

:

(114)

:

(Basu, 1997)

(2006-2002)

..(Basu, 1997)

:

(2009)

(The Financial Accounting Standards Board
(SFAC No. (2) FASB)
2)

Hendriksen (1982)

(FASB, 1980)

(Watts, 2003)

(private-sector regulation of accoutering
standards)

.2011/11/17

2009/10/29

/

2012 ©

:
(public-sector regulation of accoutering standards)
(emerging market)
(efficient market hypothesis)

(2008) (Belkaoui, 2005)
:

(1) (1961)

: (12) (1964)

(1989) (1)

(1990) (1)

:

(2005)

(litigation explanation of conservatism)

(income

tax explanation of conservatism)

(regulatory

explanation of conservatism)

(Smith &

(2008)

Skousen, 1987)

(Beaver

Basu, (1997)

& Ryan, 2005)

(conditional conservatism)

(unconditional conservatism)

(Watts, 2003 2008)

(Ball & Shivakumar, 2005)

(contracting explanation of conservatism)

(FASB)

(accounting for contingencies 1975)
(Book-to- 1985) SFAS 5,
Market approach) (employer's accounting for pensions SFAS
1995) 87,
(2011) (accounting for the impairment of long-lived
(2009) assets SFAS 121,
(Givoly & Hayn, 2000; Hamdan, 2011) :

(Penman & Zhang,
(Accruals-Based approach) 2002)
(2011)
:
:
:Basu, 1997
(C-Score) (earnings-stock returns
(Penman & Zhang, 2002) relation measures)

(hidden reserves) - -
(net operating assets)

(Basu, 1997)

) (C-Score)
.(2008
:
(Basu)
:
(2008)

(Hamdan, et al., 2011)

(Basu, 1997)
(2009-2008) (225)

)
(2011

(Richardson et al., 2005)

(2011)

(Hamdan, 2011)

) (2008-2005) (50)
(2009 (Basu, 1997)

(Basu, 1997)
(2009)

) . (2004 (2008)

: (2005-1996)

:

(2008)

(2010)

(Basu, " " (2011)
1997)
(430) (2006-2001)
(2008)

2008)

(Vichitsarawong, et al., 2010)

" (1997)

"

:

(Basu, 1997)

(Watts & Zimmerman, 1983)

Ahmed & Duellman (2007)

(Givoly & Hayn,
Ball, et al., (2000)

2000)

.(timeliness of earnings)
(Qiang, 2007)

(contracting :

(litigation cost)

cost)

Krishnan & Visvanathan (2007)

(taxation)

(regulation)

Lara, et al., (2007)

Ahmed & Duellman (2005)

(2008) (LaFond & Watts,

(R-squared) (R-squared)
 (R_{i,t}<0) (R_{i,t}>0)
 (Basu, 1997)

(β)
 .(Basu, 1997)

(Basu, ()) ()
 1997)

(2008)

(Givoly & Hayn, .2000)

(Basu, 1997) (X_{i,t}) (reverse regression)

$$X_{i,t} / P_{i,t-1} = \alpha_0 + \alpha_1 DR_{i,t} + \beta_0 R_{i,t} + \beta_1 (R_{i,t} \times DR_{i,t})$$

(earnings per share) :X_{i,t}
 .t i
 .i t :P_{i,t-1}
 .t i () :R_{i,t}
 (dummy variable) :DR_{i,t}
 R_{i,t} (0) R_{i,t} (1)

Hamdan, 2009) :
 .(et al., 2011; Hamdan, 2011

(cross section data) (114) :
 -2002) (2006) (2006) (175)
 (time series data) (570)
 (pooled data regression)
 .(Ordinary Least Squares OLS) (114) (2006-2002)
 (1)

(normal distribution) : (1)
 (time series stationarity) (2006-2002)

(multicollinearity)			
(autocorrelation)	51	25	76
(homoskedasticity)	15	1	16
	23	35	58
	25	0	25
	114	61	175

(Jarque-Bera) :
 (0.05) (J-B) :H₀₁
 (2) (Gujarati, 2003) :H₀₂
 (J-B) :
 (0.05) :H₀₃
 (natural log.) :H₀₄

(2):

Time Series Stationarity test		Normal Distribution		
		Jarque-Bera test		
PP	ADF	Sig.	J-B	
10.636	-9.555	0.000	765	$X_{i,t}$
8.497	7.552	0.000	555	$P_{i,t-1}$
9.090	8.133	0.000	178	$R_{i,t}$

Autocorrelation		Multicollinearity		
Durbin-Watson test		Collinearity Statistics test		
1.89	D-W	VIF	Tolerance	
		1.084	0.922	$DR_{i,t}$
		1.044	0.958	$R_{i,t}$
0.965	Sig. White	1.089	0.918	$(R_{i,t} \times DR_{i,t})$ (×)
				0.05 ^a
-3.44	%1	:		PP ADF ^b
				-2.87 %5
				. 570 ^c

(General Linear Model GLM) (independency) (2006-2002) - (autocorrelation) (Gujarati, 2003) (non-stationary) (Unit Root Test) (Augmented Dicky-Fuller Test ADF) (Phillips-Person PP) (2) (PP) (Variance Inflation VIF) (Collinearity Diagnostics) (Tolerance) (ADF) (2) (PP) Factor %5 %1

(2003)
 (White) (5) (VIF)
 (E-Views)
 (2) (VIF) (2)
 (0.05) (White) (5)

.(White)
 (3)
 :

(3) (Durbin Watson DW) (2003)
 (2005) (2002)
 (0.304) (2)
 (0.097) (D- (2) (2.5 -1.5)
 (1.89) W)

(2005)
 (2005) (2004)
 (2006) (OLS)
 (homoskedasticity)
 (2000)
 (heteroskedasticity)

:(3)

14.795	-0.357	1.390	0.244	2002
13.659	-0.671	1.286	0.256	2003
8.193	-0.264	0.824	0.298	2004

1.955	-0.269	0.360	0.304	2005	
1.049	-0.627	0.249	0.097	2006	
130,000	-14,265	12,733	2,276	2002	
120,000	-55,919	13,070	2,022	2003	
144,000	-6,086	14,867	4,105	2004	()
200,000	-1,499	21,576	7,445	2005	
263,000	-4,076	27,019	6,706	2006	
14,700,000	941	1,390,000	226,000	2002	
15,500,000	1,359	1,470,000	237,000	2003	
16,800,000	1,739	1,600,000	267,000	2004	()
16,800,000	1,283	1,620,000	298,000	2005	
18,400,000	1,261	1,780,000	334,000	2006	
129.697	1.640	28.502	44.867	2002	
177.833	1.210	30.183	45.402	2003	
94.840	0.889	27.665	45.720	2004	
94.830	0.792	25.404	39.940	2005	
135.755	1.219	26.790	41.325	2006	
200.000	0.140	18.641	3.405	2002	
184.000	0.100	17.157	3.379	2003	
305.000	0.200	28.426	5.184	2004	
237.800	0.200	22.155	5.408	2005	
63.300	0.200	6.582	4.885	2006	

(Basu, 1997)

(4)

:

:

:

Pooled Least Squares

:(4)

Sig.	t-Statistic	Coefficient (β)	
0.000	-6.996	-0.203	DR _{i,t}
0.000	-3.802	0.000	R _{i,t}

0.157	1.416	0.000	$(R_{i,t} \times DR_{i,t})$	(×)
		0.210	R-squared	
	p	(n-p-1)	0.05	t ^a
			.1.645	(570-3-1)

(Basu, 1997) (5)

$(R_{i,t} \times DR_{i,t})$ (5)

 (R^2) (Basu, 1997) (4)

 (t-test) %21

 (0.05)

$(H_0: \beta_2=0)$:

 $(H_a: \beta_2 \neq 0)$

 $(R_{i,t} \times DR_{i,t})$

 (1.416) (t-test)

 (0.05)

(2008)

 (2008 (Basu, 1997) (2009)

 (Ball, et al., 2000)

(Ahmed & Duellman, 2005, 2007)

(Lara & Osma & Penalva, 2007)

(Beaver & Ryan, 2005)

(2009)

(Pooled Least Squares) : (5)

Sig.	t-Statistic	Coefficient (β)	Sig.	t-Statistic	Coefficient (β)	
0.000	-5.826	-0.089	-1.754	0.185	-0.325	DR _{i,t}
0.000	-4.825	0.000	1.020	0.000	0.000	R _{i,t}
0.000	31.124	0.000	0.891	0.000	0.000	(R _{i,t} × DR _{i,t}) (×)
		0.652			0.228	R-squared
		0.638			0.217	Adjusted R-squared
		16			51	

Sig.	t-Statistic	Coefficient (β)	Sig.	t-Statistic	Coefficient (β)	
0.000	-4.372	-0.220	0.000	-7.315	-0.111	DR _{i,t}
0.056	1.932	0.000	0.173	1.373	0.000	R _{i,t}
0.441	0.773	0.000	0.488	-0.695	0.000	(R _{i,t} × DR _{i,t}) (×)
		0.361			0.259	R-squared
		0.345			0.239	Adjusted R-squared
		25			23	

(1.645) (570-3-1) (p) (n-p-1) (0.05) t^a
 (Adjusted R-squared) b
 .(Gujarati, 2003) (Thomas, 1996) :

(Pooled Least Squares) : (6)

Sig.	t-Statistic	Coefficient (β)	Sig.	t-Statistic	Coefficient (β)	
0.005	-2.813	-0.143	0.000	-6.466	-0.165	DR _{i,t}
0.227	1.213	0.000	0.337	-0.926	-0.000	R _{i,t}
0.000	5.354	0.000	0.080	1.756	0.000	(R _{i,t} × DR _{i,t}) (×)
		0.391			0.187	R-squared
		0.381			0.177	Adjusted R-squared
		57			57	

Sig.	t-Statistic	Coefficient (β)	Sig.	t-Statistic	Coefficient (β)	
0.000	-6.273	-0.132	0.000	-7.737	-0.406	DR _{i,t}
0.640	0.468	0.000	0.670	-0.427	-0.000	R _{i,t}
0.423	0.802	0.000	0.774	-0.287	-0.000	(R _{i,t} ×DR _{i,t}) (×)
		0.149			0.301	R-squared
		0.139			0.288	Adjusted R-squared
		57			57	
.(1.645)	(570-3-1)		(p)	(n-p-1)	(0.05)	(t) ^a

(Adjusted R²)

(%38.1)

(R_{i,t}×DR_{i,t}) (t-test)
(0.05)

(%34.5)

(%63.8)
(%23.9)

.(%21.7)

:

(2009)

(6)

:

(57)

(57)

(R_{i,t}×DR_{i,t})

(%17.7) (Adjusted R²)

(6)

		$(R_{i,t} \times DR_{i,t})$	(β)
(2009)			
(Hamdan, et al., 2011)			
(Hamdan, 2011)	(t-	(6)	$(R_{i,t} \times DR_{i,t})$
	(1.645)		test=0.802)
		(0.05)	
	.2		()
			()
	:		
	(2009)		
(Hamdan,			
et al., 2011)			
	:		
()			
	(Basu, 1997)		.1
(Hamdan, 2011)			
			(2006-2002)

(Hamdan, et al., 2011) (2009)

: .3

: .1

.2 (2009) (Hamdan, et al., 2011) (Hamdan, 2011)

(quality of debt contracts) .3 .4 ()

.4) (2009) (Hamdan, 2011)

50	2010	SPSS	2005
	:		2003
	.622-577 : . 4		2011
	2004		:
		-278 . . 2 38	
	2000		.303
		:	2011
	2008		
			2009
		:	
		16	
			.24-7 : . 1

Ahmed, A. & Duellman, S. (2007). Accounting Conservatism and Board of Directors Characteristics: An Empirical Analysis, *Journal of Accounting and Economics*, 43, 411-437.

Ahmed, A., Duellman, S. 2005. Evidence on the Role of Accounting Conservatism in Corporate Governance, Available at: www.ssrn.com.

Ball, R. Kothari, S. and Robin, A. 2000. The Effect of International Institutional Factors on Properties of Accounting Earnings, *Journal of Accounting and Economics*, 29 (1) : 1-51.

Ball, R., & Shivakumar, L. (2005). Earnings quality in UK private firms: Comparative loss recognition timeliness. *Journal of Accounting and Economics*, 39, 83-128.

Ball, R., Kothari S., & Robin A. (2000). The Effect of International Institutional Factors on Properties of Accounting Earnings. *Journal of Accounting &*

Economics, 29, 1-51.

Ball, R., Robin, A., & Sadka, G. (2008). Is Financial Reporting Shaped by Equity Markets or by Debt Markets? An International Study of Timeliness and Conservatism. *Review of Accounting Studies*, 13, 168-205.

Basu, S. (1995). Conservatism and the asymmetric timeliness of earnings. University of Rochester (Unpublished dissertation).

Basu, S. (1997). The conservatism principle and the asymmetric timeliness of earnings. *Journal of Accounting and Economics*, 24, 3-37.

Beaver, W., & Ryan, S. (2005). Conditional and Unconditional Conservatism: Concepts and Modeling. *Review of Accounting Studies*, 10, 269-309.

Belkaoui, A. (2005). Accounting Theory, 5th Edition, Thomson, USA.

- Financial Accounting Standards Board (FASB). 1980. Statement of Financial Accounting Concepts No.2 Qualitative Characteristics of Accounting Information. Stamford, CT.
- Givoly, D., & Hayn, C. (2000). The changing time-series properties of earnings, cash flows and accruals: Has financial reporting become more conservative? *Journal of Accounting and Economics*, 29, 287-320.
- Gujarati, D. (2003). *Basic Econometrics*, 4th Edition, the McGraw-Hill Companies, USA.
- Hamdan, A. (2011). The Impact of Company Size, Debt Contracts, and Type of Sector on the Level of Accounting Conservatism: An Empirical Study from Bahrain. *International Journal of Business and Management*, 6(7), 10-21.
- Hamdan, A., Abzakh, M., and Al-Ataibi, M. (2011). Factors Influencing the Level of Accounting Conservatism in the Financial Statements. *International Business Research*, 4(3), 18-29.
- Hendriksen, E. 1982. *Accounting Theory*. Richard D. Irwin, Inc. USA.
- Krishnan, J., Visvanathan, G. (2007). Does the SOX Definition of an Accounting Expert Matter? The Association between Audit Committee Directors' Accounting Expertise and Accounting Conservatism, *Contemporary Accounting Research*, 25 (3), 827-857.
- LaFond, R., Watts, R. (2008). The Information Role of Conservatism. *The Accounting Review*, 83(2), 447-478.
- Lara, J., Osmá, B., & Penalva, F. (2007). Board of Directors' Characteristics and Conditional Accounting Conservatism: Spanish Evidence, *European Accounting Review*, 16 (4), 727-755.
- Mensah, Y., Song, X., and Ho, S. 2004. The Effect of Conservatism on Analysts Annual Earnings Forecasts Accuracy and Dispersion, *The Journal of Accounting Auditing and Finance*, 19 (2), 159-183.
- Penman, S. H., & Zhang, X.J. (2002). Accounting conservatism, the quality of earnings, and stock returns. *The Accounting Review*, 77(2), 237-264.
- Qiang, X. (2007). The effects of contracting, litigation, regulation, and tax costs on conditional and unconditional conservatism: Cross-sectional evidence at the firm level. *The Accounting Review*, 82(3), 759-796.
- Richardson, S., Sloan, R., Soliman, M., & Tuna, I. (2005). Accrual Reliability, Earnings Persistence and Stock Prices, *Journal of Accounting and Economics*, 39 (3), 473-485.
- Smith, J., and Skousen, F. (1987). *Intermediate Accounting*. 9th Edition, South-Western Publishing, Ohio.
- Thomas, R. 1996. *Modern Econometrics an Introduction*, Addison Wesley Longman Limited, England.
- Vichitsarawong, T., Eng, L., and Meek, G. (2010). The Impact of the Asian Financial Crisis on Conservatism and Timeliness of Earnings: Evidence from Hong Kong, Malaysia, Singapore, and Thailand. *Journal of International Financial Management and Accounting*, 21(1), 32-61.
- Watts, R. (2003). Conservatism in Accounting Part I: Explanations and Implications. *Accounting Horizons*, 17 (3), 207-221.
- Watts, R., & Zimmerman, J. (1983). Agency Problems, Auditing and the Theory of the Firm: Some Evidence, *Journal of Law and Economics*, Vol. XXVI, Oct., Vol. XXVI, Oct.

Factors Affecting Accounting Conservatism when Preparing Corporate Financial Reports: Evidence from Jordan

Allam Mohammed Mousa Hamdan

ABSTRACT

This study aims at evaluating the level of accounting conservatism when preparing financial reports in Jordanian companies. Then the study search in the factors affecting accounting conservatism level in these companies which are company sector, company size and the company debt. To achieve these goals, Basu (1997) Model for accounting conservatism was estimated for a sample of Jordanian Companies composed of (114) companies for the period (2002-2006). The results of the study showed that the level of accounting conservatism in financial reports issued by Jordanian companies is low. The study also found that financial reports of banks sector in Amman Stock Exchange (ASE) are the most conservative. In addition, the company's size had impact on accounting conservatism. Thus, small companies were more conservative than bigger ones. The study recommended that the role of private sector in regulating accounting standards in Jordan should be activated which is known of adopting more conservative polices. The censorship on financial market and other related places should be increased to guarantee reliability and transparency of financial reports.

KEYWORDS: Accounting Conservatism, Jordanian Companies, Basu, 1997 Model.

.10878 .