

:

*

2006-2001

(50)

(Logistic Regression)

(Pooled Data Regression)

:

(LaFond and Roychowdhury,

Ball, Kothari and Robin (2000) 2008)

Information Asymmetry

Jensen and Meckling, (1976)

(Mohan,

.2007)

(Agency Theory)

(2008)

*

2009/12/20

Securities and Exchange

.2010/11/25

: (SEC) Commission
 . (NYSE) New York Stock Exchange
 National Association of
 . (Blue (NASDA) Securities Dealers
 1999 (BRC) Ribbon Committee)

2002

: (Sarbanes- Oxley)
 (SEC)

.(2010)

(Efficient

Market Hypothesis)

)

.(2008 (Financial (FASB)
 (SFAC No. 2) (2) Statement Concepts)

(FASB,
 Ball et al., (2000) 1980)

Basu, (Watts, 2003b)

(1997)

.(2010) 1998 (1) 2000 (28)
 .2004

(LaFond and Roychowdhury, 2008)

Conditional

Unconditional

(IASB frame work, 2005)

Roychowdhury and Watts, (2007)

(Ball et al., 2005)

: (2008)

(FASB)

Accounting for Contingencies "SFAS 5" (1975)

:

Employer's Accounting (1985)

:

for Pensions "SFAS 87"

Accounting for the Impairment of Long-

(IAS 36)

Lived Assets "SFAS 121"

(2009) (IAS 37)

"

:

"

(2006)

:

)

.(5

701

(2007

)

.(2006

(700)

(700)

(701)

.(2008)

(Arens et al., 2006)

:

(Unqualified With Explanatory

.Paragraph Opinion)

)

) (30

700

:

(Watts 2003a, b; Ball and Shivakumar 2005)

(Hellman, 2008)

(Basu, 1997) (Agency Theory) (2010)

Basu (1997)

(Ball et al., 2000; Watts, 2003a)

(2008)

(2009)

(Watts and Zimmerman, 1986)

LaFond and Roychowdhury, (2008) (2010)

(2009)

(2010)

(2009)

(2008)

Labo and Zhou (2006)

Penman and (Paprocki and Stone, 2004)

Zhang (2002)

Sarbanes-Oxley

Corporate Governance

Labo and Zhou (2006)

Lara et al. (2007)

(Watts, 2003b; Ball and Shivakumar, 2005; Krishnan and Visvanathan (2008)

Ball al et., 2008)

(2008)

Gigler et al., 2009

(2009)

(Felo et al., 2003)

(Lin et al., 2006)

()
2006-2001

(73)

Huang (2005)

(50)

(2010)

:H₀₁

(Saleh et al., 2007)

McMullen and Raghunandan (1996)

:H₀₂

(Martinez and Fuentes, 2007)

(Yang and Krishnan, 2005)

(Lin et al.,

2006)

(Luohe et al.,

2008)

(2009)

$$\begin{aligned}
QFR_{i,t} = & \beta_0 + \beta_1 AC_{i,t} + \beta_2 AT_{i,t} + \\
& \beta_3 Big5_{i,t} + \beta_4 Size_{i,t} + \\
& \beta_5 MANOWN_{i,t} + \beta_6 Leverage_{i,t} + \\
& \beta_7 PR_{i,t} + \beta_8 ACMember_{i,t} + \\
& \beta_9 ACExperience_{i,t} + \ell_{i,t}
\end{aligned}$$

(i)

:QFR_{i,t}

(1)

Multicollinearity		Time Series		Normal Distribution	
Collinearity Statistics		Stationarity		Jarque-Bera Test	
Tolerance	VIF	ADF	PP	Sig.	J-B
—	—	-7.1	-8.3	0.000	185.5
1.0	1.0	-6.9	-15.9	0.000	213894.1
0.8	1.2	-6.3	-7.5	0.000	197.2
0.8	1.2	-4.0	-6.3	0.000	14345.1
0.9	1.1	-6.9	-6.6	0.000	408.5
0.8	1.3	-4.5	-5.3	0.000	3022.4
0.9	1.2	-6.7	-5.9	0.000	5422.8
0.9	1.2	-6.2	-5.9	0.000	7.7
0.9	1.1	—	—	—	—
0.7	1.3	—	—	—	—

6.703		F		Homoskedasticity		Autocorrelation test	
0.000		Sig.		White test		Durbin-Watson	
-2.87	%5	-3.44	%1	:	PP	4.08 %5	F
						300	

(2)

2006	2005	2004	2003	2002	2001
76%	38 70%	35 72%	36 74%	37 74%	37 76%
10%	5 10%	5 12%	6 14%	7 16%	8 12%
6%	3 10%	5 8%	4 4%	2 2%	1 2%
6%	3 8%	4 8%	4 8%	4 6%	3 10%
2%	1 2%	1 0%	0 0%	0 2%	1 0%
0%	0 0%	0 0%	0 0%	0 0%	0 0%
0%	0 0%	0 0%	0 0%	0 0%	0 0%
100%	50 100%	50 100%	50 100%	50 100%	50 100%

J-B

(1)

.(Gujarati, 2003)

Normal Distribution

0.05

(Jarque-Bera)

(Natural Log.)

0.05

J-B

(1.681)

Time Series Stationarity

Homoskedasticity

-

-

(OLS)

Autocorrelation

(Homoskedasticity)

Non-Stationary

.(Gujarati, 2003)

(2000)

Unit Root

(Heteroskedasticity)

Augmented Dicky-Fuller Test (ADF)

(White)

(1)

Phillips-Person (PP)

(E-

(PP)

(ADF)

Views)

(0.05)

(White)

(1)

%5 %1

(F)

(2006-2002)

(Heteroskedasticity)

Multicollinearity

.(Homoskedasticity)

General Linear Model

(GLM)

Independency

(%74)

:

(2)

)

(2003

(Unqualified opinion)

Tolerance

Collinearity Diagnostics

(Qualified opinion)

(Substantial doubt about going concern)

Variance Inflation Factor (VIF)

%12

(Uncertainties)

(5)

(VIF)

(2003)

2005

%5

%8

(VIF)

(1)

(5)

(Lack of consistent application of

2005

GAAP)

Autocorrelation

Durbin Watson (DW)

(2003)

(Adverse opinion)

(4)

.(Disclaimer of opinion)

(2.5 - 1.5)

D-W

(1)

(3) (2008)
 2006 2005 2001
 2002 2005
 2004 2003

(3)

2006	2005	2004	2003	2002	2001
1.14	18.07	0.31	-0.40	-15.68	7.80
5.08	5.26	5.42	5.44	5.32	5.32
41,381,943	70,140,022	58,743,889	33,977,780	30,052,178	27,603,491
13.29	14.47	16.33	16.33	16.51	16.15
33.52	33.25	35.38	36.52	34.74	35.19
3.04	3.04	3.04	3.04	3.04	3.04
0.43	0.44	0.44	0.44	0.44	0.42
31	32	35	35	35	35
16	14	14	13	14	16

(3)

(3)

5

2005 %35 (2010)

(Book Value)

%41

2005

(3)

(3)

%16

.2006

(4)

One Sample T-Test				
Test of Hypothesis: Mean = 1				
Prob.	t-statistic	Std. Dev.	Mean	
0.431	0.794	59.949	7.802	2001
0.137	-1.512	76.449	-15.684	2002
0.002	-3.211	3.020	-0.400	2003
0.020	-2.403	1.976	0.315	2004
0.373	0.900	132.852	18.074	2005
0.885	0.146	6.747	1.140	2006

t-Scheduled: at df 49, and confidence level of 95% = 1.684

: 2001 (3) %42
 :
 :H₀₁ %43 %44

(Lobo and Zhou, 2001) :
 (2008) (Jain and Rezaee, 2004) 50 35 (3)
 %70

One Sample T-Test %62

(1+)

:
 $H_0 : \mu = 1$
 $H_a : \mu \neq 1$ (3)
 (t-test) 15
 %30

(t- (2006 2005 2001) (4)
 Test) (t-Test) (2004 2003)
 (t-Test) (2002)

(5)

Prob.	z-statistic	Coefficient	Expected sign
0.002	3.161	0.004	+
0.569	0.569	0.127	+/-
0.030	-2.389	-0.369	+/-
0.042	-1.998	-0.259	+/-
0.130	1.513	0.024	+
0.021	2.305	0.028	+/-
0.000	7.950	4.324	+
0.012	2.263	1.323	+
0.043	-1.733	-0.689	-

z-Scheduled: at confidence level of 95% = 1.65

(Pooled Data Regression)

(Dummy Variable)

.(Logistic Regression)

(Pooled Data Regression)

(E-Views)

(Logistic Regression)

Basu,

(2010)

(5)

1997

(2009)

(Shokley, 1982)

β (5)

(50)

(Cross Section Data)

(Time Series

(2006 – 2001)

(2010)

Data)

(5)

(Knechel and Vanstraelen, 2007)

:

.(2010)

.(DeAngelo, 1981)

(Ballesta and

(5)

Meca, 2005)

()

(Martinez and

(2009)

(5)

Fuentes, 2007)

)

β

(

:

(Monroe

and Teh, 1993, Bell and Tabor, 199dm

Change and Walter, (1996)

(2010)

Felo et al. (2003)

(Kiger and Scheiner,

(Blue Ribbon

1997)

Commission on Audit Committees)

.(Chen et al., 2001)

Arthur

(NACD, 2000)

Andersen Global Best Practices

(Archambeaul and

.(Gul et al., 2001)

Dezoort, 2001)

(5)

:

(Felo et al., 2003, Xie et al., 2003, Choi et al., 2004)

(Abbott et al., 2004)

(Carcello and Neal, 2003)

:()

:H₀₂

(5)

(1)

(0)

(2003 2002)

(2009) (2010)
Basu, 1997

:

:

(Big5)

:

%74

:

:

"

"

"

"

:

:

:

:

:)

(2010

:

: SPSS

2003

2010

2010

2 17

.319-277

2006

2010

2009

16

2006

.17-1 .1

2003

2007

2009

2000

()

- Accounting Research*, 29 (1): 35-70 2005
- Carcello, J. and Neal, T. 2003. Audit Committee Independence and Disclosure: Choice for Financially Distressed Firms. *Corporate Governance*, 11 (4): 289-299.
- Chang, Y. and Water, T. 1996. Qualified Audit Reports and Costly Contracting. *Asian Pacific Journal of Management*, 13 (1): 37-63. 2008
- Chen, C., Chen, S. and Su, X. 2001. Profitability Regulation Earning Management and Modified Audit Opinions: Evidence from China. *Auditing: Journal of Practice and Theory*, 20 (1): 9-30. 2008
- Choi, J., Jeon, K. and Prk, J. 2004. The Role of Audit Committee in Decreasing Earning Management: Korean Evidence. *International Journal of Accounting, Auditing and Performance Evaluation*, 1 (1): 37-60.
- DeAngelo, L. 1981. Auditor size and audit quality. *Journal of Accounting and Economics*, 3 (1): 183-199.
- Felo A., Krishnamurthy, F. and Solieri S. 2003. Audit Committee Characteristics and the Perceived Quality of Financial Reporting an Empirical Analysis. Working Paper, *School of Graduate Professional Studies*, Malven, Available at www.ssrn.com.
- Gigler, F., Kanodia, C., Sapra, H. and Venugopalan, R. 2009. Accounting Conservatism and the Efficiency of Debt Contracts. *Journal of Accounting Research*, 47 (3): 767-797.
- Gujarati, D. 2003. *Basic Econometrics*. Fourth Edition, McGraw-Hill.
- Gul, F., Low, P. and Majid, A. 2001. Board Dominance in Family Owned Companies and Modified Audit Opinions in Hong Kong. Working Paper, Available at www.ssrn.com
- Hellman, N. 2008. Accounting Conservatism under IFRS. *Accounting in Europe*, 5 (2): 71-100.
- Huang, H. 2005. The Effects of Audit Committee Characteristics on Investors Perception of Financial Reporting. *Florida International University*, hhuan002@fiu.edu
- Abbott, L., Parker, S. and Peters, G. 2004. Audit Committee Characteristics and Restatement. *Auditing: A Journal of Practice and Theory*, 23 (1): 69-87.
- Archambeault, D. and Dezoort, F. 2001. Auditor Opinion Shopping and the Audit Committee: An Analysis of Suspicious Auditor Switches. *International Journal of Auditing*, 5 (1): 33-52.
- Arens, A., Elder, R. and Beasley, M. 2006. *Auditing and Assurance Services: An Integrated Approach*. Eleventh Edition, New Jersey: Prentice Hall.
- 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., Robin, A. and Sadka, G. 2005. Is Accounting Conservatism Due to Debt or Equity Markets? An International Test of “Contracting” and “Value Relevance” Theories of Accounting. Available at: www.ssrn.com.
- Ballesta, J. and Meca, E. 2005. Audit qualifications Corporate Governance in Spanish Listed Firms. *Managerial Auditing Journal*, 20 (7): 725-738.
- Basu, S. 1997. The Conservatism Principle and the Asymmetric Timeliness of Earnings. *Journal of Accounting and Economics*, 24 (1): 3-37.
- Bell, T.B. and Tabor, R. 1991. Empirical analysis of Audit Uncertainty Qualifications. *Journal of*

- Martinez, M. and Fuentes, C. 2007. The Impact of Audit Committee Characteristics on the Enhancement of the Quality of Financial Reporting: an empirical study in the Spanish context. *Corporate Governance*, 15 (6): 1394-1412.
- Mcmullen, D. and Raghunandan, K. 1996. Enhancing Audit Committee Effectiveness. *Journal of Accounting*, 182 (2): 79-81.
- Mohan, S. 2007. Disclosure Quality and its Effect on Litigation Risk. Available at: www.ssrn.com
- Monroe, G. and Teh, S. 1993. Predicting Uncertainty Audit Qualifications in Australia Using publicly available information. *Accounting and Finance Journal*, 32 (1): 79-106.
- NACD (National Association of Corporate Directors). 2000. *Report of the NACD Blue Ribbon Commission on Audit Committees: a Practical Guide*. Washington, DC: The National Association of Corporate Directors and the Center for Board Leadership.
- Paprocki, C. and Stone, M. 2004. Is the Quality of Critical Accounting Policy Disclosures Lower for Companies with High Information Asymmetry. Available at: www.ssrn.com
- Penman, S. and Zhang, X. 2002. Accounting Conservatism, the Quality of Earnings, and Stock Returns. *The Accounting Review*, 77(2): 1-33.
- Roychowdhury, S. and Watts, R. 2007. Asymmetric timeliness of earnings, market-to-book and conservatism in financial reporting. *Journal of Accounting and Economics*, 44 (1): 2-31.
- Saleh, N., Iskandar, T. and Rahmat, M. 2007. Audit Committee Characteristics and Earning Management: Evidence from Malaysia. *Asian Review of Accounting*, 15 (2): 147-163.
- Shockley, R. 1982. Perception of Audit Independence: A conceptual Model. *Journal of Accounting, Auditing and Finance*, 5 (1): 126-143.
- Watts, R. 2003a. Conservatism in accounting part I. Explanation and Implications. *Accounting Horizons*, 17 (1): 207-221.
- Watts, R. 2003b. Conservatism in accounting part 2: International Accounting Standards Board. 2005. Project: Conceptual Framework, IASB Meeting, London.
- Jain, P. and Rezaee, Z. 2004. The Sarbanes-Oxley Act of 2002 and Accounting Conservatism. Available at: www.ssrn.com
- Jensen, M. and Meckling, W. 1976. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4): 305-360.
- Kiger, J. and Scheiner, J. 1997. *Auditing*. Second edition, Boston, MA: Houghton Mifflin Company.
- Knechel, W. and Vanstraelen, A. 2007. The Relationship between Auditor Tenure and Audit Quality Implied by Going Concern Opinions. *Auditing: A Journal of Practice and Theory*, 26 (1): 113-131.
- Krishnan, G. and Visvanathan, G. (2008). Does the SOX definition of an accounting expert matter? The association between audit committee directors' expertise and conservatism. *Contemporary Accounting Research*, 25(3): 827-858.
- Labo, G. and Zhou, J. 2006. Did Conservatism in Financial Reporting Increase After the Sarbanes-Oxley Act? Initial Evidence. *Accounting Horizons*, 20 (1): 17-34.
- LaFond, R. and Watts, R. 2008. The Information Role of Conservatism. *The Accounting Review*, 83 (2): 447-476.
- Lara, J., Osma, B. and Penalva, F. 2007. Board of Directors Characteristics and Conditional Accounting Conservatism: Spanish Evidence. *European Accounting Review*, 16 (4): 727-755.
- Lin, J., Li, J. and Yang, J. 2006. The Effect of Audit Committee Performance on Earning Quality. *Managerial Auditing Journal*, 21(9): 921-933.
- Lobo, G. and Zhou, J. 2001. Disclosure Quality and Earnings Management. *Asia Pacific Journal of Accounting and Economics*, 8 (1): 1-27.
- Luohe, L., Piot, C. and Thornton, B. 2008. Board Monitoring, Audit Committee Effectiveness, and Financial Reporting Quality: Review and Synthesis of Empirical Evidence. Available at www.ssrn.com

- Management and Corporate Governance the Role of the Board and the Audit Committee. *Journal of Corporate Finance*, 9 (2): 295-314
- Yang, J. and Krishnan, J. 2005. Audit Committee and Quarterly Earning Management. *International Journal of Auditing*, 9 (1): 201-21.
- evidence and research Opportunities. *Accounting Horizon*, 17 (4): 1-34.
- Watts, R. and Zimmerman, J. 1986. Positive Accounting Theory. Upper Saddle River, New Jersey: Prentice-Hall, Inc.
- Xie, B., Davidson, W. and Dadalt, P. 2003. Earning

The Impact of Accounting Conservatism on Enhancement of Quality of Financial Reports: An Empirical Study on the Jordanian Industrial Corporations

*Allam Mohammed Mousa Hamdan**

ABSTRACT

The study provides additional evidence about the level of accounting conservatism in the financial reports of Jordanian industrial corporations, and it examines the impact of accounting conservatism on improving the quality of financial reports. To achieve these objectives, the study collects the required data to examine its hypotheses from (50) Jordanian industrial corporations listed in Amman Stock Exchange (ASE), for the period of 2001-2006, and using (Pooled Data Regression) and (Logistic Regression) tests. The study reveals important indications about the low level of accounting conservatism in the financial reports coming from Jordanian industrial corporations. It also found significant statistically relationship between the increased accounting conservatism and improvement of the quality of financial reports, through improving the external auditor's opinion.

Keywords: Accounting Conservatism; Quality of Financial Reporting; Type of Auditor's Report; Jordanian industrial companies.

* Department of Accounting, College of Business and Finance, Ahlia University, Kingdom of Bahrain. Received on 20/12/2009 and Accepted for Publication on 25/11/2010.