Journal of Economics and Public Finance
ISSN 2377-1038 (Print) ISSN 2377-1046 (Online)
Vol. 5, No. 4, 2019
www.scholink.org/ojs/index.php/jepf

Original Paper

The Impact of the Application of International Accounting Standard 34 (IAS 34) on the Industrial Public Shareholding Companies' Sector in Jordan

Maen Yousef Khalaf Hijazin[1*] & Dr. Saeed Mikhled Ahmad Al-naimat[2]

[1] Lecturer, Department of Financial and Managerial Science, Al Karak University College, Al-Balqa Applied University, Al Karak, Jordan

[2] Associate Professor, Department of Accounting and Accounting Information Systems, Amman College for Financial and Managerial Science, Al-Balqa Applied University, Amman, Jordan

[*] Maen Yousef Khalaf Hijazin, Lecturer, Department of Financial and Managerial Science, Al Karak University College, Al-Balqa Applied University, Al Karak, Jordan

Received: October 19, 2019 Accepted: October 30, 2019 Online Published: November 8, 2019
doi:10.22158/jepf.v5n4p404 URL: http://dx.doi.org/10.22158/jepf.v5n4p404

Abstract

This study aims at identifying the extent to which IAS 34 (Interim financial reporting) is applied in the Jordanian public shareholding companies, along with highlighting the impact of its application on individual investors at these companies. Study population consists of all Jordanian public shareholding industrial companies (45 companies) listed at Amman Stock Exchange. Due to the large number of the study population, preparers of financial statements (employees of companies), and individual investors, we have selected a simple random sample. The total number of preparers of financial statements (employees), and individual investors were (500) individuals who were selected for the sample.

The results showed that all companies are committed to issue and publish interim financial reports within the period specified for that purpose. There is a statistically significant relationship between the variables relevant to the company including (the firm's nature, profitability, and age) and the compliance with issuing the reports and the information content of the financial statements. Moreover there are statistically significant differences in the extent to which IAS 34 is applied in the Jordanian public shareholding companies. These differences arise due to the personal and occupational characteristics of the preparers of financial statements (gender, age, qualification, position, and experience).

Keywords

IAS 34, interim financial reports, financial statements, individual investors

1. Introduction

In recent years, financial reports have evolved in terms of the quantity and quality of information, data presentation methods, the suitable degree of disclosure, the timeliness of presenting financial position of the firm and business results for periods of shorter than one year, to make the information more useful, instead of waiting for a year-end.

This led to the emergence of interim financial reports (monthly, quarterly, or semi- annual) to meet the needs of the users of financial statements and help them making timely investment decisions.

The Jordanian legislator—in the Jordanian Securities Act—made it mandatory for all companies enlisted at Amman Stock Exchange to prepare and issue interim financial reports. The articles of Companies Act No. 22 for 1997, amended the year 2004 (Article 142) have made clear all these companies should in timely manner issue and publish these reports.

This research studies the extent to which IAS 34 is applied in the Jordanian public shareholding industrial companies. The IAS 34, effective on 1. January 1999, addresses the interim financial reports. These reports may include a complete set or a condensed set of financial statements of an entity for less than one financial year.

In 1910, New York Stock Exchange was the first financial governmental organization that required the issuance of interim financial reports by entities. The demand for these reports was growing rapidly to satisfy needs of the emerging financial markets for timely information. That was the main factor contributed to the emergence and evolution of interim financial reports.

1.1 Statement of the Problem

The problem of this study lies in the attempt to identify the extent to which IAS 34 is applied in the Jordanian public shareholding companies, which should be solved by answering the following questions:

1. What is the extent to which IAS 34 is applied in the Jordanian public shareholding companies?

2. What is the impact of applying IAS 34 on the decisions made by individual investors in the Jordanian public shareholding companies?

3. Does the application of IAS 34 affect the information content of the financial statements of the Jordanian public shareholding companies?

4. What is the impact of personal and occupational characteristics of the people preparing these financial statements on the adoption of IAS 34?

5. Do Jordanian public shareholding companies comply with issuing the interim financial reports? In terms of the following:

A. Issuance compliance;

B. Compliance with the timing of issuance; and

C. Compliance with the content of the financial statements.

1.2 Significance of the Study

The importance of the study lies in:

1. Trying to highlight the importance of applying IAS 34 in the Jordanian public shareholding industrial companies.
2. Trying to identify the factors that affect the individual investors investments decisions at the Jordanian public shareholding companies.
3. The application of the results of this study over the Jordanian public shareholding companies and the results of this study may be taken into consideration by the Jordan Securities Commission (JSC) to enhance the application of IAS 34 in these entities.

1.3 Objectives of the Study

This study aims at achieving the following:

1. Identification of the extent to which IAS 34 is applied in the Jordanian public shareholding companies.
2. Identification of the impact of the application of IAS 34 on individual investors in the Jordanian public shareholding companies.
3. Identification of the impact of the application of IAS 34 on the financial statements and business results of the Jordanian public shareholding companies.
4. Introducing a set of recommendations and suggestions that may help Jordan Securities Commission in enhancing the application of IAS 34 in the Jordanian public shareholding companies..

1.4 Hypotheses of the Study

This study is based on the following hypotheses:

1.4.1 The First Main Hypothesis

There is a statistically significant relationship between the application of IAS 34 and the information content of the financial statements of the Jordanian public shareholding industrial companies.

The sub-hypothesis of the above main hypothesis are:

1. There is a statistically significant relationship between IAS 34 and the content of the financial statements.
2. There is a statistically significant relationship between the application of IAS 34 and the individual investors decisions.
3. There is a statistically significant relation between the application of IAS 34 and the financial results of companies.

1.4.2 The Second Main Hypothesis

There are statistically significant differences in the extent to which IAS 34 is applied in the Jordanian public shareholding companies. These differences arise due to the personal and occupational characteristics of the preparers of financial statements (gender, age, qualification, position, and experience).

1.5 Concepts of the Study

Accounting standard: An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards improve the transparency of financial reporting in all countries.

Interim financial statements: These are financial statements issued by entities that cover certain periods (preliminary periods) shorter than a complete financial period.

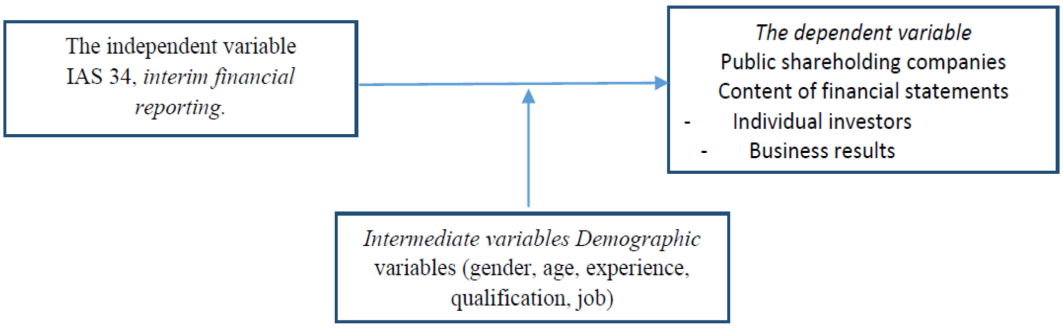
Financial statements: They are the three main statements, the statement of financial position, which presents the assets of a company against its liabilities, the income statement, which presents the results of the companies' activities, and the cash flow statement that reflects the movement and direction of cash flows.

Companies' business results: The profit or loss incurred by the entity at the end of the financial period.

Individual investors: Shareholders at the Jordanian public shareholding companies (the owners), or the individuals who intend to invest their funds in these companies.

1.6 Model of the Study

The extent to which IAS 34 is applied in the Jordanian public shareholding industrial companies.



1.7 The Methodology of the Study

The descriptive approach was implemented in this study due to the explanatory and exploratory nature of the study, however, the analytical approach was used on the practical aspect (the questionnaire) to provide a clear vision to achieve the objectives of the study.

Study population consists of all Jordanian public shareholding industrial companies (45 companies). Due to the large number of the study population, we have selected a simple random sample of all the Jordanian public shareholding industrial companies. The total number of preparers of financial statements (employees), and individual investors were (500) individuals who were selected for the sample.

Five hundred questionnaires were distributed from which (404) questionnaires were received back, and (350) of which were valid for statistical analysis. Table 1 shows the number of distributed, received, and valid questionnaires.

Table 1. Questionnaires Analysis

Item	No. of questionnaires	Percentage of questionnaires
Distributed questionnaires	500	100%
Received questionnaires	404	81%
Rejected questionnaires	54	11%
Questionnaires valid for statistical analysis	350	70%

Fifty four (54) questionnaires were rejected and considered invalid for conducting the statistical analysis for several reasons.

2. Data Collection Methods

This study is based on the analytical descriptive approach along with the field study approach. These approaches are essential for the collection of data and information and to complete the study as follows:

1. *Primary sources*: Depend on the information and data collected from the sample sources based on the distribution of the questionnaires.

2. *Secondary sources*: Based on references, books, periodicals, previous studies relevant to the topic of this study.

Tool of the study: A questionnaire was designed to address the questions of the study.

2.1 The Statistical Analysis Approach

The following statistical methods were used for the purposes of this study:

- The answers of the individuals of the sample were normally distributed, all the answers had a statistically significant normal distribution.
- The descriptive statistics measures are used to describe the population of the study and to show its characteristics based on the percentages and the frequencies, to answer the questions of the study and to arrange its variables according to their relative importance, the mathematical means and standard deviations were used.
- The correlation coefficient was used to measure the relationship between the dependent and independent variables.
- Reliability analysis: was used to ensure the validity of the study tool based on the Cronbach’s alpha coefficient.

2.2 The Reliability and Validity of Research Instrument

The reliability of the tool used in the study was verified by being presented to a group of arbitrators from the faculty members, the needed modifications were conducted in light of their notes.

The validity of the tool was proven by deriving the correlation coefficient, as the calculated alpha value was (90%), showing a high level of validity of the measurement instrument.

3. Earlier Studies

- Study (Al Kassas, 2003), titled "The Impact of Disclosure in the Financial Statements of Jordanian Commercial Banks on the Decisions of Investors at Amman Stock Exchange".

To identify the point of view of investors at Amman Stock Exchange regarding the information and data presented in the annual financial reports of the Jordanian commercial banks, in addition to the importance of the presented items and the extent of disclosure about such items in the annual financial reports of the Jordanian commercial banks. The study showed that the disclosures in the annual financial reports of the Jordanian commercial banks met the needs of investors at Amman Stock Exchange, as these reports are considered one of main sources of information on which the investors at the Amman Stock Exchange depend on. The study showed a direct relationship between these reports and the success of investment decisions at Amman Stock Exchange.

- Study (Abu Nassar & Lotfi, 1998), titled "Factors Causing Delay in Issuing the Annual Financial Reports of the Jordanian Public Shareholding Companies point of view of the External Auditor".

The study showed that the size of the company under audit, the type of the opinion of the auditor, the internal control systems of the company, and the audit procedures affect the delay of issuing the reports.

- Study (Al Abbsy, 1998), titled "Measuring the Disclosure Level of Extraordinary Items in the Interim Financial Statements of the Public Shareholding Companies working in Jordan".

The study showed that the companies do not comply with the disclosure requirements of extraordinary items, and showed inadequate disclosure and separation of profits and losses of normal and abnormal nature. The study also showed that the degree disclosure in companies differ according to the type of activity.

- Study (Al Athem, 1997), titled "The Role of Semi-annual Financial Statements in Making Investment Decisions, a Framework of Financial Statements Preparation".

This study aimed at highlighting the views of current and potential investors regarding the financial information published in the semi-annual financial statements and their role in making the investment decisions as well as identifying the importance of semi-annual reports as a source of information used for making investment decisions.

- Study (Al Shokry, 1995) titled "A Proposed Framework for the Standards of Preparation and Examination of the Interim Reports in Light of the Provisions of the Capital Market Act No. 95 for 1992".

This study aimed at proposing a framework for the standards of preparation and examination of the interim reports in light of the provisions of the Capital Market Act No. 95 for 1992 which lead to enhancing the confidence of users of the information stated in the interim reports. The study also suggested an approach to issue accounting standards in light of the requirements of the Egyptian environment.

The study addressed the nature of the interim reports in the light of the provisions of the Capital Market

Act No. 95 for 1992, and the researcher suggested that the reports should include the income statement, the cash flow statement, the statement of financial position, the auditor report, and the board of directors' report.

- Study (Mattar, 1993), titled "A Study on the Importance of the Disclosure Requirements of the Information in the Published Financial Statements".

The study showed the extent of disclosure in the published financial statements, and the attention directed by the accounting associations and supervisory bodies towards these disclosures, in addition to the importance of defining the accounting standard that should guide the evaluation of the adequacy of full disclosure. The study showed that the appropriate disclosure requires the presentation of information in the financial statements in an understandable manner by arranging and classifying the items of the information logically according to the principle of relative importance. The provider of financial statements should consider the presentation of information in easy-to find manner to communicate these information to the decision maker in a timely basis without delaying.

- Study (Al Jayyousi & Gharaybeh, 1990), titled "The Annual Reports Issued by the Industrial Public Shareholding Companies in Jordan and their Appropriateness for the Financial investment Decision".

The researcher studied the homogeneity of investors' needs of information published in the financial statements, and the relationship between the extent of disclosure in the financial statements and the changes in the prices of company stocks in the stock exchange market. The results of the study showed a homogeneity in the needs for information by institutional investors in Jordan, and the relationship between extent of disclosure and the changes of the company's stock prices was weak.

- Study (Hassan Hasan, 2009), titled "Interim Financial Statements, their Importance, and the Possibility of their Preparation in the Republic of Yemen".

The importance of this study lies in identifying the importance of financial statements for investors and other users of information in Yemen and assessment of the possibility of interim financial statements preparation in accordance with IAS in Yemeni entities, in addition to the assessment of the most major problems that face the process of interim financial statements preparation.

4. International Accounting Standards (IAS/IFRSs)

4.1 Definition of the Accounting Standard

Accounting standard: An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards improve the transparency of financial reporting in all countries.

To keep up with the tremendous development in the world of business, the issue of financial accounting standards became a necessity, these standards define the methods used to measure the effect of transactions, events, and circumstances on the financial positions and business results of entities and it also affects providing the results to users. Many countries realized the importance of issuing financial accounting standards, so they accelerated the issuance of such standards to relay on them in measuring the effect of transactions, events, and circumstances and communicating the business results to users. No doubt that the absence of financial accounting standards adversely and directly affects the national economy as a whole because of the following aspects:

1. The difficulty of the decision-making process;
2. Mistakes in the decision-making process;
3. Complexity of the decision-making process.

Because of the above, it is crucial to issue financial accounting standards taking into consideration that lately the national economies tend to establish shareholding companies with huge capital and the citizens are attracted towards investing in such companies.

The concept of interim financial reporting: The provision of IAS 34, states that the interim period is the period for which financial reports are submitted for shorter than a complete financial year.

The interim report is a financial report that contains either a complete set of financial statements or a set of condensed financial statements covering an interim period.

Based on the above, interim financial reports are the reports prepared and published by an entity to cover a period less than a year, usually quarterly, to provide information for purposes of the decision making process.

Interim financial reports are prepared using several approaches, the first *is discrete* approach this approach is based on the fact that the interim period is an independent accounting period that is completely separate from the annual period. *Integral approach* the idea of this approach is based on treating the interim period as a complementary to the annual period, in other words, the interim period is a part of the whole year.

4.2 The Importance of Preparing and Issuing Financial Reports

Annual financial reports are one of the main sources of information, due to the following:

1. Annual financial reports are an important source of basic information used in making the right decisions.
2. Annual financial reports provide equal opportunities for investors to obtain the information, which makes the dealings in the financial markets more equitable and fair.
3. Annual financial reports contain variety of information, whether accounting or non-accounting, which clarifies the diverse activities of entities.
4. Annual financial reports are among the main factors that define the direction of the stock prices in financial markets.
5. Annual financial reports provide a proper investment environment, which enhance the opportunities of growth, prosperity, and sustainability of financial markets, which at the end enhances the whole economy of country.

4.3 Objectives of Financial Reports' Preparation and Issuance

The Accounting Principles Board (APB) set the general objectives of financial statements, which clarify the proper content of financial statements as follows:

1. Providing reliable financial information regarding the economic resources available for a project or an economic entity along with their liabilities. This information is important to assess both the strengths and weaknesses in each project, and the ability to meet its obligations.

2. Providing correct information about the net change in a firm's resources, which result from operational activities, to show the expected returns at the form of dividends, along with the firm's ability to pay its obligations to debtors, suppliers, and taxes, and its ability to continue as a going concern and expand its operations in the future.

3. Providing information that assist the users to forecast the firm's earning power in the future.

4. Providing information relevant to the changes in the economic obligations and resources of the firm.

5. Showing information which are important to meet the needs of the users of such financial reports.

4.4 Qualitative Characteristics of Financial Information

The degree of usefullness of financial reports depends on key qualities of the financial information included in these reports for different users. These include:

1. *Relevance*: requires financial information to be relevant to the decision making needs of the users.

2. *Understandability*: Information should be understandable to users of financial information by users who possess an acceptable level of knowledge about the financial reports.

3. *Neutrality*: Financial information should be expressed in a neutral and unbiased manner,and should not be prepared according to predefined purposes, in order to enhance confidence and reliability.

4. *Materiality:* Financial information should be material to be useful. Financial information is material if its omission or misstatement affects the decisions and analysis that were based on the financial information.

5. *Reliability*: Information should be free from substantial errors, misstatement. and bias.

4.5 Modern Trends in Financial Reporting

As a result of the development in economic activity and the increasing importance of relevance as one of the main characteristics of accounting information, the need to develop new methods and forms of financial reporting emerged (Turkey, 1993).Some of these methods include:

4.5.1 Sectorial Financial Statements

The US Securities Exchange Commission mandated all the listed entities in the exchange market to disclose their revenues, and realized profits, allocated according to production or geographical region in order to overcome the total values issues. IAS 14, *Segment reporting*, reports about the segment financial information to be provide about the different types of products and services produced by a project and the different geographical regions in which a project operates to help users of financial statements to better understand the previous performance of enterprises and to enable assess the risks and returns of enterprises in order to make decisions based on the best set of information.

4.5.2 Interim Financial Statements (Periodic and Interim)

These statements appeared as a result of the pressures imposed by investors to determine the enterprises financial position and results for shorter regular periods instead of waiting until the end of the fiscal year. In addition, the US Securities Exchange Commission required that all the companies listed in the financial markets should fully disclose the information in the quarterly financial statements.

4.5.3 Future Financial Statements (Predictive)

These statements are used to provide accounting information about the expected revenues and profits per share for the next year, etc. These statements are of great for decision makers to judge the future of the entity.

4.5.4 Condensed Financial Statements

These statements include important information about the realized, retained, and distributed profits, and earnings per share in order to overcome the difficulty of reading the ordinary financial statements. The condensed financial statements are easier to understand.

4.5.5 Financial Statements about Human Resources

These statements provide users with information on human resources and how to efficiently and effectively benefit from them. They provide details about the cost of selecting, hiring, and training of the entity's staff along with the percentage of investments in such resources against other assets. These statements also provide assessment for the return on investment (ROI) for those resources.

4.6 Problems in Interim Financial Statements Reporting

The problems in preparing interim financial statements arise from the difficulty of determining the results of the operations for a period shorter than one year. Some entities have cyclical and seasonal revenues over interim periods, while others incur high costs over interim periods, while benefits of these costs may be extended to other periods (Loren, 1985). Accordingly, the providers of interim financial statements face several problems, they include:

Determining the financial period subject to interim measurement: It is known that interim financial reports cover a financial period of less than one year: they may be prepared to cover a month, 3 months, or 6 months. However, the financial period subject to interim measurement is restricted to some factors which affect this period, such as the nature of the entity's activity, its size, the extent of accounting progress in the country, and other environmental, economic, and political variables (Othman Farrag, 1990).

IAS 34 did not mandate the entity that should issue interim financial reports, the frequency of issuance of such reports, or the dead line for their publishing after the end of the interim period.

In the Hashemite Kingdom of Jordan, the period was determined through the Securities Act No. (76) for the year 2002, Article (43 A), which states that "Each issuer shall file with the Commission, in accordance with the instructions issued by the Board, the periodic reports set out below, and shall publish them in the form of a semi-annual report within thirty days from the date of the end of its financial year" (The Securities Act No. 76 for the year 2002).

The interpretation of this article and the contents of the report are stipulated in Article 8 of the

Disclosure Instructions, IAS, and ISA for the year 2004.

The short period covered by interim reports: Although interim announcements reduce the reporting period, it increases the impact of errors in estimations leading to a concern in reporting of accurate information. There are various operating expenses that are incurred in one period and the benefits are earned in the subsequent periods like advertising, repairs and other maintenance costs. Such expenses can distort the financial status of the firm for an interim period although in the longer term might be quite helpful. Impact of seasonality and economic cycles is felt more in interim statements and are almost nullified in the Annual report. They are also more prone to management manipulation by presenting strong quarterly growth in the early and ending quarters. This affects the consistency and comparability of interim reports. Inventory is the main element of revenue generation in any business. Periodic calculations of inventory in an interim period are repetitive, time-consuming and error-prone. Determination of the quantity of inventory and its valuation leads to unnecessary adjustments in the interim financial statements compared to an annual report. The absence of a regulatory framework for disclosure practices in these leads to the confusion as to what extent these should be provided. The disclosure can differ from two companies within the same sector which can be misleading to the shareholder.

Interim Report creates an overemphasis on short-term results, sometimes presenting a distorted picture which can be detrimental for both investors and companies.

Seasonality: The seasonal nature of business operations of entities may cause fluctuations in the volume of revenues, expenses, and net income from one interim period to another during the same year.

4.7 The Approach Used in the Preparation of Interim Financial Reports

There are three approaches used in the preparation of interim financial reports:

4.7.1 Independence Approach (Discrete)

The idea of this approach is based on the fact that the interim period is an independent accounting period that is completely separate from the annual period. Interimal reports are prepared using the same principles, policies, and rules applied to annual reports (Richard, 1995).

This approach faced a number of criticisms, the most important of which is that it is unreasonable and unrealizable in practical situations, as the problem of fixed costs allocation may arise.

According to this approach, fixed costs incurred in an interim period should be charged on to this interim period alone, and this leads to misleading results as they affect the rest of interim periods of the same year (Farraj, 1995).

4.7.2 Integral Approach

After the criticisms directed at the independence approach, the integral approach was recommended by the APB in its opinion No. 28 issued in the year 1973.

The idea of this approach is based on treating the interim period as a complementary to the annual period, in other words, the interim period is a part of the whole year, and there is a close relationship between the different interim periods of the same year. Accordingly, the estimations and accumulations made at the end of each interim period are temporal, therefore the results of the interim transactions should be taken into account at year end (Loren, 1985).

4.7.3 The Combined Approach

The idea of this approach is based on combining the above two approaches (independent and integration approaches) and using them simultaneously in the preparation of interim financial reports. This approach was used after being addressed by the FASB in its explanatory note for 1978.

Based on the study of IAS 34, we found out that the standard did not determine which approach to apply to prepare the interim financial statements. However, IAS 34 supports using the integral approach, and Jordan applies this approach in accordance to IAS 34.

5. Interim Financial Reports According to IAS 34

5.1 The Purpose of IAS 34

IAS 34, *Interim Financial Reports*, aims at determining the minimum level of content required for interim reports, as well as showing the principles of recognition and measurement in the complete or condensed set financial statements for an interim period. The introduction of a reliable and timely interim report enhances the ability of investors, debtors, and other users to understand the capacity of an enterpize and its ability to achieve profits and cash flows. These reports farthermore show the financial positions and liquidity of entities.

5.2 The Scope of IAS 34

IAS 34 does not contain any rules as to which enterpizes are required to issue interim financial reports, neither does the standard specify the timing or frequency of reports to be issued. Governments, regulators of securities and exchange markets, and accounting bodies should encourage the enterpizes with publicaly traded shares to provide such reports. IAS 34 encourages such entities to provide the following:

a. to provide interim financial reports at least at the end of the first half of their financial year;

b. to avail their financial reports no later than 60 days after the end of the interim period.

5.3 Content of an Interim Financial Report

According to IAS 34, entities may chose to publish the interim financial report in complete set or in condensed set form along with explantary notes. If an entity issues a complete set of financial statements, it should comply with the requirements of IAS 1, *presentation of financial statements*, the report shall contain: the balance sheet, income statement, statement of changes in net equities, the cash flow statement, notes about accounting policies and explanatory information.

5.4 The Selected Explanatory Notes

An entity shall include in its interim financial report an explanation of events and transactions that are significant to understanding of changes in financial position and performance of entity.

In addition to disclosing the above, an entity shall include the following information, in the notes to its interim financial report.

1. A statement showing that the same accounting policies and accounting methods are followed in interim financial reports compared to the most recent annual financial statements. If a change occurred to the policies or events, a description of the nature and effect of the change should be included.
2. Explanatory notes regarding the seasonality or the cyclicality of interim operations.
3. The nature and the amounts that affect the assets, liabilities, equities, net income, or cash flows and considered extraordinary because of their nature, size, or incidence.
4. The nature and the amount of changes in the estimations of the amounts stated in the financial statements in the previous or current year, or the changes in the estimations of the financial reports in the previous financial years.
5. Issuance, repurchase, and repayment of securities relevant to debt and equity securities.
6. Disclosures of compliance with IAS/IFRSs: An interim financial report should not be considered in compliance with IAS unless it complies with the requirements of each applicable IAS and every explanation applied by the Standing Interpretations Committee. An interim financial report shall not be described as complying with IAS/IFRSs unless it complines with all requirements of IAS/IFRSs.

6. Public Shareholding Companies

Definition: Public Shareholding Company is comprised of a number of founders (not less than two) who shall be held accountable for the company's debts and liabilities within the percentage of their share in capital. The capital of such companies should be not less than JD 500,000 It is divided into shares of equal values. Each share nominal value is JD 1. Shares may be traded and subscribed but may not be divided. The company derives its name from its purpose and the name shall be followed by the statement (a limited public shareholding company).

Companies' Law: Pursuant to the Jordanian Companies' Law, Article (142): Financial Reports "The Board of Directors of a Public Shareholding Company shall prepare a report every six months that includes the financial position of the Company", the results of its operations, profit and loss account, cash flow statement and the explanatory notes related to the financial statements certified by the Company auditors. The Comptroller shall be provided with a copy of the report within sixty days after the expiry of the period (The Companies Law No. 22 of 1997).

Income Tax Law: Article (40) of the Income Tax Law, the tax shall be estimated on any person who is about to leave Jordan before the end of the year, and the due tax on this person shall be collected. Therefore, it is necessary to submit financial statements for a period less than one year. The law did not require the preparation of interim financial statements as the law is based on the concept of annual taxes, so it only requires annual financial statements should be presented after the end of the financial year not later than 30/4 of next year.

7. Results and Recommendations

7.1 Results

In light of the analysis of the data of the study, and after testing its hypotheses, the following results were reached:

1. Entity shall implement the same accounting policies in both the interim financial reports and the annual financial statements, except for the changes in accounting policies that occurred after the date of the most recent annual financial statements, as these changes should be reflected in the following annual financial statements. The frequency of reporting—annual, semi-annual, seasonal—should not affect the measurement of the annual results. To achieve this objective, measurements are conducted for the interim reports on financial year-to date basis.
2. It was found that all companies comply with issuing or presenting interim financial reports within the period specified for that purpose.
3. It is clear from the analysis that the provisions of the domestic legislations are conforming to IAS 34, *interim financial reports*. The standard does not mandate which entities should be required to publish such reports. However, governments, securities regulaters, stock exchanges, accounting bodies and associations require entities publicaly traded shares to publish these reports within 60 days after the end of the interim period. Entities are free determine the content of the reports whether condensed or complete set along with the expantory notes.
4. Regarding the correlation effect between some factors (the company's nature, profitability, and age) and the compliance with issuance, the analysis showed there is a statistically significant relation between the factors relevant to the company (the company's nature, profitability, and age) and the compliance with issuance.
5. The adoption of IAS/IFRSs, IAS 34 in particular in Jordan, will bring many advantages, many auditors and accountants supported this argument.

7.2 Recommendations

1. It is necessary to hold seminars and training sessions to auditors and accountants regarding IAS 34 requirements and contents.
2. Activating the articles relevant to sanctions imposed on those who violate the Securities Act No. (76) for the year 2002, and those who fail comply with (IAS 34) requirements.
3. Interim financial reports should be issued on quarterly basis, to enhance the benefit of the timely accounting information, to publicaly traded shares.
4. The subject of interim financial reports, require further more studies and research. Topics like interim financial reports and auditors, the financial reports and the prices of shares, surveying the opinions of users of the interim financial reports on the merits of these reports, and their needs for quarterly financial reports.
5. Developing websites on the internet to which the companies' financial reports are posted, whether annual or interim reports, to facilitate the user's access to information.

6. Benefiting from the best practices of other countries, and the results and recommendations of scientific researches regarding the IAS/IFRSs.

References

Abdul Nabi Mohammad Faraj. (2005). *Arab Academy for Banking and Financial Sciences*. Assessment of the Level of Disclosure in the Interim Financial Reports of Jordanian Public Shareholding Companies in Light of Domestic and International Interim Disclosure Requirements.

ACPA. (n.d.). *Dr. Jumaa Hamidat* (pp. 144-138).

Bassam Shafiq Jern. (2003). *Amman Arab University*. The Importance of the Interim Financial Reports of the Jordanian Industrial Shareholding Companies for the Decisions of the Investor in the Amman Stock Exchange.

Companies' Act No. 22 for the year 1997 and the amendments thereof under Act No. 40 for the year 2004. (n.d.).

Dr. Moaed Radi Khanfar, & Dr. Ghassan Falah Al-Matarneh. (2009). *Al-Masirah Publishing House*.

Federal Accounting Standards Advisory Board—The hierarchy of generally accept accounting principles, including the application of standards issued by the financial accounting standards board. (2009, July 28). Project staff: Ross Simms, Julia Ranagan.

Hassan Hasan Hasan. (2009). *Saba University, Master Thesis*. Yemen. Interim Financial Statements, their Importance, and the Possibility of their Preparation in the Republic of Yemen—Field Study.

http://www.ase.com.jo

http://www.iasplus.com/standard/standard.htm-

http://www.jsc.gov.jo

http://www.sdc.com.jo

http://www.wallstreetmojo.com

IAS committee. (2000). IAS, London.

IAS, IAS 34. (2000). *Arab Society for Certified Accountants*. (ASCA) Jordan.

IASB. (1998).

Income Tax Act. (2003). No. 39 for the year 2003.

Jordanian Companies' Act. (1997). No. 22 for the year 1997.

Jordanian Securities' Act. (2002). No. 76 for the year 2002.

Khaled Ibrahim Al-Talahma. (2006). *Brief in Commercial Law*. Wael Publishing House.

Mohammed Abu Nassar, & Jumaa Hamidat. (2008). *International Financial Reporting Standards (IFRS), Theoretical and Practical Aspects*. Wael Publishing House, Jordan.

Saqer Sulaiman Yousef Al-Tahat. (2005). *The Extent of the Compliance of Jordanian Public Shareholding Companies with Issuing Interim Financial Reports-in Light of IAS 34 and Relevant Domestic Legislations*. Al al-Bayt University.