

The Efficiency of Disclosure in the Financial Reports in Companies in the Presence of International Accounting Standards and its Effect on Achieving Profits, Success, and Being Unique

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Abstract

The study aims at introducing the influence of disclosure in financial statements on the economical Jordanian firms in the presence of international accounting standards. It also aims at introducing the role of the variables of the study. To achieve these goals, the questionnaire has been carefully studied and developed. The reliability and the consistency coefficient have been checked, too. After collecting questionnaires, they have been coded, entered into a computer to be statistically processed by using SPSS. Here are the results of the study in accordance with its questions and hypothesis.

- *Disclosure and openness affect the fairness of the financial statements.*
- *Commitment to international accounting standards creates a balance between the interests of the administration and the interests of share holders and commercial partners.*
- *Commitment to disclosure in accordance to international accounting standards attracts new investors.*
- *The information resulted through disclosure helps the manager to make correct financial decisions.*
- *Commitment to international accounting standards supports control and questioning in companies.*
- *Disclosure makes accurate, independent and objective information available.*
- *Commitment to international accounting standards creates the confidence in the accounting and auditing profession in the corporations.*

Keywords: Accounting disclosure - Investment decisions - Financial reports

Introduction

The application of international accounting standards contributes in improving the quality of the accounting information set to the different groups of users. This can be done by presenting suitable, understandable and confidential Information. The application of these standards also makes the accounting information comparable with the information of other organizations as well as with the financial statements of the same organization over different periods of time.

Accounting involves an operational process which aims at disclosing the same information. This process, along with all the procedures involved in it, is inseparable from the information which will be disclosed. What will be disclosed depends on the procedures taken to prepare that information. Consequently, the nature of the information to be disclosed affects the steps and methods used in the accounting process itself. Due to the influence of assumptions and principles of accounting on the accounting measurement which is being reflected on the financial statements, the most important source of information, and which is used by the financial analyzer, I will refer to the principle of " disclosure" through the application of international accounting standards and its effect on the confidence of those who use financial statements and on the increase of profits as a result.

The problem of the study

The commitment to applying the international accounting standards in companies contributes in making financial statements fairer and increases its transparency.

Disclosure is considered one of the most important principles that indicate the fairness of the financial statements and its accuracy which positively affect on the investors decisions. If the disclosure is duly done and in accordance to the international standards of accounting. It activates investment and increases the profits of these companies. It also improves the competitive position of these companies in the markets. Thus, the problem of this study lies in the ability to answer these questions:

- What is the effect of disclosure in financial reports on the Jordanian economic organizations in the presence of the international accounting standards?
- What are the advantages of applying the international accounting standards on financial disclosure in the companies' financial statements?
- What obstacles do the companies enrolled In Amman's stock exchange face when applying international accounting standards as far as disclosure is concerned?
- What is the effect of variables such as : scientific qualification, years of experience, functional position and the nature of activity in the company- on the influence of financial disclosure in the firm's financial reports in presence of the international accounting standards?

The importance of the study

The importance of this study lies in the fact that it deals with the effects of commitment to the standards of international accounting as far as disclosure in the companies enrolled in Amman's stock exchange is concerned. This is because the users of financial information like managers, employees and investors are in need for suitable, confidential and comparable information to enable them to evaluate the performance of these companies and their financial position. It will also help them to take different decisions.

This study is also important because it points out the importance of disclosure which increases investors as well as client's trust in these companies and increases their profits.

This study is also important because it introduces the principle of disclosure in the companies in accordance to international accounting standards and how far does it affect the fairness of the financial statements. This study also helps in developing the economy through providing share holders and investors with objective information. It also enforces the confidence of those who use these financial decisions as far as comparison with the financial statements of other companies available in the market. More than that, it helps in achieving innovation and development in accounting. On the other hand, this study is important because different groups of people can benefit from it: investors, the employees of the companies, future researchers as well as the readers who are interested in this field.

The study objectives

- 1- To show the effect of disclosure in financial reports on the Jordanian economic organizations in the presence of the international accounting standards.
- 2- To know the effect of commitment to disclosure according to international accounting standards on improving the competitive position of the company in the stock market.
- 3- To know what obstacles prevent the companies enrolled in Amman's stock exchange from commitment of international accounting standards as far as disclosure is concerned.
- 4- To know the effect of some variables on the subject of this study.
- 5- To sum up the results and recommendations which enforce the disclosure principle in companies.

The study hypotheses

- There aren't any differences of statistical value relating to the effect of disclosure in financial reports in the presence of international accounting standards which can be attributed to the scientific qualification variable.
- There aren't any differences of statistical value about the effect of disclosure in financial reports in the presence of international accounting standards which can be attributed to the nature of the company's activity variable.
- There aren't any differences of statistical value about the effect of disclosure in financial reports in the presence of international accounting standards which can be attributed to the years of experience variable.
- There aren't any differences of statistical value at ($\alpha = 0.05$) about the effect of disclosure in financial reports in the presence of international accounting standards which can be attributed to the functional position variable.

Methodology

The researcher has adopted the descriptive analytical methodology because it suits the objectives of this study. This methodology takes care of phenomena as they are in reality. It studies, describes and analyses them and associate them with other phenomena. The researcher has also depended on information sources relating to the study and has analyzed it. All statements are gathered through questionnaires which are prepared according to the theoretical frame and previous studies.

Previous studies

1. The Commitment Effect versus Information Effect of Disclosure—Evidence from Smaller Reporting Companies (Lin Cheng, Scott Liao, 2013)

The study examine the commitment effect provided by mandatory disclosure and the information effect of voluntary disclosure on market illiquidity by exploring a regulatory change that allows smaller reporting companies to reduce the disclosure of certain information in their SEC filings. This regime change allows us to separate the commitment effect provided by mandatory disclosure from the information effect of voluntary disclosure. We find that firms that are eligible to reduce their disclosure, but voluntarily maintain their disclosure level, experience an increase in market illiquidity. The study also find that the increase in illiquidity is more pronounced for firms with higher agency costs. These findings suggest that mandatory disclosure serves as a credible commitment mechanism and that losing such commitment by disclosure deregulation is costly in the absence of a loss of information. This study suggests that while voluntary disclosure is effective in reducing information asymmetry, it cannot replace mandatory disclosure in addressing information problems.

2. Voluntary Disclosures, Corporate Control, and Investment (P R A V E E N K U M A R, N I S A N L A N G B E R G, and k. sivaram akrishnan, 2012)

The study examine the valuation and capital allocation roles of voluntary disclosure when managers have private information regarding the firm's investment opportunities, but an efficient market for corporate control influences their investment decisions. For managers with long-term stakes in the firm, the equilibrium disclosure region is two-tailed: only extreme good news and extreme bad news is disclosed in equilibrium. Moreover, the market's stock price and investment responses to bad news disclosures are stronger than the responses to good news disclosures, which is consistent with the empirical evidence. The study also find that myopic managers are more likely to withhold bad news in good economic times when markets can independently assess expected investment Returns.

3. Theoretical Framework for Corporate Disclosure Research (Dr. Narendra Sharma, 2013)

This paper discusses the theoretical frameworks for a corporate disclosure research. It introduces the general nature and types of theories. It then compares and contrasts views of what constitutes a theory. There was no single view of theory. There were differences in approaches and interpretations. The conception of a theory and its relationship with research is discussed in light of both quantitative and qualitative methods of research and their contribution to theory are assessed. Both quantitative and qualitative methods contributed to theory building, theory testing, and substantiating, or refuting their propositions. Although, positive accounting theory had grown as one of the most significant accounting research program, the broad theories of accounting included interpretive and normative theories as well. The review of the literature revealed that there were a number of theories associated with corporate accounting and disclosure, amongst them were agency theory, signaling theory, the accountability theory, legitimacy theory, contingency theory, stakeholder theory, and resource dependency theory.

4. Restatement Disclosures and Management Earnings Forecasts (Michael Ettredge, Ying Huang, and Weining Zhang, 2013)

The study examines the impact of financial restatements on managers' subsequent earnings forecasts. We argue that restatements create conflicting incentives. One incentive is to repair manager reputations as information providers by providing more and better guidance via earnings forecasts. The opposing incentive is to avoid risk by reducing the information in forecasts. The study find that compared to control firms, Restatement companies exhibit a decreased propensity to issue quarterly earnings forecasts following restatements. Those that do make forecasts issue fewer forecasts in post- restatement periods. The study also finds that post-restatement forecasts are less precise, and are less optimistically biased.

Overall, the results suggest that, rather than increasing voluntary disclosure in the form of forecasts, managers of restatement companies exhibit risk-averting forecasting behavior following restatements.

The community of the study and the sample

The community of the study consists of the employees of public contributing companies. At random, the researcher has chosen a sample of 50 employees. The following is a description of the specifications of the sample according to variables.

Table No.1: distribution of the members in the sample according to scientific qualifications:

Qualification	No.	%
Diploma	10	20
Bachelor	25	50
Higher studies	15	30
Total	50	100

Table No. 2: distribution of the members in the sample according to the nature of the company' activity variable

The nature of the company's Activity	No.	%
Services	14	28
Commercial	26	52
Industrial	10	20
Total	50	100

Table No.3: distribution of the members in the sample according to years of experience variable

Experience yrs.	No.	%
Less than 5	15	30
5 to 10	16	32
10 & more	19	38
Total	50	100

Table No. 4: distribution of the members in the sample According to functional position variable

Position	No.	%
Employee	22	44
Depart. Head	15	30
Manager	13	26
Total	50	100

The study tool

This study is prepared depending on the questionnaire as its tool. The researcher has revised the literature of the study as well as the previous studies relating to the paragraphs.

Tool's reliability

The reliability of the tool has been verified by being examined by a group of arbitrators who are well qualified and experienced in the field of economic and administrative sciences. These experts are asked to give their opinion about the paragraphs of the questionnaire through amending, omitting and suggesting new paragraphs that suit the tool of the study. Upon the arbitrators' remarks, the tool has been modified in its final form of 23 paragraphs.

Tool's consistency

In order to get the tool's reliability coefficient, cronback Alpha equation to determine the internal consistency of paragraphs has been adopted. The consistency amounts to 0.94. This value shows that the tool enjoys a high consistency which is suitable enough and meets the goals of the study.

Statistical treatment

After collecting, coding and processing data by using SPSS (statistical package of social studies) , the researcher used frequent tables, mathematical average, standard deviation, ANOVA , cronback Alpha equation, and T-test for the independent samples.

All mathematical averages, standard deviations and percentages relating to the studied paragraphs have been extracted and ordered from higher to lower according to mathematical averages. The following rates are adopted for acceptance:

- 80% - 100% very large
- 60% - 79.9% large
- Less than 60% low

These results are displayed in table No. 5.

Table No.5: the arithmetic averages, standard deviations and percentages of the studied paragraphs from higher to lower arithmetic averages

No.	NO. In the questionnaire	The Paragraph	Arithmetic average	Standard deviation	%	Evaluation
1	3	The commitment to the disclosure and openness standard affects the fairness of the financial Statements.	4.52	1.28	90	Very Large
2	5	The commitment to the International accounting Standards creates balance between the affairs of the administration and the affairs of the contributors and commercial partners.	4.42	0.59	89	Very Large
3	7	Commitment to the International accounting Standards enforces Confidence in the Accounting and auditing Profession In corporations.	4.30	0.92	86	very large
4	4	Disclosure according to the international accounting standards Brings new investors.	4.30	0.47	86	Very large
5	12	The information Resulting out of Disclosure helps the Manager taking suitable Financial decisions.	4.20	0.70	84	very large
6	6	Commitment to the International accounting Standards leads to the Enforcement of supervising , questioning and control in companies.	4.05	1	81	Very Large
7	20	Disclosure provides us With independent, Accurate and objective information.	4.05	0.83	81	Very Large
8	22	Do you feel that there Is a need to make Disclosure limited in order to protect the Company?	3.90	1.45	78	Large
9	21	Disclosure lowers Company's risks .	3.9	1.45	78	Large

10	11	The information Resulting out of Disclosure helps to get The data we need in work	3.90	1.45	78	Large
11	13	Disclosure according to International accounting standards helps in Preparing Discretionary budgets and effective , immediate follow-up for income and Outcome in the company.	3.60	0.68	72	Large
12	19	The accounting department in the company provides the administration with financial data needed in planning and Offering shares for sale.	3.60	0.68	72	Large
13	14	Disclosure helps the fund management to know the effect of sudden changes in the circumstances surrounding The work.	3.55	1.19	71	Large
14	16	All stockholders will be Informed about the Disclosure results.	3.45	0.83	69	Large
15	17	There is an application of administrative Control on accountants performance	3.45	0.83	69	Large
16	10	Commitment to International accounting standards Increases Transparency.	3.45	0.83	69	Large
17	15	Disclosure helps to know the company real financial position .	3.45	0.83	69	Large
18	18	Audit Bureau has Control on the company.	3.35	1.14	67	Large
19	1	Companies are Committed to openness And disclosure Principles.	3.35	1.14	67	Large
20	2	Disclosure is done According to standards Which are internationally Agreed upon.	3.35	1.14	67	Large
21	9	The market forces Companies to be enrolled in it to follow the international Accounting standards.	3.35	1.14	67	Large
22	8	The financial market Asks for disclosure According to the International Accounting standards.	3.35	1.14	67	Large
23	23	In some cases disclosure decreases company's Competitive capacity.	3.35	1.14	67	Large
General Arithmetic averages			3.934	1.012	74.95	Large

From table No. 5, it is very clear that the effect of disclosure in the presence of international accounting standards on the economic Jordanian firms amounts to 74.95%, which is a high percentage.

Hypotheses testing:**The first hypothesis:**

To prove the hypothesis which states that "there are no differences of statistical value at significance level of 0.05, for the effect of disclosure in financial statements, in the presence of international accounting standards, on economic Jordanian firms is attributed to scientific qualification variable.", we have applied ANOVA on the questionnaire marks relating to the scientific_qualification variable.

The results are shown in table No. 6.

	Sum of Squares	Freedom Degrees	Deviation average	F	Significance Level
Squares Among Groups	0.0326	2	0.0163	0.236	0.037
Internal Squares	1.174	47	0.0690	-----	-----
Total	1.206	49	-----	-----	-----

From table No 6 is noted that the significance level is at 0.037. This value is less than the one listed in the hypothesis that is 0.05. For this reason the hypothesis is rejected and we say: "at significance level of 0.05 there are differences of statistical values concerning the effect of disclosure in the financial statements of the economic Jordanian companies, in the presence of international accounting standards. These differences are attributed to the scientific qualification variable.

It is important to notice that the arithmetic average of the questions is 3.1961. This value indicates that the answers to the sample study questions tend to be positive.

The arithmetic averages relating to the scientific qualification variable are shown in the following table.

Variable	Arithmetic average
Diploma	2.015
Bachelor	3.6516
Higher studies	3.9217

It is clear that the least average 2.015 is for diploma group, it tends that the answers to the sample study questions to be opposite.

The second hypothesis:

To prove the hypothesis which states that "there are no differences of statistical value at significance level of 0.05, for the effect of disclosure in financial statements, in the presence of international accounting standards, on economic Jordanian firms is attributed to the nature of the company's activity variable, we have applied ANOVA on the questionnaire marks relating to the nature of the company's activity variable. The results are shown in table No.7.

	sum of squares	Freedom Degree	Deviation Average	F	Significance level
Squares Among Groups	0.0494	2	0.0247	0.615	0.0197
Internal Squares	1.157	47	0.0680
Total	1.206	49

From table No.7 we notice that the level of significance equals to 0.0197. this value is less than the one indicated in the hypothesis that is (0.05) for this reason the hypothesis is rejected and we say : " at significance level 0.05 there are differences of statistical values concerning the effect of disclosure in the financial statements of the economic Jordanian companies , in the presence of international accounting standards. These differences are attributed to the nature of company's activity variable.

It should be noted that the arithmetic average for the questions is 3.3506 this value indicates that the answers to the questions of the study tend to be positive.

The arithmetic averages relating to the nature of company’s activity variable are shown in the following table:

VARIABLE	ARITHMETIC AVERAGE
Services	2.167
Commercial	4.364
Industrial	3.521

From this table it is noted that the least average 2.167 is for service group, it tends that the answers to the sample study questions to be opposite.

The third hypothesis:

To prove the hypothesis which states that "there are no differences of statistical value at significance level of 0.05, for the effect of disclosure in financial statements, in the presence of international accounting standards, on economic Jordanian firms is attributed to years of experience variable.", we have applied ANOVA on the questionnaire marks relating to the years of experience’s variable. The results are shown in table No. 8 as follows.

Table No. 8:

	Sum of squares	Freedom Degree	Deviation average	F	significance level level
Squares Among Groups	0.136	2	0.0452	0.0104	0.042
Internal Squares	1.071	47	0.0669	-----	-----
Total	1.206	49	-----	-----	-----

From this table it is noted that the significance level equals 0.042. This value is less than the one indicated in the hypothesis which amounts to 0.05. For this reason the hypothesis is rejected and we say: "at significance level of 0.05 in relation to disclosure of financial statements in the presence of international accounting standards, there are differences with statistical importance and it is attributed to years of experience variable."

It is also noted that the arithmetical average for the set questions is 3.5504. This value refers that there is a positive trend as far as the answers to the stated questions is concerned.

The arithmetic averages relating to years of experience variable are stated in the following table.

VARIABLE	ARITHMETIC AVERAGE
Less than 5 years	3.1647
From 5 to 10 years	3.2941
More than 10 years	4.1924

The table shows that the least average of 3.1647 is for the group of less than five years . this rate opposes the one required in the questionnaire.

The fourth hypothesis:

To prove the hypothesis which states that "there are no differences of statistical value at significance level of 0.05, for the effect of disclosure in financial statements, in the presence of international accounting standards, on economic Jordanian firms is attributed to the functional position variable.", we have applied ANOVA on the questionnaire marks relating to functional position variable.

The results are shown in table No. 9 as follows:

	Sum of squares	Freedom Degree	Deviation average	F	significance level level
Squares Among Groups	0.133	2	0.0456	0.924	0.334
Internal Squares	1.074	47	0.0657	-----	-----
Total	1.207	49	-----	-----	-----

Table No. 9 shows that the significance level is 0.334. this value is higher than the one indicated in the hypothesis which amounts 0.05 . For this reason we accept that the hypothesis is correct. We also say: " At the significance level of 0.05 relating to the effects of disclosure in the presence of international accounting standards, there are no differences of statistical importance. These differences can be attributed to functional position variable. It is also noted that the arithmetic average for the questions is 3.168. this value indicates that there is a positive trend towards the questions of the study.

The following table indicates the arithmetic averages for work position variable.

Variable	Arithmetic average
Employee	3.224
Department head	3.051
Manager	3.23

It is noted that the least average of 3.051 is for department head group and it is a neutral value.

Results and Recommendations:

Results

Results show that the percentage relating to the effect of disclosure of financial statements concerning the Jordanian economic firms in the presence of international accounting standards amounts to 74.95% ,which is a high one. Results also indicate:

- Disclosure and openness affect the fairness of the financial statements.
- Commitment to international accounting standards creates a balance between the interests of the administration and the interests of share holders and commercial partners.
- Commitment to disclosure in accordance to international accounting standards attracts new investors.
- The information resulted through disclosure helps the manager to make correct financial decisions.
- Commitment to international accounting standards supports control and questioning in companies.
- Disclosure makes accurate, independent and objective information available.
- Disclosure in accordance with international accounting standards helps in preparing discretionary budgets and having an effective follow-up for income and outcome in the company.
- Commitment to international accounting standards creates the confidence in the accounting and auditing profession in the corporations.

Recommendations

Upon considering the previous results, the research recommends that:

- Companies should be obliged to follow the international accounting standards, especially these relating to disclosure. It will be a help for the users of financial statements who aim at developing the national economy.
- Disclosure in companies should lead to accurate information which helps in preparing the necessary data for work.
- A good level of disclosure is a necessity because it leads to more transparency.
- A good level of disclosure is a necessity because it helps the manager to make correct financial decisions.
- Administrative control on accountants' performance is a necessity.
- Companies should be under control by Audit Bureau.

- Accounting Department supplies the administration with financial statements necessary for planning and offering shares for sale.
- Accounting Department should submit objective and independent information.
- All shareholders should be informed with the results of the disclosure process.
- More studies should be carried on this important issue.

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