at best, primitive; accounting practice was limited to simple bookkeeping. Al-Rai and Dahmash (1998) explain that at the early period of establishing the country:

The Jordanian economy was very simple and composed mainly of agricultural business. Accounting practices, therefore, were limited or nonexistent (p.179).

After independence, during the 1950s and 1960s the Jordanian government established large enterprises to engage in activities such as potash extraction and fertilizer production. Growth of the economy since has made significant demands upon accounting in Jordan. According to El-Issa (1984), economic growth in developing countries requires improved accounting procedures and standards to meet the needs of the developing economy. Without them industry remains relatively primitive, and unlikely to attract the level of investment necessary for international expansion and general participation in globalization, which are key elements in the development of a modern economy and international capital market.

During the 1970's the government continued to expand the public sector, and established the Amman Financial Market (AFM) to arrange the national savings programme and organize the issuing and trading of the public companies' shares. Al-Rai and Dahmash (1998) pointed out that establishment of AFM was a major motive for adopting the international financial reporting standards (IFRS) in Jordan.

3.3 Political Influences

Politically, Jordan has maintained strategic local and western alliances. After independence, Jordan maintained close relations, especially 'economic ties', with Britain and the West. Jordan, as a country without natural resources conducive to mining, petrol production and water development, depends on aid from Arab and western countries to achieve its development plans. Hoogvelt (1997), in this regard, indicates that the condition of aid and development programmes to developing countries depends mainly on the readiness of these countries to assume social, cultural and political changes. Thus, as Kamla (2004, p.12) describes the situation for countries depending on western aid:

They adhered to development and economic programs prescribed to them by western experts, whether working in multinationals operating in these countries, including accounting firms, or in international organizations such as the World Bank and International Monetary Fund (IMF).

In view of this, accounting in Jordan has been influenced by the UK, both when its accounting practices were applied to Jordanian businesses during the period of British occupation and through its aid to Jordan after independence. Additionally, the US has influenced accounting practices in Jordan through its investment in Jordanian commerce and through its continuous economic assistance and the natural desire of developing economies to benefit from the US's industrial power.

In this context, the influence of Western accounting systems has continued in Jordan even after independence. The clearest evidence of the continued influence has been the adoption of the International Accounting and Auditing Standards by Jordanian enterprises. Accordingly, Hells (1992) categorizes accounting practice in Jordan as being in accord with the *British-American Model*. But Hells' characterization may well be too simplistic a view of Jordanian accounting development. In fact, despite linkages with US accounting and auditing through the operations of the Big 4 firms in Jordan, Jordan's adoption of the International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA) is more consistent with the British and European Union (EU) developments than those in the US, which has yet to adopt the international accounting and auditing standards..

4. The Emergence of the Amman Financial Market and its Effect on the Accounting and Auditing Profession

Public shareholding in companies has existed in Jordan since 1930, when the first Jordanian company, Arab Bank, was established. It was followed by the Jordan Tobacco & Cigarettes Company in 1931, the Jordanian Electric Power Company in 1938, and Jordan Cement Factories in 1951. The first corporate bonds were issued at the beginning of the 1960s. Prior to 1978, unregulated share trading of the public share holding companies was undertaken through unregistered offices in Jordan.

As a result, an unorganized securities market has emerged in the form of non-specialized offices. This prompted the government to contemplate the idea of setting up a market to regulate issuance of and dealing in securities, in a manner that would ensure safe, speedy and easy trading, and protect small savers, through a mechanism that would define a fair price based on supply and demand. Successive economic plans called for the establishment of such a market, and various parties started to prepare, with the government's support, for setting up an organized securities market. In 1975 and 1976, the Central Bank conducted intensive studies, in cooperation with the World Bank's International Finance Corporation (IFC), and it became clear therefrom that the size of the national economy and the share of the private sector in it through public shareholding companies and its broad investor base justified such a step. Such a market was perceived as a creator of and caterer for much needed opportunities for economic growth which would stimulate and spurt economic activity. These joint efforts bore their fruit, and Temporary Law No. 31 of the year 1976 was promulgated, and what was known as Amman Financial Market was consequently established. A Cabinet resolution of March 16, 1977 set up an AFM Administration Committee, which immediately went into action; and operation on AFM started on the 1st of January, 1978.

The Law laid out the objectives of AFM as follows: to mobilize savings by encouraging investment in securities; thereby channeling savings to serve the interests of the national economy; to regulate issuance of and dealing in securities in a manner that would ensure the soundness, ease and speed of transactions to safeguard national financial interests and to protect small savers; and to provide the necessary data and statistics to achieve AFM objectives.

As of its inception, AFM was entrusted with a dual task, namely the role of a Securities and Exchange Commission (SEC) and the role of a traditional Stock Exchange.

Since then and up to the founding of Amman Stock Exchange, a lot has been achieved. Trading on the Secondary Market rose from JD9.7 million in 1978 to JD3.0 billion in 2013; market capitalization of subscribed shares is currently around JD18.2 billion, as compared to around JD286 million by the end of 1978; and the number of listed companies went up from 66 in 1978 to 240 by the end of 2013 (ASE website).

In 1997, the Jordanian Government adopted a comprehensive restructuring reform policy for the capital market of Jordan built upon what had been accomplished during the previous twenty-one years, aiming to bring the Jordanian securities industry up to international standards.

The main features of the restructure and reform according to the provisions of the Securities Law No. 23 (1997) were the institutional changes in the capital market, the introduction of the automation of trading and clearing and settlement operations, removal of obstacles restricting investment, strengthening the monitoring and surveillance of the capital market, introducing new financial services and new financial instruments to achieve the highest level possible of transparency and to provide the right environment to achieve the orderly dealing in securities.

The reform program resulted in the establishment of three new institutions: the Jordan Securities Commission, a Stock Exchange, and a Securities Depository Center. According to the provisions of the Securities Law No. 23 (1997), the Jordan Securities Commission (JSC) was established in 1997 as a Government body to regulate and monitor Jordan's capital market. The Amman Stock Exchange (ASE) was formally launched in March 1999; managed by the private sector, it is a non-profit legal entity with administrative and financial autonomy. The Securities Depository Center (SDC) was established in May 1999 as a private sector entity to oversee the registration and transfer of ownership of traded securities and the settlement of prices of such securities among financial brokers.

Originally 57 companies were listed on AFM, rising to 120 companies in 1988 (Abu-Nassar & Rutherford, 1996). Over the last decade Jordan's economy and Jordanian capital markets showed an overall improvement in the performance of economic activity: 247 public shareholding companies were listed on the Amman Stock Exchange (ASE, 2014) by the end of 2011, compared with 163 by the end of 2000; their market capitalization by end of 2013 rose to US\$18,233 million, compared to US\$4,943 million at the end of 2000. In addition, By the end of November 2014, shares owned by non-Jordanians represented 48.9% of ASE capitalization, 36.2% of which are owned by Arab investors and 12.7% by Non-Arabs (ASE website, 2014)

| | Number of Listed Companies | Market Capitalization (US\$ million) | Value Traded (US\$ million) | Non-Jordanian Ownership of Market Capitalization (%) |
|------|----------------------------|--------------------------------------|-----------------------------|--|
| 2000 | 163 | 4,943 | 471 | 41.7 |
| 2001 | 161 | 6,305 | 942 | 38.5 |
| 2002 | 158 | 7,083 | 1,339 | 37.4 |
| 2003 | 161 | 10,948 | 2,613 | 38.8 |
| 2004 | 192 | 18,357 | 5,343 | 41.3 |
| 2005 | 201 | 37,599 | 23,762 | 45.0 |
| 2006 | 227 | 29,720 | 20,036 | 45.5 |
| 2007 | 245 | 41,192 | 17,411 | 48.9 |
| 2008 | 262 | 35,823 | 28,648 | 49.2 |
| 2009 | 272 | 22,527 | 9,665.3 | 48.9 |
| 2010 | 277 | 21858 | 6690.0 | 49.6 |
| 2011 | 247 | 19273 | 2850.2 | 51.3 |
| 2012 | 243 | 19142 | 1978.8 | 51.7 |
| 2013 | 240 | 18233 | 3027.6 | 49.9 |

Table 1: *Key Statistics of the Amman Stock Exchange (2000-2013)*

Source: Amman Stock Exchange

Accordingly, the creation of the AFM, and its subsequent development, has had a major impact on the accounting and auditing profession in Jordan (Al-Rai and Dahmash, 1998). Prior to the establishment of the AFM companies' financial reporting was addressed mainly to the government and to the creditors. Afterwards, to assist investors to make informed investment decisions, the demand for more financial disclosure, credible financial reporting and for audited financial statements increased. Establishment of the AFM has encouraged

investors to establish more public companies in Jordan. In turn, the formal and informal demands on the accounting and auditing profession understandably have also increased.

5. Development of an Auditing Profession in Jordan

During the period of British mandate, British accountants established local accounting firms in a number of their Middle East mandates, mainly in Egypt, Palestine, and Iraq. They employed residents of the region to audit branches or subsidiaries of British companies as well as local companies with British ownership. In Jordan, during the 1920's, no audit firms were based in the country because the economy was primitive. Therefore, auditors from the west bank of the river Jordan carried out all of the accounting or auditing work.

During the 1930's, following the promulgation of the first Jordanian constitution and the election of the Legislative Council, and as a result of the emergence of Jordanian public companies, the demand upon accounting and auditing services in Jordan increased such that the development of an indigenous profession was inevitable. This materialized during the 1940's, when a fledgling Jordanian accounting and auditing profession began to emerge. In 1944 the first Jordanian audit firm - George, Kader and Co. - commenced practice. Due to the political issues resulting from the Arab-Israeli war, a second audit firm, Saba and Co., moved from Jerusalem into Jordan in 1948 to open a permanent office in Amman. Those two firms dominated the Jordanian audit market until the beginning of the 1950s.

Establishment of public companies and the economic growth after independence encouraged foreign audit firms to open branches in Jordan such as Russel and Co. and Whinney, Murray and Co. in 1950.

Al-Rai and Dahmash (1998, p.180) illustrated the evolution of auditing and accounting profession as follows:

“To satisfy the increasing needs for economic development during the 1950s the Jordanian government established a number of large enterprises, including Jordan Cement Factories in 1951, Jordan Phosphate Mines Company in 1953, Jordan Petroleum Refinery Company in 1956, and the Arab Potash Company in 1958. Throughout the following years, the number of enterprises continued to increase regularly and demand for accounting and audit services grew commensurably. As a result, more auditing firms were established, and, by 1975, twenty auditing firms were operating in Jordan”.

Auditors in the local audit firms ‘practiced’ without particular permission or license. Neither laws nor regulations were in place to control the auditing profession after Jordan's independence. In this context, it is reasonable to presume that the lack of regulation may have contributed to there being no stated professional standards or skills required of auditors as prerequisites to entry to the Jordanian auditing profession. In that setting, it is to be expected that the quality of auditing was adversely influenced. This state of affairs, in which the auditing profession in Jordan operated in a completely unregulated environment, without any practice guidance rules, continued until 1961.

6. Governmental intervention to regulate Auditing Profession in Jordan

Since the accounting and auditing professional bodies did not exist in Jordan until 1987, in the absence of an effective accounting and auditing profession the government bore the full responsibility for regulating accounting and auditing practice until this time.

Growth in the Jordanian economy and the increased number of auditing firms necessitated the formal organizing of the profession. The absence of pressure from the Jordanian accounting bodies for self-regulation opened the way for the government to usurp the regulatory role. Thus, the government commenced regulating the auditing market through legislation. Between 1961 and 2003, the government issued three laws to regulate the local auditing profession. In 1961, the first auditing law was issued with the intention of introducing a *licensing* mechanism for entry to the auditing profession. This was amended in 1985, introducing a written examination as a prerequisite to receiving an auditing license. The 1985 law gave the permission for auditors to establish an Auditors Association. In 2003 a further law aimed at lifting the quality of Jordanian auditors to compete with those worldwide was issued with new requirements for licensing.

6.1 Practicing Auditing - Easy Professional Entry - Law No. 10 (1961).

The auditing profession in Jordan was officially created with the promulgation in 1961 of the “*Law for Practicing of the Auditing Profession. Law No. 10 (1961)*”. According to this law public accountants in Jordan must be licensed to practice auditing. The auditing license was issued by a *licensing committee*, comprising representatives of the Deputy Ministry of Finance, Deputy Ministry of National Economics, Deputy Audit Bureau, Head of the Commerce Department at the Ministry of National Economics, and one Certified Accountant nominated by the President of the Audit Bureau.

Although this law prescribed that the licensing committee contains auditing practitioners with a long professional experience. Noticeably; governmental members dominated the structure, since the government had, at this time, adopted the organizing of the auditing profession. Understandably, the profession has no significant influence over decisions relating to its own practices.

Under Law No. 10 (1961), applicants applying for an audit profession license had to hold a membership in a recognized public accounting body, or a university degree, or a high school certificate with four years’ experience as a senior auditor, or a junior school certificate with six years’ experience as a senior auditor. Thus, according to the requirements of this law, an audit license could be granted to anyone who had completed high school or completed junior school. In effect this meant that during that period an audit license in Jordan was available to all the ‘school educated’, regardless of their academic qualifications or business experience, or indeed what they had been taught.

As such, Law No. 10 (1961) completely ignored academic qualifications, and depended for granting the license on practical issues. It appears to have been in favor of recruiting ex-government agency employees into auditing. But according to Al-Mekbel (2004) work experience within government agencies was generally insufficient grounds for granting such licenses. Such licensing would lead the audit market to be filled with ‘unsuitable’ practitioners.

Any auditor who had practiced in the public accounting profession for two years before the enactment of Law No. 10 (1961) was granted a license directly under a *grandfather* clause - a circumstance further indicating and exacerbating the ease of entering the profession.

During the period from 1961 to 1985, during which Law No. 10 (1961) operated, several factors influenced the quality of the auditing profession in Jordan, and led to poor standards. Besides the loose requirements for licensing, the absence of local professional bodies that could help in the regulation of audit work, the cultivation of an ethos of compliance, and evaluation of non-compliance with accounting or auditing standards, contributed to the profession’s weakness.

Finally, Law No. 10 (1961), in contrast with worldwide practices, did not require applicants to sit a professional *screening* examination as an entry prerequisite. This almost guaranteed that, in any comparison with western audit practice, Jordanian practice would fare poorly. It is to be noted that Law No. 10 (1961) continued in force until 1985.

6.2 Professional Auditing Examination - Law No. 32 (1985)

In 1985, Auditing Law No. 10 (1961) was amended by the “*Law of Auditing Profession. Law No. 32 (1985)*”, which for the first time required aspiring auditors to sit an audit examination as a prerequisite to practicing in Jordan. The audit examination is perceived to have been an important development to ensure that the auditors have the necessary educational background, skills, practical experience, and competencies (Delaney, 1995). The examination comprises two parts covering a range of accounting topics, such as managerial accounting, business law, accounting practices, auditing, and income tax. The content of the Jordanian auditing profession’s examination is parallel in focus with that of the American Institute of Certified Public Accountants (El-Rajabi and Gunasekaran, 2004).

According to Law No. 32 (1985) the auditing profession was to be administered by the Board of Auditing Profession (BAP) composed of the following members: the President of the Audit Bureau to be BAP President, the Deputy of the Audit Bureau, the Deputy of the Ministry of Finance, the Deputy of the Ministry of Industry

and Trade, the Director General of the Income Tax Department, the Deputy Governor of the Central Bank, the Amman Financial Market manager, two academics, and three Certified Accountants. The main responsibility for the BAP was to manage the licensing of auditors through conducting the auditing profession examination.

The structure of the Jordanian BAP was heavily criticized by Matar (1994). Matar's study indicated that the composition of the BAP lacked fairness, where the proportion of professional members of the BAP was only three out of twelve (25 percent), while the governmental members comprise the majority, meaning that the benchmark of the profession remained under the control of the government, not the profession itself. In 1985, there was still no professional body to influence the decisions related to auditing practice or the composition of the BAP; accordingly, it was government dominated.

In a comparison to Law No. 10 (1961), regarding auditors' licensing requirements, it is noticeable that Law No. 32 (1985) was stronger in its efforts to raise the quality of the auditors practicing in Jordan. Applicants had to sit for a written audit examination described by El-Rajabi and Gunasekaran (2004, p.1033) as "a screening device to insure that a member will not receive the license to perform the attest function before proving an ability to practice public accounting". Whilst the first and second requirements of the 1985 law specified that applicants hold a Bachelor or Masters Degree in accounting, which is more suitable for auditors than any other qualifications, again, by recourse to general educational qualifications of any variety, non-accounting graduates and holders of a diploma certificate, also satisfied the qualifying criteria to sit the auditing examination.

Holders of a Ph.D. in accounting with a minimum of one year's auditing experience or two years teaching experience and those possessing a professional certificate from any internationally recognized certified public accountants' institutes or associations (such as the *Chartered* or *Certified* certificate) were exempted from the examination.

To conclude; Law No. 32 (1985) laid the foundation for the first professional auditing body in Jordan, The Jordanian Association of Certified Public Accountants (JACPA). As such, it was a significant step towards the development and regulation of the auditing profession.

6.2.1 The JACPA – a Professional Landmark

The JACPA was founded in 1988 by JACPA By-Law No. 42 (1987), issued in accordance with Article 18 of the Auditing Profession Law No. 32 (1985).

The Association was linked to the BAP and chaired by the president of the Audit Bureau. As such, the JACPA aimed to raise the educational and technical standards of the accountancy and audit profession in Jordan. To attain these goals, the JACPA faced the need to: develop the technical level of the Association's members, monitor the professional code of ethics, encourage and support scientific research in different fields of the auditing profession, determine and prescribe the generally accepted auditing standards, and raise the awareness of the rules and principles of accounting.

To this end the JACPA has worked diligently toward the development of the auditing profession in Jordan. The most significant achievement for the JACPA was the recommendation for adoption of IFRS, which took effect from January 1990.

6.3 Organizing the Practice of the Public Accounting Profession - Law No. 73 (2003)

In 2003 a new auditing law was issued - the "*Law of Organizing the Practice of the Public Accounting Profession. Law No. 73 (2003)*". This law addresses a contemporary basis for practicing the public accounting profession in Jordan in such a way as to guarantee the reliability of the financial statements presented by companies and other institutions. In this regard Law No. 73 (2003) aims to achieve the following: organizing the practice of the auditing profession; ensuring compliance by Jordanian companies with International Accounting and Auditing Standards; developing the technical and educational abilities of Jordanian auditors; ensuring compliance of the auditors with the code of professional ethics; and enhancing auditors' integrity and independence.

To achieve the above, a *high council* for accounting and auditing was established. Consistent with the composition of the past committees, the composition of the auditing *high council* is dominated by governmental members, with only 25% being practitioner auditors. Therefore, professional members remain a minority in the council. Arguably, domination by government representatives has resulted from the weakness of the JACPA, to the extent that it was deemed that it was still in its infancy (Hells, 1992).

Law No. 73 (2003), for the first time, requires that the applicants for entry into Jordan's public accounting profession complete a training period at a certified public accountant office, in addition to passing the audit examination prerequisite. It is reasonable to expect that this new arrangement should enhance the quality of the auditing profession, ensure that public accountants are trained at a well-known office, and that they obtain the necessary practical skills to enter the profession.

Applicants are now required to hold *one* of the following qualifications in order to be entitled to sit for the audit professional examination: a Bachelor's degree with a major in accounting; a Diploma in accounting; a related Bachelor's degree, not in accounting, but with accounting courses meeting a minimum threshold; or a Professional Certificate from an acceptable professional body. To enhance the quality of the auditing profession under the new law, eligibility to sit the auditing examination is granted only to those holding an accounting degree or who have studied a specified minimum of accounting courses. It is expected that the holders of an accounting degree will be more efficient and appropriate auditors than others without that credential. Thus, Law No. 73 (2003) aims to link the practical aspects of auditing, through the training program at a well-known audit office, with a solid knowledge of academic matters, through the accounting degree. Under the Law No. 73 (2003), therefore, the JACPA has received additional power to enhance its role in developing the auditing profession.

Currently the JACPA can establish a disciplinary committee to impose one or more of the following sanctions upon members for malpractice: admonishment, warning, suspending the auditor's license for a period not exceeding two years, and termination of the auditor's license. Accordingly, the JACPA possesses the authority to inspect the audit firm's working papers through a specialized inspection committee. Moreover, the Association can now draft its own rules and regulations and has the right to maintain a special record for all auditors.

For the first time, the JACPA now has the power, the means, and the authority to play a vital role in the development of the auditing profession. This new authority should encourage the Association to start exercising its power in the best manner. Enhancement of the quality of the profession should be built on a strong professional base, requiring Jordanian auditors to engage their Association to exert pressure towards the technical advancement of the profession.

7. Financial Reporting by Public Companies in Jordan

Financial reporting in Jordan is regulated through the commercial laws. The Companies Law regulates all types of companies; the Banking Law regulates the banks, while the Insurance Law regulates the insurance companies. In the same context, the Securities Law regulates all companies regarding listing and trading matters in the financial markets.

7.1 Financial Reporting in the Companies Law No. 22 (1997)

According to the Companies Law No. 22 (1997), Jordanian companies are divided into General Partnership, Limited Partnership, Limited Liability Company, Limited Partnership in Shares, Public Shareholding Company. The securities of public shareholding companies can be listed and traded in the capital market and their minimum paid-in capital is 500,000 Jordanian Dinars (JD)ⁱ.

According to the Companies Law No. 22 (1997), public shareholding companies are obligated to appoint an auditor. Duties are assigned to the Jordanian auditor according to the Companies Law - the major responsibility being to audit companies' accounts in accordance with the recognized auditing rules, the auditing profession's principles and its scientific and technical standards. Moreover, an auditor is to review the financial and administrative by-laws of the company and its internal financial controls, to ensure their suitability for the company's business and the safeguarding of its assets. Accordingly, auditors in Jordan are responsible for assessment of companies' internal controls, in addition to undertaking the appropriate substantive tests.

In accordance with Companies Law No. 22 (1997), all public shareholding companies are required to prepare and issue their annual audited financial statements - their balance sheets, income statements, and cash flows statements - within three months from the end of the company's fiscal year. Further, each public company is to prepare and issue its semi-annual financial statements, certified by the company auditors within 60 days from the end of the half-year period.

7.2 Financial Reporting in the Securities Law No. 76 (2002)

The Securities Law in Jordan (No. 76/2002) also requires all public shareholding companies to prepare and issue their annual audited financial statements, within a period not exceeding three months from the end of its fiscal year. Semi-annual financial statements with comparisons to the same period of the preceding fiscal year are to be prepared within a period not exceeding one month from the end of the half-year period. Moreover, each company shall declare their primary results upon a primary revision by its auditor, within no more than 45 days from the end of its fiscal year.

In addition to the above, the Directives for listing securities on the Amman Stock Exchange, issued by virtue of the provision of article (72) of the Securities Law No. 76 (2002), require the listed companies on the *first market* (one of the stock exchange markets governed by strict conditions) to issue quarterly reviewed financial statements, within one month of the end of the relevant quarter. All the financial statements shall be prepared consistently with the IFRSs, and the ISAs shall be adopted in auditing them.

7.3 Financial Reporting in the Banks Law No. 28 (2000)

The Central Bank of Jordan (CBJ) is considered the main surveillance authority, besides the Ministry of Industry and Trade and the Jordanian Securities Commission, scrutinizing and regulating the banks. The CBJ has issued laws and regulations, the most important of which is the Banks Law No. 28 (2000).

According to the Banks Law, the auditors' main duties are: (i) to assist the bank to maintain correct records and accounts, (ii) to review and scrutinize the adequacy of the internal auditing and the internal control procedures and provide recommendations thereon, (iii) to submit an annual report on the results of auditing the accounts of the bank showing its actual financial position, and attaching to the report an opinion on such accounts, and (iv) to furnish the Central Bank with a certificate stating an audit opinion on the adequacy of the bank's doubtful debt provisions and any deficit in the provisions required for the bank's assets, pursuant to the orders issued by the Central Bank for the purpose.

7.4 Financial Reporting in the Insurance Regulatory Law No. 33 (1999)

The Jordanian Insurance Commission (JIC) was established in 1999 to regulate and scrutinize insurance companies' operations, in addition to the inspections undertaken by the Ministry of Industry and Trade and the Jordanian Securities Commission. The JIC issued Insurance Regulatory Law No. 33 (1999) regulating the financial reporting and the implementation of IFRS and ISAs in the insurance sector.

In compliance with Insurance Regulatory Law No. 33 (1999), all insurance companies in Jordan are to prepare and issue annual audited financial statements compliant with the IFRSs within two months of the end of the fiscal year, and reviewed semi-annual financial statements within one month of the end of the half-year. Furthermore, on a quarterly basis insurance companies are required to submit the financial reports and statements forms for supervisory purposes to the Insurance Commission within one month from the end of the related quarter, except for the fourth quarter, when it is to be within two months from the end of that quarter. These reports are to be certified by the company auditor indicating their consistency with the records of the Company.

7.5 Financial Reporting in Jordan and its Effect on the Accounting and Auditing Profession

The importance of financial reporting in Jordan is indicated by the extent to which each of the commercial laws addresses different articles in relation to it. The public shareholding companies listed on the Amman Stock Exchange in Jordan are divided into four main sectors: the banking, insurance, services, and industrial sectors. The above discussion of the financial reporting requirements of the different laws clearly shows that the number of financial statements required from public shareholding companies in different commercial sectors is substantial, and has increased over time. Accordingly, Jordanian commercial laws have obliged public

companies to present audited quarterly, semi-annual, annual financial statements, and other financial reports. Auditors are required to assess companies' internal control structures. The large number of mandatory financial statements to be prepared by the companies has caused a dramatic increase in the demand for accountants as well as for members of the auditing profession. As a result there is a proliferation of sources of tertiary accounting education within Jordan over recent years, as will be discussed in the next section.

8. Accounting and Auditing Education in Jordan

The availability of accounting and auditing education, as well as the quality of accounting education plays a significant role in the development of accounting and auditing profession. Significantly, University education in accounting did not exist in Jordan prior to 1965. Jordanian students went to the Universities in neighboring countries or overseas to continue their business studies (Hells, 1992). The majority of the Jordanian licensed public accountants have graduated in Iraq, Egypt, Lebanon, Syria, a minority from the Jordanian Universities and a few from American and British Universities. In 1962, the first Jordanian public University, Jordan University was founded; three years later the Faculty of Economics and Administrative Science (FEAS) of Jordan University was established.

In 1981, a second business school was established at Yarmouk University. By 1990, demand for higher education caused private universities to start to appear. In 2009, nine public and eleven private Jordanian Universities offered a Bachelor's degree in accounting (MoHE, 2009), as shown in Table 2. Each of the twenty universities offers a Bachelor's degree in accounting following the credit-hour system.

Table 2

The Jordanian Universities offering a Bachelor Degree in Accounting (2009)

| University Name | |
|-----------------------------------|------------------------------|
| Public Universities | Private Universities |
| 1 Jordan University | 1 Philadelphia University |
| 2 Yarmouk University | 2 Al-Isra University |
| 3 Mo'tah University | 3 Middle East University |
| 4 The Hashemite University | 4 Amman Arab University |
| 5 Al-al Bayt University | 5 Applied Science University |
| 6 Al-Husien Ibn Talal University | 6 Amman Private University |
| 7 Alblqa Applied University | 7 Petra University |
| 8 Tafila Technical University | 8 Al-Zaytoonah University |
| 9 The German-Jordanian University | 9 Irbid National University |
| | 10 Jerash Private University |
| | 11 Zarka Private University |
| | 12 Jadara University |

Source: (MoHE, 2014)

To enhance the auditing profession's performance, and to enable Jordanian audit firms to compete with international audit firms as the world moves towards globalization, Jordanian universities must structure their accounting education and qualification programs with a view to approximating the standard of the programs in the developed countries (Boritz, 1999). In this context, the academic qualification of the Jordanian auditors was addressed by Siam (1999). His study indicated that Jordanian auditors (like other international auditors) worked and studied hard to reach a specific scientific level, but faced practical work that differs from their theoretical

studies. Siam (1999) confirmed that newly graduated accounting students working as auditors are not sufficiently skilled to fulfill their duties. He concluded that the academic qualification of Jordanian auditors has some negative features due to the weakness of the accounting curricula at the Jordanian Universities. Thus, according to Siam (1999), limitations in the accounting curriculum were found to be in three different areas: 1) The content of the auditing courses, which includes only the theoretical component of auditing, such as; auditing definition, types, standards, the procedures to perform the audit work, the types of audit evidence, and ultimately audit reports. The auditing courses do not include any practical work. 2) Teaching methods for auditing courses are inefficient, insofar as the textbooks are theoretical, and lecturers do not adopt any practical approach or employ case studies by which to clarify the theory. 3) The number of credit hours for audit courses as a total of the whole Bachelors degree credit hours is insufficient. According to Siam (1999) undergraduate students in accountancy schools study only 3 credit hours in auditing (3.6% of the total credit hours) which is inadequate to cover the breadth and spread of auditing science.

To raise the skills of Jordanian auditors, Siam (1999) suggested the following: first, that auditing text books must be changed to those adopting both the theoretical and practical aspects, and that auditing teaching techniques should be tailored to make use of the practical facets of auditing; and, of necessity, lecturers should have satisfactory practical experience in auditing. In addition, the entire auditing education process should utilize computerized techniques, to deal with the highly developed auditing technology. Finally, that the credit hours for audit courses should be increased, or that accountancy departments should grant a minor or a major degree in auditing.

9. Discussion

This study investigates the factors which have affected the accounting and auditing profession in Jordan, and outlines these factors since the establishment of the country of Jordan 1921.

In addition, this study tracks the development of the accounting and auditing profession t since the beginning of the twentieth century to the current era. The study shows that despite the use of accounting since the establishment of Jordan, it was for a considerable period confined to bookkeeping, given that the Jordanian economy at the time was simple and based on agriculture. Moreover it shows that in the early years after the establishment of Jordan, there were no audit companies operating in Jordan, since the auditing work was carried out by companies from Palestine; the first Jordanian audit firm started doing business in 1944. We also find that while local auditing has been practiced in Jordan since 1944, the first regulation of the auditing profession only dates back to 1961.

The legislation governing the auditing profession in Jordan is also examined, and the study revealed that the government has been the dominant player in the organization of the auditing profession, which has weakened the profession. The study also showed how the license requirements to practice within the auditing profession in Jordan have evolved over the years.

This study discusses the legislation regulating the process of issuing financial reports of Jordanian companies. It showed how the requirements of those commercial laws have helped to increase the demand for accounting and auditing professionals.

This study examines influence of the establishment of the Amman Financial Market on accounting and auditing. The study shows that establishment of the capital market led to increased demand for public disclosure and a demand on the availability of audited financial statements to guide investors. Consequently, its impact on the accounting and auditing professions was huge.

Also, the current research examines the system of higher education in accounting and auditing in Jordan. The study demonstrates that while accounting and auditing education in Jordan has expanded considerably, the quality of accounting education does not yet measure up to the required level to meet the growing business setting within the country.

The current study provides many contributions to research in the area of accounting. Since there is a paucity of studies on the development of accounting and auditing in developing countries, and of small nations like Jordan, it fills a gap. This study also tracks the social, economic and political factors that have influenced accounting and

auditing in Jordan, thus facilitating the process of an understanding of the accounting and auditing system that is currently being practiced in Jordan.

Further, it sheds light on the evolution of the legislation governing the auditing profession and governing the issuance of companies' financial statements, showing that Jordan is committed to financial reporting standards and international auditing standards. This situation provides a positive image for the investor and affords him peace of mind given that appropriate legislation is in place, and thus works to attract more investors to Jordan.

The findings are expected to help the organizers of the profession of accounting and auditing in Jordan, to recognize ways in which to make more effort to develop the profession by taking the observations of this study into account. As well, this may assist the organizers of the profession in other developing countries in planning and decision-making regarding the development of accounting and auditing in their countries.

It is also expected to help the Jordanian universities, or the universities of other developing countries, to understand the necessity of adopting an accounting curriculum that combines the theoretical and practical sides of the profession, and that is concerned with the quality of its graduates.

Future studies could consider in more detail some other factors that influence accounting and auditing practices, such as the impact of religion, and additional research could examine to what extent Jordanian companies comply with IFRS.

10. Summary

In 1921, Jordan was established under British mandate. At this time the Jordanian economy was simple and accounting practices were limited. The Anglo-American model was adopted in accounting in Jordan as a result of a number of social, political, and economical factors. During the 1930s, the Jordanian government established various large size enterprises demanding accounting and auditing services, and as a result Jordanian auditing firms emerged at the beginning of 1940s.

Various Jordanian commercial laws have been implemented and updated which require companies to present audited quarterly, semi-annual, and annual financial statements, as well as other financial reports. In addition, auditors are required to assess and report on companies' internal control structures.

Accounting education, accounting curricula, auditing textbooks, and teaching methods within the accountancy schools in the Jordanian Universities continues to lag behind the advanced technological developments used by Jordan's business firms. However the increase in the number of institutions offering studies in accounting must be seen in a positive light.

ⁱ Roughly 1 JD= 1.41 USD.

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