# Interim Financial Reporting and Compliance with IAS 34: The Case of the Jordanian Financial Sector

**Malek Alsharairi**
Department of International Accounting, School of Management and Logistics Sciences,
German Jordanian University, Amman 11180 Jordan

**Radhi Al-Hamadeen**
Department of Accounting, King Talal Faculty of Business and Technology
Princess Sumaya University for Technology, Amman 11941 Jordan

**Frances Issa**
Assurance Division, PricewaterhouseCoopers 'Jordan', Amman 11183 Jordan

**Oday Kakish**
Audit and Assurance Division, Deloitte & Touche (M.E), Amman 11118 Jordan

## Abstract

*This paper investigates the nature of the Interim Financial Reporting (IFR) and the degree of compliance with the disclosure requirements of IAS 34 by the financial-based public listed companies. Attention in this research has been given to examine nature of the IFR practice, and whether the level of disclosure in interim financial reports is influenced by a group of factors, such as: age, market capitalization, and sub-sector of the reporting company. Data was gathered from the interim financial reports of 104 companies listed in Amman Stock Exchange (ASE) for the financial year 2012. The researchers employ a research index with 21 items related to both general disclosures and technical disclosures required by the IAS 34 (Interim Financial Reporting). The results reveal that 75.2% of the companies do comply with the general part of the research index, and 85.1% to the technical part. The findings of this study reveal that a significant relationship exists between the sub-sector of a company and the level of both; general and technical disclosure, in its interim financial reports. On the contrary, no relationships could be found between the financial firm's age and its size neither with the general disclosure part, nor with the technical one.*

**Keywords:** IAS 34, Interim Financial Reporting, Jordan, Financial Sector, Disclosure Index.

## *1. Introduction*

Interim financial reporting involves covering an enterprise's financial information for a period of less than a full financial year or for a period ending on a date other than the enterprise's financial year end (Nieuwoudt, 1998). Unlike annual financial statements, interim financial statements are not required to be audited. However, most jurisdictions mandate that interim financial reports must be reviewed. Despite being unaudited, interim financial statements play a vital role in the financial system in the economy as they meet crucial informational needs to the interested users by providing timely information to them (Nieuwoudt, 1998; Mangena, 2004; Rahman *et al*., 2007). The relevant literatures on the interim financial information consistently find such information to be useful for the current and potential capital providers (i.e. investors and creditors) in making their capital allocation decisions (Abdel-Khalik and Espejot, 1978; Brown and Rozeff, 1979; Nieuwoudt, 1998; Butler *et al*., 2007; Magena *et al*. 2007; Rahman *et al*., 2007).

Moreover, interim reports fulfill an important role as a source of frequent informational feed about the events in the business enterprise, which provides investors with signaling information about the risks and uncertainties associated with the reporting firm's cash flows (Opong, 1988). Technically, the IFR practice is implemented according to the International Accounting Standard No. 34 (IAS 34) *Interim Financial Reporting*, which prescribes the minimum content for an interim financial report, as well as the principles for recognition and measurement in complete and condensed financial statements for an interim period.

Since 2004, all publicly listed companies in Jordan are required to disclose their financial information quarterly and semi-annually, along with the annual reports.[1] According to the active regulations, the interim reports should be publicly available on Amman Stock Exchange (ASE) three weeks after the quarter's end. To the authors' best knowledge, the current research is the first attempt on the national level that strives to describing IFR practice within the Jordanian large financial businesses. This paper examines whether factors of age, market capital size, and sub-sector are associated with the level of disclosure in the interim financial reports. All companies tested in this study are those listed in Amman Stock Exchange, as on December 2013. Overall, this study contributes to the literature by providing evidence on the degree of compliance to IAS 34 practiced by companies that are publicly listed in a developing country like Jordan. Therefore, the study addresses the following research questions:

- What are the characteristics of interim financial reporting firms, as well as the form of the reported information?
- To what extent do the reporting companies comply with the general and technical requirements of IAS34?; and
- What corporate characteristics (among age, size of market capital, and sub-sector) are associated with disclosures of IFR?

In addition to this introduction, the flow of this paper is divided into four main parts as follows: literature review, the financial reporting framework in Jordan, the research methodology and method which also presents the data collection process, and finally the research results along with the conclusion and recommendations for future research.

## *2. Literature Review*

A review to the extant literature reveals that only a few studies examined the interim financial reporting in the developing countries (especially in the Middle East, see for example: Joshi and Bremser, 2003; Omar and Simon, 2011). This could indicate that the subject of interim financial reporting is not receiving much attention in Jordan and many other countries in the region. In the contrast, interim reporting as a research area has gained a growing attention in the international literature. Several studies suggest that large sized companies in the developing countries are more likely to be early adopters of IAS34, and that these findings could be generalized to the developing countries (Joshi and Bremser, 2003). Furthermore, a variation in the IFR's content has been observed, but the overall disclosure in interim reports is suggested to be directly related to the size of the reporting firms (Rahman *et al.*, 2007; Schadewitz, 2010; Spasic and Dencic-Mihajlov, 2014).

Omar and Simon (2011) examine the aggregate disclosure level of the Jordanian companies listed in ASE. Their univariate analysis provides that companies' age, size, and industry type (along with a few other variables) affect the level of the listed firms' aggregate disclosure (both mandatory and voluntary). Moreover, their multivariate analysis provides evidence that industry type is significantly associated with the level of disclosure. In another study, Elzahar and Hussainey (2012) find that large UK firms are more likely to include risk-related information in the narrative disclosures of firms' interim reports. In addition, they conclude that industry sector is significantly linked to the level of disclosure in the narrative sections of the firms' interim reports.

The findings provided by the previous studies have implications to the current research as the researchers anticipate a variation in the disclosure content among the targeted companies. Furthermore, the firm specific characteristics such as size and age are expected to be associated with the level of disclosure in the interim financial reports.

## *3. Financial Reporting Framework in Jordan*

In Jordan, the financial reporting by the publicly listed corporations is mainly governed by the Companies Law (1997) and the Securities Law (2002), which is enforced by three gatekeepers Jordan Securities Commission (JSC), Companies Control Department (CCD) at the Ministry of Industry and Trade and Amman Stock Exchange (ASE).[2]

[1] The interim financial disclosure requirements are set out by the Jordan Securities Commission (JSC) in its instructions for accounting and auditing disclosure purposes (known as: *Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards*), which came into force in March 2004.

[2] Amman Financial Market (AFM) was one of the oldest capital markets in the Middle East; it was established in January, 1st 1978. Since 1997, three institutions emerged out of what has been AFM. They are: The Jordan Securities Commission (JSC);

The professional body in Jordan, the Jordanian Association of Certified Public Accountants (JACPA), has recommended the adoption of international accounting standards (IAS) for its members in the fiscal years 1988 and 1989, but mandated them for the public corporations in the fiscal year 1990. Moreover, the Directives of Disclosure and Auditing and Accounting Standards No. (1) issued by JSC in 1998 aim to ensure fair trading in securities, protect and maintain trust of investors and achieve transparency in the capital market by following the international accounting standards (Alsharairi and Al-Abdullah, 2008). As of 1st of January, 2005, the Jordanian regulatory authorities explicitly required all public listed companies to adopt the IFRS, according the above mentioned legislations.

The IFRS do not require a complete set of financial statements for interim reporting. Therefore, the complying companies prepare condensed financial statements supplemented with selected explanatory notes, following the basic requirements of IAS34. Technically, IAS34 applies "where an entity is required or elects to publish an interim financial report" (Mirza and Holt, 2015). Moreover, IAS34 states that the complying firms need to provide the same notes in interim reports that would appear in the reporting firms' annual reports, since users are presumed to have access to both published statements. However, interim reports should explain events and transactions that significantly impact the entity's financial position or performance since the reporting date of the last annual report (IASPlus, 2015; Mirza and Holt, 2015). Therefore, IAS34 specifies those items to be disclosed, if significant, and also the minimum items that must be disclosed in the interim report. (For more information about the minimum interim disclosure, see IAS34).[3]

Instructions of accounting principles related to the preparation of annual and interim financial statements are set by virtue to the Securities Law (2002) and cited as "*The Instructions on the Accounting Policies and Standards Pertaining to the Preparation of Annual and Interim Financial Statements for the Year 2007*." These instructions prescribe the policies required in preparing interim financial statements with an emphasis on consolidated financial statements. The Instructions require parent and holding listed companies to consolidate financial statements once the most recent statements are issued by their subsidiaries, regardless to their number. This means that if the most recent annual or interim reports issued were consolidated according to regulations, then all subsequent interim reports for the reporting firm should be consolidated as well for the same year.

The consolidated financial statements, whether annual or interim, must contain a sufficient level of disclosures. According to the same Instructions, parent companies' investing in subsidiaries should implement International Accounting Standard No. 27 (IAS 27) *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, and International Accounting Standard No. 28 (IAS 28) *Accounting for Investments in Associates* to provide sufficient disclosure in the consolidated financial statements.[4]

Furthermore, the parent company must disclose its income from its subsidiaries as realized or unrealized income accordingly. Any unrealized gains or losses in a parent's company income from its investment in the subsidiary and reported within the retained earnings, not to be distributed or capitalized. In the same vein, any material change in amounts in the components of either statement of financial position, or the profit & loss statement (with emphasis on operational revenues and expenses) should be disclosed in the financial statements. Finally, all interim financial statements must be *comparative* financial statements. Amman Stock Exchange requires Jordanian publicly listed companies to publish the annual report along with the semi-annual report (sometimes the second quarter is supplied with the semi-annual report), the first quarter report, and the third quarter report. All annual financial reports must be supplied with an audit report. However, interim financial reports are only required to be reviewed.

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The Amman Stock Exchange (ASE); The Securities Depository Center (SDC). Further details on the roles of these institutions are available on (www.jsc.gov.jo).

[3] The International Accounting Standards Board (IASB) describes IAS34, as a standard that "set out the minimum content of interim financial report and to describe the recognition and measurement principles in interim financial statements" (IAS 34 in, Mirza and Holt, 2015). The IAS 34 assumes that readers of an entity's interim report will also have access to its most recent annual financial report. As a result, IAS 34 prevents the any repetition of annual disclosures in interim reports (IAS 34 in, Mirza and Holt, 2015).

[4] IAS 27 *Consolidated and Separate Financial Statements* (2003) has been superseded by IFRS 10 (*Consolidated Financial Statements*), IFRS 12 (*Disclosure of Interests in Other Entities*) and IAS 27 (2011) who in turn, have been effective since 1 January 2013. In the same vein, IAS 28 *Investments in Associate* has been superseded by IAS 28 (2011) and IFRS 12, who in turn, have been also effective since 1 January 2013 (For details, see IASB).

### *4. Research Methodology, Methods and Data Collection*

According to Chua's (1986) framework and Ryan *et al.*, (2002) the current study is a mainstream accounting research, and thus, it adopts the objectivist approach regarding those assumptions relating to the nature of the society. The methods used in this study rely on information already given and supported in the interim financial reports that are available at ASE and on the websites of the investigated companies. Addressing arguments or opinions on the reported information is not within the scope of this research. This paper aims at documenting how well the reported information complies with the relevant accounting standard. To achieve the objective of the study, the researchers employ an objective and quantitative-oriented index, which is consistent with the previous literature on the standards' requirements and professional-based checklists (namely, IAS 34, 1998; Deloitte, 2009; KPMG, 2014).[5] More specifically, content analysis is used to collect data related to IFR (accounting disclosures). The research index adopted in this paper consists of 21 items, each of which is carefully selected through different phases. Eventually, the overall index content has been subject to a reliability test.[6] Cohen's Kappa Coefficient[7] was used in this test to examine the stability and reproducibility of the index. The Coefficient result was 90.3%. Weiner (2007) states that Kappa values ranged between 0.81-1.00 give a very high level of agreement and reliability. According to the discussed reliability test procedures, the test suggests that the index developed in this study is reliable enough to generate results based on which a reliable conclusion can be drawn on the population of the study.

The research index consists of three main parts:

A. **Information of the Reporting Company and the Report**: this part reflects the main, general information about the reporting company and the interim report.
B. **General Disclosure**: this part represents the general items that should be disclosed in the reporting company's interim report, with less emphasis on technical disclosure.
C. **Technical Disclosure**: items of this section seek to record the extent to which companies comply with the technical part of IAS34 when presenting its interim financial reports.

ASE categorizes Jordanian publicly listed companies into three main sectors; financial, services, and industrial. During 2012, there were 237 companies listed under these sectors, according to the ASE's website, the financial sector being the largest containing 111 companies listed. The data tested in the study was collected through these companies' semi-annual reports. However, during the data collection process, seven semi-annual reports were not available on ASE's website, nor were they found on the companies' own websites. Therefore, all of the remaining 104 companies were subject to the analysis by using the research index. In order to examine the significance of the hypothesized relation between each of the three independent variables (age, size of market capitalization, and sub-sector of the reporting company) and the response variable of the disclosures in IFR (general and technical), the following null hypotheses are tested:

**$H_{01}$**: There is no significant association between each of the corporate characteristics (represented by age, size and sub-sector of the reporting company) and level of the IFR's general disclosures

**$H_{02}$**: There is no significant association between each of the corporate characteristics (represented by age, size and sub-sector of the reporting company) and level of the IFR's technical disclosures

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[5] As this research aims to deal with the degree of compliance with IAS 34 by Jordanian listed companies in their interim financial reports, only quantitative data will be applied in the methods for finding the results and the conclusion.

[6] The design of the research has gone through several phases. The initial research index design was followed by a first round practical test of its function (through pilot sample), and necessary amendments were applied in this stage. The index was then put into a second round of testing to examine the stability and reliability of the index contents, to finally reach its final version. The research index was tested for its reliability through: (a) refereeing the content by two financial reporting specialized academics; (b) performing stability tests (intra-observer, test-retest); (c) performing a reproducibility test. Krippendorff (2004) defines reproducibility test as "the degree to which a process can be replicated by different analysts working under varying conditions, at different locations, or using different but functionally equivalent measuring instruments." Under this approach, the test was applied on the components of the index by analyzing a sample of 5% of the study's population and reanalyzing it after one week of the A first analysis.

## 5. Research Results

The descriptive analysis to the first part of the research index is illustrated in Table 1. The initial findings are within the scope of the first research question, which deals with characteristics of the firms providing interim financial reports and forms of the reported information. The results indicate that the Jordanian companies listed in ASE and classified under the financial sector are 14.4% banks; 23.1% insurance companies; 30.8% diversified financial services companies; and 31.7% real estate companies.

Previous studies use the company's age as one of the most important factors that influence the level of accounting disclosures (Joshi and Bremser, 2003; Omar and Simon, 2011; Bayoud *et al.*, 2012; Elzahar and Hussainey, 2012; Al-Hamadeen and Badran, 2014; Spasic and Dencic-Mihajlov, 2014). We stratify the age of reporting companies into six categories. The results indicate that most Jordanian companies listed under the financial sector are young firms since the biggest portion of the investigated sample lies between 1-10 years old (37.4%), while the lowest portion lies between 40-50 years old (4.8%), and only 5.8% of these companies are more than 50 years old. This could be an indication that the majority of the reporting companies are premature, which is expected to impact the nature and amount of IFR.

**Table 1: Information of the reporting company and the report (descriptive analysis)**

| Characteristic | Frequency | Percentage(%) |
|---|---|---|
| *Sector/Sub Sector of the reporting company (financial sector)* | | |
| Banks | 15 | 14.4 % |
| Insurance | 24 | 23.1 % |
| Diversified Financial Services | 32 | 30.8 % |
| Real Estate | 33 | 31.7 % |
| *Age of the company (in years)* | | |
| From 01-10 | 39 | 37.4 % |
| From 10-20 | 22 | 21.2 % |
| From 20-30 | 14 | 13.5 % |
| From 30-40 | 18 | 17.3 % |
| From 40-50 | 5 | 4.8 % |
| More than 50 | 6 | 5.8 % |
| *Size of the reporting company market capitalization* | | |
| Small | 25 | 24.0 % |
| Medium | 51 | 49.0 % |
| Large | 28 | 27.0 % |
| *Language of the report* | | |
| Arabic | 104 | 100 % |
| English | 0 | 0.00 |
| Both | 0 | 0.00 |
| *Report's title* | | |
| Semi-Annual Report | 22 | 21.1 % |
| Six-Months Report | 28 | 26.9 % |
| Interim Financial Report for Period (1/1/2012 – 30/60/2012) | 53 | 51.0 % |
| Second-Half Report | 1 | 1.0 % |
| *Approach of interim reporting* | | |
| Condensed interim financial statements | 76 | 73.1 % |
| Complete interim financial statements | 28 | 26.9 % |

Σ n= 104

Further to the corporate characteristics indicated above, the current study also considers the firms' market capitalization. As indicated in Table 1 (above), size of market capitalization is divided into three categories: small, medium, and large. The study the quartiles rank of the market capitalization to categorize the companies as follows; firms located up to the first quartile are considered small sized; firms located within the second and third quartiles are considered medium; and those located within the third quartile are considered large. According to the calculations used in this approach, the first quartile was JD 3,950,000 and the third quartile was JD 24,364,200 (rounded to the nearest JD, which explains the small variation from the perfectly symmetrical results). Most of the listed companies in the financial sector are small and medium with 24% and 49%, respectively.

In total, 27% of the companies in that sector were large. The high number of companies being large sized ones is due to the huge capital of the banks and that banks makes up to 13.5% of the financial sector. Regarding the characteristics of the financial firms' interim reports, we investigate three different aspects, namely: the language of reporting, the format of the report and the approach of financial statements presented in the interim report. In terms of the IFR language, the results show that all semi-annual reports captured by this study were written and disclosed in Arabic. No semi-annual financial reports written in English are found on the ASE website or on the company's website. Those interim reports published on the firms' websites have no accompanying review reports nor supplementary disclosures or explanations for the figures. This finding raise concerns regarding the value added of IFR as well as the information risk since there is no professional assurance is presented nor attached to the published report.

In terms of the report's title, the results indicate that majority of the examined companies (51%) in this study entitled their interim financial reports as "Interim Financial Report [for Period from 1/1/2012 – 30/6/2012]". Only 1 company reported it as "Second-Half Report." The rest of the firms either entitle it as "Semi-Annual Report" or "Six Months Report" by 21.1% and 26.9% of the total sample, respectively. In the same vein, the results indicate that all interim financial reports collected by this study were PDF files. For companies who lack interim financial reports on the ASE website, no online or printed versions of these reports are found. The reasons vary, as some companies might be listed but have been inactive during that period due to certain penalties imposed by ASE or JSC, hence, no interim financial reports can be found.

With respect to the approach of financial statements presentation, the descriptive results indicate that most of the companies disclosed their financial information in a condensed, rather than complete, format for their interim financial statements. Of the 104 companies tested, 76 companies (73.1%) compressed their financial information while preparing their interim financial reports. On the other hand, only 28 companies (26.9%) prepared complete interim financial reports. These results raise concerns about key characteristics of the reported financial information as indicated in the *IASB Conceptual Framework* (i.e. usefulness and completeness). Parts two and three of the research index designed to catch those disclosures related to the interim reporting content (general vs. technical). The results presented here are responding to the second research question. This part of the research index discusses the general disclosures that, according to IAS34, required to be presented. The items of this part do not come across the technical part of the standard. The findings reveal the level of compliance with the general disclosure of the standard. Table 2 presents the frequencies and percentages of the IFR items disclosed under the general disclosure requirements of the IAS34.

**Table 2: General Disclosures of IFR**

| Item | Description | Frequency | % |
|---|---|---|---|
| **B.1** | A brief introduction and scope about the company and its reporting basis were included in the interim financial report | 102 | 98.1 |
| **B.2** | The related accounting policies for interim reporting were included in the interim financial reports | 98 | 94.2 |
| **B.3** | The company disclosed the general principles for the recognition and measurement of the components of the interim financial statements | 88 | 84.6 |
| **B.4** | The periods for which interim financial statements are required to be presented were clearly shown in every interim financial report | 101 | 97.1 |
| **B.5** | The company applied the recognition and measurement principles accordingly | 84 | 80.8 |
| **B.6** | The company disclosed the basis used related to the impairment of its assets | 70 | 67.3 |
| **B.7** | A specific figure was measured and allocated for the interim income tax expense | 64 | 61.5 |
| **B.8** | The earnings per share were provided in the interim financial reports | 97 | 93.3 |
| **B.9** | The company disclosed whether it is the first time IFRS were adopted in reporting for their interim or annual financial statements | 0 | 0.00 |
| | **Average** | | **75.2** |

Σ n= 104

The results indicate that the reporting companies show a reasonable level of compliance with the standard's requirements. In fact, the vast majority of the companies comply with the items related to the general disclosure required by IAS34.

However, the last item in this part of the index, related to whether "it is the first time the company adopted IFRS in reporting for their interim or annual financial statements", is not detected in any of the 104 interim financial reports. This is because none of the examined companies is a first-time IFRS adopter. The lowest disclosure item according to the index is related to "allocating a figure for the income tax expense on the interim profit and loss statement", which is found in (61.5%) of the sample. However, it is noted that a many companies, which do not allocate a figure for income tax, have reported a net loss in their interim period. Moreover, companies do not comply with disclosing "the basis used in assets impairment" as good as they do when compared to the rest of the disclosure items in this part of the research index. In average, 75.2% of the general interim financial disclosure requirements are disclosed by the reporting companies. Overall, it could be stated that the comparison of the percentage of companies presenting condensed interim financial reports instead of complete ones indicate that the general disclosure requirements' percentages seem to be fairly professional and well complied with.

In terms of the technical disclosures, Table 3 exhibits the items related to the technical requirements of IAS34 along with the percentages of compliance observed.

**Table 3: Technical Disclosures of IFR**

| Item | Description | Frequency | % |
|---|---|---|---|
| **C.1** | The interim financial reports' minimum content (statement of financial position, statement of profit & loss, statement of changes in equity, statement of cash flow, and selected explanatory notes) were included | 96 | 92.4 |
| **C.2** | A review report supported the interim financial statements for the interim period | 104 | 100 |
| **C.3** | A specific quantification was included in the reviewer's opinion about the interim financial statements | 20 | 19.2 |
| **C.4** | The entity disclosed that its interim financial reports are in compliance with IAS 34 | 97 | 93.3 |
| **C.5** | The interim profit & loss statement included comparative information for the interim period and of the immediately preceding financial year | 103 | 99.0 |
| **C.6** | The interim statement of cash flows included figures for the current financial year to date with a comparative statement for the immediately preceding financial year | 101 | 97.1 |
| **C.7** | The interim profit & loss statement separated the figures for the year-to-date financial information, and the second quarter period | 67 | 64.4 |
| **C.8** | The interim statement of financial position included figures of the current interim period, and the comparative figures of the immediately preceding financial year | 104 | 100 |
| **C.9** | The interim statement of changes in equity included figures for the current financial year to date with a comparative statement for the immediately preceding financial year | 104 | 100 |
| **C.10** | The company disclosed about the fair value of its financial instruments | 74 | 71.2 |
| **C.11** | The entity disclosed that the same accounting policies were followed in the interim financial statement as compared with the most recent annual financial statements or, if those policies have been changed, then it was properly disclosed | 94 | 90.4 |
| **C.12** | The company included an explanation of events and transactions that changed significantly since the end of the last annual reporting period | 98 | 94.2 |
| | **Average** | | **85.1** |

Σ n= 104

Interestingly, every single listed company in the financial sector accompanied a review report with their semi-annual financial reports. This reflects a perfect degree of compliance by the reporting companies with the legal requirements enforced by the regulators. It should be indicated in this context, that only 19.2% of the companies included a specific quantification, although not a major one, in their review reports. In the same vein, all of the examined companies present a full set of the required four financial statements (financial position, profit and loss, cash flow, and changes in equity). The reports include the financial information for the current financial year to date with a comparative statement for the immediately preceding financial year.

We document that 35.6% of the companies do not include the second quarter figures along with the semi-annual ones in their profit and loss statements, despite being required by IAS34. Moreover, companies tend to disclose information related to the fair value of specific items other than those related to the financial instruments (with 71.2% of the reporting companies disclosed this information). However, the rest of the items in the technical disclosure part of the index are followed fairly well by the companies. Furthermore, the average percentage of the technical items disclosure is around 10% higher than the average percentage of the general items of the index.

It could be concluded that the companies in the financial sector show a high degree of compliance with both the general and the technical disclosure items used in the research index.

This part presents the results of the analytical statistics. We focus here on responding to the third research question, which investigates the potential associations between corporate characteristics and IFR disclosures.

Two statistical tests are employed (Chi-square-$\chi^2$ and Fisher's Exact) in order to test the significance of the hypothesized relation between each of the three independent variables (age, size of market capitalization, and sub-sector of the reporting company) and the response variable of the disclosures in IFR (general and technical).[8]

Table 4 presents the results of the statistical analysis of the general disclosure of IFR. These results show that 10 tests (37.04%) are statistically significant at 0.05 sig. level (α). These findings suggest that the level of general disclosure in companies' semi-annual reports is associated with their sub-sector. Interestingly, and unlike what we have anticipated, the findings reveal that both the firm's market capitalization and its age have no statistically significant impact on the level of general disclosure at the semi-annual reports. However, the null hypothesis is rejected since there is a significant association between the sub-sector classification of the firm and its IFR general disclosures.

**Table 4: P values of Pearson's chi-square and Fisher tests - independent variables vs. general disclosure**

| ***Independent Variables*** | ***Dependent Variables:*** *P value* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | B.1 | B.2 | B.3 | B.4 | B.5 | B.6 | B.7 | B.8 | B.9 |
| Age | 0.840 | 0.371 | 0.466 | 0.826 | 0.224 | 0.001 | 0.004 | 0.660 | - |
| Market Capital Size | 0.733 | 0.150 | 0.122 | 1.000 | 0.025 | 0.008 | 0.000 | 0.056 | - |
| Sub-Sector | 0.262 | 0.006 | 0.015 | 0.463 | 0.015 | 0.000 | 0.000 | 0.076 | - |

Σ n= 104. Sig. level α = 0.05

The statistical tests' results regarding the technical disclosure of IFR show that 7 tests (19.44%) are statistically significant at 0.05 sig. level (α). As a result, the null hypothesis is accepted (where P > 0.05 in most of the performed tests), Table 5 illustrates these results.

**Table 5: P values of Pearson's chi-square and Fisher test - independent variables vs. technical disclosure**

| ***Independent Variables*** | ***Dependent Variables:*** *P value* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | C.1 | C.2 | C.3 | C.4 | C.5 | C.6 | C.7 | C.8 | C.9 | C.10 | C.11 | C.12 |
| Age | 0.823 | - | 0.401 | 0.604 | 0.413 | 0.576 | 0.002 | - | - | 0.008 | 0.417 | 0.590 |
| Market Capital Size | 0.094 | - | 0.165 | 0.399 | 0.240 | 1.000 | 0.006 | - | - | 0.130 | 0.155 | 0.222 |
| Sub-Sector | 0.227 | - | 0.006 | 0.189 | 1.000 | 0.645 | 0.026 | - | - | 0.000 | 0.022 | 0.139 |

Σ n= 104. Sig. level α = 0.05

Similarly, the results of the analytical index suggest that the sub-sector classification is partially associated with the level of technical disclosure performed by companies in the financial sector (4 tests approved). The firm's market capitalization size and age have no statistical significance in the relationship with the level of technical disclosure in their semi-annual reports. The items of the technical disclosure of IFR are not significantly related with the independent variables. The findings also reveal that including a comparative profit and loss statement for both, the year-to-date period, and the second quarter period, as well as the disclosures related to the fair value of a company's financial instruments are significantly associated with the independent variables.

[8] Chi-square test ($\chi^2$) is used to find out whether an association is exist between the sub-sector of the reporting company and the level of disclosure in its semi-annual financial reports, with a level of significance (α) of 5%. On the other hand, Fisher's Exact Test is used to determine the presence of a relationship between the market size of the reporting company, and also the age of the company, with its level of disclosure in its semi-annual financial reports, as both variables consist of intervals, unlike the sub-sector, where only one value for that item exists. Similarly, the significance level used in Fisher's Exact Test is 5%. Note that statistical tests were performed on the last item (B.9) in the general disclosure index. However, these tests did not provide valid values, due to variable being constant.

Overall, the results indicate that only two out of the 12 items in the technical disclosure part have a relationship with the independent variables. It should be noted that statistical tests are performed on the unfilled items (C.2, C.8, and C.9) in the technical disclosure index, but due to constancy in variables, the test values are invalid.

## 6. Conclusion

Given the importance of the timely information in the efficiency of capital allocation, the regulatory reform in Jordan's capital market mandate, as of 2004, that all publicly listed companies are required to disclose their financial information quarterly and semi-annually, along with the annual reports. According to the Jordan Securities Commission's *Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards (2004)*, the interim reports should be publicly available on Amman Stock Exchange (ASE) three weeks after the quarter's end. The objective of this paper is to investigate how this regulation influences the financial reporting practices in the Jordan's financial sector. Furthermore, the research examines whether factors of age, market capital size, and sub-sector are associated with the level of disclosure in the interim financial reports. In accordance with the previous literature, the results of the study shows that the industry activity type, or sub-sector, is significantly associated with the level of disclosure in Jordanian companies listed in the financial sector in ASE.

However, when compared to the previous literature findings (Joshi and Bremser, 2003; Omar and Simon, 2011; Elzahar and Hussainey, 2012; Spasic and Dencic-Mihajlov, 2014), this study's findings suggest that the size of a listed company in Jordan's financial sector has no important role in its relationship with the level of compliance with IAS34. Moreover, the company's age is not seen to have any effect on the level of disclosure in the interim reports according to the reported results. The findings of the study have implications to the capital market regulators as well as to the governmental parties responsible for financial reporting regulations and disclosure requirements. It is recommended that these parties need to work together to increase the level of disclosure and supervision over larger sized, and older companies, since as according to previous literature, it is irrational not to have a relationship between company age and market capital size, with level of disclosure.

Unfortunately, Jordan as well as the Middle East area lack the appropriate level of research on interim financial reporting that can help improve the reporting practices. This study recommends that more research related to interim financial reporting is needed in order to explain its impact on the informational needs of the decision makers and how interim information can improve the efficiency of capital allocation.

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