

# Degree of Disclosure and Conservatism in the Annual Financial Statements in Service and Industrial Public Shareholding Companies listed in Amman Stock Exchange

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## Abstract:

The study aimed to reveal the extent of compliance with a proposed index of disclosure in the financial statements by Jordanian public shareholding companies of service and industrial sectors listed in Amman Stock Exchange and to reveal the extent of the Jordanian companies' compliance with the concept of conservatism (accounting conservatism) in their financial reports in addition to reveal the impact of accounting conservatism in the level of disclosure. To achieve the objectives of the study, an index of disclosure consisting of 105 items has been built and the financial reports of the companies listed in Amman Stock Exchange of the services and industry sectors have been reviewed to identify their compliance with the proposed index of disclosure. The level of conservatism in the companies' financial reports was measured using two models: ratio of the firm's book to market ratio and the accrual model. To test the hypotheses of the study, descriptive statistics, One Sample (T) test and a simple regression test were all used.

The study revealed lack of full compliance with disclosure in presenting the financial statements according to the proposed index of disclosure in the service and industrial companies and at the sectorial level. The results also showed lack of compliance with concept of conservatism at the annual financial reports' preparation process and lack of conservatism's existence in the disclosure's level in presenting the financial statements in the companies of service and industrial sectors and at the sectorial level. Based on these results, the study recommended the control's parties to follow up the compliance with international accounting standards and the concept of conservatism which adds more reliability to the financial statements.

**Key words:** Accounting Conservatism, Financial Statements, Disclosure, Public Shareholding Companies listed in Amman Stock Exchange.

## 1. Introduction

The data in the financial statements are considered the main source of helping the users of the financial statements and the stakeholders in making and rationalizing their investment's and economic decisions (Zaloom, 2013; Gigler, 2001; Karami and Hajiazimi, 2013; Hemmer, 2001). The financial statements which the accountants provided and represented by the basic financial data of the balance sheet statements, income statement, changing in shareholders equity statement, cash flows statement and the accompanied detailed appendixes are the dependable basis in the processes of administering, evaluating and following up the companies' work (Abo-zerr, 2010; Al-khateeb, 2002).

applying conservatism in preparing the financial statements is considered a vital issue to avoid any misleading and deception in the information of these statements which may affect the process of making decisions, therefore using accounting conservatism becomes a necessity when preparing the financial data as one of the qualitative characteristics of information according to the conceptual framework of the international accounting standards (Abo-nasar & Hmeidat, 2012, p 19). Thus, conservatism has a historical role in selecting and applying accounting policies and procedures of the reliability which is added to the financial statements (Hamdan, 2012; Karami and Hajiazimi, 2013; Wang, 2013).

The studies indicated that compliance with conservatism achieved subjectivity and reliability of the financial statements and the level of conservatism may differ from one company to another (Lara et al., 2007). And because securities' markets need more factors to raise their efficiency through the availability of all of the

necessary information for the investors with the appropriate time and cost, the accounting standards participated in providing the necessary information to the investors represented by the minimum level of the requirements of the disclosure and transparency in business. So this study tried to reveal the disclosure's level in the annual financial reports of the service and industry sector's companies listed in Amman Stock Exchange and to reveal the extent of the Jordanian companies' compliance with concept of conservatism and its impact on the level of disclosure and that because conservatism has an important role in providing the appropriate information which reflect the companies' performance and reveal their financial position with reliability and credibility that help economic and investment's decision-makers to rationalize their decisions.

## 2. Theoretical framework & hypothesis of the study

### 2.1 Disclosure level

It is important that the companies' financial statements include the necessary disclosures to draw attention to the information that affect the process of making decisions (Karami and Hajiazimi, 2013). Conservatism is considered one of the important and major bases which International Accounting Standards and the Generally Accepted Accounting Principles depend on. In Jordan there is no agreement about the degree of the Jordanian compliance with disclosure in the financial statements, for example, a study of Al-khateeb(2002) assured the Jordanian companies' compliance with the minimum level of the disclosure's requirements whereas a study of Abo-nasar( 2011) revealed the Jordanian companies' lack of full compliance with disclosure according to accounting and financial Reporting standards and this what the study of Al-jausi & Gharaiba( 1990) concluded. So the researchers were motivated to discuss the extent of the Jordanian companies' compliance with disclosure according to the following hypothesis:

**First hypothesis:** there is no full compliance with disclosure according to the proposed index of disclosure in the companies of the service and industrial sectors listed in Amman Stock Exchange.

### 2.2 Conservatism

Conservatism means that the accountant has to choose the accounting method that reduces the values not the other way around and therefore the lowest values of the assets and the revenues and the highest values of liabilities and expenditures are recorded (Wang, 2013). The accounting literature indicates that there is no agreement among the accountants that conservatism is one of the Generally Accepted Accounting principles. In fact, the concept of accounting conservatism is one of the argumentative concepts in accounting practice and thought (Yusif, 2012). Historically, Al-qadi & Hamdan (2004) stated that the appearance of conservatism in accounting practice refers to *Depression and its results in 1929. Accordingly, the need for accounting conservatism related to reasons concerning protecting the accountant from* litigation risks resulted of lawsuits which were raised because of the exaggeration process in evaluating assets and revenues and because of the companies' frequent bankruptcies during that crisis. Reviewing the literature reveals that many studies were conducted to examine the level of accounting conservatism in the companies. For example, a study was conducted in Jordan by Hamdan (2011) aimed to study the level of accounting conservatism in the Jordanian industrial companies and its results revealed the companies' compliance with conservatism. Chandra (2011) conducted a study in USA aimed at identifying the extent and nature of accounting conservatism in preparing the companies' financial statements in technology sector and the results revealed that the companies of technology sector in USA have high level of accounting conservatism either in the level of operating cash flows or in the level of accrual accounting. In Jordan, the study of Hamdan (2012a) confirmed the decrease of level of conservatism. Al-sahli (2009) conducted a study measuring the level of accounting conservatism in the Saudi companies and the results showed lowness in the level of accounting conservatism and the banks' sector is the least conservatism compared to other sectors in the Saudi market. Based on the above difference the researchers motivated to propose the following hypothesis:

**Second hypothesis:** there is no compliance with accounting conservatism in preparing financial statements in companies of service and industrial sectors listed in Amman Stock Exchange.

### 2.3 Conservatism & Compliance with disclosure

Delaying the process of presenting the financial statements till the information are available provides a high degree of reliability but the earlier need to the information and accounting data weakens the reliability (Balsar et. al, 201) and the accountants have to choose between timing and reliability therefore the accountant used accounting conservatism at preparing the financial statements (Abo-kheir,2008). Basu (1997) explained this by

the accountant's tendency to recognize the bad news in a degree higher than recognizing the good news which leads to delay recognition of the expected gains and accelerate recognition of expected loss so there would be difference in information regarding gains and losses. In view of that, many researchers were motivated to study the accounting conservatism in the level of disclosure.

The study of Karami and Hajiazimi (2013) which was conducted in Iran aimed at examining the effect of accounting conservatism level in the financial statements, the importance of profits' value, level of disclosure and its quality in the companies listed in Tahan Stock Exchange. The results showed that accounting conservatism reduces the importance of profits' value and there was inverse relation between conservatism and accounting disclosure.

The study of Paprocki and Stone (2004) aimed to test the extent of disclosure's increase in the critical accounting policies in terms of quality and quantity and to test the relation between disclosure's quality of critical accounting policies and accounting conservatism of American companies. The results revealed that there was an inverse relation between the critical accounting policies and the accounting conservatism.

Lobo and Zhou (2001) in USA measured the relation between disclosure's quality and earnings management in the American companies. The results showed that there is an inverse relation between disclosure's quality and the accounting conservatism and the companies which disclose less tend to engage more in accounting conservatism. Accounting conservatism in the compulsory financial reports and its impact of identifying the voluntary disclosures was investigated by Gigler and Hemmer (2001). The results revealed that companies which used more conservative accounting policies are less likely to make timely voluntary disclosure while the companies which used less conservative accounting policies are likely to make voluntary disclosure on the appropriate time. And the study also revealed that stock prices respond faster to the published financial information of the companies that adopt less conservative accounting policies. Based on that, the following hypothesis aimed to look for proofs supporting these result in the Jordanian environment:

**Third hypothesis:** there is no impact to the accounting conservatism in preparing annual financial reports on the compliance with disclosure according to the proposed index of disclosure in the companies of the service and industrial sectors listed in Amman Stock Exchange.

### 3. Methodology of the study

This part addresses the selection of data resources, population and the sample of the study, building a proposed index of disclosure, developing a model of regression to measure the impact of accounting conservatism on compliance with disclosure according to the proposed index of disclosure.

#### 3.1 Sources of collecting data

The study depended on two kinds of data resources: Secondary sources which include surveying the previous studies and the theoretical framework which are related to the subject of the study and the primary sources that include building an index of disclosure based on international accounting standard (IAS 1), Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards issued by Jordan securities commission. And the annual reports of the service and industrial Public shareholding companies for the year 2012 were reviewed to identify the level of disclosure and to get the necessary data used to calculate the degree of accounting conservatism.

#### 3.2 Population & Sample of the study

The population of the study consisted of all of the service and industrial public shareholding companies listed in Amman Stock Exchange and which their financial reports were published for the financial year 2012. The main reason underpins the selection of the service and industrial companies as the population of the study for their representation of the largest sector listed in Amman Stock Exchange. Based on the previous bases, the population of the study consisted of (125) companies ;( 55) service companies and (70) industrial companies. The sample of the study consisted of (104) with a percent of (83.2) out of the population of the study (125) company; 46 service company with a percent (83.63%) and (58) industrial companies with a percent 82.86%. And (21) companies were excluded ;( 9) service companies and (12) industrial companies. Table (1) shows the population and the sample of the study.

Table1. Population and the sample of the study

Companies	Service		Industrial	
	Percent	N	Percent	N
Companies listed	%100	55	%100	70
Sample of the study	%83.63	46	%82.86	58
Excluded companies	%16.36	9	%17.14	12

### 3.3 Building an index of disclosure

Because of the importance of the financial statements' content for providing the information, the researchers built an index of disclosure consisted of (105) items based on the international accounting standard (1) of "presenting the financial statements" which have been applied in Jordan since 1990( Al-khateeb,2002), in addition to the instructions of disclosure and accounting standards (N 53/2004) and its amendments N(257/2005),which have been issued by the Jordanian securities commission and used since 2004.

The index of the disclosure was divided into five parts as follows:

- 1- The proposed index of disclosure of the balance sheet statement includes 45 items concerning assets, liabilities, stockholders' equity as it illustrated in Appendix (1).
- 2- The proposed index of disclosure of *comprehensive* income statement includes 30 items of income and expenditures during the period as it illustrated in Appendix (2).
- 3- The proposed index of disclosure of statement of Changes in stockholders' Equity includes 7 items as it illustrated in Appendix (3).
- 4- The proposed index of disclosure of cash flows' statement: it is the statement that showed the cash *receipts* and payments of the company during a specific period of time including (7) items as it illustrated in Appendix (4).
- 5- The proposed index of disclosure of notes to financial statements: notes of financial statements are considered a vital part and these notes do not show up in the content of the major financial statements but publishing them is necessary to provide the fair presentation and to understand the financial statements and this index includes 16 items as it illustrated in Appendix (5).

### 3.4 Measuring level of disclosure

To evaluate the degree of compliance with the index of disclosure, a bi-directional measure, which was followed in previous studies as (Suwaidan et al., 2004; Hassan et al., 2006; Omar and Simon, 2011, Suwaidan and El-Khoury, 2000), was used where the index showed:

- Degree (1) if the item is disclosed in the annual report.
- Degree (0) if the item is not disclosed in the annual report and the item is applied to that company.
- Not applicable (-) if the item is not applied to that company.
- The un-weighted *index was used where all the presented items have the same degree of importance and weight. And many studies used the same index as (Zaloom, 2013 & Omar and Simon, 2011). And the level of full disclosure of every index of the five indexes was measured by dividing ratio of the value of the disclosed items' number on the full number of items which are applied to the company in the index of disclosure and there many studies used this method as (Zaloom, 2013, & Al-Farah & Hindawi, 2011).*

Based on the previous data, the lowest ratio of presentation would be 0% if the company did not present any one of the items that applies to the company and the maximum limit would be 100% (full compliance ) if the company presented all the items that apply to the company.

### 3.5 Measuring accounting conservatism

To measure conservatism in the financial statements, the researchers used two models: the first one is represented by the ratio of book value of stockholders' equity to market value of stockholders' equity and if the ratio was less than 1, it means that there was compliance with the concept of accounting conservatism. This method was used in previous studies as (Hamdan. B, 2012; Beaver & Ryan, 2000). The second model of

measuring the conservatism is the Accrual method and the accruals are calculated as they are the difference between *Net Operating Income and cash flows from operating activities* (Givoly and Hayan, 2000).

### 3.6 Statistical Methods

The data collected in this study was analyzed using statistical package for social science (SPSS) program. Descriptive and inferential statistics have been used to analyze the collected data. Specifically, the following statistical techniques were used to analyze the collected data:

- 1- Means and standard deviation to identify the extent of the companies' compliance with the proposed disclosure's index.
- 2- One sample T-Test to test the study's hypotheses
- 3- Simple Regression Analysis to identify the impact of accounting conservatism on the compliance with disclosure of the Jordanian service and industrial public shareholding companies.

## 4. Results' Analysis & Testing Hypotheses

### 4.1 Results' Analysis

The researchers measured the extent of the Jordanian service and industrial public shareholding companies' compliance with index of presenting financial statements. Accordingly, Table (2) shows the descriptive statistics of the extent of applying disclosure's index in the Jordanian service and industrial public shareholding companies which includes 105 items and every item was calculated as follows:

Disclosure's percentage of every item = (number of the companies which disclosed ÷ number of the companies (sample of the study) which are applied to the items) × 100%.

Table (2) shows that there is no full compliance with disclosure according to the proposed disclosure's index where the level of the compliance with presenting the total financial statements in the companies of the two sectors was (92.85%). And at the sectorial level, the compliance level in the service and industrial sectors was 92.74% ,93.00% respectively. The lowest level of compliance with presenting financial statements was in items that related to notes to financial statements which was in both sectors (90.52%), And at the sectorial level was (90.73% ,90.26% ) respectively. Although of lack of full compliance with disclosure, the percentages mentioned above assured that companies, the sample of the study, paid a noticeable attention to the compliance with the index of disclosure in presenting the financial statements.

Table 2. Percentage of Extent of Applying Disclosure's Index in Displaying the Financial Statements.

N	Displaying financial statement	Population	Industrial	Service
		Percent %		
1	Items of balance sheet Statements	93.88	94.06	93.64
2	Items of income statements	92.65	92.24	93.17
3	Items of statements of changes in stockholders' equity.	94.78	94.36	95.30
4	Items of cash flows statements	94.25	93.19	95.58
5	Items of notes to financial statements	90.52	90.73	90.26
	Index of displaying financial statements	92.85	92.74	93.00

### 4.2 Testing First Hypothesis

Hypothesis 1: "there is no full compliance with disclosure according to proposed index of disclosure in the companies of service and industrial sectors listed in Amman Stock Exchange".

To test this hypothesis, One Sample T test was used, and Decision Rule is: there is full compliance with requirements of presenting financial statements if calculated T was positive and was statistically significant at level less than (0.05). Degree of adopted compliance is 100% because of the necessity of having full compliance in presenting some items according to international accounting standards, disclosure's regulations of the issuing companies and the accounting standards issued by Jordanian securities commission.

Table 3. One- Sample T-Test of the (1<sup>st</sup> Hypothesis) of Disclosure in Presenting the Financial Statements.

Level of disclosure in presenting financial statements	Test Value = 1.00					
	Sector	N	Mean	Std.	T calculated	Sig
	Service	46	%93.00	0.641	-404.7	0.000
	Industrial	58	%92.74	0.075	-331.7	0.000
<b>Both sectors</b>	104	%92.85	0.070	-361.10	0.000	

Table (3) presents (t) test's findings of disclosure's requirements in presenting financial statements at the level of service and industrial sectors and at the sectorial level. Based on the results shown above and according to decision rule the first hypothesis is not supported and the alternative hypothesis is supported. That suggests there is no full compliance with disclosure according to the proposed index of disclosure by the service and industrial companies and at the sectorial level.

#### 4.3 Testing Second Hypothesis

Hypothesis 2: "there is no accounting conservatism in presenting financial statements in the companies of service and industrial sectors listed in Amman Stock Exchange."

To test hypothesis 2, One- Sample T test was used and the decision rule is: accepting the existence of accounting conservatism if calculated T was negative and statistically significant at level less than (0.05).

Table 4. One- Sample T-Test of the 2<sup>nd</sup> Hypothesis Concerning Level of Accounting Conservatism Using Model of Book to Market Value

Accounting conservatism	Test Value = 1.00				
	Sector	Sample	Mean	T calculated	Sig
	Service	46	%98.98	-116.0	0.908
	Industrial	58	%118.10	673.1	0.155
<b>Both sectors</b>	104	%109.64	337.1	0.184	

Table (4) shows T test's findings of the level of accounting conservatism to both sectors; the service and the industrial ones and at the sectorial level using model of book value to market value. The result indicates that hypothesis 2 is not supported and the alternative hypothesis is supported. The result suggests there is no compliance with accounting conservatism in the financial data of the service and industrial companies together and at the sectorial level.

Table 5. One- Sample T-Test of the 2<sup>nd</sup> Hypothesis Concerning the Level of Accounting Conservatism Using Model of Accruals.

Accounting conservatism	Test Value = 0.000				
	Sector	Sample N	Mean	t Calculated	Sig.
	Service	46	4805121.07	.816	.419
	Industrial	58	-969942.43	-2.157	.060
<b>Both sectors</b>	104	1584412.58	.605	.546	

Table (5) illustrates T test's results of the level of accounting conservatism of both sectors; the service and the industrial and at the sectorial level using model of accruals.



The result indicates that hypothesis 2 is not supported and the alternative hypothesis is supported. The result suggests there is no compliance with accounting conservatism in the financial data of the service and industrial companies together and at the sectorial level.

#### 4.4 Testing Third Hypothesis

Hypothesis 3 :” *there is no impact to the accounting conservatism in preparing annual financial statements on the full compliance with disclosure according to the proposed disclosure’s index in the companies of the service and industrial sectors listed in Amman Stock Exchange*”.

To test hypothesis three, a simple regression analysis was used. The decision is: Accepting that there is an impact of accounting conservatism on the full compliance with disclosure according to the proposed index of disclosure if the level of significance is less than (0.05).

Table 6. Results of Regression Analysis of the Effect of Accounting Conservatism in Presenting Financial Statements.

Sector	N	1st Model : Book- Market Value			Accruals-2 <sup>nd</sup> Model		
		T calculated	Sig	Value B	T calculated	Sig	Value B
<b>Service</b>	46	0.380	0.847	0.003-	.834	.409	.000
<b>Industry</b>	58	0.044	0.835	0.003-	.635	.528	.000
<b>Both sectors</b>	104	0.095	0.759	0.003-	.839	.403	.000

Table (6) presents regression analysis test’s findings of the effect of accounting conservatism in the compliance with disclosure according to the proposed index of disclosure in the service and industrial sectors and at the sectorial level. The result indicates hypothesis three is rejected and the alternative hypothesis is supported. The result suggests there is no effect to the accounting conservatism in the level of disclosure in presenting the financial statements in the companies of the service and industrial sectors and at the sectorial level.

## 5. Results & Recommendations

### 5.1 Results

This study aimed to identify the extent of existence of full compliance with disclosure according to the proposed index of disclosure in the Jordanian companies listed in Amman Stock Exchange in the service and industrial sectors and to reveal the degree of compliance with the concept of accounting conservatism and if there is an impact to the accounting conservatism on the compliance with the disclosure according to the proposed index of disclosure.

Results showed that there was no full compliance with disclosure according to the proposed index of disclosure in the companies of service and industrial sectors and at the sectorial level. But the results indicated that the companies, the sample of the study, paid much attention to the disclosure. Therefore, the researchers believed that one of the possible interpretations for not having full compliance with disclosure may due to the continuous and rapid change in the legislations that aimed to provide information, which should be presented in the financial statements, to help the users of the financial reports to make the appropriate investment decisions in addition to the management’s wish of hiding critical and sensitive information so as not to be given to the competitors. These results were identical to the study of Abo-nasar (2011).

Regarding conservatism, results showed lack of compliance with accounting conservatism during preparing the financial statements. Possible interpretations for this result are the management’s unwillingness of integrating the expected losses based on the good estimations of the expected economic events. And because of the control means’ weakness used by the users of the financial statements, the management is forced to prepare financial statements include exaggerations in the accounting estimations. These results were identical to those in Hamdan’s study (2011) but they were on the contrary of the results of the following studies; Hamdan, 2012a; Al-sihli, 2009; Chandra, 2011. The results also showed that there was no impact to the accounting conservatism on the level of disclosure in presenting the financial statements in the companies of service and industrial sectors and at the sectorial level.

## 5.2 Recommendations

Based on the previous results, we recommended the relevant parties as the Securities Commission and Ministry of Industry and Commerce /department of companies' control to follow up the compliance with accounting standards, to issue further laws and legislations that participate in the control process of applying the accounting conservatism to add more reliability and credibility to the annual financial reports and therefore the financial statements' users' ability in making the appropriate decisions that affect positively the Capital Market and the Jordanian economic as a whole is increased.

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Appendix 1. Items of disclosure's index of Statement of Balance Sheet

N	Items of disclosure	Disclosure existed	Not existed	Not apply to
1	Classification of assets into current and non-current			
2	Cash & cash Equivalents			
3	<i>financial</i> investment <i>held for trading</i>			
4	Trade receivable			
5	Other accounts receivable & employees advances			
6	Allowance for doubtful accounts			
7	Total inventory			
8	sorting inventory into raw materials & production in progress & finished goods			
9	prepaid expenses			
10	Properties & plants & equipment's			
11	Classifications of Properties & plants & equipments			
12	Properties & plants & equipment's appears at cost Less: Accumulated Depreciation Less: Accumulated impairment			
13	Properties & plants & equipment's pledge against liabilities			
14	Investments available for sale measured by fair value			
15	Investments held to maturity measured by amortized cost			
16	Investment properties			
17	Non-Current Assets Held for Sale			
18	Investments in affiliated companies			
19	Investments in associated companies			
20	Goodwill			
21	Classification of other Intangible assets			
22	Classification of liabilities into current & non-current			
23	Current trade payables			
24	Other accounts payable			
25	Accrued portion of long-term liabilities			
26	Current overdrawn account			
27	Short-term loans			
28	Accrued dividends			
29	Taxes payable			
30	Classification of long-term liabilities (long-term loans ,long-term Bonds)			
31	Classification of long-term provisions			
32	Classification of contingent liabilities			
33	Total stockholder's equity			
34	Number of authorized shares			
35	Number of Paid shares			
36	Number of unpaid shares			
37	Nominal value of share			
38	Retained earnings			
39	Description of any reserve ;compulsory or voluntary			
40	Treasury stock			
41	Differences adjustments of financial investments available for sale			
42	Profits (losses) of exchange differences			
43	Non-controlling interest (minority interest)			
44	Premium issuance (additional paid in capital)			
45	Surplus of re-evaluation			

Appendix 2. Items of disclosure's index of Comprehensive Income Statements

N	Item of disclosure	Disclosure existed	Not existed	Not apply to
1	Comprehensive income statement as a part of financial statements			
2	Net Revenue			
3	Interest Revenue			
4	Distribution of dividends.			
5	Company's share in dividends in <i>subsidiaries-and-associates companies</i>			
6	Cost of goods sold			
7	Gross profit			
8	classification of operating expenses into sales and administrative expense			
9	Details of operating expenses			
10	Finance <i>Expenses</i>			
11	Gains (losses) of disposal of properties, plants and equipment			
12	Gains or losses of investments sold			
13	Losses of goods' inventory decline			
14	Properties, plants and equipment Impairment losses or gains			
15	Gains or losses of <i>Discontinuing operations</i>			
16	Gains or losses of lawsuits' settlement			
17	Decreasing the provisions			
18	Income before taxes			
19	Income tax expenses			
20	Net income			
21	Differences of financial investments available for sale adjustments			
22	Gains or losses of exchange differences			
23	Reevaluation surplus			
24	<i>Total of other comprehensive income</i>			
25	<i>Total of Comprehensive income</i>			
26	Net comprehensive income distributed into Shareholder's equity of holding company & non –controlling equity			
27	<i>Total of Comprehensive income distributed into shareholders' equity of holding company &amp; non –controlling equity</i>			
28	Basic Earnings (loss) /share			
29	Earnings (loss) per share from discontinued operations			
30	<i>weighted average number of shares</i>			

Appendix 3. Items of disclosure's index of statement of changes in shareholders' equity

N	Item of disclosure	Disclosure existed	not existed	Not apply to
1	Statement of changes in equity as a part of financial statements			
2	Net income (loss) for financial period			
3	Transactions with owners(additions, deductions ,distributions)			
4	Comprehensive income items			
5	Correcting accounting errors			
6	Cumulative effect resulted of the change in the accounting policies			
7	Reconciliation of items between beginning of the year balance and end of the year balance			

Appendix 4. Items of disclosure's index of Statements of Cash Flows

N	Item of disclosure	Disclosure existed	Not existed	Not apply to
1	Cash flows statement as a part of financial statement			
2	Dividing cash flows statement into operating activities, investing activities, and financing activities.			
3	Cash Receipts & disbursement of investment and finance activities			
4	Received & paid Interests and paid dividends distribution separately where every item of each is classified as an operating activity or financing or investing.			
5	Paid income tax as an operating activity unless it was possible to identify the paid part on the financing or investment activity			
6	Cash-inter companies operations (as advances) in the <i>subsidiaries-and-associates companies and the common enterprises.</i>			
7	Non-cash Investment & finance operations abandoned from cash flows statement and are disclosed with details.			

Appendix 5. Items of disclosure's of Notes to Financial Statement

N	Item of disclosure	Disclosure existed	Disclosure not existed	Not apply to
1	Notes to financial statements			
2	Disclosure separately if the company applied the international accounting & financial reporting standard			
3	Presenting basis on the measurement used in preparing financial statement & applied accounting policies			
4	Disclosure incase the financial statements were not prepared according to going concern assumptions and disclosure of basis followed & justifications of not considering the company a continuous one.			
5	Not to make any clearance between assets and liabilities and expenses and revenues unless a specific accounting standard otherwise.			
6	Presenting financial data in the current and previous fiscal period unless a specific accounting standard requires something else and inserting comparative information in the disclosures when they are appropriate to understand the content of the financial statements for the current period.			
7	In some cases when the enterprise changed the end of period of preparing its financial reports and present financial data for more or less than a years, the enterprise should disclose the period covered by financial statements & reason for use more or less than a year and the truth that the presented amounts in the financial data are not comparative totally.			
8	Disclosure if the financial statements related to one project or many (consolidated statements)			
9	Currency used for statements presentation			
10	Level of combination of abbreviation of value in the financial statement( numbers by thousands or hundreds of JD )			
11	Benefits & restrictions of capital's components including dividend restrictions.			
12	The proposed dividends or the declared dividends to be distributed after the end of the financial period and before issuing the financial statements that not yet approved			
13	Description of the nature and function of every reserve within ownership's equity			
14	Disclosure of amount of income tax as an item in items of comprehensive income			
15	Dividends distributed to common shareholders and dividends per share			
16	Describing company for its classification of the expenses according the function or the nature of the expenses.			

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