



A STUDY ON THE FACTORS AFFECTING ACCOUNTING RESERVATION IN THE MANUFACTURING COMPANIES LISTED IN AMMAN STOCK EXCHANGE, JORDAN

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Abstract

This study has been conducted to examine the impact of the factors affecting the accounting reservation on the audit report and profitability in manufacturing companies listed in Amman stock exchange, Jordan. The sample size of the study was 61 manufacturing companies. The period of the study has been five years from 2009-2013. Basu's model has been applied to measure the level of reservation for the sample and Book-To-Market value (BOT) to study of the influential factors on the reservation. The study showed a positive impact on the audit report and profitability on accounting reservation in manufacturing companies listed on Amman Stock Exchange (ASE), Jordan.

Key words: accounting reservation, Basu's model, BOT value, type of report, profitability.

INTRODUCTION

The principle of prudent caution or prudent discretion is one of the most important accounting principles that may affect the preparation of financial reports. Therefore, interest has increased in recent times, as the concept of accounting reservation may become a prerequisite for the time being, both by market investors and accounting standards-setting bodies as a result of some opportunistic practices by corporate management, including profit management practices in It is called unreserved accounting, which is totally contrary to the concept of accounting reservation.

PROBLEM OF THE STUDY

This study attempts to answer the following questions:

- ❖ What is the impact of the factors affecting the accounting reservation on the audit report in manufacturing companies listed in Amman stock exchange?
- ❖ What is the impact of the factors affecting the accounting reservation on the profitability in manufacturing companies listed in Amman stock exchange?

OBJECTIVE OF THE STUDY

The objective of study is to examine the factors affecting the accounting reservation like type of audit report and profitability on the manufacturing Companies listed in Amman stock exchange.

METHODOLOGY & HYPOTHESIS DEVELOPMENT

The researcher used the primary data through 247 questionnaire distributed in Jordanian manufacturing Companies listed in Amman stock exchange. This chapter describes and analyzes the study data, describing the characteristics of the study sample, describing its variables and the relative importance of the study paragraphs, and then analyzing the answers to the study's questions, testing and commenting on hypotheses.

H₀₁: There is no significant impact of the factors affecting the accounting reservation on the audit report in manufacturing companies listed in Amman stock exchange.

H_{a1}: There is a significant impact of the factors affecting the accounting reservation on the

audit report in manufacturing companies listed in Amman stock exchange.

Ho₂: There is no significant impact of the factors affecting the accounting reservation on the profitability in manufacturing companies listed in Amman stock exchange.

Ha₂: There is a significant impact of the factors affecting the accounting reservation on the profitability in manufacturing companies listed in Amman stock exchange.

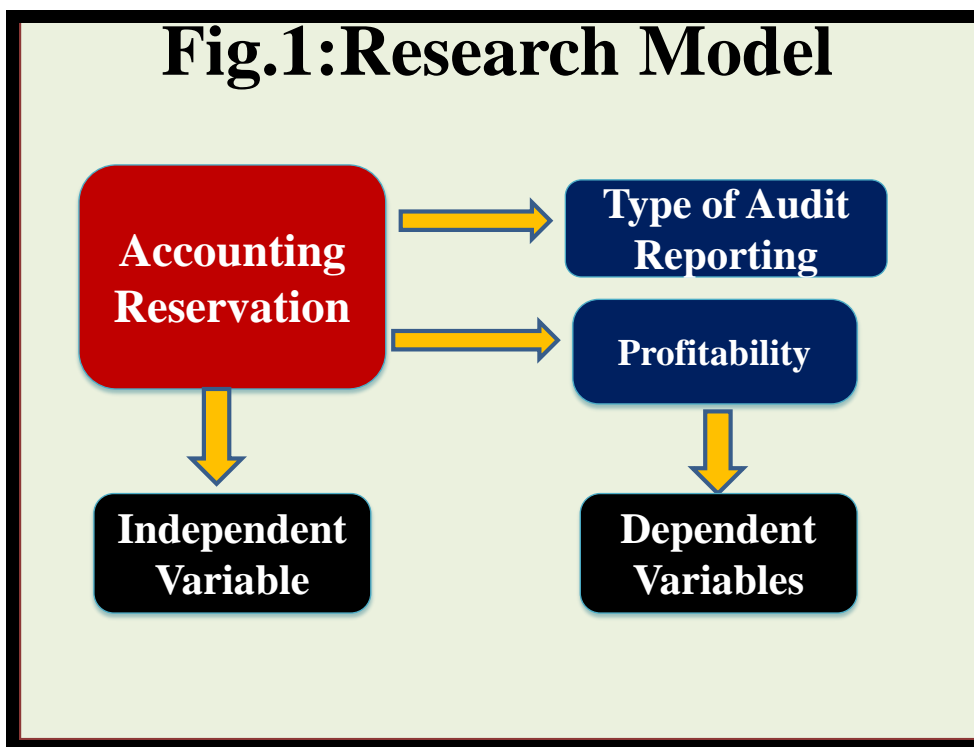


Table 1: Factors affecting the level of accounting reservation

Variables	Impact Factor	t	Sig.	Coefficient
Constant	1.821	11.568	0.000	
Type of Audit Report	-0.282	-2.196	0.029	0.891
Profitability	-39.980	-3.386	0.001	0.929

TYPE OF AUDIT REPORTING

It relates to hypothesis (1) that there is no effect of the type of report of the public listed industrial companies listed on the Amman Stock Exchange at the level of their accounting reservation. The results in Table 1 showed that the value of this factor was (-0.282), which means that the more the auditor's opinion is directed towards non-reservation, the lower the ratio of book value to market value, i.e. the higher the level of accounting reservation. The value of t for this laboratory (-2.196) was compared to a moral level of (0.029) so the researcher can reject the non-imposition which stipulates that there is no effect of the type of report of the auditor on the accounting reservation.

PROFITABILITY

The results in Table 1 show that the value of the profitability impact factor at the accounting reserve level was (-39,980), which means that any change in profitability (e.g. rate of return on investment) with one degree would result in a reverse change in the ratio of book value to market value of 39,980. The value of t for this factor is -3.386 against a moral level of (0.001) so the researcher can reject the non-imposition of the effect of profitability in the accounting reserve, which means that the higher the profitability of the companies, the greater the degree of accounting reduction.

FINDINGS OF THE STUDY

The null hypotheses have been rejected for the type of audit reporting and profitability

variables. There are several models for measuring accounting reservation in financial statements, but the results of these models vary from one model to another. Most of these models can be applied to the Jordanian business environment as the data of these models are available in the financial statements of Jordanian industrial companies. Besides, some important findings are as follows:

- a) The results of the study through the application of the Paseo model showed a level of accounting reservation in the industrial company's public liked on the Amman Stock Exchange, and this level is not high.
- b) There is a positive relationship between the external auditor providing a clean opinion in the financial statements and the level of accounting reservation.
- c) There is a positive relationship between the profitability of industrial company's public liked on the Amman Stock Exchange and the level of accounting reservation. The more profitable the companies, the more they move to exercise accounting.

RECOMMENDATIONS OF THE STUDY

- 1- The Securities Exchange Authority in Amman and the authorities concerned with activating institutional governance and control mechanisms to ensure better practice of accounting reservation sought by decision makers by providing non-exaggerated accounting information.
- 2- Due to the importance of accounting reservation as an alternative to creative accounting methods, the researcher recommends that the SEC impose more attention on accounting reservation, which may reduce creative accounting practices and their impact on the quality of financial reports.
- 3- Regulatory agencies (audits) both internal and external, pay attention to the accounting reservation when examining and reviewing financial statements, because adherence to the

reservation reduces their exposure to legal accountability.

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