



MEASURING FINANCIAL REPORTING QUALITY OF NON-FINANCIAL FIRMS LISTED IN AMMAN STOCK EXCHANGE

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Mohammad Alahmad¹, Dilek Teker²

¹Okan University, Business Administration Department, Istanbul, Turkiye.

moh.alomari88@gmail.com, ORCID: 0000-0001-7471-2922

²Isik University, Department of Business, Istanbul, Turkiye.

dilek.teker@isikun.edu.tr, ORCID: 0000-0002-3893-4015

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ABSTRACT

Purpose- The purpose of this study is to measure financial reporting quality of non-financial firms listed in ASE. As the financial information accuracy and transparency is vital for internal and external users, this study insures that financial reporting quality and financial information published for non-financial firms in ASE is not manubulated, accurate, combitable, timely published, adequate, and free of earning management, to be usefull for decision making for all users, especially for new investors.

Methodology- The period 2010 – 2019 forms the data for the statistical analysis. In addition, and to measure the FRQ, the paper uses time series analysis techniques, including descriptive analysis, frequencies and multiple OLS regression were used. Using data from 910 firm-years observation of companies listed on Amman Stock Exchange for the period of 2010 to 2019.

Findings- The analysis reveals that The probability for F-Statistics < 0.05, this led to accept the statistical model. on the other hand, R square is 31.3 % which means that the explanatory power of modified Jones model (Dechow et al., 1995) reach 31.3% in explain the practices of earnings management in Jordanian companies. on the other hand, the VIF values are lower than 10 and tolerances higher than 10% which mean there is no multicollinearity problem in the model. as for the $\frac{1}{A_{i,t-1}}$ shows a significant and negative relationship with total accruals,

were $\frac{\Delta(Sales-AR)_{it}}{A_{i,t-1}}$ and $\frac{PPE_{it}}{A_{i,t-1} A_{i,t-1}}$ shows a significant and positive relationship with total accruals.

Conclusion- the highest number of companies practicing earnings management in the year (2012 and 2014) was 60%, while the lowest number of companies that practice earnings management in the year (2015) and it was 32%, on the other hand, the highest number of companies do not practicing earnings management in the year (2015) was 68%, while the lowest number of companies that do not practice earnings management in the year (2012 and 2014) and it was 40%.

Keywords: FRQ, modified jones model, Amman Stock Exchange, non-financial firms

JEL Codes: G10, G12

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