

**THE TIMELINESS AND EXTENT OF DISCLOSURE OF CORPORATE
INTERIM FINANCIAL REPORTING IN JORDAN**

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CORPORATE INTERIM FINANCIAL REPORTING IN JORDAN**

By

SAQOR SULAIMAN AL-TAHAT

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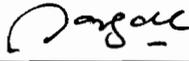
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ABSTRACT

This study examines interim financial reporting in Jordan, and it involves two main phases. First, the study undertook a questionnaire survey to seek the perceptions of users regarding the use, usefulness, the information deemed necessary to be disclosed in the interim financial reports, and other issues surrounding interim financial reporting. Second, this study analyzed the contents of half-yearly financial reports to assess their quality in terms of the extent of disclosure and timeliness. These qualities are subsequently tested for association with board of directors characteristics (namely board composition, board size, and board leadership structure), ownership structure (namely foreign ownership, government ownership, and the number of shareholders), and attributes of companies (namely size, profitability, growth, age, leverage, audit firm size, and market listing status).

The findings reveal that interim financial reports are used, useful, and the second most important source of information for investors, after annual reports. Because of this, investors express their desire for improved interim financial report in terms of disclosure and timeliness. In addition, the introduction of quarterly financial report is welcomed by investors.

Although compliance with mandatory disclosures and reporting deadlines is high, more improvements could be made. As far as the quality of disclosure is concerned, companies appear to provide a moderate level of disclosure. With respect to timeliness, there are tendencies for companies to take as long as they are allowed to issue the interim financial reports.

Consistent with most studies, this study reveals that: (i) the extent of disclosure is positively associated with company growth and board size; (ii) compliance with allowable financial reporting lag is positively related to the foreign ownership and profitability, and (iii) financial reporting lag is negatively related to profitability and age, but positively related to the leverage of a company. This implies that companies with a relatively higher percentage of shares owned by foreigners and are more profitable are more likely to comply with the requirement to publish within one month. The findings also indicate that companies that are more profitable, older, and have lower leverage are more likely take a shorter time to publish their half-yearly financial reports.

The findings provide some input to users, preparers, and policy makers into the current practice of reporting, and for future regulations on interim financial reporting. In addition, the present study opens up avenues for more studies on interim financial reporting not only in Jordan, but also in other countries where this area of study is lacking. Furthermore, it opens up opportunities and provides avenues for more in-depth research related to interim financial reporting.

ABSTRAK

Kajian ini adalah tentang laporan kewangan interim di Jordan, dan ia melibatkan dua fasa utama. Pertama, kajian ini melibatkan tinjauan soal selidik untuk mendapatkan pandangan pengguna terhadap kegunaan, kebergunaan, dan maklumat yang dianggap perlu untuk dizahirkan dalam laporan interim, dan juga isu lain berhubung dengan laporan kewangan interim. Kedua, kajian ini kemudian menganalisis kandungan laporan setengah tahun untuk menilai kualiti tahap penzahiran dan ketepatan masa. Kualiti penzahiran ini kemudiannya diuji, (saiz dan struktur kepemimpinan lembaga pengarah), struktur pemilikan (iaitu pemilikan asing, pemilikan kerajaan, dan bilangan pemegang saham), dan ciri-ciri syarikat (iaitu saiz, keuntungan, pertumbuhan, umur, leveraj, saiz syarikat audit, dan status listing pasaran).

Dapatan kajian menunjukkan bahawa laporan kewangan interim digunakan, berguna dan merupakan sumber maklumat kedua penting kepada pelabur selepas laporan tahunan. Disebabkan ini, pelabur melahirkan keinginan untuk mendapatkan laporan kewangan interim yang lebih baik dari segi penzahiran dan ketepatan masa. Di samping itu, laporan suku tahun yang diperkenalkan juga dialu-alukan oleh pelabur.

Walaupun kepatuhan terhadap penzahiran mandatori dan had masa laporan adalah tinggi, namun banyak lagi penambahbaikan yang boleh dilakukakan. Dari segi kualiti penzahiran, syarikat dilihat sebagai melakukan penzahiran yang sederhana. Dari segi ketepatan masa pula, terdapat kecenderungan oleh syarikat untuk mengambil masa selama mungkin yang

dibenarkan untuk mengeluarkan laporan interim. Sepertimana kajian lalu, kajian ini memperlihatkan bahawa: (i) tahap penzahiran berkait secara positif dengan pertumbuhan syarikat and saiz lembaga pengarah; (ii) kepatuhan kepada tempoh pelaporan dibenarkan berkait secara positif dengan pemilikan asing dan keberuntungan; dan (ii) tempoh masa pelaporan berkait secara negatif dengan keuntungan dan umur, tetapi berkait secara positif dengan leveraj syarikat. Ini bermakna syarikat yang mempunyai pemilikan asing dan keberuntungan yang tinggi lebih cenderung untuk mematuhi peruntukan tempoh pelaporan, iaitu satu bulan. Kajian juga menunjukkan syarikat yang mempunyai keuntungan yang tinggi, lebih tua dan mempunyai leveraj yang rendah mengambil masa yang lebih singkat untuk mengeluarkan penyata setengah tahun.

Hasil kajian ini telah berupaya untuk memberikan input kepada pengguna, penyedia dan pembuat dasar tentang amalan semasa laporan, dan peraturan tentang laporan kewangan interim. Tambahan pula, kajian ini telah membuka ruang untuk lebih banyak penyelidikan di masa-masa akan datang tentang laporan kewangan interim.

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LIST OF ABBREVIATIONS

ACAI	American Chartered Accountants Institute
AFM	Amman Financial Market
APB (UK)	Auditing Principles Board
APB (US)	Accounting Principles Board
ASB	Accounting Standards Board
ASE (JORDAN)	Amman Stock Exchange
ASE (US)	American Stock Exchange
ASE (Greek)	Athens Stock Exchange Market
ATEI	The academic staff technology institute
CBJ	Central Bank of Jordan
CPA	American Certified Public Accountant
CFA	Chartered Financial Analyst
FASB	Financial Accounting Standards Board
HSE	Helsinki Stock Exchange
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISIN	International Security Identification Numbers
JCPA	Jordan Certified Public Accountant
JSC	Jordan Securities Commission
KLSE	Kuala Lumpur Stock Exchange

LSE	London Stock Exchange
MASB	Malaysian Accounting Standards Board
NYSE	New York Stock Exchange
SDC	Securities Depository Center
SEC	Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Accounting disclosure is defined as efforts to provide accounting information, and this professional job is normally performed by accountants. The accounting disclosure is very important for all stakeholders as it provides them with the necessary information to reduce uncertainty and helps them to make suitable economic and financial decisions. The transparency of corporate reports for example is vital for economic stability and the promotion of sustained levels of high quality investment by corporations. This is achieved through the preparation of financial reports.

The annual financial reports published by companies are considered one of the most important sources of information due to the diversity of information contained in these reports. These financial reports include information that may help in recognizing the financial position of the company, the net income from its operations, the degree of liquidity, sources and application of funds, and any other valuable information. Although the annual financial reports are generally able to provide important information, sometimes the data provided may not be useful enough to meet the needs of some beneficiaries like investors and creditors who continually need updated information regarding activities of companies at the appropriate time of the fiscal financial year.

In order for financial statements to be relevant, they should have a number of characteristics. One of the most important characteristics is *timeliness*. In a dynamic business environment, financial information must be available on a

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