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ACCOUNTING AND FINANCE DEPARTMENT

**The effect of Asset Impairment (IAS 36) in
Improving the Quality of Accounting Information
According to Users' Perspective:
Evidence from Jordan**

By

Raed Muhammad Kanakriyah

A thesis submitted to Durham University in fulfillment of the

Requirements for the degree of Doctor of Philosophy

2012

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RAED M. KANAKRIYAH

25-07-2012

Signed.....

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IN THE NAME OF GOD, THE MERCIFUL, THE COMPASSIONATE

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DEDICATION

This effort is dedicated to my respected parents, to my beloved wife Lama and my daughters Layan and Tala, and to my brothers and sisters. Thank you all for your love and support who have struggled to share in my success.

The effect of Asset Impairment (IAS 36) in Improving the Quality of Accounting Information according to Users' Perspective: Evidence from Jordan

Abstract

Purpose: The main purpose of this study is to investigate from the users' perspective the influence of adopting IAS 36 'impairment of assets' on accounting information in Jordan¹ and to ascertain the extent to which impairment application can affect users' decisions. In other words, this study aims to elicit perceptions regarding the motivations and techniques of using impairment loss to discover its effect and role in improving the quality (qualitative characteristics) of accounting information and its impact on the financial statements of users, to assist them in the decision-making process; it also aims to discover whether impairment loss is considered a tool for increasing the credibility of accounting information or a tool for manipulation. To explore the relevance (applicability) of international accounting standards to developing countries such as Jordan is a topic of significant interest amongst accounting information users.

Methodology/Approach/Research Questions: This thesis uses a multi-method approach; quantitative and qualitative approaches are both used to collect primary data concerning the 'impairment of assets' phenomenon. Questionnaire and interview surveys are used to explore the motivations and techniques of 'impairment of assets' in Jordan by obtaining the perceptions of respondents. Semi-structured interviews are used to elicit a better understanding of the research questions, confirming and elaborating on the questionnaire survey findings and supporting the development of the hypotheses. The triangulation of findings enables a comprehensive appreciation of the research topic and minimises the possibility of bias resulting from the use of a single method.

Analysis and Findings: The first findings are the agreement of the six groups of accounting information users regarding the importance of IAS 36 application, also indicate that there is a significant statistical difference among the respondents' opinions particularly between academics and other groups which indicates that academics were more aware of the importance of applying 'impairment of assets' than the other five groups. A plausible explanation for this result is that academics are more aware that impairment loss depends on market value (fair) instead of historic value, which is more convenient but less reliable.

The main conclusion reached through questionnaire and interview survey is the positive impact of 'impairment of assets' on the quality of accounting information according to users' perspective in Jordan. which means there is an impact of impairment on the quality of accounting information, and we assert this finding through correlation that impairment loss depend on market value (fair) instead of historic value, which is more convenient but less reliable .

The second finding reveals that two groups of respondents (Accountants and Investors) see impairment as a tool for manipulation. These two groups have similar views that impairment application is considered a technique used to manipulate illegally, in order for managers to achieve their own goals, such as increased compensation (salary), to declare a reasonable profit and avoid a loss, to obtain loans, and to raise share prices. These results can be attributed to scientific knowledge they have about advantages of the application of this standard. Furthermore, interview findings indicate that 68% of all respondents amongst all groups agreed that impairment improves the reliability and credibility of financial reports in Jordan.

One of the most important results from the respondents' views is that impairment announcements provide new information to the market and assist the users to change or modify their decisions. However, interviews showed that investors and accountants have a different view of impairment application, considering it as bad news (weak company), all of these findings will be generalized for developing countries, also will be helpful for developed countries.

¹ The economic and political development in Jordan is considered a model to be followed by developing countries. According to the Global Competitiveness Report for the years(2009 and 2010 of the World Economic Forum, Jordan is one of the economies that have moved to the second stage of development, as countries in this stage are characterized by the development of production processes, to become more efficient and effective in improving the quality of the product and to become more capable of international competition. Also, Jordan is one of the first developing countries to have applied international accounting standards since 1989 (AI-Shiab 2003), and this study is considered one of the first of its type to be applied in the Middle East countries.

Research limitations/implications: These findings could be fruitful and helpful for external users of accounting reports and also for regulators and legislators in their attempts to constrain the incidence of earnings management and to enhance the quality of accounting information. The interview sample was quite small (only 14) since some interviewees in developing countries do not like to have their opinions tape-recorded or become worried if notes are taken by devices during the interview as it appears like an interrogation to them. Moreover, in the questionnaire survey, only 324 out of 749 were returned, since access to respondents (Elements sample) was very difficult as they do not stay in the same place. In terms of secondary data, a lack of disclosure limited this study regarding the variables.

Contribution: Very few studies concerned with 'impairment of assets' have been conducted on data obtained from financial reports in developed countries. Thus, a different perspective could be obtained from developing countries such as Jordan, which is different in numerous respects, and this will enhance IAS application and provide an accurate picture of impairment practices. Moreover, this study contributes to the literature by employing qualitative and quantitative methods that have not received attention in relation to the effect of monitoring mechanisms.

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Chapter One

INTRODUCTION

1.1. PREAMBLE

Accounting information is the output of the accounting system. Data are collected, classified, analyzed and summarized in financial statements. The importance of these data is that they reflect the financial transactions in numbers and values. Hence, users depend on these values for the decisions they make (Roberts et al. 2002; Churyk 2005; Dahamash et al. 2009)

Financial reporting provides a variety of information used for:

1. Investing and financing activities.
2. Enabling investors, creditors and others in evaluating timeliness and uncertainty of cash flows.
3. Disclosing assets, liabilities and their changes.

Accounting statements should be clear, complete, fair and understandable; moreover, they should be presented in a way that helps different users to achieve their objectives. Some research (Barth 2008) has argued that it is essential to identify the quality of accounting information, defining "accounting information quality" in terms of decision usefulness (see Beuselinck and Manigart (2007). The IASB (International Accounting Standards Board) Framework defines that the main purpose of a financial statement is to supply useful information for users; based on the IASB framework, the information will be useful if it has the following properties: relevance, reliability, understandability and comparability.

Various measurement approaches have been used broadly in previous literature to assess accounting information quality, i.e. value relevance models, accrual models, research concentrating on specific items in the annual report, and methods using qualitative characteristics. The current study will apply qualitative characteristics methods² to measure impairment's effect on accounting information quality, although financial reports have been criticized because they contain bias which decreases the reliability of accounting information (Barth et al. 2001). For example, an income statement contains some items based on estimates

²For more clarification see page no.151

and personal judgements, such as depreciation (Obinata 2002). These numbers are related to the balance sheet, where the historical cost principle is adopted. Another example would be items that are qualitative and cannot be quantified, such as human resources (Heningor 2001; Arce and Mora 2002). Consequently, numbers in financial statements may not provide accurate meaning for accounting information. Sometimes these numbers mislead the users; therefore, great efforts have been made to improve the usefulness of financial statements for decision-making (Saudagaran 2009).

For example, a Replacement Cost alternative for Historical Cost, Net Present Value (NPV) and Net Realizable Value (NRV), has been proposed. Such improvements are amended by the International Accounting Standards Board (IASB), which formalizes new accounting standards according to changes in the business environment (Confraria, Noronha et al. 2008). Other institutes and organizations have an interest in accounting standards, such as the American Institute for Certified Public Accountants (AICPA) and the Institute of Chartered Accountants in England & Wales (ICAEW) (Jackson 2005).

Recently, International Accounting Standard No. 36, which is concerned with the impairment of assets, has been applied in most countries that use IFRS/IAS³, for example in the European Union, Australia and New Zealand, and also in developing countries such as Jordan in 2005. The issue of impairment is mentioned in other standards: Standard No. 16 related to property, plant and equipment; Standard No. 39, which is concerned with financial instruments; Standard No. 40 (Investment Property); Standard No. 38 (Intangible Assets); and Standard No. 22 (Business Combinations).

In addition, the Financial Accounting Standards Board (FASB) has published two bulletins which deal with impairment of assets No. 142 and No. 144. The FASB, when introducing the new version of SFAS No. 142, expected the changes to improve the financial reporting:

"The new standard will improve financial reporting because the financial statements of entities that acquire goodwill and other intangible assets will better reflect the "underlying economics" of those assets. As a result, financial statement users will be better able to understand the investments made in those assets and the subsequent performance of those investments. The enhanced disclosures about goodwill and intangible assets subsequent to their acquisition also will provide users with a better understanding of the expectations about

³ IFRS: IAS issued between 1973 and 2001 (IASC). In April 2001 the IFRS superseded IAS.

and changes in those assets over time, thereby improving their ability to assess future profitability and cash flows (SFAS 142)".

1.2. RESEARCH AIMS AND OBJECTIVE

The main purpose of the current research is to identify empirically the "Impairment of Assets" practices, including the motives and techniques for application,

Identifying common motivations for the use of 'Impairment of Assets' from different perspectives in Jordan will involve the following:

- Investigate and evaluate the nature of asset impairment and its contribution in improving the quality (qualitative characteristics) of accounting information according to the users' perspectives (e.g. accountants, investors and financial analysts) in Jordan.
- Explore whether manipulation or credibility (Reinstein and Lander 2004; Giannini 2007) is the main driver for impairment application and how the market will react to impairment loss from the users' view.
- Contribute to recent literature and the enactment of accounting standards for asset impairment. Through detect the weakness point regarding impairment practice.
- Detect the weaknesses and strengths regarding impairment application from users' perspective.
- Improve the quality of information to investors and other account users.
- The study will provide valuable knowledge about impairment practices not yet discussed or studied such as the relation between impairment and the quality of accounting information, and will indicate the negative aspects of impairment application.
- To construct an empirical study of the use and effect of IAS No.36 on accounting information.

1.3. RESEARCH METHODOLOGY

The primary purpose of this study is to investigate the impact of impairment of assets on the quality of accounting information from users' perspective in Jordan, and to determine the extent to which management may use impairment loss for earnings management practices by applying income-smoothing or/and big bath theory. In other words, this study aims to elicit

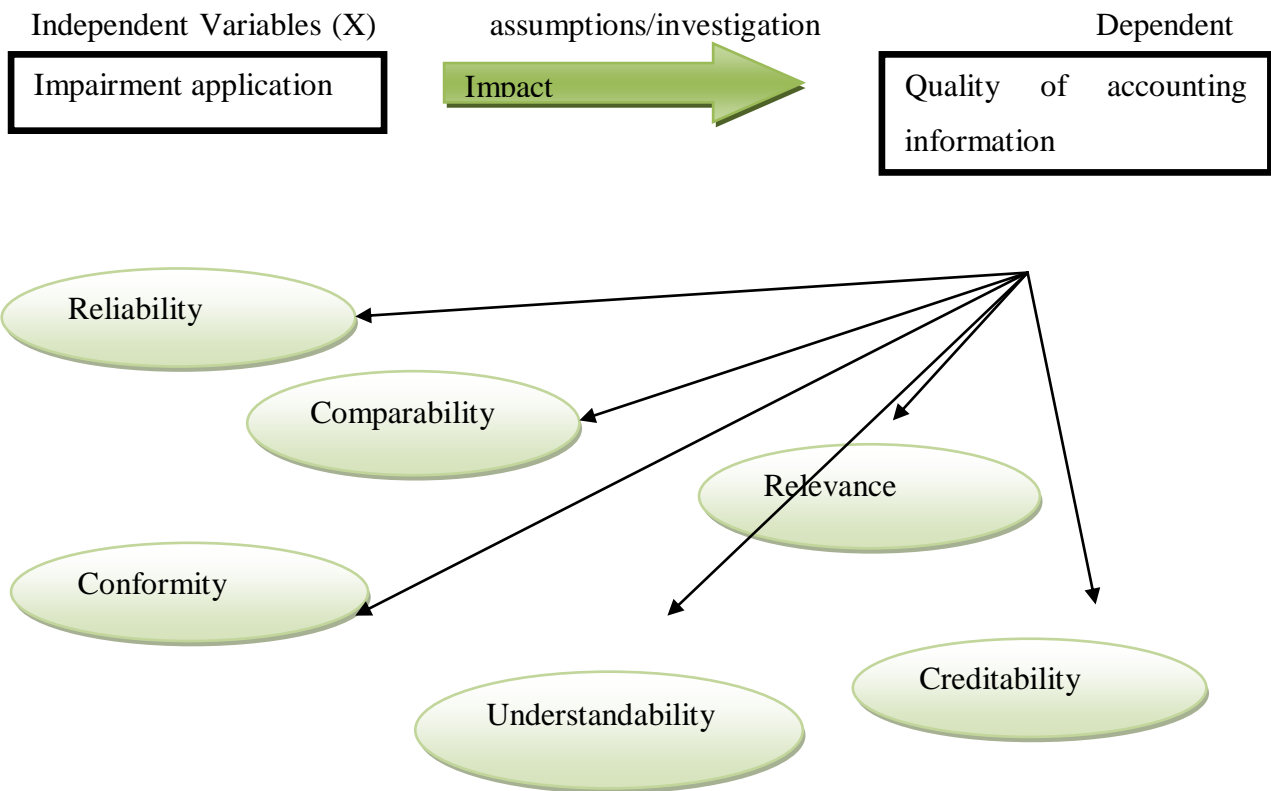
perceptions regarding the influence, motivations and techniques of 'impairment of assets' application.

In order to achieve that, this thesis uses a multi-method approach; quantitative and qualitative approaches are both used to collect primary data concerning the 'impairment of assets' phenomenon. Questionnaire and interview surveys are used to explore the motivations and techniques of 'impairment of assets' in Jordan by obtaining the perceptions of respondents (six groups of accounting information users as follows: Creditors; Investment Institutions and Individuals; Financial Analysts; Academics; Auditors; Accountants and Financial Managers). Semi-structured interviews⁴ are used to elicit a better understanding of the research questions, confirming and elaborating on the questionnaire survey findings and supporting the development of the hypotheses (See Table 1.1). The triangulation of findings enables a comprehensive appreciation of the research topic and minimises the possibility of bias resulting from the use of a single method.

Accordingly, eight hypotheses are formulated on the impact of adopting IAS 36 'impairment of assets' on accounting information. The current study uses the qualitative characteristics method as a proxy for measuring the quality of accounting information. This method is described comprehensively by a number of researchers (Jonas and Blanchet 2000; Lee et al. 2002; McDaniel et al. 2002), who developed a set of questions for each qualitative characteristic in order to measure the quality of accounting information based on the conceptual framework of accounting (FASB; 1980 and IASC; 1989) instead of the new ED (2008). Some of them, such as McDaniel et al. (2002), have concentrated only on the main characteristics of relevance and faithful representation; however, in order to achieve a high degree of trust, this research preferred to apply the secondary characteristics (comparability, understandability, conformity and credibility) see SFAC No.2 (1980) as well as the basic characteristics of relevance and faithful representation to portray and assess more comprehensively the quality of financial reporting. In addition, the complete annual report should be considered as financial reporting as it includes both financial and non-financial information.

⁴ Semi-structured interviews were conducted with respondents from six different groups of accounting information users, two from each group except the accountant group which had four (two accountants and two financial managers).

Figure (1.1) Overview of the Nature of the study



1.4. RESEARCH QUESTIONS AND IMPORTANT DEFINITIONS

Depending on the above objectives, the main research question is as follows: *Does the adoption of Asset Impairment improve the quality of accounting information (under International Accounting Standards IAS 36) from a User's Perspective in shareholding companies in Jordan?*

Impairment of assets IAS 36 the basic rule that an asset whose carrying amount exceeded its recoverable amount is impaired and must be written down to recoverable amount, the difference taken to income in the current period (Yang et al. 2005) (see the review in Chapter 2). **Compulsory disclosure** defined as the quantity and quality of information that companies must disclose regarding to the legal, such as disclosure of financial statements and notes.

Through the accounting literature survey I have found a number of definitions that explain "the quality of disclosure." For instance, diamond and Verrecchia (1991) the ability of investors to determine accurate expectations of the stock prices before the disclosure process. Hopkins (1996) revealed that the quality of disclosure can be determined by the ability of

investors (existing and potential) to understand and interpret information easily while King (1996) detect that the quality of disclosure could be the degree of self-interest or bias corporate disclosure.

This method used for the analysis of written reports such as reports of the board of directors and have been using this method in accounting science to measure the quality and quantity of financial reports. also the quality of accounting disclosure depend mainly on the number and quality of information or phrases mentioned in financial reports, which required by users of financial information (Hussainey and Mouselli 2010; Mouselli et al. 2012), such as investors, creditors for example, if the area of researcher interest is compulsory disclosure so to investigate the quality of accounting information must study each sentence are mentioned in the mandatory financial report and then determine its kind does this sentence contains good information for users of financial reporting or bad news influential on their decisions, for example if there is a sentence like: Management expects increase expenses next year by 15% this sentence express predict a future for the financial and is expenses and the quantity and is the amount of increase of 15% and reflect the bad news for the users of financial reporting (increased expenses) because it will reduce profits (Salama et al. 2010).

Table: (1.1) The Link between Research Questions, Objectives and methods in details

Research questions	Objective	Methods
<i>1-Do you think that accounting standard 'impairment of assets' IAS 36 important to implement in Jordan</i>	To identify the importance of applying impairment loss in Jordan.	Main: questionnaire survey Support: interviews survey
<i>2-Is there any impact of impairment loss on fairness of accounting information?</i>	To identify the effect of applying asset impairment on faithful representation	Main: questionnaire survey Support: interviews survey
<i>3-Is there any impact of impairment loss on relevance of accounting information?</i>	To examine the effect of applying asset impairment on relevance	Main: questionnaire survey Support: interviews survey, documentation
<i>4-Is there any impact of impairment loss on comparability of financial reports?</i>	To examine the effect of applying asset impairment on comparability	Main: questionnaire survey Support: interviews survey
<i>5-Is there any impact of impairment loss on understandability of financial reports?</i>	To examine the role of applying asset impairment on improving understandability	Main: questionnaire survey Support: interviews survey
<i>6-Is there any impact of impairment loss on conformity of financial reports?</i>	To examine the role of applying asset impairment on increasing conformity	Main: questionnaire survey Support: interviews survey
<i>7-Is there any impact of impairment loss on credibility of financial reports?</i>	To assess the role of influence of applying asset impairment on the quality of financial statement	Main: questionnaire survey Support: interviews survey
<i>8- Is there any impact of impairment loss on the quality of financial reports?</i>	To assess the role of influence of applying asset impairment on the quality of financial statement	

This study adopts a multidimensional theoretical framework represented by agency theory/signalling theory/legitimacy theory to explain the possible reasons for using

'impairment of assets'. An objectivism ontology and positive epistemological stance are adopted since this is deemed to be a neo-empirical study. Therefore, the current study adopts hypothetic-deductive methodological approach as it is suitable for examining the employed theories by establishing a set of research hypotheses.

1.5. SIGNIFICANCE OF THE RESEARCH AND EXPECTED CONTRIBUTION

This research attempts to explore impairment of asset practices and investigate the impact of impairment on the quality of accounting information according to users' perspective in Jordan. A small number of studies (Dahmash 2009) have addressed this issue, and most of them were based on data collected from financial statements (using US and UK data) in order to evaluate the accounting standards; therefore these studies transferred any irregularities (errors) in the financial statements to the results. This reduces the credibility of these studies, so this study attempts to overcome the weaknesses in previous studies.

This study is distinguished from previous studies by collected data using both quantitative and qualitative approaches to ensure the accuracy of the results, which was lacking in the previous studies, (e.g. Bartove et al. 2002; Hung and Subramanyam 2007) by avoiding some of the limitations of value relevance studies that use stock prices or the other methods. Also confirmed that the mixture of different kinds of measures can stronger a study and create better understanding (Stringfield & Teddlie 1990; Greene & Caracelli 1997; Milliken 2001; Bryman 2004), Multi-methods of research permit a wider and richer understanding of organizational phenomena than a singular method. This claim, by many researchers (Kyeyune 2010), advocates the use of multiple methods or to take advantage of their complementariness and build a more holistic analysis.

Furthermore, a different perspective could be obtained from different economies in developing countries such as Jordan (representative of the Arab countries in the Middle East region), which is different in several respects such as business environment, regulations, culture, market and security.

Also this study tries investigating the suitability of this standard as it for Jordan or needing modification.

The study will enrich the accounting literature through its findings regarding the results of implementing IAS No.36 (impairment of asset) on the quality of accounting information in

different economic and political environments (Davidson and Vella 2003; Maccarrone 2007) in three aspects:

First, from the previous literature it appears that there is no general agreement regarding the effect of asset impairment on accounting information see (Bens et al. 2007; Deming et al. 2005; Chambers 2006; Barth et al. 2008; Siggelkow and Zulch 2013; Trottier 2013). Therefore, this study investigates the determinants of impairment practice and extends the very limited research on the association between impairment and the quality of accounting information. Also, the research focuses on the perceived usefulness of IAS No.36 (impairment of asset) in detail at a standard level. Moreover, the study focuses on all qualitative characteristics as intermediate for measuring accounting information quality, and at the same time examines the impairment effect on all qualitative characteristics according to all different user groups (six groups as follows: Creditors; Investment Institutions and Individuals; Financial Analysts; Academics; Auditors; Accountants and Financial Managers). This is unlike most existing research, which usually studies just one aspect of qualitative characteristics or one group of users,

Second, it attempts to understand the influence of asset impairment on improving accounting information based on empirical evidence, and the impact of such impairment on financial reporting quality. According to users' opinions, the study aims to highlight market reaction to impairment loss release, which may provide an insight into the reliability of an improvement in accounting information. It also fills the gap in the accounting literature by detecting the role of applying assets impairment to provide sufficient information for users to evaluate assets.

Third, the current study could provide interesting new primary evidence from a country that has different characteristics associated with ownership structure, regulations of corporate governance mechanisms, political system, and religious frame.

1.6. RESEARCH SCOPE

This thesis aims to investigate the influence of impairment loss on the quality of accounting information according to users' perspective in Jordan. It also attempts to determine the extent to which managers may use impairment loss for earnings management practices through users opinions by using the same method of Xu (2007) who use poor performance and management change as a proxy variables for earning management. In order to do so, the

study selects six groups of accounting information users (Auditors, Creditors, Investors, Financial analysts, Accountants and Academics) to obtain their perceptions because they are considered to be the core of the study, regardless of whether they are company members or outsiders. The sample includes both supporters and opponents of this standard in order to ensure impartiality and credibility and comprehensiveness.

Also, the data were collected during the year 2011 (questionnaire and semi-structured interviews) which is suitable for discovering the impact of impairment through the global financial crisis, and to discover the impact of impairment after a reasonable period (2005 until 2010) of application and implementation of reform programs in Jordan.

1.7. ASSET IMPAIRMENT IS RELEVANT TOPIC FOR INVESTIGATION IN JORDAN COUNTRY.

Jordan was chosen for this study for some important points as follow:

The Jordanian accounting system was exposed to major changes during the last fifteen years, and the stock market rapidly embraced the International Accounting Standards for listed companies in 1989 (IAS1989 ; Al-Shiab 2003). The impact of the new regulations effectively constitute an accounting reform that aims to improve the usefulness of accounting information in the Amman Bourse and will enhance the truthfulness of reported accounting numbers.

Jordan has made great strides towards the global economy. This is evidenced by the association agreement with the European Union in 1999; moreover, membership of the World Trade Organization in 2002, and a free-trade agreement with the United States in 2001 have boosted Jordan's economic reform agenda and enabled the country to become one of the leaders in the Middle East and North Africa region (Al-Jaghoub and Westrup 2003).

The reform program has encouraged the current trend of opening up the Jordan capital market to foreign investors (Al-Awaqleh, 2010; ROSC)⁵. Thus, the issue of accounting information disclosure is more critical than ever before, as the publishing of financial information will inspire confidence, especially for foreign investors who may wish to invest in Jordan. The economic and political development in Jordan will attract investment (AL-Akra et al. 2010). Jordan characterized with security and stability, thus also making it attractive to investors.

⁵ (ROSC) Report on the Observance of Standards and Codes in Jordan.

We should highlight the compatibility of the Jordanian environment with international accounting standards and the reality of listed companies applying International Accounting Standard No. 36, 'impairment of assets'.

Jordan has witnessed an increasing trend of mergers between banks and companies (Al-Khadash and Salah 2009), which make this study critical as goodwill write-offs resulting from acquisitions may affect performance. This view is supported by Herz et al. (2001) who concluded that the inability to separate acquisition goodwill from total enterprise goodwill in the post-acquisition period is a serious impediment to the adoption of an impairment-testing approach to goodwill.

It is important to study IAS No.36 (impairment of assets) objectively and critically (especially in light of recent issuance and validity of the application of this standard and the scarcity of studies addressing it) as well as identifying the obstacles facing the application of this standard and the means to overcome them. White (2003) mentioned that the fair values determined in recognizing and measuring goodwill will be sufficiently reliable to achieve fair presentation. In addition, the large values of goodwill affect the user's decisions Duangploy (2005). Nevertheless, other researchers (Frank 1979; Nair and Frank 1980; Hassan 1998; Nobes 1998; Salter 1998; Amat et al. 1999; Choi et al. 1999; Jaggi and Low 2000; HassabElnaby et al. 2003; Al-Akra et al. 2009) identify the most important factors that affect accounting practice, such as political and economic influences, legal systems, culture, business ownership and organization, taxation, religion, and educational system; all of these contribute in shaping the accounting practice in each country. Finally, the recent study is considered as responded to the call for additional studies to examine the influence of IAS on the accounting information (e.g. Al-Awaqleh, 2010).

1.8. STUDY MOTIVATION

Examined empirically the influence of the IAS 36 from users perspective in a new environment using a new method in data collection. The thesis makes a significant contribution to the field of knowledge by offering contributions towards a methodological position. This has been done by developing a new standpoint for the examination of the impairment

Investigate from users' perspective the influence of adopting IAS 36 'impairment of assets' on accounting information in Jordan.

To ascertain the extent to which impairment application can affect users' decisions.

To (explore) the motivations and techniques of using impairment loss to discover its effect and role in improving the quality (qualitative characteristics) of accounting information and its impact on the financial statements of users, to assist them in the decision-making process.

It also aims to discover whether impairment loss is considered a tool for increasing the credibility of accounting information or a tool for manipulation.

Explore the relevancy (applicability) of international accounting standards to developing countries such as Jordan is a topic of significant interest amongst accounting information users.

Criticism for this standards because still grant the chance to management manipulation, Accounting on a fair value basis, "more suited to the needs of Users.

Discover new evidence from new country (Jordan) regarding impairment. This encouraged me to go back and re-examine the existing debates and to critically evaluate it.

The thesis makes a significant contribution to the field of knowledge by offering contributions towards a methodological position. This has been done by developing a new perspective for the examination of the impairment loss.

1.9. THESIS STRUCTURE

This thesis consists of eight chapters. The first chapter has presented an overview of the entire study as well as providing a profile for each chapter's contents. Chapter Two has given a picture of all aspects of Jordan such as historical background, the legal system, important regulations and laws, monitoring bodies, the development of the accounting and auditing profession, ownership structure, and financial market. An understanding of these fields provides an insight into the research background, research objectives, research questions and development of hypotheses, and research results.

Chapter Three is divided into three parts. The first part provides a summary of the literature review concerning disclosure quality. It focuses mainly on the concept of disclosure quality, disclosure quality measurement, disclosure quality and its economic consequences. The second part gives a summary of the literature on impairment of assets and discusses the importance of applying impairment of assets, the history of IAS 36 'impairment of assets',

impairment definition, impairment recognition, measurement, impairment reverses and disclosure of impairment; this addresses the gap in the literature and is discussed clearly. The last part presents an overview of the qualitative characteristics of accounting information.

Chapter Four highlights three theories that shaped the theoretical framework. It will start by providing a brief explanation of the motivation for impairment application.

Chapter Five sets out the methodology and methods adopted in this research and justifies why this methodology was chosen, employing a triangulation approach (quantitative, qualitative and documentation). Moreover, the ontological and epistemological points of view are discussed. This triangulation approach is intended to avoid the criticism of using just one technique or method.

Chapters Six and Seven are concerned with the data analysis (questionnaires and interviews respectively) Chapter Six is dedicated to the questionnaires analysis in order to answer the research questions. It uses descriptive analysis, ANOVA and t-test for the first hypothesis as a parametric analysis in addition to the z-test and Wilcoxon analysis as non-parametric analysis, while the other hypotheses (from the second to the eighth) were analyzed using correlation, regression t-test and ANOVA between the groups, in addition to Wilcoxon analysis as non-parametric analysis. Chapter Seven is dedicated to the interviews analysis and seeks to investigate the opinions of different stakeholder groups about impairment of asset issues in Jordan. Manual qualitative data analysis was adopted in this chapter.

Chapter Eight offers the findings of the study and its conclusions, interpretations and recommendations; it also identifies areas for future study.

Chapter Two

JORDANIAN ECONOMY DEVELOPMENT

2.1. INTRODUCTION

Many studies such as (Barth et al. 2008: Abd-Elsalam and Weetman 2003: Hung and Subramanyam 2007) have dealt with the importance of the application of international accounting standards on public information content or on disclosure in the light of new issues such as globalization, free trade and investment agreements between countries, as they affect the accounting systems in any country. Thus, it is necessary to identify and understand the environmental characteristics of Jordan. Fisher (1996) and Deegan (2002) stated it is known that accounting systems evolve into the forms required by their local environment, and that accounting is a product of its environment (Cooke and Wallace 1990; Salter 1998) In addition, Belkaoui (1983) and HassabElnaby et al.(2003) detected that accounting objectives, standards, policies and methods result from environmental factors in any country, so we must take into consideration the effect of these factors in accounting development in Jordan.

Through this chapter we will learn the historical background of Jordan, the most important events that have so far occurred in the country since the date of its establishment, the economic direction and the strategy adopted for the economy, its policies, globalization and its impact on the environment in general, and the history of the Amman Stock Exchange. Finally, the chapter will provide a summary of all these issues. By considering the latter, we will become more familiar with these issues in order to uncover the best evidence about the impact of the adoption of accounting standards in Jordan since 1998, particularly IAS 36 (impairment of assets), and the extent of their influence on the quality of published financial information from the perspective of users of accounting information in the Jordanian environment.

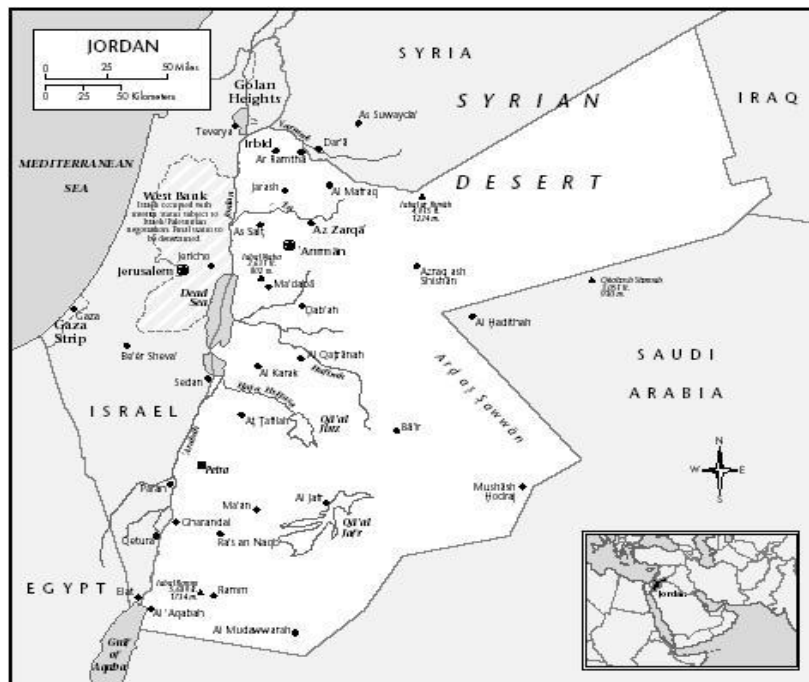
2.2. HISTORICAL BACKGROUND

2.2.1. Location and Area

Jordan or the Hashemite Kingdom of Jordan is an Arab Muslim country located in the north of the Arabian Peninsula and in Southwest Asia at the meeting point of Asia, Africa, and

Europe. It has a total area of 88778 km (DOS 2011). It is bordered by Syria to the north, Iraq to the east, Saudi Arabia to the south and south-east, the Gulf of Aqaba to the south-west, and Palestine and Israel to the west. The name Jordan refers to the Jordan River and the country is located in the heart of the Middle East (Salibi 1998; Robins 2004). Its location has had a negative effect on investors because it lies next to the State of Israel (having the largest border with Israel), but Jordan has been able to overcome this situation by concluding a peace agreement with Israel.

Figure (2.1) Map of Kingdom of Jordan



Source: Jordanian Geographic Center

2.2.2. Population and its characteristics

The Kingdom's population numbered about 6.1 million according to the latest census at the end of 2010 and the estimated population at 18/7/2011 was 6,186,764 (DOS 2011), including Circassian minorities, and the Chechen, Armenian, Kurdish and Turkoman people together constitute about 3% of the total population see (table 2.1). This shows the evolution of the population in Jordan from 1950 to the present day (DOS 2011).

Table (2.1) Population Development 1950- 2010

Year	Population	year	population	Year	Population
1950	472,000	1975	1,810,500	2000	4,820,000
1955	665,000	1980	2,233,000	2005	5,473,000
1960	896,000	1985	2,700,000	2010	6,113,000
1965	1,028,000	1990	3,468,000		
1970	1,508,200	1995	4,240,000		

Source: Population Reference Bureau

According to Al Qudah and Awawdeh (2006) 40% of the population have Palestinian roots; many of them were expelled to Jordan after the appearance of the Zionist entity in 1948, and were granted Jordanian nationality after the movement of all the residents of the West Bank to Jordanian land after the establishment of the unity of the two banks in 1950 (between the two shores of the Jordan River) (Beard and Al-Rai 1999). The Jordanian accent has a Bedouin character and the people are homogeneous ethnically, religiously and linguistically, and are sometimes drawn from the country's tribal peoples. The population is most densely concentrated in the centre and north of the country. The official religion is Islam and 91% of the people are Sunni Muslims, while the followers of other Islamic sects including the Shiites and the Druze do not exceed 1% of the population. There is a Christian minority of 8%, most of whom follow the Orthodox Church, and they enjoy a high support, especially in religious and political aspects. Jordan is divided into 12 provinces: Governorate Capital, Al-Balqa, Zarqa, Madaba, Irbid, Ajloun, Jerash, Mafraq, Karak, Ma'an, Tafileh and Aqaba Governorate (DOS 2011).

Amman is the national and provincial capital and the largest city, with a population of about two million people, in other words about one third of the population of the Hashemite Kingdom of Jordan. Irbid is the capital of the north and Jordan's second city, with a population of around one million. Zarqa is the third city in terms of population, and is located to the northeast of the capital (DOS 2011).

Arabs form the vast majority (93%) of the population, and the Jordanian people have varied roots. Some of them come from beyond Jordan, such as those of Palestinian origin. Most Palestinians in Jordan were banished from their homeland following the Wars of 1948 and 1967, while other ethnicities located in Jordan include Circassians, Chechens and Armenians (7%).

Jordan is characterized by a low rate of illiteracy accompanied by a high population growth rate of 2.4%; the median age of the population is 21 years. Several thousand members of the Druze community live in the east of Jordan. Jordan has a comparatively young population with more than 67 percent of them under the age of 25 (Jordan and World Bank 1998). Al-Dwari (2010) noted that the age structure of the population of Jordan has undergone substantial changes during the last four decades; according to the general census of housing and population in 1979 the average age of the Jordanian population is characterized by youth, with average fifteen years, constitute about half of the population 49.3% (DOS 2011). Social and economic changes witnessed by Jordan in recent decades have played a major role in the increase in the average age at the time of first marriage, which led to a substantial increase in the proportion of single people between 1979 and 2010. This percentage has risen from about 33% in 1979 to about 41% in 2009 (Rashad et al. 2005).

2.2.3. Language and religion

The official language is Arabic, and the Jordanian dialect is a mixture of the Sham and Bedouin languages; English is the first foreign language, due to the British colonial period in the country (Jordan) at the beginning of the twentieth century (Moaddel 2002). There is a comparatively large layer of foreign labour in the country in relation to the population, for example the number of Egyptian workers is estimated at several hundred thousand⁶. There is also a large number of Iraqis residing in Jordan, having been displaced due to the confused political situation in their country over the recent period. In addition there are a number of minority workers from Southeast Asian countries most of them are Chinese and Bangladeshi working in the qualified industrial zones.

Arab traditions in the region are similar and are certainly present in Jordan, such as the habits of generosity and hospitality to guests, and polite and civil dealings between persons. There are not many differences between Jordan and other Arab countries; the main thing that distinguishes Jordan is the homogeneity and the merger between local culture and the culture of the countries surrounding it, such as Saudi Arabia, Iraq, Palestine and Syria. Minorities such as Circassians, Armenians, Chechens and Kurds use their own languages in their own surroundings.

⁶ Report Ministry of Labor 2010

2.2.4. Education in Jordan

According to Sulieman (1985), school education in Jordan can be divided into two types. The first is Secondary Education which lasts for two years, leading to the General Certificate of Secondary Education (guideline); its different branches are: scientific, literary, Information Technology (formerly commercial) industrial, hotels, forensics, nursing and agriculture. There are also non-Jordanian programs equivalent to high school in some foreign and private schools, such as SAT⁷, IGCSE⁸, GCE⁹ and IB¹⁰ (International Baccalaureate). The second type is Vocational Education; vocational and professional training lasts for two years and leads to the Certificate of Professionalism from the Ministry of Labor. It includes disciplines such as support technician, computer maintenance and extension of networks. This certificate takes at least 10 months to obtain and there are many other disciplines such as hair shaving and hospitality for a period of one year. The remaining disciplines include technicians, precision machining, technical radio, television and instruments, Technician Imaging, electrical and mechanical, blacksmithing, carpentry, underwater welding, construction and many other specialties. There are also girls' programs such as sewing, beauty care, maintenance of computers, graphics, ICDL courses¹¹, and computing. The sponsoring institution for this is the Vocational Training Corporation. There is now a new program, the training of professional military youth, by a national institution for training professionals (the Arab army). After a two-year training period the student will receive a salary equivalent to a military salary and after graduation he is free to remain in the army or receive a certificate recognized by Jordan and the Gulf countries.

2.2.5. Climate of Jordan

According to Etier et al.(2009) and Abu-Ghazalah et al (2010), the climate of Jordan is a combination of the Mediterranean and desert climates, with the Mediterranean prevailing in the northern and western parts of the country, and the desert climate prevailing in the vast majority of the country. On the whole, the country has warm, dry summers and mild, wet winters. Annual temperatures range from 12-15 degrees Celsius (54-77 Fahrenheit) in winter to summertime highs in the forties (105-115 F) in the desert areas, the average rainfall ranges

⁷ Scholastic Aptitude Test or Scholastic Assessment Test

⁸ International General Certificate of Secondary Education

⁹ General Certificate of Education

¹⁰ International Baccalaureate

¹¹ The International Computer Driving License

from 50 mm (1.97 inches) annually in the desert to 800 mm (31.5 inches) in the northern highlands, where snow sometimes falls. Jordan enjoys a range of geographical features from the valley of the Jordan River Basin in the west to the desert in the East, with a plateau of small hills in between. Jordan contains the lowest point in the world, the Dead Sea at -408 meters (-1338.6 feet) while its highest point is Jebel Rum at 1734 metres (5689 feet); this amazing climate may be considered an incentive factor for investment.

2.3. ECONOMIC OVERVIEW

Jordan is a small state and is characterized by limited natural resources, with 90% of the land unfit for agriculture. Even arable land is exposed because of the scarcity of rain, fluctuating rates of precipitation in the winter and limited water. The groundwater is a non-renewable resource and is considered the main source of water drinking and agricultural water, and Jordan relies heavily on it. Potash and phosphate are considered the most important industries on which the Jordanian economy relies, along with tourism and remittances from workers abroad, the fertilizer industry, medicine and foreign aid; all of these are the sources of foreign currency. Jordan lacks forests, coal, water and energy resources and oil for commercial purposes. Jordan produces 10% of its natural gas and relies heavily on the Gulf States and Iraq, more specifically for access to oil derivatives. Also, because Jordan is very distant from other commercial markets, this reduces the competitiveness of her exports. Due to political differences with trading partners, (Iraq, Saudi Arabia and the Arab Gulf countries) the Jordanian government was encouraged to liberalize the economy.

King Hussein and his son King Abdullah made every effort to improve economic relations in the region and looked for opportunities to be exploited through the global economy. Since the beginning of 1987, Jordan has suffered from the burden of growing debt, low per capita income and high unemployment. The main problem for the Jordanian economy is a lack of capital; therefore, in 1986 the government applied the rational step of liberating capital mobility, creating greater flexibility in terms of transmission of money and also taking care not to exaggerate the value of the Jordanian dinar in order to facilitate the flow of foreign investments to Jordan. These steps opened the door to foreign investment, with investors taking advantage of Jordanian workers' skills and availability, the infrastructure for investment, and the continuing civil war in Lebanon, which encouraged the movement of a lot of investment to Jordan (Al-shair 2007).

This, in turn, started to push the wheels of the Jordanian economy through the opening of new plants and reducing the rates of unemployment. However, everything changed after the second Gulf War (Gulf crisis) of 1990/1991, which reflected negatively on the Jordanian economy, and this led to a decline in tourism. Gulf countries have also taken a decision to cut economic ties with Jordan and deny workers' remittances.

They closed Gulf markets to Jordanian goods, stopped supplying Jordan with oil, and stopped aid to Jordan because of Jordan's support for Iraq (Al-shair 2007).

The United Nations issued a lot of sanctions against Iraq, which was the largest trading partner of Jordan. This led to significant difficulties for the Jordanian economy through higher shipping costs as a result of inspections of commodities and goods coming into the port of Aqaba. Added to this was the return of 300,000 Jordanian expatriates from the Arab Gulf countries, prompting pressure on the Jordanian government to provide infrastructure for them, as well as increasing rates of unemployment, as noted previously.

These difficult circumstances and the lack of Arab aid pushed Jordan to sign a peace treaty with Israel. As a result of the peace treaty with Israel, there was hope of improvement and increased trade and tourism, improving rates of exports to the West Bank, but the restrictions imposed on goods from Jordan to the West Bank was very difficult, thus reducing the export rates. King Abdullah II began strenuous efforts to improve relations with the countries of the Arabian Gulf, which ended with the achievement of some recent gains. The Jordanian government focused on achieving the conditions of accession to the WTO and the signing of a bilateral agreement with the United States as a means of promoting economic growth in Jordan. Later, we will discuss the macroeconomic indicators and identify actions and measures undertaken by the State in more detail, taking into account all the periods relating to the economy of Jordan. Many Jordanian economists have divided the history of the Jordanian economy into five periods (1948-1961, 1962 -1966, 1967-1972, 1973-1985, 1986-2000). For the purposes of this study, we will divide the evolution of the Jordanian economy into four periods: (1948-1967); (1968-1985); (1986-2001); (2002-2011). This will identify the impact of applying IAS 36 on financial accounting reports through the opinion of users of financial information and will help us discover whether the extent of its impact on the Jordanian economy is fundamental or secondary.

2.3.1. The first period 1948-1967

Jordan experienced difficult, harsh economic and political conditions during this period, with limited resources available. This made Jordan heavily dependent on foreign aid, since most of its resources came from donations and aid. The political risk of cooperating with the Israeli enemy resulted in Jordan no longer receiving support from Arab countries and the state has always tried not to rely on this aid; this was an important objective of economic policy.

From information about the Jordanian economy it can be noted that events in the period 1948-1967 saw Jordan with a low rate of investment, lower state revenues and lower savings rates. Government expenditure is very high as compared with a percentage of gross domestic products and this is considered one of reasons for high tax rates and monetary policies to curb rising inflation. It was also noted from the reports that all sectors improved their performance during the period 1954-1967. The most important aspects of this period of the Jordanian economy are as follows: First, Jordan's economy was still in its first steps of the development stage, and industry in Jordan was also in the process of being established, although industrial production increased by 16% during the period 1962-1967 (NPC , 1975). In addition to the above, the development programs were clearly dominated by the services sector.

Second, the total imports were much greater than the total exports, resulting in deficits in the trade balance during the period 1948-1967. Third Jordan suffers from a lack of resources such as water, forests, minerals, petroleum, and others. Jordan relies heavily on raw materials; also, in this period Jordan was considered a consuming country (rather than a producing one) and there was an urgent need to attract foreign investments to Jordan.

The government invested in several infrastructure projects funded by borrowing or foreign aid. The construction sector (housing) was the main driver of growth during this period, and there were high rates of consumption in this period, amounting to approximately 15% per annum (NPC, 1975).

To summarize the events in the period 1948-1967, it can be said that there was impressive economic growth in a very critical period; this happened before the War of 1967 (Arab-Israeli), which affected the growth of the economy.

2.3.2. The second period 1968-1985

Growth rates declined significantly during the period 1968-1972, as a result of the Israel Arab war (1967) and the civil war in 1970. In spite of this, the GDP¹² per capita increased over this period except in 1970, as shown in Table 2.2 (Al-Shiab 2003); this increase was not meaningful and the consequent decline in real income per capita was a result of the abnormal increase in the population. Also, Jordan lost the West Bank, which contributed about 30-40% of GDP.

Table (2.2) Economic Indicators in Jordan

Year	GDP at market prices	export	import	Trade balance	GDP per capita	Inflation Rate	Jordanian workers' remittances
1968	200.4	14.2	57.5	-43.3	163	-	4.1
1970	228.4	12.2	65.9	-53.7	151	6.9	5.5
1972	281.6	17.0	95.3	-78.3	182	5.7	7.4
1974	385.7	49.8	156.6	-106.8	227	19.4	24.1
1976	547.4	69.4	339.9	-270.1	290	11.5	129.6
1978	779.3	90.9	458.9	-368.0	379	7.0	159.4
1980	1180.3	171.6	716.0	-544.4	529	11.1	236.7
1982	1701.1	264.5	1142.5	-878.0	706	7.4	381.9
1984	1981.4	290.7	1071.3	-780.6	762	3.9	475.0
1985	2020.2	310.9	1074.5	-763.6	748	3.0	402.9

Source: Central bank of Jordan, yearly and monthly statistical series (1964-2000).

Since the year 1972, according to available data, the GDP in the East Bank (Jordan) has doubled, as shown in Table (2.2).

The investment structure shows us the following: the agricultural output as a percentage of GDP was good, ranging from 9.7 to 10.6% during the period (1968-1980) and then started to retreat in the period 1981-1985, reaching the lowest level in the year 1985 at 5.5%. The industrial production (construction, industry, mining, quarrying) had been rising, achieving an increase of 22.8% in 1968 to 28.1% in 1984; the industrial sector has increased as a percentage of GDP, due to the increase in the production rates of phosphate, cement and potash see table (2.3) (Central Bank of Jordan, Annual Report, various issues).

¹² Gross Domestic Product

Table (2-3) Production of Basic Industries in Jordan 1968-1985

Year	Phosphate	Cement	Potash	Fertilizer	Chemical Acids
1968	1590.9	357.6	-	-	-
1970	938.9	377.6	-	-	-
1972	709.0	661.3	-	-	-
1974	1674.8	614.7	-	-	-
1976	1701.8	582.4	-	-	-
1978	2302.7	553.0	-	-	-
1980	3906.8	912.7	-	-	-
1982	4390.7	788.4	15.1	116.4	-
1984	6262.0	2026.3	486.9	541.0	1194.6
1985	5918.8	2022.9	908.6	510.5	1007.6

Source: Department of Statistics 1989

The increase in the industry sector share of GDP was accompanied by a slight decline in the share of the services sector (trade, restaurants, hotels, transport, storage and communications, etc.). These key industries, which are characterized by limited resources, stress that the important issue is to attract foreign investment to Jordan in order to improve and develop the Jordanian economy, to improve these industries to increase their participation as a percentage of GDP, and to increase competitiveness; it is necessary to shed light on the need to rely on international accounting standards in a country like Jordan to satisfy the need of foreign investors, to confirm the fact that the Jordanian economy is not fully independent and that it relies heavily on foreign aid, whether Arab or international, as a result of large trade deficits. The total imports as a share of GDP increased significantly from 28.7 in 1968 to 53.2 in 1985 and this can be attributed to a number of reasons such as lack of trade restrictive policy (Khan and Knight 1988) and a decrease in the total exports as a share of GDP which meant that the trade balance remained in deficit because of the rise in imports compared to exports. Jordan can be seen as a poor and small developing country, which relies heavily on imports and on foreign aid, whether in the form of loans or grants see table (2.4).

Table (2-4) Foreign loans and Grants (JD million) through (1952- 1983) in Jordan

Year	Foreign loans and Grants(million JD)
1925	-
1934	0.620
1944	15.453
1956	85.812
1959	155.635
1963	140.069
1966	189.504
1968	385.212
1971	358.422
1974	713.434
1977	1675.365
1980	3152.292
1983	2078.28

Source: Central bank of Jordan, yearly and monthly statistical series (1964-2000).

2.3.3 The third period (1986-2000)

After the second half of 1980, the region faced a recession due to lower world oil prices (\$ 8 per barrel). This reflected negatively on the Jordan economy, as did lower remittances from Jordanians and decreases in foreign aid which led to a sharp decline in the growth of GDP at a rate more than the population growth rate; this led to a decline in living standards and growing rates of unemployment.

The situation worsened (economic situation) in the wake of the first Gulf War from 1980 to 1988 and the start of the second war after Iraq occupied Kuwait in 1990/1991, which caused great difficulties for Jordan, as mentioned earlier. Jordan relied heavily on Iraq as a trading partner, and hundreds of thousands of Jordanians and Palestinians left Kuwait and other Arab Gulf countries as a result of the Iraqi occupation of Kuwait, or for political reasons, which put great pressure on services in Jordan. This led to a rise in the imbalance and deficit in the trade balance, accompanied by increasing unemployment rate. The government tried to maintain foreign currency reserves but they dropped dramatically and the government tried to overcome these difficulties by borrowing from abroad, which led to the accumulation of debt; Jordan lacked the economic ability to service that debt during the period 1988-1993, which led to the financial crisis of 1988 when Jordan was unable to service her debt.

In view of the above, the government began programs of economic reform, which were followed by a reduction in the value of the Jordanian Dinar by up to 50%. As a result,

inflation peaked at 25.6% in 1990, the highest rate of inflation in Jordan's economic history. To address the imbalance between internal and external, the government started by implementing the so-called economic reform programs supported by the IMF¹³ and World Bank, which led to promising results and better economic indicators. During the period 1986-2000 unemployment rates had increased and income per capita decreased. The government tried, through the new program (economic adjustment), to achieve the best correction to the economy as a whole, and tried to increase the role of the private sector in the economy through privatization. The economy improved during the real estate construction projects (housing) conducted by expatriates who had returned after the Iraqi occupation of Kuwait' this increased the rate of gross domestic product, although the growth rate declined in subsequent years until 2000.

According to the economic adjustment program, the performance of the Jordanian economy since 1992-1995 showed a significant improvement, growing by 8.25% per year, and the unemployment rate dropped to 3.3% for the same period. The deficit began to shrink significantly, and a fixed exchange rate between the Jordanian dinar and the dollar was maintained.

This period 1996-2000 is one of the important periods for this study as it seeks to discover the extent of the impact of international accounting standards, which were first adopted in 1998, and to discover their impact.

2.3.4. The fourth period (2001-2010)

The world entered the twenty-first century and saw unprecedented developments and rapid changes compared to previous centuries, especially the emergence of the concept of globalization, which has become an inescapable reality requiring Jordan to undertake further reform and development, especially because the economy has become open for all. Also, the world has become like a small village in every sense of the word, and is seen from political and economic perspectives under the control of political forces and major economies. On the other hand, it has become necessary for all countries to enter the world of globalization wholeheartedly and provide the mechanisms necessary to enable them to promote their economies in line with the concept of the village; otherwise, they will become isolated and economically weak.

¹³ The International Monetary Fund

Jordan began this period hoping to achieve economic growth after the difficult conditions; the country had suffered in the previous period. Jordan had signed a trade agreement with Iraq worth 450 million dollar and this agreement remained in force until the fall of Saddam Hussein's regime. Jordan's economy is characterized as being directed towards the free market, led by a vibrant private sector. The private sector owns many projects while mining is dominated by the public sector. The Jordanian economy has developed over the last ten years (2000- 2011) through a systematic application of comprehensive economic reforms and restructuring programs supervised by the IMF and World Bank. Thus, the main objective has been to achieve sustainable development. Jordan's economy grew at a rate of 10% during the period 2002 to 2007. Jordan concluded free trade agreements with other Arab countries.

It also developed its relationship with the European Union, along with tight integration with the Gulf Cooperation Council and access to its markets which will bring substantial economic benefits to the Kingdom in the coming years. Jordan has a knowledge-based economy on the path of development associated with the continued progress in the liberalization of education, privatization programs, with economic restructuring to ensure a path to a knowledge-based economy.

But the main obstacles to the Jordanian economy are the scarce water sources, total dependence on oil imports in order to obtain energy, and regional instability in the region. At an accelerated pace Jordan has privatized state-owned sectors, liberalized the economy and stimulated unprecedented growth in urban centres such as Amman and Aqaba in particular. Also, according to the program, the government expects to maintain a fixed exchange rate between the Jordanian Dinar and the U.S. dollar, to maintain comfortable levels of central bank reserves of foreign currency to be sufficient to cover the Kingdom's imports of goods and services, and to remain within safe levels. With the stability in the level of workers' remittances in 2010 and the resumption of growth in the years 2011-2013, trust in the Jordanian Dinar has been strengthened by increasing the level of reserves of foreign currencies at the Central Bank of Jordan in this period, as shown in the table (2.5).

Table (2-5) Foreign Reserves at the Central Bank 2001- 2010 (Numbers in Millions)

2001	2,763	2006	6,102
2002	2,578	2007	6,870
2003	3,495	2008	7,440
2004	4,740	2009	10,878
2005	4,744	2010	12,241

Source: Central bank of Jordan, yearly statistical series (2011)

The International Monetary Fund (IMF) declared that economic growth in Jordan for the first quarter of the year 2006 amounted to 6 per cent, according to the Jordanian government news agency (Petra). The agency quoted Mr. Shami, head of the fund and visiting Jordan, as saying after a meeting with Prime Minister Ma'rouf Bakhit that *"Studies and observations showed that the performance of the Jordanian economy was good in the year 2006 and 2007, both the standards of growth or performance fiscal and monetary". Estimated the rate of growth in 2007, up 6 percent, and inflationary pressures caused by rising world oil prices tend to decline and that Jordanian exports to grow at good rates, which will lead to a reduction of the deficit in the balance of payments.*" Shami said that *"foreign investment and the Arab world is witnessing remarkable growth in the current continuation of the growth witnessed in Jordan last year, which is reflected in the net assets of the Central Bank of foreign currencies"* (Jordan Press Foundation Al Rai1-5- 2007). The government planned and applied new policies that were appropriate for creating the right environment for investments.

The Kingdom's economy depends mainly on the services sector, trade, tourism, and certain extractive industries such as fertilizers and medicines. There are phosphate mines in the south of the Kingdom, making Jordan the third largest source of this metal in the world. Potash, salt, natural gas and limestone are the most important minerals extracted; also, Jordan is considered to have one of the best education systems in the region. Jordan appreciated the nature and benefits of private ambition in the Kingdom to promote the transition to a knowledge-based economy. Since King Abdullah assumed constitutional powers as Monarch of the country in 1999, he has introduced liberal economic policies which led to a boom that lasted for a decade and continued until 2009.

This made Jordan one of the most liberal and competitive economies in the Middle East, achieving higher growth than the United Arab Emirates and Lebanon. The modern banking sector in Jordan helped the country to become a preferred destination for investment, and

conservative policies helped the Central Bank of Jordan to avoid the global financial crisis in 2009 (Central bank of Jordan 2009; alghad 2009).

The government stressed the need to control and rationalize expenditure, especially current expenditures. The government has dealt with inflation and addressed the other items covered in this spending such as the support of institutions, the procurement of goods and services, and the abolition of all forms of subsidies and distortions resulting therefrom. On the other hand, in order to restructure the revenue side, the government has applied the program to the development of local revenues through continued work on improving the efficiency of tax collection by building institutional capacity and creating a comprehensive database of economic activities.

2.4. HISTORICAL OVERVIEW OF ACCOUNTING DEVELOPMENT IN JORDAN

2.4.1. The Period before Independence (1947)

Accounting practice in Jordan began long ago, so it's not new. Jordan is considered one of the regional countries to have witnessed different accounting methods, due to different states occupying the region. Zaid (2004) claims that the Islamic state that was founded in the past led to the development of various accounting systems to fit the needs of Muslims in compliance with Islamic Share'ah, all commercial issues in Jordan were governed by the Ottoman Commercial Code enacted in 1849-1850. This remained in effect until it was replaced after independence by the first Company Law, enacted in 1964 (Sharar 2007).

2.4.2 The Period after independence until 1997

2.4.2.1 The 1964 Company Law

In 1964 the Ministry of Industry and Trade enacted the first Companies Law No. 12, (Naser 1998; Naser and Al-Khatib 2000). This law was loosely stated and very limited in scope (Rawashdeh 2003) but played a pivotal role in the Jordanian environment in developing disclosure in that period. Later on, the Company Law was modified and replaced by Law No. 1 of 1989. The new Law required all Jordanian companies to prepare the following financial reports: profit and loss statement, a balance sheet, explanatory notes, and an auditor's report. However, no specific form or content was stipulated for the information disclosed in the financial statements, except that they should be prepared in accordance with Generally

Accepted Accounting Principles (GAAP), although there was no specification of what constitutes GAAP (Abu-Nassar and Rutherford 1996).

2.4.2.2 The 1966 Commercial Law

In 1966 the first Commercial Law No. 12 was enacted (Sharar 2007). This required all companies to keep financial records as follows: general journal, inventory records, and a correspondence register. Again, no specifications were provided for the form of these records (Ott, Astin et al. 1997). The Law was divided into four separate parts: trade and traders, commercial contracts, bills of exchange, and creditors and bankruptcy. A number of additional laws were later enacted to ease and assist the execution of Jordan's liberal economic policies. These were: the Encouragement of Investment Law 1972, the Registration of Foreign Companies Law 1975, and the Control of Foreign Business Activities Defence Regulations 1978 (Sharar 2007).

2.4.2.3. The Period 1997 Onwards

Prior to 1997, no party was responsible for regulating accounting practice and auditing in Jordan, and the issuance and amendment of the laws were the responsibility of the government represented by the Ministry of Industry and Trade, with a minor role for most of the private sector and the Jordanian Association of Certified Public Accountants (JACPA).

No enforcement mechanisms, particularly punitive ones, existed for the control of accounting practices, and there were no means of ensuring compliance with the disclosure requirements of the law. In addition, accounting practice in Jordan was similar to other developing countries. Accounting regulation in Jordan suffered from many weaknesses.

In 1997 the Jordanian government enacted the Company Law No. 22, and in 2002 the Securities Law No. 76 was enacted; both laws mandated the use of IAS/IFRS by all Jordanian public shareholding companies. Moreover, the Financial Market Act no. 1 was issued in 1990. This was a quantum leap in disclosure in accounting as it requested all companies planning to trade in the Jordan Financial Market to issue specific information in their financial statements.

2.4.3. The Accounting Profession in Jordan

The accounting profession was regulated by the Accounting Professional Council (Al-Akra, et al. 2009). In 1961 a law was enacted to regulate entry to the profession of accountancy,

allowing accountants who had practised the profession for two years to be licensed. Later, in 1985, this law was adjusted to give the Audit Bureau the authority to regulate the entrance examinations for the profession; so, according to this modification the Audit Bureau became the sole body for organizing the practice of the profession and developing and reviewing the accounting profession (Solas 1994).

Moreover, the educational background of accountants has largely influenced accounting practice in Jordan, especially those who received their accounting education in the United States, the United Kingdom, Egypt and Lebanon and in Jordanian universities. A new development occurred in 1987 with the creation of (JACPA) under the Law 42/1987; in October 1992 Jordan became a member of IFAC. However, the role of JACPA in accounting regulation was basically advisory and it had no authority to change accounting issues or auditing standards. Currently, companies in all sectors, as well as financial companies, apply international financial reporting standards; this is considered a positive advantage for Jordan. Generally, IFRS plays a pivotal role in the Jordanian environment in developing disclosure and financial transaction treatments (Dahawy and Conover 2007).

2.4.4. The Auditing Profession in Jordan

One of the main factors that contributed to the development of the auditing profession in Jordan was the modification to income tax in 1964; this classified the taxpayers, including individual citizens as well as public officers and companies. Moreover, foreign auditing firms opened regional offices in Jordan in the early 1960s. Lately, a number of auditing firms have been incorporated in Jordan. This has accelerated the development of the auditing profession dramatically, and has further contributed to improving the profession in Jordan, and in the wider Arab World. A number of pieces of legislation have had a huge effect on the development of the auditing profession in Jordan, including the Companies Law and the Auditing Law (World Bank 2004). Developments in such legislation will be discussed below:

2.4.4.1. Companies Law:

As mentioned previously, this Law, issued in 1964, asserts that stock companies should apply auditing, and determines the relationship between the auditor and other concerned parties. In 1989, the Temporary Act No. 1 (1989) was issued under No. 22; this replaced the Companies Law No. 12 of 1964 and its amendments. After that, several related temporary and

amendment Laws were issued; the most recent were the Companies Law No. 22 for 1997 and amendments under Law No. 17 for 2003.

2.4.4.2. Auditing Profession Law

According to Obaidat (2007), the first auditing company in Jordan was established in 1944; before that, auditing services were provided through auditing firms from Palestine. The professional codes were taken from British Company Law, until the issuance of the Jordanian Companies Law 1964.

The Law No. 10 for 1964 was issued under the title “Auditing Profession Law” in order to regulate and improve the auditing profession. Later on, this Law was modified by a new Law known as Law No. 32 /1985; this created the first association for auditors in Jordan, which was known as the Jordanian Association of Certified Public Accountants. In 1986, auditor classification regulations were issued under Law no. 30/1986. A further development occurred in 1987 with the creation of the Jordanian Association of Certified Public Accountants (JACPA) under the Law 42/1987, followed by regulations (No. 94/2001) which made amendments to JACPA. Then a temporary Law (No. 73/2003) was issued known as the “Public Accounting Profession Regulations” which cancelled the “Auditing Profession Law” (No. 32/1985), and amendments were issued.

2.5. ENVIRONMENTAL FACTORS AFFECTING ACCOUNTING DEVELOPMENT IN JORDAN

Many researchers (Cooke and Wallace 1990) and Belkaoui (1983) have discussed the effect of the environment on accounting,. They considered accounting as the product of its environment, and noted that "the accounting objectives, standards, policies, and techniques result from the environmental factors in each country". For that reason, this section focuses on the influence of environmental factors on the accounting development in Jordan, as well as political and economic influences, legal systems, taxation, culture, religion, international factors, business ownership and organization, and the education system of the country.

2.5.1. Political and economic influences

Elmusa (1995) Jordan’s location next to Israel, the continuing Arab–Israeli conflict, and Jordan’s exposure to a number of turbulent political and military periods have deeply influenced Jordan's economy. The next sections will illustrate these periods and show how

they influenced the economy and, consequently, the development of governance and disclosure regulations.

2.5.1.1. From the Independence date until 1980

As a result of the war in 1948 between Israel and a number of Arab countries, Israel declared itself a state on part of the West Bank; this led to the first wave of Palestinian migration, which led to the doubling the population of Jordan and left the country facing critical economic and social problems (Al-Akra et al. 2009). Again, in 1967, the Arabs lost a second war with Israeli which resulted in 320,000 Palestinians migrating to Jordan and other Arab countries nearby. This situation led to the flow of foreign funds into Jordan (Al-Akra et al. 2009).

In the 1970s, Jordan witnessed a general economic boom. This was due to the liberalization of foreign investment regulations through the enactment of the Encouragement of Investment Law 1972, which mainly aims to facilitate the conditions and the procedures for foreign investors. Under this Law, foreign investors are treated as Jordanian; moreover, the registration of the Foreign Companies Law 1975 and the Control of Foreign Business Activities Law encouraged many foreign companies to locate their headquarters in Amman. Furthermore, according to (Al-Akra et al. 2009) many companies and businesses such as Audi Sardar group moved from Lebanon to Jordan due to the civil war in the 1970s, which led to Jordan taking Lebanon's place as the financial centre of the Middle East. This encouraged the Central Bank of Jordan to establish the Amman Financial Market in 1978 and grant licenses to seven new banks and two financial intermediaries to serve the new arrivals (Marashdeh 1996). Jordan had faced a civil war in 1970–1971 between Jordanians and the Palestinians which drained a lot of economic and social resources.

2.5.1.2. The Jordanian capital market

In 1975-76, as a result of extensive studies conducted by the Central Bank of Jordan in cooperation with the World Bank's International Finance Corporation (IFC), the Amman Financial Market (AFM) was established. Initially, 57 companies were listed on the AFM, but by 1988 the number had increased to 120 (Abu-Nassar and Rutherford 1996). By 2007 there were 245 public shareholding companies and currently (2012) the number stands at 253. All listed companies should meet the requirements of Amman Financial Market (AFM). According to Amman Financial Market (AFM) Law No. 3/1976, each listed company should

publicly disclose the findings of their performance and any information that could affect the stock prices (Naser and Al-Khatib 2000). On the other hand, the AFM did not require any specific information relating to the form and content of the companies' accounts (Abu-Nassar and Rutherford 1996; Rawashdeh 2003). However, companies are requested to prepare audited annual accounts in accordance with Company Law No. 12/1964.

2.5.1.3. Reforms in the Investment Environment

Jordan has chosen to accelerate the liberalization of its economy, working enthusiastically to enhance its competitiveness in the regional and global contexts (Al Sheab 2003). To achieve this goal, Jordan is trying to address the structural imbalance of the economy. Wonderful progress has been made in opening up the economy through regional and global free trade, reviewing legislation to simplify the free flow of capital, developing the monetary indicators to reassure investors, and creating attractive conditions to encourage investors and exploit such opportunities. Jordan has been aware of the need to build business-friendly structures, emphasizing the support for entrepreneurial initiative to create sustainable economic growth by generating the new Investment Promotion Law No.16 of 1995 (Kanaan 1999).

The application of this Law is vested in the Jordan Investment Board (JIB), which is the only national entity responsible for promoting and facilitating investment in Jordan. One of the most important points of this Law is that both Jordanian and non-Jordanian investors are treated equally. The volume of foreign investment at the beginning of the year 2012 was \$ 12.3 billion (non-Jordanian) in the Amman Stock Exchange. For example the state of Qatar has \$1.2 billion of investments in the Amman Stock Exchange. The JIG is responsible for marketing Jordan internationally, creating connections between national and foreign companies and facilitating the communication between investors and other government bodies whose services are needed by the investor, which has developed the Jordanian position in the area.

2.5.1.4. Privatisation Program in Jordan

After the Gulf War, Jordan was unable to repay its commitments, which led to the government signing a new agreement with the IMF to apply an economic reform program in exchange for bridge-financing in the early nineties. Successive governments in Jordan have adopted a free economy in order to achieve the new vision for the Jordanian economy (achieving economic growth); one of the main strategies was privatization (Awamleh 2002).

Accordingly, the government started to encourage and motivate the private sector to contribute more and play a real role in economic development throughout all sectors, including health and education. This falls within the Government focus of redistributing roles that serve to give the private sector a leading role in economic activity, leaving the Government to practice its core duties such as planning policies, direction and organization, development of social services, and protecting the environment, among others (Awamleh 2002).

Privatization is considered part of the overall economic package that the government adopted especially the economic adjustment program and self-reliance in the aftermath of the economic crisis that befell the country in 1989/1990. In addition, new economic developments were taking place worldwide in terms of globalization, the rise of competitiveness, lifting of customs and administrative barriers to liberate the world economy, capital flows, and the communications and information revolution. Therefore, there was a concomitant need for Jordan to open up to the world, through partnership agreements with the European Union (EU) and accession to the World Trade Organization (WTO), or by opting for an Arab free-trade zone and penetrating new unconventional markets. Finally, the government has set out a gamut of macro and micro economic objectives that it aims to achieve through privatization (ASE 2011). The privatization program encouraged a number of foreign investors to enter the Jordanian market, which will be reflected positively in both the accounting practice and users of financial reports through the preparation of financial reports according to required standards; this will allow new professional accountants and auditors to emerge. Table 2.6 shows the new Jordanian strategy of encouraging the private sector to develop the country's economy through privatization.

Table (2-6) Enterprises Privatized

number	Enterprise	Privatization date	Buyer/ Tenant Operator
1	Royal Jordanian Airlines	2007	The shares for public subscription
2	Jordan Phosphate Mines Co	2006	Investment agency/Brownay
3	Arab Potash Co.	2003	Potash cop Sasketehevan
4	Aqaba Railways	2000	Raytheon/ Wisconsin Central
	Public Transport	1999	Three local investor
5	Jordan Tourism and Spa	1998	Accor & Ghandoor
6	Jordan Cement Factories	1998	Lafarge (French company)
7	Water Authority of Jordan	1999	Lyonnaise Des Eaux
8	Hotels company & Jordan tourism	1995	Zara company
9	Jordan Telecommunications Co.	2000	France telecom & Arab bank

Source: Ministry of Planning, Jordan; Economic Overview, Amman, Jordan 2010

2.6. POLITICAL AND LEGAL SYSTEM

Jordan's political system is a constitutional monarchy, and takes into account the various political directions to be represented in the formation of a government. The King holds the throne of the Kingdom and also serves as the supreme commander of the armed forces. The King exercises his executive authority through the Prime Minister and Cabinet. The Council of Ministers is accountable to the elected Council of Representatives, which is linked to the Senate by the legislative arm of government; this arm works independently (Al-Siy 2004).

2.6.1. Environmental Factors Influencing the Accounting Profession

Major factors affecting accounting profession development in Jordan include:

1. Local traditions: The accounting development process depends on a range of factors including historical, economic, political, organizational and social.
2. Economic reasons: society members, primarily the financial community, want accountants to be responsible for supplying accounting information to different users. As a profession, accounting needs to exist within precise economic patterns which enforce the use of certain accounting processes and procedures, but countries vary in their application of laws be they code law, common law or civil code.

3. Legislative reasons: The legislative structure would be viewed as a critical factor influencing the accounting development and expansion, which is indeed a reflection of a national culture.

This section overviews the Jordanian environment and how it affects the development of accounting practice.

In examining the development of accounting regulations in Jordan and attempting to gain a better understanding of Jordanian accounting practices and their future development trends, it is necessary to focus on the path of accounting in Jordan since the early days of the nineteenth century until now, and analyze how Jordan's accounting environment, political, economic, legal and cultural, has influenced the accounting profession in Jordan. We also examine Jordan's recent move towards full adoption of International Financial Reporting Standards (IFRS). In addition, we conclude that political and economic factors, through privatization and the resulting accounting reforms, have contributed more to the development of accounting practices than other environmental factors. Privatization led to the reform of Jordan's disclosure regulations and the laying down of the corporate-governance policy framework.

2.6.1.1. The Legal System

The legal system of any country is considered an important influence on accounting systems. The study by Salter and Douppnik (1992) concluded that the dominant accounting practice in any country is not independent of judicial practice in the same country, and that the sources of accounting differences from this perspective follow essentially from the nature of judicial systems dominant in each country.

Countries are classified according to their legal systems into two types: common-law countries or code-law countries (Salter and Douppnik 1992; Salter and Niswander 1995; Jaggi and Low 2000). Common-law countries are described by their capability to resolve their disagreements through judges (giving more flexibility to the judges in the case of conflict) and they have the ability to formulate their judicial decisions to shape their laws; this type prefers more transparent markets (Archambault, 2003) and grants more protection for investors; hence, their capital markets are the dominant sources of financing. In contrast, code-law countries are characterized by detailed legislation that leaves no room for judges to use their discretion (Francophone countries). This might explain the accounting

consolidation, in the countries of the first category, of independent, non-governmental professional bodies. Conversely, in the second category, where the process of standardization bodies is dominated by central government, the capital markets are smaller, and financing is largely dependent on banks (La Porta et al. 1997; La Porta, et al. 2000).

Meggison et al. (2000) asserted that the legal system is essential for the corporate-governance mechanism that influences the impact of privatization, which applied in Jordan after 1990. They argue that privatization is a major change in the governance structure in terms of changes in ownership structure. Boutchkova and Megginson (2000) found that the number of shareholders in privatized companies is significantly higher than in non-privatized companies. Therefore, the protection of investors becomes crucial to the privatizing country in terms of gaining the confidence of investors and maintaining the reputation of its capital market.

2.6.1.2. Cultural influence

Many researchers (Nobes 1984; Gray 1988; Choi, Frost et al. 1992) considered culture a vital element when studying international accounting. Hofstede (1980) and Gray (1988) suggest a theoretical cultural model, which was empirically tested by using data from different countries. Nevertheless, they concluded that there is no consensus regarding the influence of culture on accounting. On the other hand, Nobes (1998) asserts that the impact of culture on financial reporting seems to be ambiguous if compared with the impact of other external factors such as the stock market or legal systems.

According to Al-Akra et al. (2009) Jordan's culture has been largely rooted in Islamic values since the establishment of the Islamic state during the 7th century. Furthermore, Jordan is a collective society as encouraged by Islam, which signifies the preference for a tight social relations framework which encourages secrecy. Additionally, the composition of the community and its dependence on the group as a tribal community negatively affects transparency in disclosure requirements (Beard and Al-Rai 1999). Because Jordan was a British colony at the beginning of 20th century, and British troops remained in Jordan until the 1950s, strong trading relations were created and continued to exist between Jordan and Britain and other Western countries.

This means that the accounting practices were affected largely by Western accounting practices in the Jordanian business environment and consequently became one of the important reasons for the adoption of IAS/IFRS, which mirrors Western accounting.

2.6.1.3. Corporate Governance

Jordan seemed interested in the application of corporate governance, in line with the programs of economic reform. In 1997 the Company Law introduced the first provisions of the governance-policy framework to encourage companies to apply the principle of this program. The main purposes of applying corporate governance mechanisms are to protect the rights of shareholders and follow policies governing the work, fair treatment of stakeholders and their role in corporate governance, through the commitment to apply the standards of disclosure and transparency, and specify the board of directors' responsibilities. Given the continuing importance of the concept of corporate governance, a number of institutions have been encouraged to take up this concept when analyzing and evaluating economic activities in countries, such as the International Monetary Fund and World Bank as well as the Organization for Economic Cooperation and Development (Mc Gee 2010; Takruri 2011; Shanikat and Abbadi 2011).

2.6.1.4. Accounting Standards Used In Jordan (IAS/IFRS)

Jordan is considered one of the first countries in the area to have adopted the full version of the IAS/IFRS without any modifications (according to Company Law 1997 and the 2002 Securities Law promulgated by the Ministry of Industry and Trade and Jordan Securities Commission, respectively). Also, the Tax Department plays a pivotal role in controlling accounting practice by requiring companies to adopt the same accounting policies when preparing the financial reports and for tax purposes (Al-Akra et al. 2009). Therefore, the view of the tax authorities is at all times considered before financial accounting standards are approved. Accounting standards' purpose is to set and accept accounting standards by exposing proposed legislation to the comments and consultation of the government and the private sector (Diga 1996; Yapa, Joshi et al. 2011).

Al-Fayoumi et al.(2010, p.31) state that "According to the Jordanian Securities Commission (JSC) Law (23/1997) and Directives of disclosures, auditing, and accounting standards (1/1998), all entities subject to JSC's supervision are required to apply International Financial Reporting Standards (IFRS)2. These Directives specify the information required by public

shareholding companies to be disclosed and filed with the Commission for the purpose of enhancing transparency. Public shareholding companies are required to apply the International Auditing and Accounting Standards under the supervision of the Jordan Security Commission (JSC)".

2.6.1.5. Taxation in Jordan

According to the Corporate Income Tax Law (1985/89/92/02) all Jordanian companies are required to file a copy of their audited annual reports to the tax department. Furthermore, for instance, the tax law requires all Jordanian listed firms to use the straight-line method to calculate depreciation rates (Abu-Nassar and Rutherford 1996). In addition, the Jordanian government's dependence on taxes as an internal source of revenue impacts on the accounting practices of Jordanian firms, leading to cases of accounting manipulation and departures from established accounting and auditing procedures (ROSC 2004). Therefore, cultural factors should be used to reduce the number of such incidents.

2.6.1.6. Disclosure and Transparency

It is intended that there be disclosure of important information about the company and the role of the auditor, ownership of a majority of the shares, the members of the Board of Directors and Managers, and all other information to shareholders and stakeholders without delay. There is no doubt that disclosure and financial reporting are essential to achieve efficiency in the financial market (AL-Akra 2010; Saidi 2005).

Much of the information is affected by fluctuation of stock prices and bonds. In addition to the quality of information that is displayed in the lists of companies that are disclosed, the importance of disclosure in the financial statements is that important information may benefit the users in decision-making, and evaluating the lists for the performance of efficient financial markets, which assumes the necessity of viewing information sufficient to permit the prediction of price trends of stocks and bonds (Abu- Baker 1998; AL-Akra 2010).

This provides empirical evidence that companies are reluctant to expand their financial disclosure without pressure from the accounting profession or the government; however, financial disclosure is critical for investors to take optimal decisions, and for financial market stability (Hennawi, 2006, p. 123). So disclosure aims to reduce information asymmetry and to improve investor confidence in the reported accounting information (Samaha et al. 2012). The transparency and disclosure is behind them accountability. Why transparency and

disclosure considered important for companies? Surely to raise and increase the availability of capital, because greater disclosure is associated with a lower cost of equity capital after controlling firm size see Wei and Gaofeng (2004) and financial risk and to decrease the cost of capital through global and domestic capital markets and to attract investments, due to lack of transparency in developing countries companies are paying higher costs of capital and not getting enough foreign investments in the region (Elorrieta 2002). But there is still a considerable gap between the actual disclosure and the level of disclosure perceived by users. Which mean the users need different levels of disclosure to meet their need for information.

2.6.1.7. Listing Securities in Amman bourse

The Amman Stock Exchange was launched to apply the provisions to secure the listing of Securities on the Amman bourse. The Board of Directors of the Amman Stock Exchange (ASE) and the Board of Commissioners of the Securities Commission always aim to facilitate the procedure of listing companies in ASE, in line with the policy of the capital market institutions to enhance the investment climate in Jordan, providing the opportunity for dealers in securities to engage in new exporting as soon as possible after these companies' shares have been subscribed. It should be noted that the ASE started the application of instructions at the beginning of July 2004, which included significant changes to the requirements for listing in the market.

2.7. CONCLUSION

This chapter shows the main reasons for applying this study in Jordan. through the following; the Jordanian accounting system was exposed to major changes during the final years of the last century, and the stock market rapidly embraced the International Accounting Standards for listed companies in 1989 (IAS1989). For the first time, Jordan applied the IAS 36 (impairment of asset) for fixed assets. The rapid introduction of these standards and the wide-ranging impact of the regulations effectively constitute an accounting reform that aims to improve the usefulness of accounting information in the Amman bourse (ASE). Although the Jordanian government holds the official view that the new regulations enhance the truthfulness of reported accounting numbers. Jordan has made great strides towards the global economy. This is evidenced by the association agreement with the European Union in 1999, membership of the World Trade Organization in 2002, and a free-trade agreement with the United States in 2001 have boosted Jordan's economic reform agenda and enabled the

country to become one of the leaders in the Middle East and North Africa region (Al-Jaghoub and Westrup 2003).

The reform program has encouraged the current trend of opening up the Jordan capital market to foreign investors (ROSC)¹⁴. Thus, the issue of accounting information disclosure is more critical than ever before, as the publishing of financial information will inspire confidence, especially for foreign investors who may wish to invest in Jordan.

The economic and political development in Jordan is represented an appropriate environment for such study, besides the security and stability enjoyed by Jordan, making it one of the few Arab countries that not exposed to the revolutions of what is known Arab Spring, (e.g. Syria, Egypt and Tunisia in 2011), which prompted a number of Gulf countries demand from Jordan to join them, also Jordan is one of the first developing countries to have applied international accounting standards since 1989 (Al-Shiab 2003), to judge the suitability of this standard for the Jordanian environment, or it needs some adjustments to suit a developing country like Jordan. And to identify the benefits gained by users of financial information, and its ability to improve the content of information disclosed. Thus allows the researcher to study the effect of impairment loss (standard) from the users' perspective, which adds reliability to the results of this thesis (Chiang 2005).

The ability of the Jordanian economy to face the global financial crisis with a high degree of excellence was due to its strong monetary policy, which will help in discovering is impairment loss used for manipulation or for increasing the quality of financial reports

We should highlight the compatibility of the Jordanian environment with international accounting standards and the reality of listed companies applying International Accounting Standard No. 36, 'impairment of assets'. According to Mansur (2008, p.1) "Jordan is classified by the UNCTAD investment benchmarking system as among the top twenty countries in the world in terms of attracting inflows of Foreign Direct Investment (FDI)", ranking nineteenth in the world in 2005, indicates the effectiveness of actions taken by the Jordanian government in promoting a trustworthy investment environment (Main Al-Nsour, Executive Director of the Jordan Investment Board).

¹⁴ (ROSC) Report on the Observance of Standards and Codes in Jordan.

Also according to U.S. report regarding the Economic Freedom Index for 2006 where Jordan achieves the third place amongst the Arab countries and fifty-seventh globally, in addition, Jordan got a good ranking among the (58) countries according to the Global Competitiveness Report 2011-2012. So it is important to study IAS No.36 (impairment of assets) objectively and critically (especially in light of recent issuance and validity of the application of this standard and the scarcity of studies addressing it) and evaluate the nature of asset impairment and its contribution in improving the quality (qualitative characteristics) of accounting information in Jordan, as well as identifying the obstacles facing the application of this standard and the means to overcome them.

Jordan has witnessed an increasing trend of mergers between banks and companies (Al-Khadash and Salah 2009), which make this study critical as goodwill write-offs resulting from acquisitions may affect performance. This view is supported by Herz et al. (2001) who concluded that the inability to separate acquisition goodwill from total enterprise goodwill in the post-acquisition period is a serious impediment to the adoption of an impairment-testing approach to goodwill. White (2003) mentioned that the fair values determined in recognizing and measuring goodwill will be sufficiently reliable to achieve fair presentation. In addition, the large values of goodwill affect the user's decisions Duangploy (2005). Nevertheless, other researchers (Frank 1979; Nair and Frank 1980; Hassan 1998; Nobes 1998; Salter 1998; Amat et al. 1999; Choi et al. 1999; Jaggi and Low 2000; HassabElnaby et al. 2003; Al-Akra et al. 2009) identify the most important factors that affect accounting practice, such as political and economic influences, legal systems, culture, business ownership and organization, taxation, religion, and educational system; all of these contribute in shaping the accounting practice in each country.

From previous information, the accounting regulation development in Jordan can be explained by stressing the central environmental factors that influence it. In order to improve an understanding of Jordan's present accounting practices and its future development tendencies, the study charts the path of accounting in Jordan since the early days of the nineteenth century, and analyzes how Jordan's accounting environment, political, economic, legal and cultural, influenced the development of accounting in Jordan. The study concentrates on the current trend of Jordan's full adoption (application) of International Financial Reporting Standards (IFRS). Moreover, (Al-Akra et al. 2009) conclude those political and economic factors, through privatization and the resulting accounting reforms, contributed more to the development of accounting practices than other environmental factors

in Jordan. Also examine the effects of applying impairment loss IAS 36 in financial reporting practices are under-researched, so this study gives views on the reliability and relevance of impairment measures and the simplicity of their application in practice that could be specific to the Jordanian environment and differ significantly from consequences from developed countries. So the findings enhance this argument.

Chapter Three

LITERATURE REVIEW

3.1. DISCLOSURE QUALITY

3.1.1 Introduction

Currently, accounting information is a primary language of all business. Therefore, it is the main communication tool between companies and all user groups (stakeholders) (Roberts et al. 2002) which means that all financial statement should be clear, complete, fair, understandable and presented in a way that enables different users to achieve their aims. So the important element in the decision-making process is the financial statement (availability of accounting information), which should be of high quality, fairly presented and in conformity with accounting standards; moreover, accounting information must be comprehensible, capable of being analyzed, and disclosed in a complete and appropriate way (Al-Rashed 1999). The primary goal of accounting disclosure is to inform all users, mainly current and potential investors, about the company's position, the full disclosure principle requires that any transaction or/and information that might have an impact on the financial statements be disclosed. In other words, any information that might make a difference to the decision-making process should be disclosed (Al-Mulhem 1997).

3.1.2 The Concept of Disclosure Quality

Gibbins et al. (1990) define disclosure as any information released for its environment, which possibly could be qualitative or quantitative; financial or non-financial; compulsory or voluntary information; that published with formal method or informal.

Whereas disclosure quality defined according to Katmon (2012) as multifaceted and cannot be identified, while Singhvi and Desai (1971; p.131) define disclosure quality as "completeness, accuracy and reliability". Buzby (1974) used the expression adequate for defining the disclosure quality, also Kent and Stewart (2008, p. 651), defined disclosure quality with "more extensive disclosures are likely to be more informative than brief disclosures, and are, therefore, an indicator of greater transparency" also Diamond and Verrecchia (1991) define the disclosure quality as the ability of investors to determine accurate expectations of the stock prices before the disclosure process. Rogers (2008) using changes in market liquidity as a proxy for disclosure quality.

In addition Patton and Zelenka (1997) similar to Owusu-Ansah (1998) used the expression extent, but Brown and Hillegeist (2003, p.5) define disclosure quality as “the precision, timeliness, and quantity of information provided”. at the same time Hopkins (1996) revealed that the quality of disclosure can be determined by the ability of investors (existing and potential) to understand and interpret information easily while King (1996) detect that the quality of disclosure could be the degree of self-interest or bias corporate disclosure. Whilst Wallace et al. (1994), Naser (1998) used the expression comprehensiveness. Cohen (2003) stated that "the quality of financial reporting may be judged from a number of perspectives (e.g., earnings persistence, predictability of future performance, earnings variability, the relation between cash, accruals and income)".

But the question arises how to measure the disclosure quality, some studies such Beretta and Bozzolan (2008, p. 335) applied “the extent of disclosure (i.e. quantity) is an adequate measure of the quality of disclosure” as a mean to measure disclosure quality, while disclosure quality as used by Heflin et al. (2000) is the average scores of three variables: (i) annual report disclosures, (ii) quarterly and other written disclosures, and (iii) other variables, such as management communications with analysts.

This method used for the analysis of written reports such as reports of the board of directors and have been using this method in accounting science to measure the quality and quantity of financial reports; also the quality of accounting disclosure depend mainly on the number and quality of information or phrases mentioned in financial reports, which required by users of financial information (Hussainey and Mouselli 2010: Mouselli et al. 2012), such as investors, creditors, for example, if the researcher interest with compulsory disclosure to investigate the quality of accounting information must study each sentence are mentioned in the mandatory financial report and then determine its kind does this sentence contains good information for users of financial reporting or bad news influential on their decisions, (increased expenses) because it will reduce profits (Sun et al. 2010).

Beretta and Bozzolan (2008, p. 340) stated that "disclosure quality is undeniable that quality is a complex, multidimensional concept, the number and type of dimensions to be considered is debatable, as well as their relative importance. These dimensions are subjective as they depend on the perspective through which the disclosure is observed and evaluated".

3.1.3. Literature Review on Disclosure Quality

The International Accounting Standards have been adopted by a significant number of qualified accounting bodies in developing countries (Chamisa 2000; Abd-Elsalam and Weetman 2003), and the growing acceptance of the International Accounting Standards has encouraged a practical assessment of the effect of these standards on the quality of accounting information (Barth et al. 2008). The question of whether the International Accounting Standards have relevance for developing countries has raised significant interest among accounting users, particularly academics and accountants (Samuels and Oliga 1982; Hove 1986; Perera 1989; Larson 1993; Wallace 1993; Carlson 1997; Al-rai and Dahmash 1998; Watty and Carlson 1998; Susela 1999; Street and Gray 2001). So based on that, become clear that the adopted of these standards will enhance the quality of financial reports, consistent with Barth et al. (2008) who detect a new evidence illustrates that disclosure quality has increased significantly under IFRS in three European countries (Austria, Germany and Switzerland), also Daske and Gebhardt (2006.p.461) stated that "the mandatory adoption of IFRS has been motivated by the need to ensure greater comparability and a higher transparency and quality of financial reporting across the EU member states". But still there is a dissenting opinion believes that the accounting information users did not get what was expected, And according to the satisfactoriness of financial statements 'traditional reporting', has been criticized in terms of its ability to satisfy increasing information needs (Smith and Taffler 1995; Breton and Taffler 2001)

Based on that became essential to comply with disclosure requirements, which is reflected positively the quality of financial information. Iatirdis (2008, p.219) declared that "the implementation of international financial reporting standards enhances the quality and the comparability of financial statements; hence it promotes consistency and reliability in financial reporting and facilitates companies in raising capital internationally", also firms that disclose detailed accounting information tend to exhibit higher profitability, Iatirdis (2008, p.219) state that "firms are inclined to disclose accounting information in order to assure the market participants that their accounting policies are consistent with the accounting regulation and meet the information needs of their stakeholders" which increase the disclosure quality.

Through accounting literature survey for studies dealing with disclosure quality, and how disclosure quality effect on the users decisions, Iatirdis (2008) investigate the incentive for

studying the extent of disclosure to assess the financial characteristics of firms that provide more or less extensive accounting disclosures, he finds that size, growth and leverage affect the quality and quantity of accounting disclosure significantly, Brown and Hillegeist (2007) investigate how disclosure quality affects information asymmetry¹⁵, their findings indicate that information asymmetry is negatively associated with the quality of the annual report, these findings consistent with (Diamond and Verrecchia 1991; Healy and Palepu 1999; Heflin and Wild 2005; Welker 1995) findings, which detect that greater disclosure decreases the opportunity of information asymmetries between the company and its shareholders or among potential investors. Which, lead to reduce the cost of capital by reducing the discount at which shares are sold through decreased transaction costs or by increasing the demand for firms stocks.

Also Lang and Lundholm (1993) discover a positive relation between the AIMR scores and firm performance, firm size and security issues, and a negative relation between the AIMR scores and the correlation between earnings and returns, moreover Lang and Lundholm (1993) stated three variables associated with disclosure quality: (a) Size; measured as the firm's market value at the end of the year and compared with the value in the beginning of the year; bigger firms are expected to have higher disclosure quality because the benefits are expected to be higher while the costs are expected to be lower (b) Return for evaluate the performance; measured through ROA, ROE over the year (c) Surprise; measured as the difference between actual value and the agreement amongst analyst forecast for stock earning. Cohen (2003) revealed companies can reduce the information asymmetry between itself and users of accounting information such as investors by providing information that will help investors in decision making process.

Also Mouselli et al. (2012) investigates the association between accruals quality and disclosure quality as risk factors in explaining the time-series variation in portfolio returns, the findings indicate a positive association between accruals quality and disclosure quality, and firms which have higher disclosure quality associate with less earnings management and have higher accruals quality. furthermore Mouselli and Hussainey (2010) investigate the importance of the disclosure quality for stock market participants and investigated the

¹⁵ Information asymmetry as defined by Brown and Hillegeist (2007) happens when one or more investors hold private information about the firm's value.

relation between disclosure quality and stock returns for a large sample of UK firms through the period July 1997 to June 2004 their findings indicate that good disclosure quality have lower costs of capital, also disclosure quality improve stock returns.

Welker (1995) discovers firms that have higher AIMR scores have lower information asymmetry, as proxied by bid-ask spreads. Healy and Palepu (1999) stated that firms with continued improvements in analysts' ratings of disclosure quality (AIMR scores) lead to increase in stock liquidity, analyst following, institutional ownership, and stock performance, whereas Botosan (1997) detects a negative correlation between a self-constructed index of disclosure quality and the cost of equity capital. Botosan and Plumlee (2002) detect a negative association between disclosure quality and the cost of capital by using AIMR index to measure disclosure quality. Coles et al. (1995) discovered that more disclosure decrease the evaluation risk connected with investors judgment of the parameters of the return or payoff distribution and, which in turn, reduces the cost of capital. Gordon et al. (2012) provide evidence that adoption of IFRS standards leads to increased foreign direct investment (FDI) inflows.

Sengupta (1998) examined the nature relation between disclosure qualities and cost of debt using estimations of financial analysts to measure the disclosure quality, the findings indicate that firms which have detailed disclosure reducing its cost of debt. Also Mouselli and Hussainey (2010) find that firms which have good disclosure quality have lower costs of capital. As well Hussainey and Walker (2009) concluded that disclosure quality helps users' specifically stock market participants to improve their expectations about future earnings for long period. other effects of disclosure quality are found through Diamond and Verrecchia (1991) and Espionza and Trombetta (2007) detected a greater disclosure will increase stock liquidity and decrease its risk either by decreasing transaction costs or increasing the demand on stock, accordingly decreasing the expected returns of the stock.

From Previous empirical research regarding disclosure quality it become clear that the evidence achieved has mixed and limited results, which encourage to used the qualitative characteristics and perspective of accounting information users to measure the quality of accounting information.

3.1.4. Disclosure Quality Measurement

Due to the difficulty of measurement the disclosure quality because the lack of a clear definition of 'quality' (Beyer et al. 2010). According to Mouselli and Hussainey (2010) state it is not easy to measure firm's disclosure quality from users' opinion. Accordingly, most researchers usually use disclosure quantity as a proxy for disclosure quality for example (Beattie et al., 2002; Beretta and Bozzolan, 2004 and 2008), while Mouselli and Hussainey (2010) state that not sufficient using disclosure quantity as a proxy for measuring disclosure quality alone, this view enhanced by (Beretta and Bozzolan 2008).

According to the literature review for disclosure quality measurement, four methods are generally used for measures the quality disclosure as follow: the management earning forecast, disclosure index, the annual report awards and the analyst forecast. The researcher will spotlight on each of these methods in more details.

The first method to determining the quality of disclosure is the management earning forecast, used by a number of researchers such as (Ng et al. 2006; Cox, 1985; Waymire, 1985; Lev and Penman, 1990; Penman, 1980; Miller and Piotroski, 2000, Karamanou and Vafeas, 2005). Focusing on the advantages of current method Healy and Palepu (2001, p.426), state that "management earnings forecast precision" depending on the easily measurement by comparing the actual earnings with what forecast (Welker 1995). Also the timing of disclosure can be simply recognized. Then, the procedure used to carry out the comparative process does not cause a problem, moreover, Penman (1980, p.157) recognized important facts regarding 'management earnings forecasts' which considered as a relevant information to evaluate the firms as well as for making economic decisions.

However, a few empirical studies (Penman, 1980) examine the accuracy and reliability of management earnings forecasts, for example Stein (1998) examine two types of problems may affect the accuracy facing management earnings forecasts the first is moral hazard and second adverse selection. The moral hazard problem confirmed that the managers have a possibility to use bias in earnings forecasts to go with their needs, wants and desires. But Stein explain that (1998, p. 197) the adverse selection happened when "investors anticipate biased forecasts and rationally discount the information". Bearing in mind that firms and managers may manipulate with the management earnings forecasts in order to achieve a private goals. For example, Kasznik (1999) state that the accuracy of management earnings forecasts are affected with earning management incentive, through managers practice income

smoothing and big bath methods to getting the desired earnings figure. Therefore, based on the above the use of management earnings forecasts as a proxy for measuring disclosure quality is enormous unrelated because it is exposed to manipulation and utilization by the managers of the companies.

The second method for measuring the disclosure quality is disclosure index, that used as a proxy for measuring 'disclosure quality' from a number of studies, through choosing a set of items to constitute the disclosure index, The disclosure indexes may collect both the mandatory disclosure see Arnold and Matthews (2002) and voluntary disclosure Botosan (1997), based on the disclosure requirements in the country which the company operates. The items chosen to include the disclosure index should satisfy the needs of a users group, as the interests of user groups vary, Beattie (2004, p. 211), "define these items which were grouped into six categories, three forward-looking topics (environment around the company; strategy and management; and company trends) and three historical topics (environment of the company; production; and customers)". These factors must be taken into account when forming the disclosure index; the disclosure index should derive from previous studies (Aksu and Kosedag, 2006; Ghazali and Weetman, 2006; Meek et al., 1995); and should be comprised items of voluntary disclosure and any other mandatory disclosure requirement will be uninvolved (Barako et al. 2007; Lapointe-Antunes et al. 2006; Boesso, 2003; Chau and Gray 2002; Meek et al. 1995); then checking the ability of the disclosure index to achieve the main goals (Ghazali and Weetman, 2006). For example Bens and Monahan (2004) used the Association for Investment Management and Research (AIMR) as a proxy to measuring the high disclosure quality.

To discover and investigate the quality of disclosure, the mandatory disclosure will be the minimum disclosure requirement imposed by the regulators (Barako et al., 2007; Chau and Gray, 2002) also voluntary disclosure used to assess the level of disclosure quality (Barako et al. 2007; Lapointe-Antunes et al. 2006; Boesso, 2003; Chau and Gray 2002; Meek et al. 1995); determine the weight for each item in the list of disclosure index.

For example Katmon (2012) detect that "disclosure indexes related to firm's general information (e.g. company history), capital market data (e.g. key financial information), social and environmental disclosure (e.g. information about employees, safety and health, environmental concern), and corporate governance disclosure (e.g. the quality of corporate governance information provided by the company), forward looking disclosure (e.g.

information related to the firms future affairs) and others", also Hussainey et al. (2003) improved a new a list of items (new index) contained of forward looking keywords (e.g. accelerate, anticipate, await, confidence, convince, estimate, expect, forecast) that greatly associated to the forward looking .

The third method for measuring the disclosure quality is disclosure Award, some groups of accounting professional bodies such as (auditors, journalist, standard setters, regulators, financial analysts etc) developed a new method to evaluate the quality of the disclosure called 'disclosure ward', in order to overcome the subjectivity and bias which employ in the assessment process of previous methods for example 'Investor Relations Magazine Awards' which depends on a large number of analysts votes. This method used financial report contests through give scores or rating for its elements, to judge the disclosure quality, many studies have used this method such as (Sengupta 1998; Zhau and Lobo 2001; Bushee and Noe 2000).

The accounting system is a complementary component of the country's overall system (Ball, 2001) and is also determined by firms' incentives for financial reporting. La Porta et al. (1998) provide the first investigation of the legal system's effect on a country's financial system.

In addition to prior methods, the last method is the analyst earnings forecast method, which used as a proxy for measuring disclosure quality (e.g. Bhat et al. 2008). But there are some (criticism) negative aspects of this method because it relies heavily on personal judgment, which provides more bias, and is better using more than one method with each other to evaluate the quality of disclosure. Kerl (2011) suggests that analyst forecasts are more precise for large companies; also, additional disclosure quality should be taken in consideration to give a reasonable proxy for disclosure quality (such as reliability, verifiability, comprehensiveness, readability, fairness, neutrality, comparability and relevance).

But Core comments that 'improved measures of disclosure quality also need to be developed' (2001, p. 16), This idea is asserted by Beattie (2004, p. 207), "there is clearly a pressing need for research effort to be devoted to developing new ways of documenting disclosure practices", identifying dimensions of disclosure quality and exploring possible measurement proxies. From another point these methods for measuring the quality have been criticized in literature (Botosan 2004; Beretta and Bozzolan 2008), because it should stemmed on the conceptual frameworks such as the International Accounting Standard Board (IASB) and the

Financial Accounting Standard Board (FASB), because both explain the concept of disclosure quality more acceptable see IASB (1989). For example, the IASB framework, relevance, reliability, consistency, understandability and comparability are the qualitative characteristics that formulate useful information to assist economic decision makers. Paananen (2008) stated that "there has been no increase in financial reporting quality over the two first years after the adoption. On the contrary, I find some indications of a decrease in financial reporting quality".

3.1.5. Disclosure Quality and Its Economic Consequences

Through this section the researcher highlights on the influence of disclosure quality on economic consequences. Beyer et al. (2010) stated that accounting information plays two vital roles in market based on economies. First, it give a chance for shareholders and creditors to evaluate the potential return of investment and understand opportunities available, Second, accounting information give capital providers to watch the use of their capital. This is entirely consistent with the results of (Barth et al. 2008).

Most of prior studies have investigate the effect of disclosure on six themes to discover its effect on economic consequences; The first theme, disclosure quality and cost of capital /cost of equity such as (Welker 1995; Botosan 1997; Sengupta 1998; Rashid 2000; Richardson and Welker 2001; Botosan and Plumlee 2002; Hail 2002; Kothari and Short 2003; Botosan 2006; Ying and Zhengfei 2006; Francis et al. 2008; Hussainey and Mouselli 2010; Dhaliwal et al. 2011).

Some studies investigate the relation between disclosure and firm's cost of capital. For example, Welker (1995) and Sengupta (1998) find that higher disclosure ratings always associated with lower bid-ask spreads and lower cost of debt. Also Botosan (1997, p.323) find that "greater disclosure is associated with a lower cost of equity. Moreover Rashid (2000) investigates the relation between disclosure quality and cost of debt equity for retail banks in UK. The result indicates that firms with higher disclosure scores exposure for lower cost of debt capital. Botosan and Plumlee (2002) They examines the association between the cost of equity capital and levels of annual report and timely disclosure, they find that the cost of equity capital decreases in the annual report disclosure level but increases in the level of timely disclosures. This result is contrary to theory that greater disclosures may increase the cost of equity capital.

Hail (2002) aims to discover the relation between disclosure quality and cost of equity capital, according to the economic theory and anecdotal evidence suggest a negative association between the two variables. He revealed a negative and highly significant association between the two variables. Botosan (2006) re-examine empirically the association between disclosure and the cost of debt capital. The primary results assert the hypothesis that greater disclosure reduces cost of equity capital. Ying and Zhengfei (2006) investigate the influence of disclosure quality on the cost of equity capital using a sample from Chinese listed companies. they used residual income model to measure the cost of equity capital, and construct a private index to measure the total disclosure quality .The result indicate that ,there is a negative relationship between disclosure quality and marginal cost of equity capital ; Which means that disclosure quality will influence the cost of equity capital in Chinese stock market. In addition, their analysis shows that earnings smoothness and total disclosure quality are the main influence factors on the cost of equity capital.

While Francis et al. (2008) and Core (2001) detected that disclosure associated negatively with lower cost of equity capital through its information asymmetry reduction. Furthermore Hussainey and Mouselli (2010, p.27) find that firms with poor disclosure quality, have higher costs of capital than firms with good disclosure quality. Dhaliwal et al. (2011) examine a possible benefit associated with the initiation of voluntary disclosure of corporate social responsibility (CSR) activities; as a factor for decline in firms' cost of equity capital. the result indicate that firms with a high cost of equity capital in the previous year tend to initiate disclosure of CSR activities in the current year and that initiating firms with superior social responsibility performance enjoy a subsequent reduction in the cost of equity capital. The main result from previous studies that high quality accounting standards always reduce capital costs.

The second theme, explain the effect of disclosure quality on stock price liquidity such as (Schleicher 1996; Brown et al. 1999; Bushee and Noe 2000; Barron et al. 2001; Gelb and Zarowin 2002; Haw et al. 2002; Lundholm and Myers 2002; Nagar et al.2003; Schleicher et al. 2007; Lambert et al. 2007; Haggard et al.2008; Kothari and Short 2009; Healy et al. 2010 Hussainey and Mouselli 2010; Mouselli 2012).

Some studies examine the relation between disclosure and stock prices, and they arrived to result that greater disclosure increase the expected return of stock such as (Hussainey and Mouselli 2010; Mouselli 2012) whereas Healy et al. (1999) disclosure quality improve stock

performance. Lambert et al. (2007) "the improvements in disclosure not only increase firm price, but also reduce a firm's cost of capital", while other studies have contrary findings such as Espionsa and Trambetta (2007) and Haggard et al. (2008) greater disclosure reducing the expected return of stock. The same result achieved by Chen et al. (2006) indicates disclosure quality effect negatively on the stock volatility. Also other studies (Schleicher and Walker 1999; Doula 2000; Lundholm and Myer 2002; Shuqing et al. 2003; Gelb and Zarowin 2002) discovered that disclosure quality leads to more informative stock price, specifically about future earnings. In addition, Schleicher (1996) and Leuz and Verrecchina (2000) find that high level of disclosure has no effect on share price volatility. Despite the mixed results from previous studies become clear to what extent disclosure quality affect the stock prices, whether positive or negatively, which helps users in the decision-making process.

The third theme, explain the effect of disclosure quality on bid-ask spreads (e.g. Healy and Palepu 1999; Heflin et al. 2001; Chen et al. 2007). Previous research such as (Healy and Palepu (1999) confirms that relative bid-ask spreads are negatively associated with disclosure quality. Heflin et al. (2001) better public information is expected to result in lower bid-ask spreads and lower risk of informed trading, which mean higher quality accounting information is most effective in reducing the risk of informed trading.

The forth economic consequence of corporate disclosure that has taken great interest is analyst forecast. Practical findings that explain the relation between disclosure quality and analyst forecast comes from a number of studies (e.g. Francis et al. 1997; Brown et al. 1999; Eng and Teo 1999; Barron et al. 1999; Byard and Shaw 2003; Hope 2003; Aerts et al. 2007; Barron et al. 2010). Most findings of the previous studies confirmed improved disclosure quality leads to increase the accuracy of analysts' forecasts, such as (Hope 2003; Byard and Shaw 2003; Eng and Teo 1999; Brown et al. 1999; Lang and Lundholm 1996; Barron et al. 2010), and disclosure quality is negatively related to forecast dispersion and forecast errors (Brown et al. 1999; Hope 2003) also Aerts et al. (2007) state disclosure quality reduce the dispersion of analysts' earnings forecasts.

Landsman et al. (2012) "Find information content increased in 16 countries that mandated adoption of IFRS relative to 11 that maintained domestic accounting standards. Also they find evidence that IFRS adoption increases information content: reducing reporting delay, increasing analyst following, and increasing foreign investment". Jiao et al. (2012) investigate the influence of the mandatory adoption of International Financial Reporting Standards

(IFRS) on financial analysts' ability to interpret accounting information into forward looking information. The findings indicate that the switch to IFRS has an impact on (1) the ability of analysts to forecast earnings accurately and (2) the agreement among analysts regarding forecasted earnings, which assert the improvement of accuracy forecast and agreement after the switch to IFRS. Finally current empirical evidence indicates that disclosure quality increase the accurate analysts' forecasts.

The fifth economic consequence of disclosure quality that has taken great interest is analyst following such as (Lang and Lundholm 1996; Walker and Tsalta 2001; Irani and Karamanou 2003; Debreceeny and Rahman 2005; Hillegeist 2007). Lang and Lundholm (1996) study considered one of the rare studies discusses the relation between disclosure and analyst behavior. The primary results for Lang and Lundholm (1996) is important positive relationship between corporate disclosure ratings and analyst following. As well as high quality of disclosure quality inclined to be followed by higher levels of analyst following. Tan et al (2011) investigates how accounting harmonization effects on financial statement users' specifically financial analysts. The findings indicate mandatory (IFRS) adoption lead more comparability benefits that enhance the usefulness of accounting data and improve levels of analyst following. Walker and Tsalta (2001) find a positive association between the quality disclosure in financial reports and analyst following. Moreover Aryo et al. (2007) find a positive correlation between firm performance and analyst following, so increased quality disclosure is possible to boost the supply of analyst services.

The sixth economic consequence is the impact of disclosure quality on the firm's reputation such as Blasco and Trombetta (2003) detected high quality of annual report disclosure increases a firm's reputation, also Hasseldine et al. (2005, p.231) "suggest that quality of environmental disclosure rather than mere quantity has a stronger effect on the creation of environmental reputation".

Furthermore disclosure quality may improve capital investment efficiency (Verdi 2006; Biddele et al. 2009; Pettit 2012).

Therefore the development of standards, procedures and accounting practices reflect positively on the economy and this is evident from the accounting literature see Gordon et al. (2012) examining the effect of adoption IFRS through 1300 observations covering 124 countries, for the period from 1996 through 2009, the findings indicate the adaption of these standards increased foreign direct investment (FDI) inflows. They provide evidence that

adoption of IFRS leads to increased FDI inflows. The analysis indicates, however, that the overall increase in FDI inflows from IFRS adoption is due to the increase in FDI inflows by countries with developing, as opposed to developed, economies. Naser et al. (2002) examine the influence of the adaptation of IAS in the Jordanian companies Act. The findings detect a slight improvement in disclosure after the IAS.

In addition they find disclosure levels associated with corporate size, liquidity, gearing, audit firms' status and profitability. Although Daske and Gebhardt (2006) find statistically that the disclosure quality has increased significantly for companies that applying internationally recognized accounting standards, particularly IFRS. Also this result supported by Wyatt (1989) and Arapan and Redebaught (1985) stated that the adoption of IFRS/IAS will support the growth of equity markets and support economic development. One of the important results of Barth et al. (2006) study, showed that companies that have implemented IFRS have less earnings management, more timely loss recognition and more value relevance of earnings, which mean it consider evidence of higher accounting quality. Soderstrom and Sun (2007) find the implementing of IFRS is considered a complementary component of the country's overall institutional system (Ball, 2001) and that will enhance the confidence in financial reporting. One of the main elements of according information development and improvement is what described by Soderstrom and Sun (2007) the accounting standards that used and its effects on the economy, so the use of international Financial standards keep up with development for other elements as discussed in Jordan chapter see figure will reflect positively on the Jordanian economy, from here was necessary to measure the impact of the application of IAS to discover its suitability to Jordanian environment or its require some modifications according to users perceptions.

3.2. ASSET IMPAIRMENT

3.2.1. Introduction

IAS 36 impairment of assets (published in 1998, effective 1999, and revised 2004; 2009; 2010) adopted the basic rule that an asset whose carrying amount exceeded its recoverable amount is impaired and must be written down to recoverable amount, the difference taken to income in the current period. IAS 36 defines recoverable amount as the lesser of net selling price and value in use Yang et al. (2005) or as the difference resulting from the inability to recover the carrying value of the asset as a result of a set of internal and external conditions; it can also be defined as the increase in book value of the asset for its recoverable amount.

According to IAS36.6, an asset is defined as impaired when its carrying amount exceeds its recoverable amount, (IAS 36 2009). “Impairment loss is recognized if the carrying amount is not recoverable from its undiscounted future cash flows”; this can be represented statistically:

Assets impairment = carrying amount – recoverable amount.

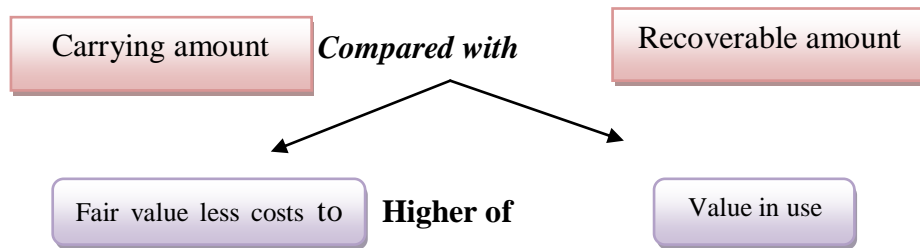


Figure (3-1): Determining recoverable amount

The application of asset impairment means restoring the values of assets to fair value, and ensuring that the disposal adheres to the principle of historical cost; despite the objectivity, this is evidence of the accounting profession’s continuing inability to find a suitable alternative that has general acceptance and the objective of avoiding bias and impartiality, and shows every now and then attempts to restore the values of financial fair values. The most recent attempt is International Accounting Standard No. 36 which relates to decline in the assets’ value (impairment of asset), other terms related to impairment of asset (see appendix no 3.1).

The intention behind the adoption of the IFRS is to expand a single set of accounting standards that will streamline accounting practice around the world and consequently improve comparability of financial reporting (IASB). The improved comparability should make it easier for investors to understand financial reports across countries, decrease information asymmetry and consequently reduce the cost of capital. In addition to improving comparability of financial reports, the International Accounting Standards Board (IASB) asserts the importance of fair representation, and fair value accounting is one of the most important issues; however, if there is no market the fair value must be expected to be based on a multiplicity of different economic models. This introduces discretion in assessing fair value, which may encourage opportunistic behaviour.

This, in turn, requires that investors are able to determine and distinguish between changes in accounting practices and changes in fundamentals affecting companies’ cash flows. Brown (2011) assumed International accounting standards differ from country to country due to the differences across countries in terms of economic and social forces (as mentioned earlier),

which have interacted in the past to determine those countries' accounting standards today. Much of the diversity in accounting standards across countries results from deeply entrenched differences in legal systems, in the relationships between firms and their financiers, in income tax systems, in inflation rates, in historical ties (political and economic), in the extent of economic development and in the level of community education (Saudagaran and Meek 1997; Brown and Clinch 1998).

Asset write-down has been practised for decades in the United States, beginning first with circulating (current) assets and gradually extending to fixed (non-current) assets under the address of impairment rules. However, research in the impairment area focused on whether write-downs reflect asset impairment or signal an improved future performance (Elliott and Hanna 1996; Francis et al. 1996; Rees et al. 1996; Chen et al. 2008). It is widely noted in academic literature that culture impacts business practice in general and the development of accounting and reporting systems in particular. Impairment¹⁶ recognition and measurements have been debated for several years. In 1999 the International Accounting Standards Committee (IASC 1999) and the International Accounting Standards Board (IASB 2001)¹⁷ introduced new standard that changed the general treatment of asset impairment (long-lived assets and goodwill).

3.2.2. Importance of Applying Impairment of Assets

There are still many criticisms relating to accounting numbers and these criticisms can be summarized as follows:

First, companies still continue to embrace the principle of historical cost (the cost that arises with the acquisition of an asset) and give notice of any difference to this value after the acquisition of asset, such as the fact that these assets are not purchased for resale but for use in production processes. Second, different values contained in the Statement of Financial Position and the necessity of uniformity in the rules of these values has been agreed between

¹⁶ Impairment, write-offs and write-down have the same meaning in accounting.

¹⁷ The International Accounting Standards Committee (IASC) Foundation was incorporated in 2001 as a not-for-profit corporation in the State of Delaware, US. The IASC Foundation is the legal parent of the International Accounting Standards Board.

accountants as fair value. Third, there are different ways of evaluation. Fourth, the current practice is unable to evaluate some of the assets or liabilities; hence, their absence from the financial statement.

In response to these criticisms, the accounting profession has made great efforts to find appropriate solutions. The solutions are contained in the International Accounting Standard No. 36 the decline value of assets; however, this has been allocated only to decline, and thus has been replaced by the international accounting standards, which treat the decline such as standard numbers 40, 38 and 16. This standard was criticized as a solution to the principle of historical cost.

The decline or impairment is the difference resulting from the rise or increase in the book value of a certain asset for its recoverable amount, which means a more or less inaccurate calculation of the distribution out of the asset cost over its useful life; therefore the premium amortization is less than necessary.

The non-recognition of an impairment loss (the decline in asset value) arguably leads to the following results: Inflation in asset values reduced and thus a rise in total assets, Lower expenses chargeable to the income statement, Increase in net income, Rise in the total numbers in the budget of both sides. There are arguably endless negative consequences of not calculating the decline, so the information published in the financial statements is inaccurate and insufficient for decision-making as long as the values contained in the financial statements depart from the true reality of the so-called fair value.

It is clearly important to apply the decline in assets (impairment loss) by encouraging companies to use their assets effectively Mizuno (2004) as one of the ways leading to access to fair value, and thus to the homogeneity of the values contained in the financial statements and the disposal of criticism of the accounting profession in this area, to make the financial information published appropriate, credible and a sound basis for the decision-making process.

3.2.3. The Accounting Treatment for Assets Decline

After identifying the concept of impairment loss and to address all topics related to it, we should recognize how the accounting treatment for the decline, as set out in IAS 36, summarizes the steps for selecting assets impairment for the first time as follows:

(1) Review internal and external indicators (see appendix no. 2.2) for assets, which may lead to a decline in value. (2) Examine the recoverable value of assets that are subject to reduction and compare them with the carrying value; the difference if negative will be the impairment loss (measuring the decrease). (3) Registration impairment loss on the accounts is related to the loss and reverses the decline if conditions were met. But in the periods following the period in which the impairment loss is recognized and recorded, the procedure will be as follows: review the internal and external circumstances and causes, which could lead to a decline in assets or an increase in value after the reduction. Examination of the recoverable value of the assets will potentially show a decrease compared with book value, and the result will be one of three possibilities: (1) The recoverable amount equals the carrying value and the result is no impairment loss in the current financial period.(2)The recoverable amount is less than the carrying value and there is a drop in assets value and the impairment loss is registered.(3) The recoverable amount is more than the carrying value and the result is no impairment loss in the current financial period; reverse impairment losses may be applied if found before (IAS 36, 18- 23).

3.2.4. Recognition and Measurement of Impairment

Assets to which impairment can be applied have been addressed, and are identified based on a set of internal and external indicators (see appendix no.2.2) which indicate whether there is inflation in the carrying amount or value of re-appreciation of a specific asset. They cannot move to the next stage unless a measurement has ensured that there is a decrease in the asset value, which is the loss that should be recognized, measured and accounted for as stated in IAS No.36. However, the impairment losses are expenses that should be borne (recorded) in the income statement unless they relate to the asset that has been re-assessed in terms of value changes, recognized directly in owners' equity. Hsieh and Wu (2006) mention that accounting standards require that impairment be recognized when the carrying amount of an asset is greater than the undiscounted expected cash flows related to the use and disposal of that asset. Although the calculation may be complex and fraught with estimates, there are some internal and external indications that can be inferred by the presence of decline and progress, and these will be reviewed as follows:

3.2.5. The Disclosure of Impairment Loss

The standard has focused on the importance of disclosure for the impairment of assets because it is associated with fair representation of the financial statements and thereby

increases the reliability of the information published in the financial statements and improves the qualitative characteristics of this information; it is considered the clear, accurate foundation and is appropriate for the decision-making process, and should be considered. If the recoverable amount is the net realizable value, it should disclose the method used to estimating realizable value. But if the recoverable amount is the value in use¹⁸, it should be disclosed about the discount rate¹⁹ used (Reinstein and Lander 2004). The impairment loss or reversal, which has been recognized as important in the overall financial statements as a whole, should be disclosed: (A) The main category of assets affected by the decline. (B) The main events and circumstances that led to the impairment loss.

3.2.6. Reverse an Impairment Loss

When decreases happen (the impairment loss appears) the asset book value should be modified to be equal to the recoverable amount, but if in future the asset value increased more than the recoverable amount, it must reverse the decline to access the book value before the record of the impairment loss declines; that is, if the difference is negative in this case it should record the impairment loss but if the difference is positive it must not exceed the impairment, reversing the negative difference (Trottier 2013). The International Accounting Standard No. 36 must be observed, particularly rules relating to reverse impairment loss, namely: (A) Follow the same method to determine the decline in assets and when preparing the budget where it is to assess whether losses are in decline, and if this happens, calculate the recoverable amount. (B) It must not exceed the carrying value including reverse impairment loss the asset depreciation amount if would not be recognized impairment loss. (C) Reverse impairment losses are recognized as income revenues recorded in the income statement, (D) The depreciation installment must be modified for the future periods, (E) Do not reverse impairment losses in goodwill unless the decline was due to an external event which is expected to be of an exceptional nature that will not appear again. (F) Impairment losses are not reversed due to the passage of time, even if the recoverable amount of an asset is higher than a recorded amount (IAS 36.110-116).

¹⁸ Value in use: estimating the value in use is associated with estimating the future cash flows, and discounting it in the light of a certain interest rate

¹⁹ The discount rate: the interest rate that will be appropriate, to discount future cash flows on its basis.

3.2.7. Goodwill impairment

Goodwill is considered one of the assets most affected by the application of IAS No. 36 on the decline, because the old method required the goodwill to be amortized for a maximum of forty years (Pajunen 2012; Vichitsarawong 2007). This means that this intangible asset perhaps faced a significant loss or increase in value more than it deserved, which is known as inflation in asset values or "Overstating in Assets Value", which will supply users with misleading information, so impairment methods will be more reasonable than amortization (Jennings et al. 2001). Since the announcement of IAS No. 36 and the possibility of applying it to the decline in goodwill, significant reductions have appeared in the budgets of many companies, such as AOL²⁰ (\$ 54 billion), the SBC Company²¹ (\$ 108), the Maguire²² Company (\$ 40 million) and McDonalds (\$ 99 million) (Wayman 2003). Goodwill may have declined because it has been proved that the goodwill value is estimated, regardless of the method of measurement. Goodwill is an intangible asset with no physical entity; it can't be a monetary value in itself without the rest of the company's assets and cannot therefore be sold alone or represent its own cash-generating units. Therefore goodwill cannot be a subject to diminishing gradually as what assumed by the amortization method, but if the goodwill really faced a decrease in its value, here should used the same method of evaluation used first time when measure the goodwill, in order to identify impairment loss, which is not required to have the same amount of impairment loss regularly (Vichitsarawong 2007).

Goodwill are measured annually, when the internal or/and external indicators of goodwill decline are appeared, in this case one of two test can be made to find out the decline in value : (1) Bottom-Up Test : to conduct this test, it should be possible to customize the carrying amount of goodwill on the basis of a fixed and reasonable cash-generating unit, where the inclusion of goodwill is already part of the assets that make up the cash-generating unit, then estimating the value used on the basis of expected future cash flows in order to calculate the recoverable amount, which compares with book value to realize the decline. (2) Top-Down Test: This test is performed when it is not possible to allocate goodwill to a cash-generating unit (small company) in reasonable basis which lead to apply the cash-generating unit for entire company (great company) as a base to computing the goodwill value. And this happens

²⁰ The write-down reflects the falling value of AOL when it merged with Time Warner

²¹ This happened with the merger of SBC Communications Inc. and Ameritech Corp., two local phone service providers

²² Maguire Properties, Inc. a Southern California-focused real estate investment trust, has taken a \$40 million impairment loss

in cases of mergers between companies where they are compared to the recoverable amount of the CGU with its book value to discover if there is a decline in the value of goodwill.

3.2.8. Cash Generating Units (CGU)

According to (IAS 36, 68) the cash-generating units can be defined as the smallest specific group of assets that generates cash inflows from continuing use and are largely independent of cash flows generated by other assets or asset groups. It is not easy to identify the cash-generating units, but the researcher is seeking a simplified way of discovering what this term means. Cash-generating units are always associated with cash flows, and shaping a group of assets as one unit can distinguish cash flows of one group from those of other groups, but cannot identify these flows for one asset in the group itself. It is necessary to resort to cash-generating units to determine value in use as the basis for the calculation of the recoverable amount, in order to compare them with book value to decide if there is impairment or not. One does not need to know or determine the cash-generating units in the light of making the net realizable value the basis for the calculation of the recoverable amount because of their reliance on the sale price of the asset and not on the basis of future cash flow. For example, if we had a production line consisting of a set of equipment and machinery, these would all combine to produce a particular commodity (IAS 36.90).

These assets generate cash flows as a group, but cash flows cannot be generated from a certain part of the machinery or equipment. The product line represents a cash-generating unit. A cash-generating unit consists of a group of assets that constitute one group, which depend on each other and complete the work of other assets in the unit; the net realizable value of each of these assets has no value or importance independently of the group, which represents the cash-generating unit. Assets are aggregated into a cash-generating unit and work together to generate a single product for cash inflows, and these assets comprise a system with multiple inputs to produce one output (IAS 36.90).

3.2.9. International Accounting Standards versus U.S. GAAP

Comparison of how to deal with the impairment according to the International Accounting Standards American and English, as contained in table 3-1 (Ampofo and Sellani 2005; Gornik-Tomaszewski and Millan 2005; Ball 2006; Elliott and Elliott 2007).

Table (3-1) Comparison of international accounting standards and U.S. standards on the impairment loss

The nature of the comparison	International standards IFRS – IAS 36	American standards US GAAP – SFAS 121/144
(1) the concerned authority to issue the standard	International Accounting Standards Board (IASB)	Financial Accounting Standards Board FASB U.S.
(2) standard number and name	Impairment of assets (IAS No.36)	Accounting for the Impairment of Long-Lived Assets (SFAS No. 121, 144)
(3) date of application of the standard	1/7/1999	Bulletin 121 Issued in March 1995 (15/12/1995) Bulletin 144 (15/12/2001)
(4) The objective of the standard	The assets should appear no more than its recoverable amount, as well as the definition of how to calculate the recoverable amount	Bulletin 121: created the accounting standards of the decline in the value of long-lived assets and intangible assets, non-specific and goodwill. Bulletin 144: solving practical problems arising from the publication of SFAS 121
(5) Impairment definition	Amount which represents the difference in the case of increasing the carrying value of the asset for its recoverable amount. the recoverable amount measured through net selling price or value in use whichever is higher	The amount that exceed the asset carrying value its fair value, less cost of sale, and measured at fair value or the total undiscounted cash flows expected to be obtained from the asset, whichever is higher
(6) Measurement of impairment losses	Impairment determining by the recoverable amount of each asset separately, if this is not possible going to use cash-generating units	By determining the fair market value of long-term assets or assets group in addition to identify the central asset
(7) Cash Generating Units (CGU)	CGU is Smaller set of assets that generate inflows cash during the continued use of the assets and is independent in its cash flows from others groups	Asset group is the asset that is disposed of as a group in a single process and the obligations associated directly
(8) Impairment indicators.	Indicators external are: the	A decrease in the market

	decline in market value, and negative changes in technology, markets, economy, laws, and increase market rates of interest and lower the company's shares below book value, while the internal indicators are: scrapping technological and financial collapse and restructuring of the asset and rehabilitation of the parent to get rid of it and the collapse of the economic performance of the asset	price of an asset or a change in how it uses the asset or changes in the legal environment or business or the cost of grouped for the asset is greater than the amount expected to possess or losses resulting from the operational period of ongoing or expectation that the asset will be disposed of at the end of its useful life or predictions occurrence of losses associated with the use of the original
(9) Value in Use	Discounted present value of future cash flows expected from the continued use of the asset and the asset value at the end of its useful life, according to a specific discount rate	Total cash flows used without discounted
(10) Discount Rate	Reflects current market assessments of time value of money and the risks of assets	Don't use discount rate
(11) Reversal impairment	IFRS allows for reversals except for an impairment of goodwill.	No reversal of prior impairments is allowed, unless the asset is held for disposal.
(12) Impairment test	The impairment test involves comparing carrying value to recoverable amount, which is higher of net realizable value or value in use	The impairment test involves comparing undiscounted cash flows to carrying value.
(13) treatment impairment losses	the impairment loss added to the accumulated depreciation for long-term assets, and decrease it from intangible assets and goodwill	Value of the asset is reduced and if asset group are distributed on a pro rata

Source: Adapted from Epstien & Mirza, 2000, P.267-271 and Elliott & Elliott 2003, P.385-391

3.3. LITERATURE REGARDING IMPAIRMENT

Many studies have examined the existence of asset impairment in developed countries. Strong and Meyer (1987) examined a sample consisting of 120 US companies that had asset impairment within the period from 1981 to 1985. They evaluated the total return to shareholders, market-to-book ratio and cash flow per share of these companies, both before and after the impairment, by comparing the performance of companies which had impairment with the performance of those companies that did not have impairment of assets. They discovered that the companies with asset impairment tended to perform in the middle 80% range of results. In terms of cash flow per share and total return to shareholders, those companies with impairment loss were prone to performing worse than those companies without impairment. The most important result was that the majority of impairment loss decisions are associated with a change in management.

Meanwhile and Shaw (1988) investigated a sample consisting of 240 US companies that had disclosed an asset write-down through the period from 1982 to 1985. They measured the financial performance by using returns on assets and returns on equity. They found that companies which applied write-downs perform worse than those without write-downs. In comparison with Strong and Meyer, they found that 39% of companies which had asset write-downs also had a change of management.

Fried et al. (1989) investigated a sample consisting of 117 US companies selected from firms that recorded write-offs through the period 1980 to 1986, and restricted it to companies which had made write-downs of long-lived assets. Through analysis of monthly returns, it was noticed that the mean return was lower than the market during the period from six months before to six months after the write-off. This negative performance occurred largely in the months before the impairment was announced. Every day, unadjusted returns illustrate the largest change (negative) on the event date, relative to a control group drawn from the same industry as the write-off firm. Zucca and Campbell (1992) investigated a sample consisting of 67 US companies which applied asset write-downs (impairment loss) through a long period from 1978 to 1983. Using a small sample, compared with previous studies, Zucca and Campbell found that the mean of the write-down in terms of book value of assets was 4%, with a median of 1.5%. The biggest value of write-down observed totalled 63% in terms of its book value, which indicates the changeability of impairment expenses among companies. They also found that the mean value of the asset write-down in terms of sales was 13%. Also,

Zucca and Campbell concluded that the practice of earnings management was an important reason for companies to apply an asset write-down in line with agency theory, particularly when earnings were below expectations.

Chen et al. (2004) examined a sample of US firms reporting goodwill at the year-end of 2001 to discover the reasons for the introduction of standard SFAS 142. The findings detect the following results: (1) The adoption of the concept of impairment was partly in isolation from the impact on share prices before the year 2002; (2) the decrease in the year following the first year of recognizing the impairment loss provides new information on the market; (3) increasing the relevance of the information includes the impairment in light of the adoption of SFAS 142; (4) part of the decline was due to unexpected expenses in the year preceding the year recognition.

Easton et al. (1993) examined a sample consisting of 72 Australian companies through the period from 1981 to 1990. The researchers not only examined asset write-downs but also took into consideration upward revaluations, which are conceptually the opposite of asset write-downs. Easton et al. (1993) detected that the revaluation of assets is statistically important when there is agreement between the book values of assets and their market valuation. Elliott and Hanna (1996) conducted one of the largest studies relating to asset write-downs, in terms of both the period of study and sample size. Investigating a sample consisting of 2761 US companies with a total of 6073 write-downs used through the period from 1970 to 1994, this study was concerned with the impact of impairment on earnings and the market reaction to asset write-downs.

Elliott and Hanna illustrated that, during their period of examination, the cases and quantity of impairment increased significantly; for instance they found that only 5% of firms reported write-offs in 1973 while, in 1993, this figure had increased to 21%. This was considered an important subject to investigate and they concluded that a company which has consistent write-downs over a continued period will suffer from a lack of investor confidence and worsening economic circumstances. Heflin and Warfield (1996) investigated the nature of the relationship between earnings and stock-price changes for companies that have applied write-offs through periods prior to and contemporaneous with the write-offs. They discovered that the write-off amounts are softly correlated with the contemporaneous and strongly correlated with previous year's annual returns. Francis et al. (1996) investigated a sample consisting of 674 US companies that had disclosed an asset write-down through the period from 1989 to

1992, to discover exactly whether the decision behind asset write-down is a manipulation to manage earnings or an actual impairment to reveal a decline in the asset book value. It also examines the incentives for the decision to impair assets, and whether this will lead to an improvement in the return on assets and frequency of previous write-down history.

Francis et al. (1996) discovered that the type of asset has an important effect on the timing and amount of any write-off, such as plant and inventory. Also, they found that the top management has little motivation to manipulate earnings (not deal with agency theory), but in goodwill and restructuring expenses the motivation is considerable. They give a mean value of the write-down amount as a percentage of book value of assets of 6.7%. They detected that managers are frequently motivated to impair assets in order to improve reported financial performance, which means in line with agency, signalling and legitimacy theory, but the market does not always react favourably to this notion; in other words, it considers impairment as negative news or negative signals.

Rees et al. (1996) investigated a sample consisting of 277 US companies with a total of 365 asset write-downs, covering the period from 1987 to 1992. Rees et al. (1996) give a mean of 5.5% of the write-down as a percentage of book value of total assets, with the biggest amount of write-down equalling 40.2% of total assets. This result again illustrates the changeability of the amount of write-down. The researchers tried to find out whether management manipulates through applied write-downs in order to manage earnings in line with agency, signalling and legitimacy theories, and examined in combination with write-downs any abnormal accrual adjustments. They concluded that 'the write-down and concurrent discretionary operating accruals are a suitable response by management to changes in the firm's economic environment'. This result is in contrast to other results which reveal that management actively manages earnings through the use of discretionary write-downs.

Also, Bini and Bella (2007) found that the impairment test required by US accounting standards has become stricter over time but has failed to give evidence of enhanced value relevance. This unsatisfactory performance by the US accounting standards on goodwill and infinite-lived intangible impairment led the FASB to craft a solution that would not be too costly for firms. Also, these write-offs fail to signal significant information to the market. While Li et al. (2010) discover that a goodwill write-off is sending a negative signal to markets.

Investors lower their expectations of future profits when a company recognizes an impairment loss. Jordan and Clark (2004) detect that SFAS No. 142 presents managers with a new means of managing earnings via big bath write-downs. Also, Jordan and Clark (2004) used data collected for the Fortune 100 companies for the period 2002 and 2001 and concluded that firms with extremely poor earnings are more likely to take big baths. Similarly, Henry and Schmitt (2001) found that companies which achieve negative earnings may be more prone to applying big baths than companies with positive earnings. However, this also provides another test for the presence of big bath earnings management in the two groups of firms studied. In particular, if big bath earnings management exists, one would expect the impairment group to experience a higher incidence of negative earnings firms in 2002 when compared to the non-impairment group.

The same result was achieved by Sevin and Schroeder (2005) who investigated a sample consisting of 202 companies in 2002, 120 of which had reported goodwill impairment, to examine whether the provisions of SFAS No. 142 allow for the earnings management technique termed “big bath” and whether firm size plays a role in earnings management. The results suggest that SFAS No. 142 adoption allowed companies to engage in earnings management. Also, their findings indicate that small firms experienced a significantly greater negative impact and were much more likely than large firms to take big bath charges.

Bunsis (1997) examined a sample consisting of 207 US write-down announcements covering the period from 1983 to 1989. The most important purpose of this study was to measure the market reaction to the write-down. They find that the mean of asset write-down is 8.5% as a percentage of total assets, and the largest observed write-down represents 57.2%. Moreover, the write-down as a percentage of sales has a mean of 10.8%. Both studies (Zucca and Campbell 1992; Bunsis 1997) used asset write-down as a percentage of sales for US companies, and they made similar findings. Bunsis reveals that market reaction to an asset write-down depends on the type of transaction and whether this is expected to improve firm performance or not.

Bens et al. (2007) investigated a sample of US companies that applied intangible asset write-offs through the period 1996- 2003, to identify the effect of write-offs on stock prices; they detected a negative and significant stock market reaction to unexpected goodwill write-off. Also, their result was consistent with SFAS 142 critics’ claims that fair value methods are

complicated to implement reliably, and thus can reduce the information content of accounting reports.

Heflin and Warfield (1997) examined a sample consisting of 588 US companies which had 845 write-downs through the period from 1985 to 1991. The most important consequence was that companies have a tendency to manage earnings with the use of write-downs and postponed such write-downs for the longest possible period, up to three years; these consequences agree with what is involved in agency theory.

A number of market-based studies have tried to investigate the feedback or reaction of the market to write-downs. For example, Bartov et al. (1998) examined a sample of 373 US asset write-downs to discover the relationship between impairment loss announcement and stock-price responses; they examined this relationship by observing a lengthy period before and after the announcement date. They found that stock-price declines occur before write-off announcements, and that abnormal returns continue to decline after the announcement for a two-year period. Their findings are important for two reasons: (1) they propose that disclosure standards may not be adequate to allow market agents to recognize the economic consequences of the write-offs; and (2) they reveal a considerable mis-pricing, which is inconsistent with market efficiency.

Deng and Lev (1998) studied a total of 375 US write-downs; Chaney et al. (1998) concentrated on a sample of 128 US restructuring charges. The broad conclusion of all these studies is that investors view such write-downs as unfavourable (bad news) and such factors (write-downs) influence their valuation of the company, in line with signalling theory (negative indicator) while legitimacy is considered a positive indicator. Li et al. (2010) examined a comprehensive sample consisting of 1,584 announcements of goodwill impairment losses made according to SFAS 121 and SFAS 142 during the period 1996-2006. To explore the response of market users to goodwill impairment loss announcement, and the nature of the information conveyed through the impairment loss, they found evidence to suggest that both investors and financial analysts modify their prospect downward on the announcement of a goodwill impairment loss, and the downward modification is related to the amount of the loss. They found that the negative impact of the loss is significant under SFAS-121,142; moreover, they show that the impairment loss serves as a leading indicator of a decline in future profitability due to a slowdown in sales and/or increase in operating costs. Spear and Taylor (2011) examine a sample of 489 US firms listed on the NYSE during the

period 2001–2008 to discover whether reported asset write-downs are a mirror to market and economic; the findings indicate that the most frequent impairment activities took place during periods of economic recession, This result confirms the strong positive relationship between impairment and economic conditions. This argument consistent with Godfrey and Koh (2009) impairment loss reflect firms' underlying economic attributes. Vanza et al. (2011) investigate a sample selected from Australian companies that had disclosed an asset write-down through the period from 2007 to 2009 according to IAS 36. They found that companies using impairment losses to reduce uncertainty about firm value. Which indicate completely in agreement with the agency, signalling theories.

Cotter et al. (1998) tested a sample of Australian industrial companies to find the factors influencing asset write-downs, and whether managers have a motivation to apply assets impairment. Their results indicate that the mean of the asset write-down as a percentage of total assets is 4.4%. They found similar results to those of Francis et al. (1996) that managements often have a motivation to impair assets when the financial statements are able to absorb such impairment, and a write-down is more likely if there has been a change in management. Since regulation of asset impairment in the 1990s, the number of research reports in this area has declined. The same result was achieved by Massoud and Raiborn (2003) who detected that the impairment application may give the managers a high degree of flexibility in computing fair market values of reporting entities while making the annual impairment. This result has been confirmed by AbuGhazaleh et al. (2011) who investigate managers' use of discretion in determining goodwill impairment losses after embrace mandatory IFRS 3, the practical findings indicate that managers are exercising discretion in the reporting of goodwill impairments after embracing of IFRS 3.

Riedl (2004) tested the level and nature of asset impairment before and after the application of SFAS 121, in the US. He proposed that, since the introduction of SFAS 121, companies are better able to manage earnings through the use of impairment expenses rather than reflecting the economic factors surrounding an asset write-down (agrees with all theories, agency, signalling and legitimacy). He concludes that regulation of impairment has reduced the quality of accounting information, because managers apply impairment as a tool for manipulation by applying a big bath, as explained in agency theory through earnings management. Studies that support this trend include Deming et al. (2005), who examine whether listed companies with negative earnings in China manipulate earnings by impairment of assets, using a sample consisting of 458 listed companies with negative earnings from

2001-2003; the study reveals that companies with negative earnings took a big bath (manipulation). This result is entirely consistent with Siggelkow and Zulch (2013) the main driver for using write-off is earnings management, through applying income smoothing and big bath accounting to determine the write-off magnitude.

Giannini (2007) used the conceptual framework for 10-k companies in the US to evaluate how the impairment standards (SFAS 144) are related to various components of the conceptual framework, including reliability, relevance, and various components within and related to these two characteristics. The most important result is that, if the guidance stays the same, it is not the external users who will suffer but ultimately the quality of the financial information itself. Fitzsimons and McCarthy (2000) show that SFAS 144 can not only develop the content of accounting information reported, but also enhance the comparability between companies and the representational faithfulness of reported financial information. These results are confirmed by Barth et al. (2008), who investigated firms applying IAS from 21 countries to discover whether application of International Accounting Standards (IAS) is linked with higher accounting quality. They found that firms applying IAS usually evidence less earnings management, more timely loss recognition, and more value relevance of accounting amounts than firms applying non-U.S (domestic) standards. They also found that firms applying IAS generally evidence an improvement in accounting quality between the pre- and post-adoption periods for application of IAS.

AbuGhazaleh et al. (2012) examine the value relevance of goodwill impairment losses after embrace of IFRS No. 3 "Business Combinations" for 528 firm-year observations, selected from UK listed firms for 2005-2006. The findings indicate a significant negative relation between using goodwill impairment losses and market value; also managers still prefer to use their accounting discretion to communicate privately held information about the performance of the firms.

On the other hand, Chambers (2007) found evidence that annual impairment testing improves financial reporting. However, he also found evidence that elimination of systematic amortization reduced the quality of financial reporting. Also, Smith (1994) revealed that application asset impairment should not lead to performance impairment. Actually, the result is expected to be quite the opposite: this disclosure may bring important benefits to the company, such as capital allocation within the company, and result in substantial increases in overall performance. Meanwhile, Adams (2002) found that the recent discussion on financial

reporting and corporate governance tells us that, even in relatively mature fields of reporting and disclosure, there is still more that can be done, which indicates that accounting information cannot yet satisfy the user's needs.

Only a limited number of studies have concentrated on developing countries (Al-Khadash and Salah 2009). Consequently, debates on this topic in the literature were very narrow. Impairment of assets is considered a recent topic, and the deepest debates have been about its efficiency (Rezaee et al. 1996), and only a few prior studies have examined the effect of impairment on some of the qualitative characteristics such as (Duangploy 2005; Sevin et al. 2007; Al-Khadash and Salah 2009; Dahmash et al. 2009) by applying econometric models. This study shed light on the connection between impairment loss which results from agency theory conflict and users' perspective, and the extent to which managements can mislead users by the practice of manipulation of earnings (Francis et al. 1996; Riedl 2004; Barth et al. 2008; Daske et al. 2008) in line with signalling and legitimacy theories.

From the survey for literature review, it appears that: First, most studies concentrate on three pivotal aspects relating to impairment; the first considers applying impairment as a tool to provide accurate information and increase transparency by increasing the representational faithfulness of reported information (Fitzsimons and McCarthy 2002; Chambers 2007; Giannini 2007; Barth et al. 2008). The second pivot considers the impairment concept as a tool for manipulation (McNichols and Wilson 1988; Zucca and Campbell 1992; Adams 2002; Chen et al. 2004; Jordan and Clark 2004; Riedl 2004). The third pivot examines the association between impairment loss and market reaction, or stock prices reaction, and performance (Smith 1994; Francis et al. 1996).

Regarding the first pivot, there are no adequate studies in the accounting literature that investigate the effect of asset impairment on improving the quality of accounting information; this is considered one of the reasons for this study, particularly in developing countries. The following studies have been conducted in developed countries, such as Barth et al's study (2008) to determine the impact of the application of international accounting standards on improving the quality of the accounting information published. Results reveal that companies that have implemented IAS improved the quality of their published information; this improvement could be interpreted as restricting the freedom of managers, for example, in regard to earnings management, and this is really what this study seeks to discover, but in a new environment such as Jordan.

Wild (2001) emphasized the urgent need to provide users with the necessary information enclosed with the financial statement in order to analyze the business. From the same perspective, Chambers (2006) found evidence that annual impairment testing of goodwill has improved financial reporting, and also found evidence that the elimination of systematic amortization has reduced the quality of financial reporting. This represents an important indicator for applying this study, because of the conflicting results of previous studies (Smith 1994; Francis et al. 1996) in explaining the linkage between impairment information and firms' performance; they found that impairment has a negative effect on companies' performance according to the users' perspective, and they saw impairment as negative news.

Adams (2002) has suggested that the term "transparent financial information" needs to be given framework and substance, and his primary results indicate that compliance with the provisions of SFAS 142 is somehow better than the results in prior studies which examined other reporting requirements (still irregular and unpredictable); consequently, there is huge criticism about the shortage of information relating to the impairment concept. Anandaragan (2000) said that investors are not getting what they expect from impairment. And all these studies appearing in the literature review applied econometric models to discover the impairment influence, while in this thesis the researcher has applied a new methodology using questionnaires and interviews to measure the users' opinions.

According to the second pivot, some firms which have negative incomes try to apply impairment loss to achieve other purposes (to achieve private goals for the company or administration). For instance, Deming et al. (2005) examined whether listed firms in China²³ that have negative earnings manipulate accounting information by using impairment loss and whether there is any motivation to apply a big bath. They find that earnings management has a significant effect on the reported impairment, and assert that firms with negative earnings have a strong big bath incentive. Furthermore, Francis et al. (1996) state that managers have incentives to manage earnings by impairment. Duh et al. (2009) state that firms reporting more impairment losses have probability to reverse impairment losses to avoid an earnings decline in a following period and this used by firms with greater debt ratios. This result has been confirmed by Trottier (2013) state that impairment reversals significantly increase the possibility for management to smooth income. Beatty and Weber (2006) stated the following:

²³ China applies Chinese Accounting Standards which converge into IFRS and the similarity is almost 90-95%.

" We find evidence suggesting that firms' asset pricing considerations affect their preference for above-the-line vs. below-the-line accounting treatment, and firms' debt contracting, bonus, turnover and exchange delisting incentives affect their decisions to accelerate or delay expense recognition. Our study contributes to the accounting choice literature by examining managers' use of discretion when adopting a mandatory accounting change and by developing and testing explicit cross-sectional hypotheses of the determinants of firms' preferences for immediate below-the-line versus delayed above-the-line expense recognition'; which indicates the manipulation of accounting numbers.

Conversely, McNichols and Wilson (1988) show that firms will have more motivation to apply impairment when they achieve higher or lower than average annual earnings; similarly, Gu and Lev (2011) examine if the overpriced shares of buyers at acquisition is a major cause of goodwill write-offs. The findings indicate that bidders' overpricing is strongly associated with goodwill write-offs which mean, that overpricing leading to occurrence of goodwill write-offs. Jarva (2007) found that impairment is strongly linked with the firm size, and the impairment loss amount has a significant relationship with lower stock return, lower assets growth, higher bankruptcy risk, and greater percentage of firms reporting losses and restructuring expenses. Bens et al. (2007) found that market reaction to impairment goodwill is not very important for small companies, because small companies face more difficulty when applying the impairment test.

Impairment is considered a technique used for manipulation by top management through earnings management see (Trueman and Titman 1988; Schrand and Wong 2000). The best definition of earnings management is that it is intended interference in the external financial reporting method with the aim of obtaining a number of private gains Schipper (1989). Moreover, manipulation may be used to satisfy the external demand (meet earnings forecasts and increase short prices), or to meet internal demands relating to optimal contracting. But Strong and Meyer (1987) conclude that the most important reason to apply the big bath concept is a change in senior management, especially if the new chief executive comes from outside the company. Jordan and Clark (2004); Sevin and Schroeder (2005) show that firms with extremely poor earnings are more likely to take a big bath, and all the evidence indicates that depressed earnings could be the main reason for a company to take the write-down (impairment).

However, applying the impairment test gives management a unique opportunity to manage earnings through a big bath or income-smoothing and to reduce taxes, so the users don't receive trustworthy information. This argument consistent with Lee (2011) find SFAS 142 allows substantial managerial discretion and leads to a significant magnitude of economic impact on financial statements. Anandaragan (2000) detects that the investor is not getting what they expect from impairment. Bens and Heltzer (2004) find that SFAS 142 does not improve the information content and timeliness of goodwill. As Watt (2003) points out, impairment application gives companies the chance to manipulate earnings. Lapointe et al. (2008) examine the value relevance and timeliness of goodwill impairment charges for Canadian²⁴ firms following the adoption of SFAS No.142; their results indicate that investors perceive goodwill impairment losses as reliable measures of a reduction in the value of goodwill. Riedl (2004) detects the determinants of write-offs reported before and after the statement of financial standard board No. 121 and its effect on (I) economic factors, and (II) reporting incentives. The researcher used Tobit²⁵ regression to discover the nature of these relationships before and after the implementation of SFAS No.121. He provides empirical evidence that write-offs reported after adoption of SFAS No.121 have a lower association with economic factors and a higher association with "Big bath" reporting behaviour relative to those reported prior to the standard. Moreover, managers have great flexibility in reporting write-offs after adoption of bulletin SFAS No.121, while Comprix (2000) detects that firms recording asset impairment under SFAS No. 121 will face poor conditions, and he offers evidence about market reaction to write-offs' publication reflecting the investor's view of the firm's ability to redirect its investment. Li and Shroff (2011) examines the reaction of accounting information users to the announcement of impairment loss, their findings indicate that both investors and financial analysts modify their expectations downward after announcement of an impairment loss. Davidson and Vella (2003) state that the implementation of SFAS No.142 is "somewhat confusing and difficult to understand", Goodwill impairment treatment always depends on the manager's flexibility, although the treatment has been improved, but they notice that it is still unable to satisfy the public users'

²⁴ Canadian firms: those firms which were listed in the Canadian Stock Market include all sectors (Mining, Energy & Energy Services, Diversified Industries, Life Sciences, Technology and Clean Technology).

²⁵ Tobit is an econometric Model, a biometric model proposed by [James Tobin](#) (1958) to describe the relationship between a non-negative dependent variable y_i and an independent variable (or [vector](#) (x)) in a firm's reported long-lived asset write-off (reflected as a positive amount) for period t, divided by total assets at the end of t-1; or ratio computed as market value of target's stock divided by the replacement cost of target's assets.

needs, because there are still vast opportunities for managers to manipulate (Ramanna and Watts 2012). In general, previous studies had shown that accounting practices were determined by the interaction between accounting standards and the motivation of individuals, be they private or public (Ball et al. 2003), and this as noted by the agency theory. So, again, the results of previous research offer somewhat mixed and ambiguous conclusions.

The third pivot discusses the impairment effect on stock prices or market reaction (Chaney 1988; Fried et al. 1989; Heflin and Warfield 1996; Bartov et al. 1998; Deng and Lev 1998) which in turn affects performance; it tries to explore the costs and benefits of providing asset impairment information to determine whether such disclosures might impair a company's performance. The researcher mentioned the difficulty inherent in evaluation impairment, because it is impossible to estimate cash flows for specific assets according to impairment, which cannot be considered in isolation from financial management. Meanwhile, Francis, Hanna et al. (1996) examined the reactions of stock prices when impairment was announced; the results indicated that investors see impairment as bad news which makes the stock decline.

3.4. QUALITATIVE CHARACTERISTICS

3.4.1. Introduction

The fundamental objective of financial reports is to communicate economic information about the resources and performance of the entity, which should be useful to individuals in decision-making (Alexander et al. 2007), and to provide important information to interested users Enria et al. (2004). In addition Beyer et al. (2010) accounting information plays two important roles in market-based economics. First, it allows providers of money to the market (shareholders and creditors) to evaluate the potential return on investment opportunities (valuation of the role of accounting information). Second, accounting information allows capital providers to monitor the use of their capital (the ex-post or stewardship role of accounting information).

The main goal of setting standards is to enhance the helpfulness to different users of accounting information, and to assess whether the usefulness of information would be enhanced by applying the new standard IAS No.36 impairment of assets; the FASB considers the "qualitative characteristics" as a mediator to make sure that accounting information is

useful to users (Peasnell 1982; Salvary 1998). Accounting regulators always seek to make financial statements more relevant and reliable, but these two goals are often contradictory (FASB 1980). Currently there is a trend to adopt fair-value accounting in both domestic and international financial reports, because as stated by Barlev and Haddad (2003) fair-value accounting (FVA) provides full disclosure and it is compatible with transparency, which deals with the current trend that (FVA) is more relevant and trustworthy (Danbolt and Rees 2007). Also, fair-value measures outweigh the unreliability that arises from the noise and bias inherent in many values estimated, for example applying IAS No.36 impairment of assets after 1999 which depend on fair-value principles or discount-expected cash flow (Ball 2006).

Consequently, the question is: to what extent should accounting reports include information that informs the users about the firm's activities and future plans that users will find useful? For this reason it is necessary determine who your customers are and what they want from you, in order to offer what is suitable for them. This study will differ from previous studies as it re-examines the scope and aims of published financial reports by eliciting users' opinions about applying IAS 36 (impairment of assets, which relate approximately to FVA) and ascertaining the appropriateness of the information included in the financial reports, taking into consideration the purposes for which the information is required, the characteristics of useful information and the degree of confidence.

To achieve this goal, the financial reports should have reasonable characteristics (normative information qualities) to gain the acceptance of the users and to enhance the confidence between the two parties (the companies and users); this will lead us to talk about the characteristics of financial reports. FASB Concepts Statement No. 2, *Qualitative Characteristics of Accounting Information*, identifies those qualities, and explains how they interact with one another. Concepts Statement 2 explains that the main qualities of accounting information are relevance and reliability (reliability was later changed to faithful representation); therefore, information must possess the two main qualities, but it may possess them to different degrees. The qualities that distinguish "better" (more useful) information from "inferior" (less useful) information are mainly those of relevance and reliability. The objective of accounting is to produce accounting information characterized by relevance for its purposes (serving the users). From this point of view, the researcher used qualitative characteristics to measure the effect of the asset impairment concept on the quality of financial reports.

3.4.2. Qualitative Characteristics of Accounting Information

The purpose of investigating the qualitative characteristics is to use them as proxies for measuring the quality of accounting information, to deal with the problem of asset overstatement and to improve the quality of accounting information. Cao and Lee (2002) propose that there is a strong motive for opportunistic behaviour by managers in China. Consequently, those who prepare, audit and use financial reports must select and evaluate alternative accounting policies which achieve better quality, and must select the factors that produce accounting information that is high in quality and more useful to users (Needles and Powers 2010). According to SFAC²⁶ No.2 (1980), all financial reports are concerned with providing the information necessary in varying degrees to the decision-making process (although decision-makers have always used information obtained from other sources). The need for information on which to base investments, credit, and similar decisions underlies the objectives of financial reporting. The usefulness of information must be evaluated in relation to the purposes to be served, and the focus must be on the use of accounting information in decision making.

The nature of the decision may sometimes require more information than that found in the financial statements. It should be noted that the financial statements are expected to provide all the necessary information. According to Ariely (2000), information that is flow-controlled (audited truly) will be more useful to users and closer to their preferences, and will provide them with more knowledge about the action they intend to take, and with great confidence, which will enhance their decision. Therefore, it is imperative to recognize the characteristics of good information which is known for its qualitative characteristics. The qualitative characteristics that make accounting information useful for decision-making purposes are as follows: Relevance, Timeliness, Representational faithfulness, Reliability, Verifiability, Comparability, Predictive value, Neutrality, Consistency and Feedback value. According to SFAC No.2 (1980), relevance and reliability are described as the two most important qualities that make accounting information useful for decision-making.

Information quality concepts are defined as the characteristics of accounting information that are used as basic rules to assess the quality and usefulness of accounting information. These properties can be applied to assist in the development of accounting standards and to help

²⁶ Statement of Financial Accounting Concepts

officials in the preparation of financial statements and in the evaluation of accounting information that results from the application of alternative accounting methods, and the distinction between what is considered necessary clarification. Also, it is necessary to assess the usefulness of accounting information on the basis of the objectives of the financial statements, paying attention to the key external beneficiaries who make decisions related to facilities. And accountants should direct their attention to these beneficiaries and to the preparation of financial statements that will assist them in making their decisions.

3.4.2.1. Relevance

Information, to be relevant, should have predictive value or feedback value or both; it should be provided in a timely manner, and have the ability to make a difference in a decision by helping users to make predictions concerning the outcomes depending on past, present and future events FASB Para 51(1980), or to confirm or correct prior prospects. Information can make a difference to decisions by improving decision-makers' capacities to predict or by providing feedback on earlier expectations (SFAC 1980; Barth et al. 2001).

3.4.2.1.1. Predictive value

Accounting information can make a difference to decision-making by improving the ability of decision-makers to predict or help to confirm or correct the previous forecast because, logically, knowing the results of past actions will improve the ability of decision-makers to predict the results of the business itself in the future.

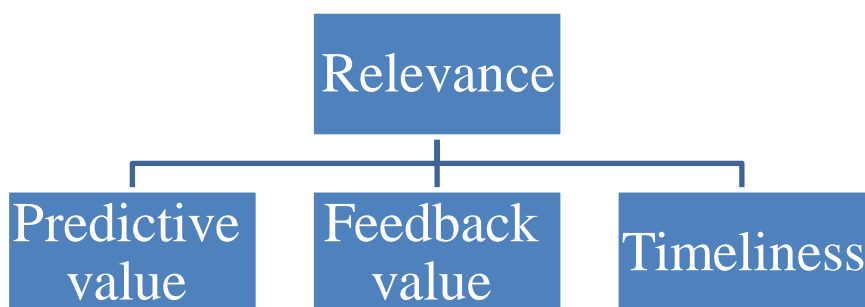


Figure (3-2) Qualitative characteristics of relevance

3.4.2.1.2. Timeliness

According to SFAS No.2 FASB (1980) PARA-56, this means that information should be available to decision-makers before it loses its capacity to make a difference in decisions, which means supporting the aspect of relevance. If information is not available when it is

needed or becomes available so long after the reported events that it has no value for future action, it lacks relevance and will be useless (Barth et al. 2008).

3.4.2.2. Reliability

The credibility of any measure depends on the sincerity of what is to be measured, as well as providing assurance to the user that he/she possesses the property of the faithful presentation; for the information to be useful, it must be characterized by relevance and reliability, basing reliability on the verifiability of the accounting measure, and the extent of honesty, in addition to the neutrality of the information (SFAC.No.2 FASB (1980) PARA 33).

3.4.2.2.1. Verifiability

This is a quality that may be demonstrated by securing a high degree of consensus among independent measurers using the same measurement methods. Concepts Statement 2 states that “the purpose of verification is to provide a significant degree of assurance that accounting measures represent what they claim to represent” (paragraph 81). Verifiability has three key aspects:

- i. Consensus among observers.
- ii. Assurance of correspondence to economic things and events.
- iii. Direct verification versus indirect verification.

3.4.2.2.2. Representational faithfulness

This refers to the correspondence or agreement between accounting numbers and the resources or events those numbers purport to represent; representational faithfulness is correspondence or agreement between a measure or description and the phenomenon it purports to represent including economic resources and obligations and the transactions and events that change those resources and obligations.

3.4.2.2.3. Neutrality

(SFAC.No.2 FASB (1980) para 99) This means that, in formulating or implementing standards, the primary concern should be the relevance and reliability of the information that results, not the effect that the new rule, may have. The choice among the accounting alternatives should be neutral, free and removed from any bias of pre-determined results, to serve a particular group of users of accounting data

Existing studies until now have not provided any evidence showing the preference of one over another (relevance and reliability) and what the users want and prefer.

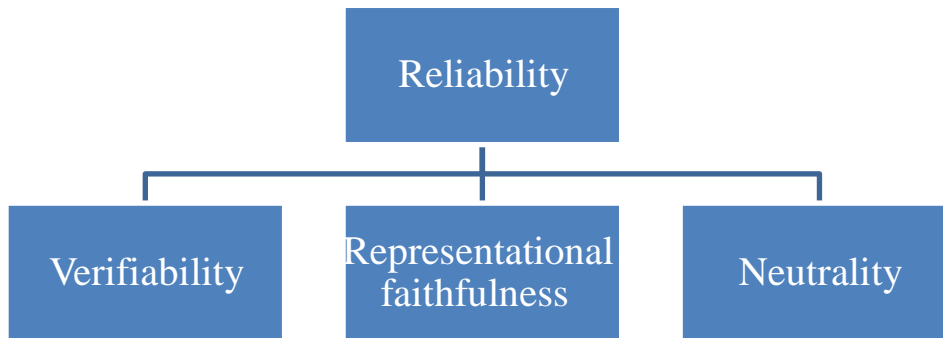


Figure (3-3) Qualitative characteristics of reliability

3.4.2.3. Comparability

Information about a particular enterprise gains greatly in usefulness if it can be compared with similar information about other enterprises and with similar information about the same enterprise for past periods. Comparability between enterprises and consistency in the application of methods over time increases the informational value of comparisons of relative economic opportunities or performance. Materiality is a pervasive concept that relates to the qualitative characteristics, especially relevance and reliability. Materiality and relevance are both defined in terms of what influences or makes a difference to a decision-maker, but the two terms can be distinguished.

3.4.2.4 Consistency

This means conformity from period to period with unchanging policies and procedure, and this is done by applying the same treatment of accounting methods to similar actions at different periods; sometimes, however, the firm might change its accounting method if the new method is preferable, and the firm should state the reasons for doing so and disclose it (SFAC.No.2 FASB 1980).

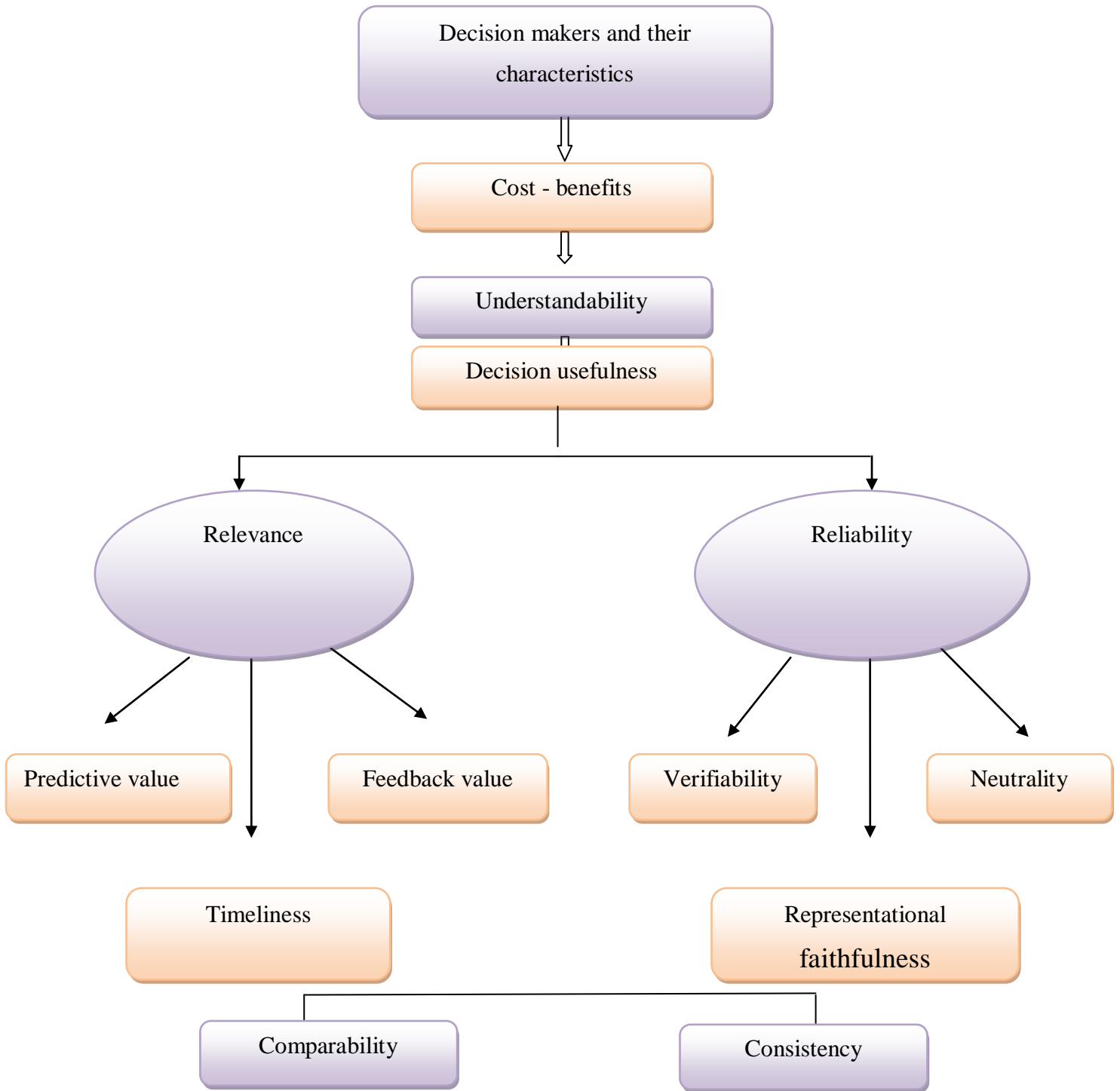


Figure (3-4) Qualitative Characteristics Hierarchy

3.4.2.5. Cost –benefit relationship

The majority of users (decision-makers) think that information is a cost-free product, although providers have contrary view; however, the cost of providing information should be weighed against the benefit of using information. Cost-benefit decisions are particularly

complicated because both costs and benefits are often complicated and their reliability is impossible to measure.

3.4.3. New Conceptual Framework: (Exposure Draft) by FASB and IASB (11/3/2010)

FASB and IASB published a new Exposure Draft for a conceptual framework to improve the foundation and concepts underlying global financial reports. This was a joint effort to replace the new framework with a common approach. The new one defined the objective of financial reporting and the qualitative characteristics of financial information which are useful for decision-making; it also explained the technical definitions, measurement, recognition and presentation of financial statements. Therefore, the purpose is still to provide useful information to help different users in their decision-making.

The current framework changes the term 'reliability' to "faithful representation" to avoid questions relating "verifiability" to the fundamental characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) as defined in the (IASB 2008). This means that verifiability has taken the place of reliability; hence, if information is described as being verified, it should be reliable and lead to high-quality financial reporting information.

3.4.4. Conclusion

From the previous literature, we noted some important points: First, most studies concentrate on three pivotal aspects relating to impairment; the first considers applying impairment as a tool to provide accurate information and increase transparency by increasing the representational faithfulness of reported information (Fitzsimons and McCarthy 2002; Chambers 2007; Giannini 2007; Barth et al. 2008). The second pivot considers the impairment concept as a tool for manipulation (McNichols and Wilson 1988; Zucca and Campbell 1992; Adams 2002; Chen et al. 2004; Jordan and Clark 2004; Riedl 2004). The third pivot examines the association between impairment loss and market reaction, or stock prices reaction, and performance (Smith 1994; Francis et al. 1996).

Second, it is noted that there is no general agreement regarding the effect of asset impairment on accounting information, whether positively or negatively. Moreover, many areas still need to be investigated; one of these topics concerns the following question: *does the application of impairment improve accounting information quality from the user's perspective?*

Third, the IAS 36 (impairment of assets) doesn't satisfy the user's needs; Busacca and Maccarrone (2007) said the effectiveness of accounting standards is still a critical issue, as long as it has been not comprehensively investigate. Furthermore, over 60% of financial users believe that the transparency of financial statements needs to improve (Maccarrone 2007). The argument that goodwill amortization does not convey economic information may be true because its value is fixed each year. Financial statement users indicate that they did not consider goodwill amortization expenses useful information when analyzing investments (Duangploy 2005; Al-Khadash and Salah 2009). Fourth, all previous studies applied the same methodology, by implementing econometric models. Fifth, only a limited number of studies discuss impairment application in developing countries.

The main aim of IFRS is to provide high quality of financial reports, characterized with understandable and globally accepted financial reporting rules (IASB website). Along with IFRS and the globalization of financial reporting, the role of financial reporting has changed from the viewpoint of evaluation of performance to providing useful information for investors about the value of the company (see e.g. Vieru 2009). Some researchs are concerned whether IFRS actually improves accounting quality which is often aimed to decreased earnings management (see e.g. Van Tendeloo & Vanstraelen 2005; Barth et al. 2008; Callao and Jarne 2010).

The impairment standard as discussed faced some criticisms, that the current impairment accounting regulations offer new ways to manage earnings (Zucca and Campbell 1992; Francis et al. 1996). Also the regulations of IAS 36, leaves a room to subjectivity and ambiguity in impairment testing, recognition and measurement, which open the door for widely-discussed topic in the recent literature (Zucca and Campbell 1992; Adams 2002; Chen et al. 2004; Sevin and Schroeder 2005; Beatty and Weber 2006; Petersen 2007; Jerman and Manzin 2008; Paananen 2008; Ramanna 2008; Jarva 2009; Ramanna and Watts 2009; Carlin and Finch 2010; Hamberg et al. 2011).

CHAPTER FOUR

THEORETICAL FRAMEWORK

4.1. INTRODUCTION

Theories are constructed in order to clarify, predict and master phenomena. In many cases we are constructing models of reality (Dubin 1969). A theory makes generalizations about observations and consists of an interrelated, coherent set of ideas and models (Hebb 2002). William and Donnelly (2007) state that there are two thoughts involved in research: the first is theory and the second is observation. Theory is what goes on inside the heads of scientists while observation is what goes on in the real world.

The main aim of using theories in the theoretical framework is to enable us to interpret, in general terms, how the world works, (e.g. relationships, phenomena, events or behaviour), whether events are expected or unexpected, how things happen and why, what factors drive such phenomena or behaviour, and whether they are governed by laws or are merely coincidence. From these ideas, humans always try to understand those phenomena and discover their causes so that they can control them. They seek to understand the relationships to which they relate, and to act in ways that ensure they achieve the most usefulness; also, the theoretical framework guides research, determining what variables to measure and what statistical relationships to look for. According to Chambers (1996), theory will not tell us what we should do but it will show us what is and is not possible. In this way it removes countless things from consideration when we are confronted with the necessity of choosing or acting.

Few prior studies have focused on the role of standards (IAS) in improving the quality of accounting information disclosed in financial reports (Fitzsimons and McCarthy 2001; White 2003; Callao et al. 2007; Rahahleh and Siam 2009; Kanthapanit et al. 2011). One of these standards is IAS 36 'impairment of assets' which is considered to be the heart of the current study; thus, this chapter aims to explain potential theories related to impairment practices and interpret the reasons for these practices to discover the influence of impairment on the accounting information, whether it's positive or negative, according to users' perspective in a different environment such as Jordan. This study provides new evidence relating the impairment concept with the degree of assurance and credibility associated with the disclosure of companies' assets. This is a vital issue which relies on credible disclosure to

make different decisions. Therefore, the effectiveness of the provided disclosure depends on the credibility and assurance of this sort of information (Iskander 2008). International Accounting Standards were applied to regulate and develop the Jordanian capital market in order to protect investors, to develop legislation relevant to the capital market, to enhance transparency and to implement the instructions of disclosure (ASE 2011). Through the review of the accounting literature, most previous studies relied on the following three theories (agency, signalling and legitimacy theories) to explain why the application of impairment loss. Accordingly, it is essential to have a general understanding of these theoretical paradigms and to link the academic perspective with the practitioners' perspective. This chapter is organized as follows: Section 4.2 illustrates theories of 'impairment of assets' application. Section 4.3 explains the positive theories. Section 4.4 provides the conclusion.

4.2. THEORIES EXPLAINING IMPAIRMENT OF ASSETS' APPLICATION

Companies' Annual Reports are considered an important source of information about public shareholding companies in Jordan and other countries, and contain the published financial statements, auditors' report and directors' report. As a means of communicating information to shareholders and outside users, annual reports should reveal adequate and important information that is useful in the decision-making process (Schaltegger 1997). Because of the importance of accounting information for all users' decisions, many researchers have focused on improving the quality of accounting information or reducing managerial opportunism (Feng 2001). Such a focus has caused regulators across the world to address and improve accounting standards as an essential condition for the protection of property rights.

One of the most important reasons for the current study is to investigate whether applying IAS 36 'impairment of asset' for Jordanian companies (listed on the Amman bourse /ASE) produces sufficient information to be appropriate for decision-making, and how the users accept this information. This can be achieved by investigating the level of informational content that is considered relevant for users' decisions (Hodgdon et al. 2008; Glaum et al. 2011).

On the subject of 'impairment of assets' as one of the accounting standards, the most common theories have been used in the literature to interpret the philosophy behind the impairment application are agency, signalling and legitimacy theories. Signalling theory has been used by a number of researchers to explain the motivation for impairment application for example, (Hirschey and Richardson 2003; Segal 2003; Li 2005; Vanza et al. 2011). The second,

agency theory, has been used widely by many researchers to interpret motivations for impairment losses application such as (Francis et al. 1996; Dechow et al. 2003; Watts 2003; Beatty and Weber 2006; Chunguang 2006; Ramanna and Watts 2007; Garrod et al. 2008; Chen et al. 2009). The last theory is legitimacy theory, which has been used by a number of researchers to improve companies' acceptance in their environment for example, (Carlin and Finch 2009; Deaconu et al. 2009; Durocher and Fortin 2010; Sciulli 2010; Broberg et al. 2011).

Chen et al. (2007) state that some theories offering a relevant framework to explain the influence of impairment might be more appropriate and relevant to some environments than others and vary from country to country, which can be attributed to cultural factors. Generally, the most dominant theories employed by prior studies which have mainly influenced the development of impairment of assets are agency theory/ earnings management, signalling theory, and legitimacy theory. The evident distinction between the perspectives of these theories lies in two elements: protection of property rights, and corporate objectives.

Many researchers consider impairment loss a complex phenomenon that cannot be interpreted by one theory (Cormier et al. 2005). Therefore, this study has used a multi-theoretical framework, depending on three interactive theories (Neu and Simmons 1996; Cormier et al. 2005; Collin et al. 2009) which provide a good explanation of motives and reasons for applying impairment loss. The Agency theory can explain management's choice in applying impairment loss (Jensen and Meckling 1976), while Legitimacy theory explains the extent and content of financial reporting, stating corporate disclosure practice (Gray et al. 1995; O'Dwyer et al. 2005), and Signalling theory explains how a firm, by acting in a specific way, can create a specific reputation (Spence 1973). To use these theories as complementary rather than contradictory could be useful (Gray et al. 1995) especially when interpreting impairment loss application; it is impossible to use only one theory because of the complexity of the topic (Cormier et al. 2005). Every theory has its own entry mode and is using special explanatory factors that can clarify different behaviours. By integrating different theories, a better clarification can be achieved. It is significant to detect that these theories must be seen in the framework of a financial market, in which financial information is considered a helpful force in the creation of capital and to explain the efficient way of allocating economic resources. Previous studies in this field proposed that the capital market is seen by firms as the central factor in applying impairment practice which, in turn, improves the firm's picture and reputation (Meek et al. 1995). So, the current chapter will describe the theoretical basis of

the study and review for three theories which explain the incentives for applying impairment loss. These theories are: agency theory with its technique of earnings management; signalling theory; and legitimacy theory.

4.2.1. Agency theory

Agency theory (AT) has been broadly employed by scholars in different academic subjects such as accounting, management, economics, finance, marketing, political science and sociology (Kaufman 2002). In summary, it addresses motivation for problems which could occur when ownership is separated from management. It also tries to provide a theoretical focus for understanding organizational process and design from a principal-agent perspective (Hodge et al. 2009), Jensen and Meckling (1976, p.308) defined the agency relationship as "an agreement through which one or more persons (the principal(s)) employ another person (the agent) to perform some service on their behalf which involves authorizing some decision-making authority to the agent". In this context the first person could be seen as the investor and the other as the firm. So, the managers are working on behalf of the investors (Shapiro 2005), shareholders (suppliers of capital) act as principals while managers act as agents (firm).

In general, an agency relationship arises when one party (the principal) hires another (the agent) to perform a task (making decisions on behalf of the principal). Meanwhile, Eisenhardt (1989) describes agency theory as the relationship between parts according to their contract (Jensen and Meckling 1976). Lambert (2001) stated that agency theory can be viewed to comprise two parties, the first one the principal and the second is the agent; the principal is expected to supply the funds (capital), accept or bear risks and construct incentives, while the agent is required to complete the tasks, make decisions on behalf of the principal and also bear risks. The two parties always want to maximize their self-interest but often do not have the same interests.

The main problem, according to the agency theory, is that the agent may not be operating in the best interests of the principal (Agency Gap). as well, the principal needs information which is used to evaluate the performance. This may lead to problems of information asymmetry; this causes agency problems such as moral hazard and adverse selection (Hoque 2006) which arises from the fact that managers always act in their own interests to maximize their personal wealth, probably because they have personal goals that are different from those of the shareholders (McWilliams and Siegel 2001; Miller 2002). For example, the principal

and agent may differ in their risk preference, thus leading the agent's' actions to be different from what was expected by the principal (this issue is called the problem of risk-sharing, which the agency problem is likely to increase). Theoretically, the nature of the relationship between principals and agents is a difficult issue; this encourages a significant role for improving performance by using IAS, corporate governance mechanisms and external auditing, which monitor management behaviour.

Nevertheless a number of factors may lead to manipulation, regardless of the relationship between principals and their agents, such as pressure, threats, opportunity and ethics (Albrecht et al. 2004). Consequently, such relationships may decrease manipulation but cannot eradicate it.

Managers and shareholders behave in a way that maximizes their own expected utility, and this includes two potential conflicts of interest: shareholder-manager conflict and manager/shareholder-debt-holder conflict. Therefore, managers may apply certain plans or actions that are not acceptable to shareholders or/and debt-holders, thus leading to conflict (Jensen and Meckling 1976; Watts 1977; Kelly 1983). This conflict will encourage the emergence of agency costs. These costs consist of the following: (1) monitoring costs incurred by the principal to monitoring the agent's behaviour; (2) bonding costs incurred by the agent to assure the principal that he/she will not apply actions that may destroy the principal's interest; and (3) the residual loss which represents the difference in actions between the agent and principal if the principal takes the action himself/herself (Jensen and Meckling 1976; Watts 1977).

Monitoring Cost ; The principal is responsible to pay the costs related to the process of measuring and monitoring the agent work, the monitoring process should done by certain groups have sufficient experience and appropriate incentives to ensure a fair and successful control of the tasks undertaken by the management. But Deegan (2000)states excessive control may prevent innovation and restrict the administration work (Burkat et al. 1997). The monitoring process should guarantee that the agent have the ability to perform his stewardship role.

Bonding costs; the bonding costs are associated to the agent's compensation systems after they operate in a way that satisfies the shareholders interests (principal). Watts (1988, p.129) provide examples to clarify the bonding costs, such as expenditure on audit committees, non-executive directors and internal auditors. Also Sherer and Kent (1983, p.99) identify internal

auditing to be "a bonding cost borne by the senior managers to satisfy the demands for accountability made by external participants, especially shareholders" the agents bearing the bonding costs in order to reduce the monitoring costs (McColgan, 2001).

The residual loss; Rodney and Muller (2004,p.329)suggest this type of cost "arising because the manager's decisions do not optimize the project's outcomes for the client, either because the manager is behaving opportunistically, or because they do not fully understand the owner's requirements". Moreover Jensen and Smith (1985, p.4) suggest residual loss "represents the opportunity loss remaining when contracts are optimally but imperfectly" while McColgan (2001, p.7) "when the interest of managers and shareholders are still unlikely to be fully aligned. Therefore, there are still agency losses arising from conflicts of interest. These are known as residual loss". In other words represent the imbalance between the monitoring cost and the bonding cost. And this happened when the agent failure to satisfy the needs of the shareholders about monitoring the agent's performance.

4.2.1.1. Agency Conflicts Areas

Through contractual relationship between the agent and principles, and as a result of the lack of full contracts caused several problems arise. Previous studies such as McColgan (2001) indicated that there are four key problematic areas between the agent and the principles; moral hazard, earnings retention, risk aversion, and time-horizon. the linked of managers performance achieved with profitability or sales, is itself a means to achieve many of the agent goals, without achieving principles interests.

(a) Moral hazard: one of the first explanations of agency conflicts is moral-hazard. "Assuming a situation where a single manager owns the firm, they develop a model whereby his incentive to consume private perquisites, rather than investing in positive net present value (NPV) projects, increases as his ownership stake in the company declines" (McColgan 2001,p.7). Large companies are more exposed to moral-hazard problems Jensen (1993). Because larger firms need more external monitoring, which expands the complexity of the firm's contracting nexus exponentially. That's will lead to more difficulty, and monitoring cost.

(b) Earnings Retention: Jensen (1993) states that managers prefer to retain earnings to increase company growth, greater prestige, aims to increasing their rewards, while

shareholders prefer distribute these earnings (cash dividends). So that will increase the agency conflict between the management and the shareholders.

(c) Time Horizons; This type of conflict between the management and the shareholders cares with the time of cash flows. Shareholders care with the cash flows for future period, while the management cares with the cash flows for their work term in the short term. So this conflict may affect the research and development expenditures. Which lead managers to reduce the research and development expenditures, whereas the shareholders want to increase these research and development expenditures to maximize their returns in the future (McColgan, 2001).

(d) Managerial Risk Aversion; Denis (2001) assert that the managers' income is depending on the performance of the company, and they prefer minimizing the risk of their company's stock, and avoid the investment decisions which increase the risk of the company, and they try to diversify investments which will guarantee reduce risk (Jensen 1986).

As a result of these types of conflicts between managers and owners, which provides a strong incentive for the application of impairment losses, as one of the mechanisms used by the administration to reduce the conflict intensity between them, and here become impairment losses application tool for manipulation used by the administration as a tool to bridge the gap arising from the conflicts of interest between management and owners.

Fama (1980) explained that the internal and external competition in the labour market is adequate to resolve the conflicts that arise from agency theory (separation of ownership from management), where the managers compete with each other within the company itself. This is achieved by encouraging managers at the lower levels to monitor managers above them, discover their mistakes, and report them to the Board of Directors, in order to win the opportunity of promotion; many studies have shown that poor performance leads to a high turnover of managers (Benston 1985; Coughlan and Schmidt 1985; Warner et al. 1988; Weisbach 1988). In addition, managers at levels other than the top level are concerned that policies adopted by the top managers will enhance their competitive advantage in the managerial labour market (Fama 1980).

Externally, the competition between companies in the labour market leads to the adjustment of managers' wages according to their performance and the results they achieve (Watts and Zimmerman 1986). The new management applies impairment loss to improve the company's

position and its previous performance is attributed (impairment and bad performance) to the old management. Strong and Meyer (1987) and Cotter et al (1988) concur with Loh and Tan (2002), stating that discretionary write-offs are often associated with a change in top management and are usually accompanied by a decrease in income in the year that the change (in management) occurred in order to secure future improvement.

Agency theory attempts to explain why managers decide to use impairment loss in their annual reports (Strong and Meyer 1987; Rrancias et al. 1996). Managers have discretion over the magnitude of total asset write-downs brought to account each year (Cotter et al. 1998), because they possess more information than shareholders; (Watts and Zimmerman 1978) managers make decisions based upon self-interest. So, the company's management may sometimes use impairment as a tactic or a tool for manipulation by applying the earnings management hypothesis to maximize their own expected utility (Riedl 2004; Jarva 2009) to increase their rewards. From this point the theory can explain how impairment could apply through earnings management and can be used as a mechanism to solve the information asymmetry that exists between the firm and its stakeholders, especially investors (Hallberg and Persson 2011).

When the net income in the current period is higher than predicted, but will probably not be high in the coming years, there will be an incentive to applying income smoothing (Blom 2009). As a result, the management may manipulate the dates and times of transaction recognition to modify the income, which is known as income smoothing or earnings smoothing. Foster (1986) stated that one of the main reasons for the management to use income smoothing is that they consider this manipulation a strategy to eliminate the deviation of income that would attract the investors attention, and it indicates reduced risk.

On the other hand, profitable companies are sometimes more likely to use a write-off of assets (Garrod et al. 2008); moreover, if the write-off magnitude is high, reflecting tax minimization, the impairment loss could be interpreted as expenses, leading to a decrease in profits. As a result, the tax amount will be reduced, so impairment is used as a technique for manipulation.

4.2.1.1. Earning Management²⁷

According to Schipper (1989) earnings management is ‘a planned interference in the external financial reporting method with the aim of obtaining a number of private gains’. Or, it is a process of taking intentional steps within the constraints of generally accepted accounting principles to bring about a desired level of reported earnings. “It occurs when managers use their judgment in financial reporting and in structuring transactions to modify financial reports to either mislead some stakeholders about the underlying financial performance of the company, or to influence contractual outcomes that depend on reported accounting numbers” (Healy and Wahlen 1998).

Management uses earnings management tools such as impairment to hide poor performance or to rearrange a portion of unusually good current earnings to future years (Healy 1985). The current research indicates that managers would like to smooth reported earnings to magnify their bonus compensation (Healy 1985; Gaver et al. 1995; Holthausen et al. 1995; Guidry 1999; Reitenga et al. 2002) and the flexibility of the calculation of impairment loss and impairment reversals helps them to achieve this goal. Consequently, in the absence of effective rules and regulations for applying impairment (Vanza et al. 2011) managers have the chance to manipulate their earnings in a way that secures benefits for themselves and their firms. This act has a negative influence on the credibility, transparency and comparability of financial reporting, which negatively affects the quality and usefulness of financial statements for stakeholders (Blom 2009). For example, the Enron and WorldCom scandals show the importance of the discretion granted to management who might cause ruination for shareholders by abusing their position (Leuz et al. 2003).

4.2.1.1.1 Earnings Management Classification

Bitner and Dolan (1988) and Ronen and Yaari (2007) stated that there are two important types of earnings management, which are carried out through the independence granted to the managers, allowing the transfer of revenues or expenses from one accounting period to another. The first type is called artificial earnings management which includes changes in accounting methods, such as changing the method of stock assessment (FIFO to LIFO) or the

²⁷ A number of phrases have been used to describe earning management activities: Accounting hocus-pocus, Financial statement management, The numbers game, Aggressive accounting, Reengineering the income statement, Juggling the books, creative accounting, Financial statement manipulation, Accounting magic, Borrowing income from the future, Banking income for the future, Financial shenanigans, Window dressing, Accounting alchemy

methods of computing depreciation and any changes in estimating numbers, for example estimating bad debts, asset life (age), expected cash flow, and pension forecasting (Peasnell, Pope et al. 2000; Goel and Thakor 2003).

The second type is called real earnings management; this is done by modifying the dates of transactions in order to achieve management goals, always linked to volume of economic processes. The dates to recognize the financial operation is a special case of real earnings management. Examples of these operations include: 1 - Amendments to the dates of acquisition of capital assets; 2 - Freedom to calculate the expenditure on advertising for each period. According to the accounting literature real earnings management is more used than artificial earnings management, because the management has the authority to implement these decisions (Goel and Thakor 2003; Blom 2009).

This is supported by evidence that management has flexibility in computing and determining the impairment loss because new regulations require judgement by the management; in other words, the management is given the chance to apply more impairment loss than it deserves (Francis et al. 1996; Riedl 2004) through the flexibility available to the management in estimating the size of the cash flows or the market value of the assets, which explains the relation between earnings management and impairment application.

4.2.1.1.2. Earning Management Hypothesis

McNichols (2000) argues that the lack of authoritative guidance on the discretion in deciding asset write-offs (write-downs) with respect to time and amounts may be considered an incentive opportunistically used by management to manipulate the current earnings period. This permits them to achieve their plan to give a good or bad picture about their performance through earnings management. There are two different directions for earnings management: smoothing income or taking a 'big bath'. Although impairment communicates value-relevant information to investors or potential investors (and all other users) and through this study the researcher is seeking to test whether impairment loss has a significant impact on the decision-making process for the users of financial statements (investors, creditors, financial analysts, auditors and others), we also want to know whether impairment loss has an effect on investors' expectation', and what motivates the management to use 'impairment loss' for earnings management

4.2.1.1.2.1. Smooth Earnings Hypothesis

According to DeFond and Park (1997; p115) "Smoothing earnings takes into consideration both current and future performance; their evidence suggests that when current earnings are 'poor' and expected future earnings are 'good', managers 'borrow' earnings from the future for use in the current period. Conversely, when current earnings are 'good' and expected future earnings are 'poor' managers 'save' current earnings for possible use in the future".

Healy and Wahlen (1998) indicated that earnings management can be applied for a variety of reasons, such as the impact on stock prices, increasing management compensation, reducing the likelihood of violating lending agreements, or to attain private goals. So managers try to manage profits because they place great weight on the impact of the declared profits on investors' and creditors' decisions. A variety of studies have discussed the methods of earnings management to improve income and report effects and / or reduce costs in the company (Trueman and Titman 1988; Kirschenheiter and Melumad 2002; Tucker and Zarowin 2008).

In the first place, as mentioned by Zucca and Campbell (1992) and Francis et al.(1996), income smoothing demonstrates earnings patterns from which management aspires to maintain a steady and predictable rate of earnings growth either because their compensation plans reward steady income or they believe the market will equate smooth earnings with lower risk and higher stock prices. Therefore, such an income smoothing hypothesis expects discretionary assets write-downs to occur in the accounting period with extremely high operating earnings, as pointed out by Strong and Meyer(1987) and Chunguang (2006), and firms can make full use of the tax shields if they conduct assets write-down during profit periods.

4.2.1.1.2.2. Big bath hypothesis

Conversely, the big bath hypothesis expects large assets write-downs to be associated with unexpectedly low earnings performance, especially when the management is about to leave (management change); under such circumstances the management become more motivated to download all the problems existing in the company to the previous administration. This practice was asserted by Vanza et al.(2011) who stated that recording assets write-downs in large amounts can serve to clean up the balance sheet and attribute any operating problems to

the past management, in order to improve future earnings (at least, ROA²⁸ will be increased). Zucca and Campbell (1992) created empirical evidence discussing both income smoothing and big bath patterns; they confirmed that the results support the big bath hypothesis, although the asset write-downs are mostly associated with poor financial performance and management change, which are considered one of the major motivations for assets write-off (Riedl 2004).

However, the poor performance and management change which represent economic factors can also be a proxy for the economic environment changes rather than earnings management motivation; as a result, the relation between poor performance plus management change and impairment of assets (write-downs) can also be interpreted as suitable responses by managers when facing environment changes (Elliott and Shaw 1988; Zucca and Campbell 1992; Francis et al. 1996).

To elaborate on the concept of the big bath, we can say that the management makes adjustments to shift losses for two consecutive years into one, or to reduce losses for three consecutive years into two years. Li (2001) explained that, in order to minimize any further negative impact of applying this concept, management will incorporate future expenses by writing off assets in the current period, so that they can increase future earnings. Strong and Meyer (1987) discovered that these modifications on the clearing balance sheet and stocks enable the company to increase income and stocks return in the coming years. Cameron and Stephens (1991) stated that, when the company performs modification in one year to treat financial reports by applying impairment, it will signal the fact that the company is about to enter its best period (in line with signalling theory). Most financial analysts suppose that, if the amount of the big bath is increased, it will be better for the company (Strong and Meyer 1987).

Similarly, management may have the intention of shifting profits from one period to another in order to fulfill the requirement to raise additional share capital. It appears that accounting data often form the primary basis for determining salary increase, and it has long been recognized that accounting data play a basic role in the planning and control activities of most organizations.

²⁸ Return on assets

Accounting data have many characteristics that help to explain their prominent role in performance evaluation. They are subject to a variety of internal controls and auditing, which enhance reliability vis-à-vis other information from outside the accounting system which will increase their comparability, understandability and reliability for users who consider the application or testing of agency theory. The accounting literature mentions that the big bath method is used by management in order to achieve goals through asset impairment (Burton 1986; Mime 1986).

The "Big Bath Theory" states that asset write-downs are mostly associated with poor financial performance and management change, taking into consideration the major motivations for assets write-off (Jordan and Clark 2004). So, agency theory explains that public shareholding companies are using impairment loss as a means to reduce conflicts between owners and management, which is known as the Agency Gap. Agency theory is more appropriate for developed countries than developing countries, where family ownership is highly concentrated in developing countries if compared with developed countries. As a result, agency theory has described impairment concepts for a long time as a framework. Thus, it seems to be the main theory for understanding the conflict of interest between principals and agents, mainly those resulting from possible issues of opportunism.

The effect of agency theory on asset impairment studies can be observed in prior studies such as (Francis et al. 1996; Beatty and Weber 2006; Whittington 2008; Ramanna et al. 2011) which provide conflicting results in the assessment of the relationship between corporate impairment mechanisms and earnings management on the one hand, and quality of accounting information on the other hand. Therefore, using agency theory as a framework to explain how asset impairment is used through earnings management is an appropriate approach for the current study.

Previously, it has been seen how agency theory can be applied to realize and interpret the relationship between asset impairment and the quality of financial reports. The use of this theory in interpreting earnings management practices has been employed by prior studies; however, it may not cover all earnings management incentives. Agency theory is considered a descriptive theory that explains the diversity of accounting practices. Accordingly, it does not offer the right accounting procedures, to be used at different times, and thus accounting practice has always changed (Schroeder et al. 2010). Furthermore Deegan (2000) stated that

agency theory provides the essential explanation for why the use of a specific accounting method affects a company.

So this theory will interpret the management choice for using impairment loss, to guarantee overcome the agency conflict that discussed before, it is offer a theoretical interpretation, which is supported by the practical findings, that managements may use impairment losses as a way to reduce conflicts of interest between the shareholders and the agent (managers), and reveal that the impairment losses may be used as a tool to achieve management objectives, in order to allow for decision-makers to take the right decision. Also it offer a rational explanation to understand the impairment mechanisms to apply earning management (income smoothing and big bath theory) and how they can be activated in order to ensure the credibility of adequate information and financial statements that authorized by the companies.

4.2.2. Signaling Theory

This theory explains how a firm can act to create a specific reputation; the best definition of a signal is that of a perceivable act or structure that is intended to indicate perceivable quality about the sender or the sender's environment. The purpose of a signal is to indicate a certain quality see (Guilford and Dawkins 1993; Hauser 1997; Hauser et al. 2002; Donath 2006). For example a university degree is a signal but it is not necessarily a guarantee of success in the job, but rather a reference to a minimum of efficiency (Levy and Lazarovich-Porat 1995; Bird and Smith 2005). Also increasing levels of disclosure it's consider as signal for future earning (Hussainey and Al-Eisa 2009). In addition, an important part of the incentives in the contractual process is to pay the other party to send the correct indicators for effort and hidden information.

The main idea of signalling theory is that one party (the management) sends some meaningful information about their performance to another party (the stockholders or other users) to attract the users' attention. Signals have changeable degrees of reliability, and a number of them are quite highly correlated with the quality they represent; the problem is deciding how the signal is associated with the quality which it represents and identifying the main elements of the signal that keep it reliable (Watts and Zimmerman 1978).

Moreover, there are two important reasons for the existence of asymmetry of information in the market as stated by Spence (1973). Firstly, sellers of high-quality products could withdraw their products from the market because they have difficulty in differentiating them

from lower-quality products. Thus, their products are priced according to the normal quality. Consequently, this might cause the market to err in evaluating the quality of their products, which leads to a fault in allocating economic resources to their best uses.

The second feature relates to the efforts undertaken by the sellers to communicate information to the buyers about the quality of their products. Sellers of high-quality products will have the motivation to expend resources to inform buyers about the superiority of their products. As explained by Spence (1973), this process is a type of signalling in order to deal with the problems resulting from the sales of products and services of lower quality than the superior products and information asymmetry in the market.

Moreover, according to Francis et al. (1996) write-off disclosures potentially convey three kinds of information. The first is information about decreases in economic values of assets; from this view, we expect that unexpectedly large (small) write-offs result in decreases (increases) in market-adjusted returns. The second type of information relates to changes in management strategies; impairment affect security returns because they are a signal of expected improvements in future performance, with larger write-offs having more positive price effects. Finally, write-offs may convey information about the firm's willingness and ability to apply earnings management discretion.

Spence (1973) detects that, according to this theory, companies need to distinguish themselves from other companies in terms of the quality of financial statement and achievement. Also, because optional disclosure is considered one of the methods available for the implementation of this, distinguished companies are eager to increase the level of optional disclosure, hoping to maintain their share price or improve it. By Su's (2004) conclusion that write-downs are a signal of the potential performance improvement is fully consistent with Aboody's findings (1999) that an asset write-off may help to resolve problems caused by information asymmetries. Internal managers can signal important information that they hold by writing-down the assets they have; this would be a signal of better future performance (Aboody 1999).

In addition, the company may disclose the impairment loss in order to give a signal that it is striving explicitly for improvement and development in the current period and coming future; logically, if a write-off decision is related to restructuring, the market may show the write-off as an effective management reaction to a bad business environment such as the disposal of an unprofitable production line of the business (Francis et al. 1996).

In such cases, the stock market will show a positive market-adjusted return over the period surrounding the write-off announcement agreement (Strong and Meyer 1987; John and Ofek 1995; Hogan and Jeter 1998), because the impairment loss is evidence that the administration is interested in providing accurate financial information.

Another motive explaining a firm's adoption of impairment loss is related to how signals affect firm value; companies use impairment loss to achieve private objectives, by positive or negative signalling about the firm value. Information asymmetries can be decreased if one party has more information signals than others. High-quality firms want to differentiate themselves from low-quality firms through the information disclosed.

Zucca and Campbell (1992) state that some workers in the trade and academics acknowledge that the decline in the assets value is an indicator of the acquisitions operations or merger with other companies of the same size, which leads to changes in the structure of the capital. Meanwhile (Rees et al. 1996) consider recording impairment as a means of providing value-relevant signals to investors, although this theory provides an explanation of the use of impairment loss as a means of disclosure or dissemination of data.

One of the existing interpretations of impairment practice is that it may be seen as a signal for stakeholders, to inform them that reforms are coming in the near future, and impairment loss is also used when the management is new, as an indicator of the bad performance of the previous administration (Vanza et al. 2011). Also, impairment loss is considered a signal about firm efficiency, because there are two possible meanings of the signals: the first is that the managers may be using asset impairment (write-downs) either to respond to unfavourable changes in the firm's economic value (negative signal) or to give insight (proof) to investors that they are dealing with the past problems, so that improvement in future performance can be expected (positive signal) (Xu 2007). Previous studies, in contrast, have concluded that assets impairment (write-off) generally has negative information content when announced (Hirschey and Richardson 2003; Seetharaman, Sreenivasan et al. 2006).

Also, prior studies communicate some evidence that impairment may transmit different signals. For instance, (Francis et al. 1996) found that investors consider impairment (write-offs) as negative news and discovered a significant positive reaction to restructuring charges consistent with the view that greater flexibility in measuring and recognizing restructuring charges allows management to use these items as a signal about expected future performance. In other words, the manager may write-down assets in times of poor earnings to signal that

past problems are being dealt with; this is consistent with Aboody (1999) who found that upward revaluation of fixed assets by U.K. firms is significantly positively related to future firm performance.

Also, Bartov (1993) proved that the three-day cumulative abnormal returns around impairment (write-off) announcement are negatively related with asset write-down amount. Even though such information content cannot reveal whether investors consider assets write-off disclosures as value-relevant information when setting asset prices, they at least show that the market will interpret the asset write-offs announcement differently according to the information type they contain (Churyk 2005; Dahmash et al. 2009).

It's not reasonable to suggest that the above evidence not accept the possibility that managers will opportunistically make asset write-offs and produce false signals to achieve private objectives. This is similar to Skinner's (1994) findings that less profitable firms might disclose more information (good or bad news) to justify their negative performance, in order to prevent potential litigation costs and reputational costs, to reassure the market about future growth, and to avoid severe reduction of share capital and reputation loss in the stock market as the result of disclosing "bad news".

4.2.2.1. Credibility of Signals

As mentioned previously, the provision of favourable information signals will enhance a high share price and that will encourage the management to issue favourable signals. On the other hand, the firm will suffer through the release of impairment loss reports because it is considered unfavourable information; this information will decrease its share price on the date of the announcement, although it will improve later. One would imagine that a firm's management, in its attempt to maximize the firm's share price, would simply publish false information, especially those firms that have bad news or no news at all. It is, of course, illegal for companies to provide false or misleading information and may render them subject to prosecution (Foster 1986; Skinner 1994; Cooper and Grinder 1996; Kothari et al. 2009).

4.2.2.2. Agency Theory versus Signalling Theory

Altogether signalling theory and agency theory have been used in accounting to deal with similar cases; little attention has been paid in the literature to the relationship between the theories in treating these cases (Morris 1987). But the question arises as to whether these theories clash or complement each other, and the answer relies heavily on key assumptions

that are based upon these theories (Morris 1987). Furthermore, the information asymmetry between management and market users is the basis for signalling theory (i.e., the absence of such a conflict denies the existence of signalling theory).

Also, it is assumed that the information asymmetry between managers and shareholders (owners) and creditors (bondholders) depends on agency theory, which includes the separation of the administration from the owners, and both theories deal with the assumptions that market traders are acting in a rational way. Therefore their goal is to maximize their wealth. On another occasion, with the co-existence of conditions, the separation of ownership from management and rational behaviour implies different interests amongst the parties to the firm. Therefore, one could interpret from the lack of these circumstances that the principal-agent problem would not exist (Morris 1987).

Together, theories have been used to examine assets impairment application. According to signalling theory, high-quality firms will have the motivation to disclose impairment information to differentiate themselves from other firms in the market by using impairment loss as an indicator or signal of new reforms. Additionally, the power of the motivation will depend directly on the degree of information asymmetry in the market; the higher degree of information asymmetry, the stronger motivation for a firm to apply impairment loss. Most empirical research on signalling theory has focused on one form of disclosure.

In contrast, the empirical work which uses the framework of agency theory has tried to clarify impairment of assets disclosure, briefly; both theories are constant and can co-exist to explain impairment loss application. And impairment loss is disclosed by the party (agent) that has more information to provide signals to the market and reduce the amount of conflict simultaneously. So it become clear how signaling theory Side by side with agency theory explain why managers applied impairment loss, It showed how enterprises use impairment losses in order to reduce conflicts with shareholders, or to send positive signals to all parties used accounting information in Jordan

4.2.3 Legitimacy Theory

Hallberg and Persson (2011) stated that legitimacy theory stemmed from the idea that there is a social contract between the firm and society. By fulfilling this contract, the firm will be considered legitimate. The contract is met when the firm discloses its accounting information in a certain way (Watson et al. 2002). The idea of a social contract between business and

individual members of society suggests that, while the main aim of a business is to make profits, it also has a moral obligation to act in a socially responsible manner (Sethi 1979). This obligation is the basis of an intangible social agreement or contract between business and society. The idea of a social contract is an integral part on which "social theories" such as stakeholder theory, legitimacy theory and accountability theory have been developed in an attempt to explain various aspects of corporate social behaviour. Suchman (1995) stated that legitimacy is 'a generalized perception or assumption that the actions of the companies are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs. The continued existence and growth of the company depends on its capability to distribute the economic, social and political benefits to different groups in the society that comprise the source of its power'.

Another way in which a firm can be seen as legitimate is to act in accordance with informal and formal pressures: the expectation of society or the industry sector that a firm will behave in a way that is accepted by its environment. These different pressures can be difficult for a firm to respond to this creating legitimacy problems for the company. Some of the pressures may also be a result of government missions which the firm is often forced to follow (Dowling and Pfeffer 1975; Dart 2004).

According to Deegan (2006), legitimacy theory asserts that organizations continually seek to ensure that they operate within the bounds and norms of their respective societies, A firm that is seen as legitimate has better chances to survive and acquire the required support for sustainable operations (Meyer and Rowan 1977), so firms strive to be legitimized by becoming or remaining acceptable within the social environment in which they are operating. Also, Zimmerman (1998) stated that legitimacy is the result of a positive judgement by individuals and organizations in a society of the appropriateness of an organization. It is based upon the notion that business operates in society using a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival (Larson 2002).

A company can only be efficient if it is sure that its vital stakeholders will continue to supply it with essential resources needed for manufacturing and the provision of its services. Stakeholders are important for a firm because they provide necessary resources which are either irreplaceable or replaceable only at a high cost. From another perspective, stakeholder involvement in the exchange of goods, money and information has to be mutually beneficial.

Increasingly, users should take an interest in accounting information when they deal with companies. Public information and awareness play an important role for companies wishing to improve their environmental record (Al-Khadash and Salah 2009).

Legitimacy theory explains the extent and content of financial reporting, and also clarifies the willingness to disclose information by pointing out that firms want to guarantee their continued existence in society (Reich 1998) by providing detailed information to satisfy the society needs that protect their services (Shocker and Sethi 1973). Therefore, companies use measures to ensure that their activities and performances are acceptable to the environment (that the companies are operating in); one important step is to disclose any information that may affect the community (Wilmshurst and Frost 2000; Mobus 2005). Those who advocate regulated environmental information claim that at least minimum information is ensured by these regulations (Maltby 1997; Tenbrunsel, Wade-Benzoni et al. 2000).

This theory focused on interpreting the reasons for the company's attention to the surrounding environment and its responsibility towards the community in which it operates. Wilmshurst and Frost (2000) have explained that the legitimacy theory is based on the idea that no company will operate in society in the long run unless it has legitimacy and the acceptance of that society. So it assumes that companies often try to achieve the general goals of society in order to gain satisfaction and be accepted; this explains the impairment loss application as an indicator of developing and providing the necessary information to the community in which the company operates. Cormier and Gordon (2001) explained that a company's existence in any society is based on the contract between the company and the community in which it operates; the company will undertake to fulfil the requirements of this contract until it is legitimate and accepted by society. So in terms of this contract the company will carry out certain activities which are considered important (of interest) to the community, socially and environmentally.

So companies should fulfill the social contract and act in a way that is consistent with the investors' expectations (Philippe 2006). If the investors expect firms to apply IAS 36, firms may feel forced to do so to continue being seen as legitimate. Gray, Kouhy et al. (1995) have revealed four strategies that can be followed by companies in order to gain acceptance in the society:

First; apply social and environmental activities to help in society development. According to this point companies apply impairment loss as a way of restructuring their activities, which

will reflect positively on the surrounding environment. The management should choose an accounting method based on what gives the highest possible turnover and profit, especially in the future; usually, organizations seek to use reporting as a means of securing organizational legitimacy.

Second; the company applies normal activities without changing and attempts to modify the community's view of the legitimacy and importance of these activities. This is what companies are doing with re-evaluation of assets (impairment) in order to ensure the maintenance of its activities.

Third; divert the attention of society away from the company's activities to other activities. In financial accounting research, the theoretical approach of legitimacy theory (Powell and DiMaggio 1991; Carruthers 1995) has been adopted to explore how the institutional environment and social expectations affect organizations.

Forth; seek to change society's expectations of the active environmental and social development of the company.

Companies will not survive in any society unless their activities are associated with the community and compatible with the customs and moral system existing in these communities. Impairment considers one of the important information to be disclosed through the financial statements.

We note that this theory has focused deeply on informing the community about the information and activities; it also fully explains why companies disclose their impairment loss in the financial statements. In short, the existence of impairment loss in financial statements can be interpreted as being based on the idea that companies signal their legitimacy by disclosing information (Watson et al. 2002). DiMaggio and Powell (1983) debate that companies track rules to gain legitimacy, so implementing accepted rules such as impairment will increase the company's survival capability and minimize the risk of bankruptcy, disclosing impairment will strengthen the communication between managers and stakeholders as well as environment, thus increasing the legitimacy of the company performance through the adoption of new standards. Companies can only survive if they maintain their legitimacy in society, thus enabling them to attract the necessary resources for survival (e.g., scarce materials, sponsorship, and political approval) (Hearit 1995).

According to the growth in community awareness and concern, firms should take measures to ensure their performance and activities are acceptable to the community and satisfy their needs and wants. Therefore, one of the policies used is the disclosure of impairment loss to improve their communication with society. Such actions and events increase the company's legitimacy, because such actions reflect the company's desire to develop its operations and improve its products or services, making it more acceptable in society. According to Institutional theory (Scott, 1987), organizations are placed in social settings and explicitly recognize the influences and interactions of the external social environment on the internal activities of the organization.

Based on the above discussion, a number of theories have been used to explain impairment loss application; Figure (4.1) summarizes the theories that may be associated with the 'impairment of assets' practice. Nonetheless, the main theories that have a reasonable (relevant) interpretation for 'impairment of assets' practice by companies are agency, signalling and legitimacy which adopted in the current study.

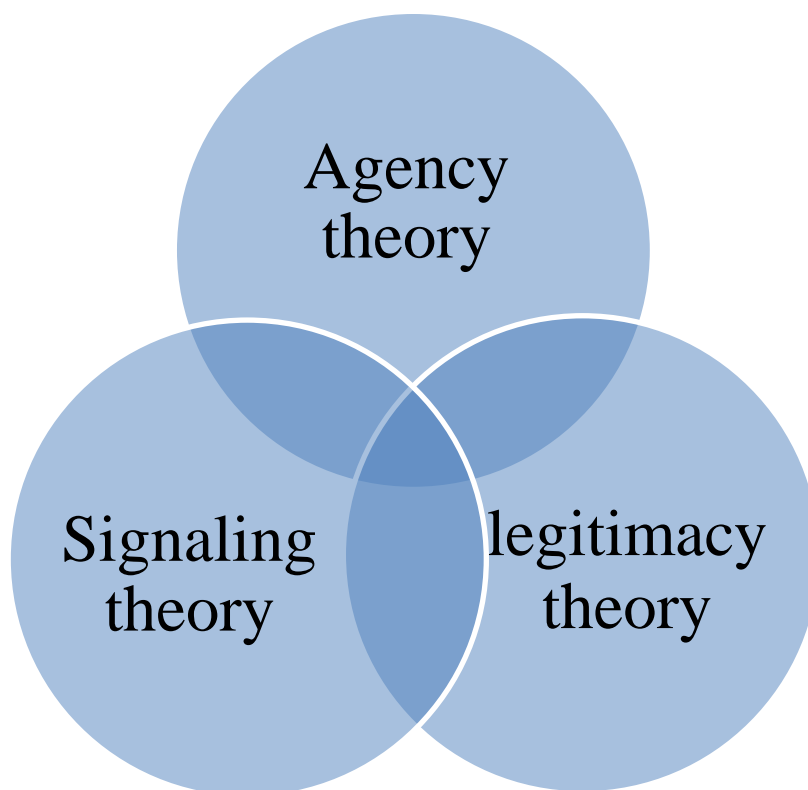


Figure (4.1) Elaborate Theories Explain Impairment Practice

4.2.4. The accounting objective theory

Another theory that may contribute in some way to the understanding and interpretation of impairment loss application is the accounting objective theory. The philosophy of the application of impairment came from the notion that the value of asset might not be confirmed by the accountants, but it should be truthfully reported to investors and other users. For this reason, even if the value of the asset is not correct, it should be reported in the financial statement to provide users with reliable information to help them in the decision-making process. This is the embodiment of objective accounting. It is the responsibility of accounting to reduce the uncertainty to the lowest degree and successfully avoid potential risks. Companies and accountants should examine and prove the asset impairment, and propose more reliable asset value reports to the accounting information users. The evidence of the asset impairment would enhance the decision serviceability of the accounting information, and maximally protect the disclosure subject of the accounting information. As a result, the theory of objective accounting decides the confirmation of the asset impairment (Sun and Xu 2010). But this theory will not be used to interpret the application of impairment losses because its shortage in explaining the motivation for impairment application.

4.2.5. Accountability theory

A few studies, such as Kanthapanit et al. (2011), used the **accountability theory** as a technique to explain the reasons for a firm's management decision to apply impairment losses. This theory stated that a corporation's management reacts in a way that protects all users of financial information. Keasey and Wright (1993) stated that the "accountability involves the monitoring, evaluation and control of organizational agents to ensure that they behave in the interests of shareholders and other stakeholders". Thus, this theory focuses on the relationship between the company and its users (stakeholders) regarding the nature of the financial information and the disclosure in the annual report (Drever 2007). However, the researcher does not believe that this theory suggests a reasonable interpretation of impairment application. But the agency theory provides a more acceptable explanation to clarify the mechanism of impairment loss application, and achieve the objectives of this study and more convenient

4.2.6. The market economy theory

The market economy had existed early in the western countries, and it based on the unique principles first; Freedom, which always urges to free competition, and all companies and

users may possibly compete for available market resources (e.g. land, capital, technology, talent, and information, and the result of the competition is that all participation parties could maximize their own benefits (Sun and Xu 2010).

The second; Uncertainty, This case arises from the uncertainty resulting from the movement of the market dynamics, Freedom is a incentive factor for existence of uncertainty situation, and the fundamental nature of the market economy is uncertainty and freedom. Therefore, the results of the current business operations and future will bring uncertain economic benefits for companies, Therefore, the results of current business processes and future will bring economic benefits are uncertain for enterprises, which may lead uncertainty of future economic benefits, and this may cause decrease in future economic benefits of the assets, resulting in lower carrying value of the assets, and the asset impairment happens. Therefore, the important properties of the market economy will decide to change the value of asset (which contains asset impairment) (Sun and Xu 2010).

4.2. CONCLUSION

This chapter has discussed the main theories used to explain the application of assets impairment. The discussion has concluded that impairment loss is a complex phenomenon that cannot be interpreted by one theory to clarify asset impairment practices. The theories that have been used to investigate impairment mechanisms are agency theory, signalling theory and legitimacy (Cormier et al. 2005). It has become clear that the nature of the relationship between principals and agents is still ambiguous in Jordan because of the scarcity of studies examining this issue. Although Clark (2004) states that collectivism is a dimension of the relationship between principals and agents in Asia, South America and Southern Europe, it is difficult to generalize these findings due to various factors including the cultural and Islamic frameworks as discussed in the Jordan chapter.

This confirms the view of Benkel et al. (2006) who said that the results of previous studies cannot necessarily be applied to some countries because these countries may differ in terms of the nature of accounting practices, population, culture, and economic and political systems. Besides that, they have different characteristics such as unbalanced distribution of income and wealth.

It has become clear that these theories is the most significant theories for the research questions of current study, because the literature related to impairment practice on earnings

management indicates that the management usually applied impairment for earnings management purposes, Or to send specific signals to achieve the managers objectives, showing that profits and improved performance will be later, or convince the surrounding environment and the community that the company is making continuous reforms, so as to ensure greater acceptance of the company and to reduce information asymmetry (Strong and Meyer 1987; Zucca and Campbell 1992;Francis et al. 1996; Wilson 1996; Rees et al. 1996).

Various theories have been used to investigate earnings management motivations and techniques, such as agency theory, positive theory, and institutional theory. Agency theory is the most widely used theory in exploring earnings management practices; however, agency theory alone may not be capable of adequately describing or justifying the motivations and techniques of impairment application. Thus, convergence between agency theory and legitimacy theory may be helpful since signalling theory also provides a precise interpretation of impairment practices.

In summary, impairment was and still is a controversial and unresolved issue because impairment loss amount, timing, and the method of recognizing it are matters of management judgement. Therefore, this study aims to examine the impact of impairment on the quality of accounting information and to discover the theories used by management to support their decisions. Through the literature we noticed that legitimacy, signalling and agency theories are complementary approaches to clarifying the main thoughts behind the application of impairment losses, so using them as a framework might be helpful in deepening the understanding of impairment application and the technique used by management relating to impairment. Accordingly, hypotheses will be formulated based on all these theories; however, all these theories (agency, signalling and legitimacy) will be used in the interpretation of the findings, if necessary, because they complement one another.

As a result of previous theories argument, that explains the aspects theory behind the application of impairment losses. Had to be tested practically to ascertain the extent of the ability of the theoretical argument, the next chapters of the study are concerned with investigating of this theoretical argument. Also there are a number of theories have tried to provide an explanation shows the managers motivation to use impairment losses, but it was not used in this study because of the lack of clarity of its philosophy.

CHAPTER FIVE

RESEARCH DESIGN AND THE METHODOLOGY

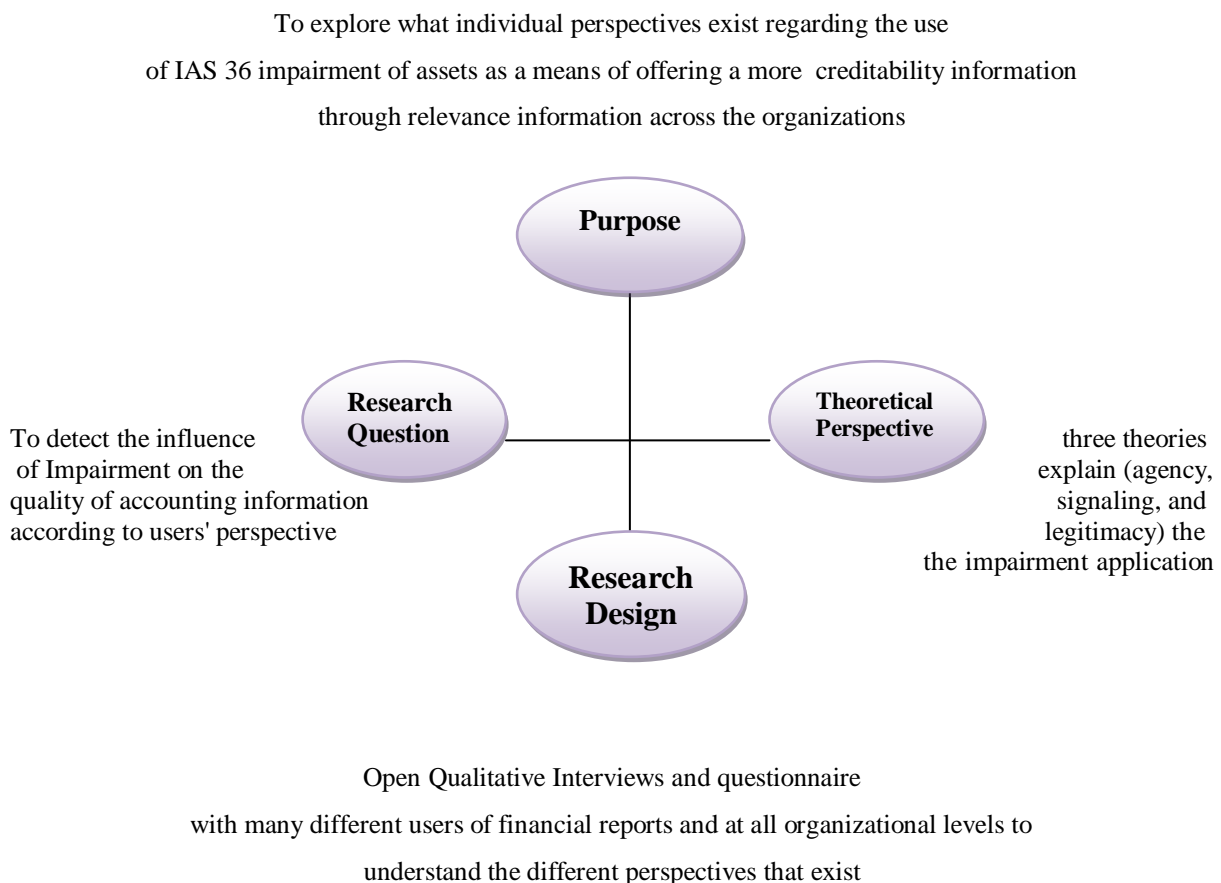
5.1. INTRODUCTION

After discussing the theoretical framework in the previous chapter, (which offered the theories related to this study), this chapter deals with the methodology adopted in this thesis and the methods used for data collection (the primary and secondary data). A suitable study design should make a link between the study problem, theoretical framework and the research objectives to ensure that the desired rigour is achieved (see figure 5.1). In this chapter will explain the methodology used to examine the conceptual model proposed in chapter four and the details of the types of test employed. As stated earlier, this study aims to gain insights into respondents' perceptions of the motivations and techniques of applying asset impairment and to examine the effectiveness of impairment loss on reducing uncertainty and improving the quality of accounting information in Jordan. Sekaran (2003) defined research as an organized, systematic and data-based scientific enquiry or investigation into a specific problem with the aim of finding an appropriate solution. Bell and Bryman (2003) and Collis and Hussey (2003) stressed the significance of a systematic process of investigation in order to add to humanity's knowledge, for theorists and practitioners alike.

Accordingly, this chapter will coordinate and explain the philosophy and appropriate methodology, connecting the theoretical and empirical models employed in data collection, and the detailed literature as stated in chapter three, in order to recognize the key issues and to gain insights into the area of asset impairment. The arguments of different researchers in the field of asset impairment have been critiqued and some of their conclusions relating to the main hypotheses of the research will be challenged throughout this research (Fitzsimons and McCarthy 2001; Chambers 2007; Giannia 2007; Barth 2008; Smith 94; Franica1996; Bartov Sevin; Chen) in order to achieve the outcome derived from hypothesis-testing. This chapter also explains the development and implementation of the research instrument selected to study the research problem. This study also tries to discover the effect of the International Accounting Standard, 'assets impairment', and its role in improving the quality (qualitative characteristics) of accounting information and its impact on the users of financial statements, to assist them in the decision-making process. According to social science criteria, standards place restrictions on people's behaviour and must be accepted by the parties affected (Watts

and Zimmerman 1986; County 1987) this encouraged the researcher to investigate the effect of IAS No 36 from the perspectives of the parties affected. Thus, the chapter is structured as follows. Section 5.2 presents the research philosophy. Section 5.3 explains the research methodology associated with assumptions with respect to the nature of social science, and the assumptions regarding the nature of society. Section 5.4 explains the research paradigms while Section 5.5 provides data collection methods including the questionnaire survey, secondary data and semi-structured interviews. Section 5.6 presents a brief description of the general principles of field study. Section 5.7 explains the hypothesis development while Section 5.8 methodological limitations 5.9 conclusion. The following section contains a discussion of the specific approach adopted.

Figure (5- 1) The Link between Study Problem, Theoretical Framework, Purpose and Research Design



Source: Adapted from Partington, 2008

5.2. RESEARCH PHILOSOPHY

It is important to explain the research philosophy adopted in the thesis, which reflects how well the researcher understands the phenomena and confirms that he/she is able to select the

suitable research tools. Anyone who starts a study in any field of science should be able to understand and grasp the main issues in his/her pursuit of knowledge. Often, the crucial issues in social science are: ‘how do we know what we know, and how do we gain knowledge?’ Goles and Hirschheim (2000) developing a philosophical perception requires assumptions regarding two dimensions: the nature of society and the nature of science (Burrell and Morgan 1979). The development of research philosophy, which occurred at the beginning of this century, especially in the UK, increased the importance of social science research, particularly research methodology. Many scholars have investigated this issue for example (Burrell and Morgan 1979; Crotty 1998; Goles and Hirschheim 2000; Fossey et al. 2002; Saunders 2007) to find a suitable classification of organizational research that will act as a guide to the understanding of research philosophy, the assumptions regarding the nature of social science and society, and their different philosophical stances regarding ontology, epistemology, human nature and methodology. These two dimensions are explained to justify the philosophy adopted.

5.2.1. Assumptions about the Nature of Society

The sociological aspect includes a selection from two views of society: regulatory or radical change. Society's development is seen as either arising from the current status or from what can be in the future. From a regulatory view of society, the researcher supposes that society is improving reasonably and is considered unified and cohesive. However, the sociology of radical change considers society to be in a stable fight, as humans resist, freeing themselves from the authority of societal structures (Burrell and Morgan 1979). These differing views are the foundation of contradiction, and are normally diametrically opposite, so a rational view of society is the origin of modernism while a radical change viewpoint underlies post-modernism.

5.2.2. Assumptions about the Nature of Social Science

The second dimension, the nature of social science, implies either a subjective or objective method of research, and these two main philosophical approaches are led by several core assumptions concerning ontology²⁹ (reality), epistemology³⁰ (knowledge), human nature (pre-

²⁹ Ontological is reality external to the conscious mind or a product of individual consciousnesses. Is reality given or a product of the mind?

³⁰ Epistemology justified the true beliefs or the study of the nature of beliefs, the basis of truth and the problem of justification. Epistemology aims to understand such concepts as belief, memory, certainty, doubt,

determined or not), and methodology (Burrell and Morgan 1979). Accordingly, the research found that these assumptions are dependent on one another. Ontology affects the epistemological argument which, in turn, affects the view of human nature, consequently leading to the selection of a suitable methodology, which rationally follows the assumptions the researcher has previously prepared. On the other hand, the researcher should be responsive to the suggestion that his/her philosophical assumptions may have a considerable impact on “What to research”. Burrell and Morgan (1979) mention that the objective dimension comprises realism, positivism, determinism and the nomothetic approach (suitable for quantitative studies), whereas subjectivism includes nominalism, anti-positivism, voluntarism and the ideographic approach (suitable for qualitative studies). Each of the assumptions has significant methodological implications. Objectivists inspect relationships (associations) and regularities among the fundamental elements. They explore the concepts and universal laws to explain reality.

Subjectivists, on the other hand, focus on how persons (individuals) create, modify, amend and interpret the world, and see things as more relativistic. The most comprehensive philosophical framework based on these dimensions has been developed by Burrell and Morgan (1979) (See figure 5.2). Based on the foregoing, the selection process of a suitable research methodology cannot be completed in isolation from the consideration of preceding assumptions that maintain the research question (Ryan et al. 2002; Smith 2011). Therefore, these dimensions will help the researcher to recognize the current research stance from these assumptions. The subjective-objective dimension may be used to differentiate the extreme positions of each assumption.

5.2.2.1. Ontology

The first assumption, Ontology, is concerned with understanding the core of the phenomena under examination. Two opposing positions can be identified: nominalism and realism. Realism, considers that the world exists independently of the individual and that there is no virtue for individuals in the presence of this world (Burrell and Morgan 1979). Furthermore, it refuses to link the existence of things and nature with human existence and sees the presence of the world and individuals as independent of type and condition (Burrell and

justification, evidence and knowledge; it enquires into the criteria for the application of such terms and so, in particular, the criteria for identifying "the scope and limits" of human knowledge (Cooper, 1999)

Morgan 1979). Nominalism denies the existence of general ideas and only admits the existence of general signals, regarding ideas as only voices. So, research ontology includes two main categories: objectivism and subjectivism

5.2.2.2. Epistemology

According to Saunders et al. (2007, p.102), "Epistemology is concerned with what constitutes acceptable knowledge in a field of study;" that is to say, it explores the nature of knowledge within a particular discipline, and refers to the study of the nature, origin, and limits of human knowledge. There are two epistemological perspectives: positivism and anti-positivism.

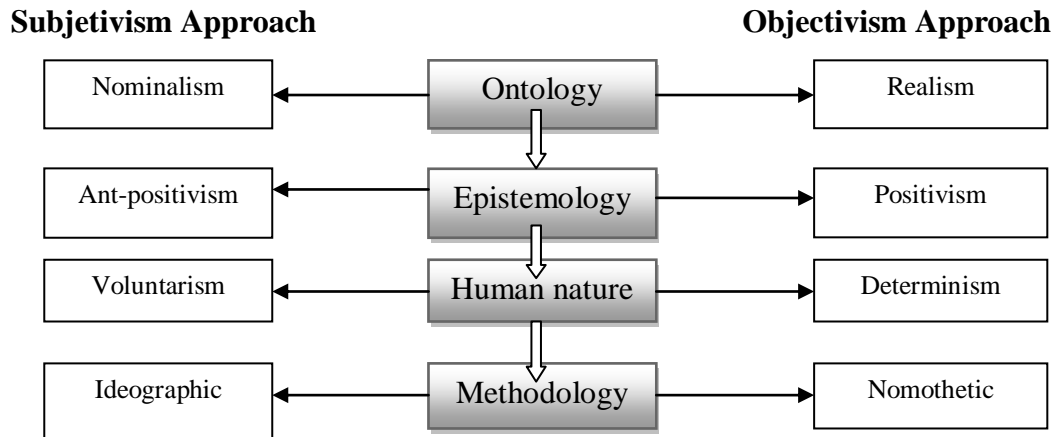
The ontology defines what the nature of reality is. So the researcher try to discover the nature of impairment practice, and understand this Phenomenon according to accounting information users by examine the perceptions of the human actors (the users), whereas epistemology is interested in seeking knowledge regarding impairment and what impairment practice is accepted (Hussey and Hussey, 1997). The main difference between ontology and epistemology lies in the fact that ontology focuses on understanding 'what is impairment' while, epistemology seeks to understand 'what it means to know relate impairment' (Gray, 2004). Keat and Urry (1995) state that the positivist epistemology is interested with observed phenomena and with hypothetico-deductive testing of theories, so positivists develop a theory about the phenomenon and then test the theory. If the correlation from the field and the theory is strong, the theory is true and if not, the theory is false.

5.2.2.2.1. Positivism

According to Remenyi et al. (1998) positivism is working social reality, and the final product of the research is subject to a universal law, such as a result that may be reached from the physical and natural sciences. Positivist epistemologies often tend to be used in quantitative research and maintain the phenomenon that is seminal to the study by providing reliable data and testing the research hypotheses, which in turn may conflict with or criticise existing theories (Saunders et al. 2007). Therefore, it can be used to study the function of research and for the development of existing theories to be tested by future research (Bryman and Bell, 2003).Also, Remenyi et al. (1998, P.33) observed that an essential element of positivism is that the researcher is independent (unbiased) which means that he/she neither affects nor is affected by the research subject. The researchers remain neutral in the stages of data collection and the presentation of results as they have less impact on the collection of data;

this in turn gives them more power to generalize the results extracted from the data (Burrell and Morgan 1979).

Figure (5- 2) Assumptions of the nature of social science



Source: Burrell and Morgan (1979) (p. 3).

Besides emphasizing the importance of passive observation, this approach is normally used in management research into issues where researchers have to depend on existing facts rather than conducting experiments.

5.2.2.2.2. *Anti-Positivism*

According to Dash (2005) Anti-Positivism stresses that social reality is viewed and interpreted by the person himself/herself according to the ideological positions he/she possesses. Consequently, knowledge is personally created instead of obtained or imposed from outside. The anti-positivists believe that reality is multi-layered and difficult (Cohen et al. 2000) and a single phenomenon usually has multiple interpretations, from different scholars' viewpoints. They stress that the verification of a phenomenon is adopted when the level of understanding of a phenomenon is such that the concern is to probe into the various unexplored dimensions of a phenomenon rather than establishing specific relationships among the components, as occurs in the case of positivism. The necessary clarification of the epistemological and philosophical discussions among positivists (which is more inclined towards quantitative research) and other paradigms such as interpretivism (whose topics are better approached by qualitative methods) is the persistence of the domination of the positivist paradigm in several fields of social research. Positivism considers reality to be

"objective", tangible and single. Interest is focused on what is common, average and representative so that statistical generalization and prediction are possible.

Regarding the impairment context, interpretivism implies that knowledge about impairment application is limited and it is a continuing practice. It also noticed that impairment application is influenced by many factors including the manager's experience and earnings management.

5.3. RESEARCH PARADIGM

Burrell and Morgan's model (paradigm)³¹ has attracted the most attention because it is considered a useful means of understanding and explaining any social phenomena based on the ontological and epistemological positions (Saunders 2007). Furthermore, Corbetta (2003) clarifies the significance of this paradigm by indicating that scientific research that is completed it without a paradigm considered incomplete in criteria for evaluation and selection, so that all issues, methods and techniques are equally legitimate. Similarly, Bryman and Teevan (2004) explain that the paradigm is considered the guiding light for how the research must be carried out and how its consequences must be interpreted. Burrell and Morgan (1979) propose a paradigm consisting of four quarters (see figure 5.3); this is a well-known paradigm model that assists researchers to design their research and presents a useful understanding of their research work (Jackson and Carter 1991).

Through the model, the authors discuss and recommend that these paradigms be considered contiguous but separate - contiguous because of the joint characteristics, but separate because the discrimination is... of adequate importance to warrant treatment of the paradigms as four distinct entities'(Burrell and Morgan 1979). Accordingly, the four paradigms could be defined as basically different perspectives for the analysis of social phenomena. They approach this endeavour from contrasting standpoints and create fairly different concepts and analytical tools (Burrell and Morgan 1979).

³¹ The four paradigms produced are the functionalist, the interpretive, the radical humanist, and the radical structuralist

Figure (5- 3) Social Research Paradigm

The sociology of radical change

Subjective	Radical Humanist	Radical Structuralist	Objective
	Interpretive (Researcher)	Functionalist	

The Sociology of Regulation

Source: Burrell and Morgan (1979) (p.13).

The subjectivist and objectivist paradigms provide the ontological stances, as explained earlier. Radical change is concerned with supplying a theme for the procedures that should be carried out in an organization's affairs and makes suggestions to formulate essential changes to their usual stance. However, the regulation position intends to represent recent practice and how an organization's affairs are regulated and then to present propositions for development consistent with the current stance (Burrell and Morgan 1979). The radical humanist paradigm, which is placed within the subjectivist and radical change scopes, “seeks to change, release and motivate the status quo and to overcome all obstacles facing this release (such as ideology, power, psychological compulsions and social constraints)” (Falgi 2009). On the other hand, the radical structuralist paradigm has a different ontological stance and seeks to achieve a basic change, focusing on organizational structure and then analysing organizational phenomena such as power relationships and examples of conflict (Saunders 2007).

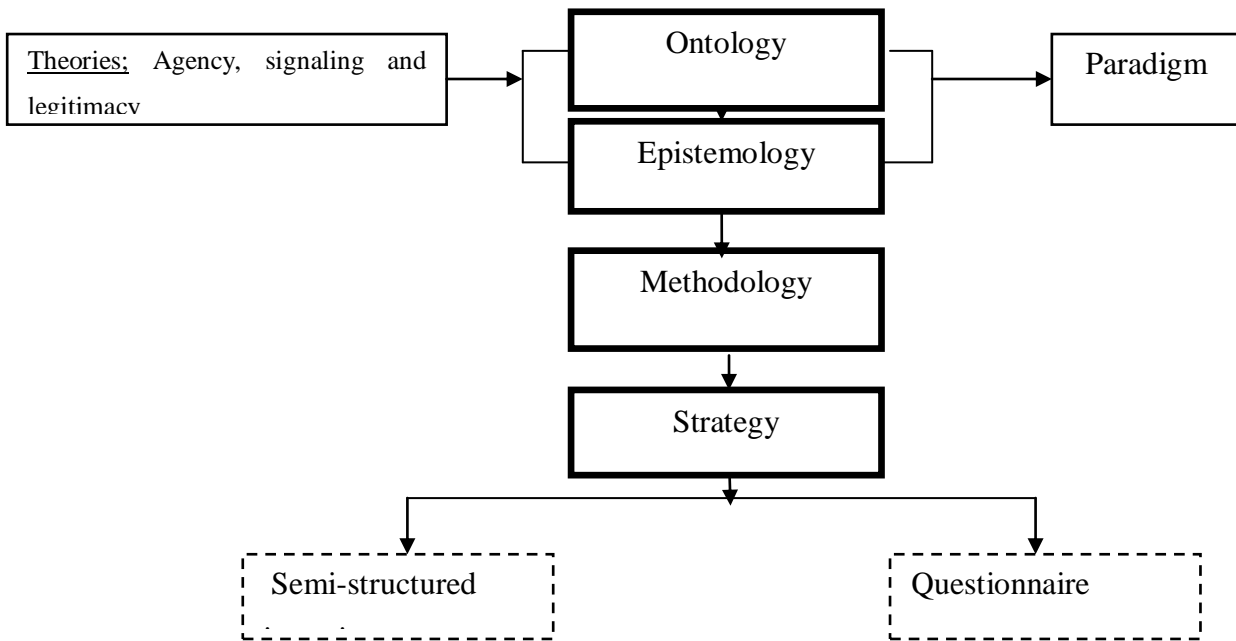
The interpretive paradigm refers to the fact that “everyday life is accorded the status of amazing achievement” (Burrell and Morgan 1979), Individuals and groups make sense of situations based on their individual experience, memories and expectations. The interpretive research paradigm always tries to ask questions about a phenomenon, how it happened, why it happened, and whether it occurred naturally or by human hand; it also has the ability to ask questions about what is happening in the environment and what is likely to happen in the future, but it can rarely use statistical measurements because the 'truth' in this type is not grounded in mathematical logic. The 'truth' should be extracted via the mind of a reader (or listener), based on the researcher's power of argument. For example, many beneficiaries of research may understand different 'truths', and there may be conflicting opinions, such as

among jurists in court. Therefore, those who use the interpretive research paradigm will have to present their work as convincingly as possible.

This would not require the researcher to make changes in the order of things, although it would enable him/her to recognize and clarify what was going on (Iskander 2008). Lastly, the additional objectivist dimension (Interpretive) is seen to be consistent with the research environment and its purpose and objectives; it also has the regulation perspective that details why outstanding organizational issues happen and presents recommendations set within the present structure of the organizational situation (Saunders 2007).

Based on the above, the philosophy of the research has become clear, revealing a suitable approach and methodology for the study, and the best tools for data collection to achieve the study objective. This position is considered to be a result of the agency theory-earning management that used in the research as discussed earlier. The agency theory is represented the positive theory which encompass the objective ontology. Therefore, the best methodology for this type of research is hypothetico-deductive approach. Hence, an inductive approach is used when the data are first collected, and then theories are developed depending on the outcome of data analysis, which is generally associated with the interpretive approach. Meanwhile the deductive approach starts from the developed theory or and hypothesis, Then continue to design the research strategy and test the hypotheses (Saunders et al., 2003, p.85). This is mainly associated with positivism. Many researchers find that quantitative research relates to deductive approach while qualitative research uses an inductive approach. However, Hyde (2000, p.82) stated: the view [is] that quantitative enquiry generally adopts a deductive process, while qualitative enquiry generally adopts an inductive process. While this distinction is true in general, it will be argued that this does not fully nor accurately describe the processes adopted by quantitative and qualitative researchers in practice. Accordingly, this dissertation will adopt hypothetico-deductive methodological approach since they are suitable for examining the employed theories by formulating a set of research hypotheses see figures (5.4). Also, the deductive approach considered the start point to clarify the causal relationship between variables leading to the hypotheses development. Accordingly, it is necessary to collect quantitative data, or even qualitative data, to examine the developed hypothesis using a greatly structured methodology to ease replication of the findings (Gill and Johnson 2002).

Figure (5- 4) Research Philosophy and Method



Source: The theme of this figure was taken from Iskander, (2008) P.181

5.4 .THE RESEARCH METHODOLOGY

In the social sciences, as in any scientific discipline, knowledge is advanced through the careful collection, appropriate analysis, and proficient interpretation of research data. However, as Theodore Newcomb ---- noted many years ago, no research findings are better than the methods used to obtain them (Chadwick et al. 1984). Current trends in research have recently attempted to combine quantitative and qualitative approaches together, within the context of a single research study, to overcome the possible bias of a single-method approach. The main purpose of adopting multiple methods in the same study is to enable triangulation to take place (Olsen 2004; Kamel 2006).

A number of studies suggest that the use of multiple methods in social science is an important matter; for example, Rudestam and Newton (2000) and Collis and Hussey (2003) suggest that it is a perfectly good choice to use both quantitative and qualitative methods for collecting data. Likewise, Denzin (1978) highlights that adopting various methodologies to study the same phenomenon is necessary to discover whether the conclusions are the same or not; this leads to increased validity and reliability compared with using a single methodological approach. In the same vein, Burgess (2001) suggests that research methods that do not apply sampling, observation and interviews are narrow and inadequate. In general, the main distinction between quantitative and qualitative methods is not the quality but the procedure,

as Saunders et al. (2007) conceived. In other words, a quantitative method uses measurements whereas a qualitative method reflects perspectives on knowledge and research objectives. So, this study tries to examine the relationships between the key players in the impairment process application and to determine the relative effects on the quality of accounting information from the point of view of each group of accounting information users. This section outlines the rationale behind the approach that was selected as well as briefly reviewing different research methods and possible research designs before describing the approach that was adopted for this study.

An investigation of the literature concerning the implementation of accounting standards suggests many methods which could be used to investigate both the advantages and disadvantages of successful implementation. Most of the previous studies that tested the effect of applying international accounting standards on accounting information have concentrated on the standards formulation stage, and few of them have focused on the implementation stage (Chen et al. 2008). The current research (thesis) is applied to the Jordanian shareholding companies in all sectors, and is considered one of the first studies to examine the effect of implementation of IAS No.36 (impairment of assets) on the quality of accounting information from the user's perspective in Jordan.

The methodology used in this study is considered to be the connection between the theoretical side and the empirical side. According to the theoretical framework, the study is employing three interactive theories (agency, included earnings management, signalling and legitimacy)³² as crucial reasons for impairment application. These theories justify the research methodology to test the hypotheses that have been developed, based on these theories. In order to ensure that this methodology can achieve the study purpose, and to guarantee the generalizability of the findings, it was necessary to collect data from different users of the accounting information (six groups). This part interprets and provides the rationale for the chosen quantitative and qualitative methods using a questionnaire and semi-structured interview survey as the research instruments.

5.4.1. Multi-Method or Mixed Method (Quantitative and Qualitative Research)

According to McKendrick (1996), the concept 'multi-method research' would appear to be self-defining. Nevertheless, the meaning of the term may be puzzled over, or used

³² As explained in chapter four page

interchangeably with 'mixed-method research'. Do these terms have exactly the same meaning? Both involve using more than one technique within a research scheme, combining methods, but we suggest that a restrained distinction be drawn between them. Mixed methods may be considered the position when adopting two or more methods to present a research question at the same phase in the research process, and with the same research subjects. Multiple methods may be understood as being the situation in which a number of complementary methods are employed to identify different aspects of a research question, or to identify the same question from different perspectives. Different multiple methods might be applied at different times through the research project, and might focus on different places and different research subjects. For instance, the researcher employed mixed methods by conducting a survey, which produced quantitative (coded) responses, and semi-structured interviews (written responses), a qualitative method, for the same purpose. The researcher used various methods to address a broad research question from a number of theories. The potential of combining quantitative and qualitative approaches have been discussed before. In the following section I will discuss some of the characteristics, positive and negative, of quantitative and qualitative research methods with the aim of questioning assumptions often made about these approaches. In breaking down some theoretical obstacles among the two methods, the potential for combining them should become clear.

5.4.2. The characteristics of quantitative and qualitative research

5.4.2.1. Quantitative approaches

The fundamental outlines of quantitative methods may be illustrated as follows: methodologies normally use traditional scientific ways and often obtain statistical techniques to assist in the testing of hypotheses and to prove theories; they increase the precision of practical descriptions and generate knowledge in a numbers of steps that may be copied exactly by others (Philip 1998). Quantification is generally connected with huge data sets, and the knowledge achieved about the issues in the world is frequently translated into numeric form - dense information classified into homogenous groups and generalized the results by the researcher which are always free of bias, which means that they are free from the subjective influence of the researcher's own personal prejudices and biases (Bryman 1992). Through the field of social research, quantitative methodologies are "strongly associated with social survey techniques like structured interviewing and self-administered

questionnaires, experiments, structured observation, content analysis, the analysis of official statistics ..." (Bryman 1992; Bryman and Teevan 2004).

Quantitative analytic approaches (statistics, data analysis) are considered as different from the methods of collecting data described above; however, analytic techniques and methods are normally well accepted. Also, quantitative methods and techniques have been applied in business for a long time, generally by researchers who, deliberately or not, appear to have accepted assumptions associated with positivism. Johnston (1979) mentions that quantification "is not tied to positivism, excluding when it is used to propose laws and other generalisations" while Wrigley and Bennett (1981) comments that quantification is "an instrument developed for use within the value position or the research question in hand. In itself it is neither a ready-made philosophy nor a value-free method of research". Additionally, a positivistic approach is usually considered a natural-science method that is applicable in the social sciences.

In addition, the main disadvantage of quantitative research, as mentioned by Moss (1995) in agreement with Mies (1983), "criticism of quantifying methods (as being) focused on the claim to have a monopoly on the truth, not on the users of numbers, nor on the use of numbers" Also, the consequences are limited as they give numerical descriptions instead of detailed narrative, and usually offer less elaborate accounts of human perception, In addition, replies will not necessarily imitate what people actually believe about a subject and in some cases might just be the closest match; moreover, the development of standard questions by researchers may lead to 'structural' bias and false representation, where the data actually reflect their own views instead of the participating subject.

5.4.2.2. Qualitative approaches

On the other hand, qualitative approaches are described as the simplest and non-numeric approach to research. Smith (1984) described qualitative approaches as "a set of means developed to realize the epistemological mandate of the philosophies of meaning". Their methodological and interpretative techniques are considered more reliable, and they have been used in a range of disciplines for many years, maintaining diversity and the meaning of research material. Through the humanist paradigm, they are usually viewed as being the methodologies implemented by a large number of researchers. A qualitative approach gives a chance to demonstrate many truths, understand the variables relating to the study problem, and discover the experiences of different people in different places; therefore, data generated

from hypothetical-deductive research aim to present the 'truth'. Qualitative researchers cannot create theory from their findings, because such theory depends on the views of those who have participated in the research process. Such theory might be known as 'grounded theory, as it is theory developed after the information or data have been gathered.

Maxwell (1992) said that, in qualitative studies, the activities of illustrating the research question, data collection, data analysis, and identifying and dealing with validity threats are generally going on more or less at the same time, each of these elements affecting all of the others. In addition, the researcher may need to re-evaluate or adjust design decisions throughout the study, depending on the response, so he/she usually has the ability to develop or change other parts of the research design.

Qualitative methods are regularly criticized for their subjectivity, and there is a belief that interpreting information in a qualitative way creates the possibility of many pitfalls, vagaries, and simple misunderstandings between researcher and the respondents, be they spoken or written. Moreover, Ackermann et al. (1997) state that qualitative methods are less precise than quantitative methods

5.4.2.3. Bridging the gulf between quantitative and qualitative approaches

Quantitative and qualitative methods share common ground, in that they complement each other, improve the accurate outcome of research, and gain more acceptances from many researchers by overcoming the weaknesses in qualitative or quantitative methods alone (Creswell and Clark 2007). In order to discover the advantage of mixed research, the researcher will draw attention to the differences between each kind, to get the advantages of collect these types with each other. One of the main differences between quantitative and qualitative approaches, as mentioned by Lawson (1995), is that the quantitative approach is connected with the formulation and examining of hypotheses with a deductive approach, whereas the qualitative approach is connected with an inductive approach. There is a clear difference in the structure applied to communicate research conclusions in 'scientific' and more exploratory academic papers. According to Bryman (2007), qualitative research is concerned with 'natural' settings (that is, real-life settings over which the researcher has no control), while quantitative research is linked with 'artificial' experimental conditions. The third difference, as noted by Foss and Ellefsen (2002), is that quantitative research is objective research while qualitative research is subjective research. Also, (Maxwell 1992; Winter 2000; Corbetta 2003) detect that one of the main issues differentiating qualitative and

quantitative research approaches is the nature of data. In quantitative it is hard, objective and standardized, but in qualitative it is soft, rich and deep (depth vs. superficiality). In summary, mixed-methods research has achieved more acceptability, adequacy and popularity, with a significant number of studies arguing its virtues in terms of greater understanding and/or validation of results. But all is not “plain sailing”; working with mixed methods raises a range of issues above and beyond those encountered within a particular methodology. Not the least of these is that there is no single mixed-methods methodology, and can be applied to different approaches to research.

5.5. DATA COLLECTION METHODS

5.5.1. Introduction

As discussed in the preceding section, qualitative and quantitative approaches were employed. A qualitative approach, which is inductive, exploratory and interpretive in nature, was adopted. Taking into consideration the restrictions inherent in such an approach, the researcher tried to reduce their effect by applying other techniques (the quantitative approach) to increase the validity and reliability of the study and its results (Creswell 2009). In order to do so, the researcher applied multiple sources of data collection - semi-structured interviews, questionnaire and documents - to collect the data, which is known as triangulation (Maxwell 2005).

On the other hand, according to Jick (1979) triangulation is defined as using more than one method or a different methodology in the same study. In summary, multiple strategies to study the same phenomenon will reduce the chances of bias that may arise if just one method is used. Cohen and Manion (1986) identify triangulation as an "attempt to explain more fully the richness and complexity of human behavior by studying it from more than one standpoint. (Golafshani 2003; Altrinchter et al. 2007; Bryman and Bell 2007; Cohen et al. 2007), applying the two techniques could be a powerful instrument to strengthen the research design. Therefore, the researcher used a number of sources of data collection (questionnaire, interview, documents³³ and even observation³⁴ during the interview). The main purpose of applying triangulation, as stated by (Patton 2002; Altrinchter et al. 2007; Cohen et al. 2007; Creswell 2009) is to increase the credibility and reliability of the study. The triangulation

³³ Some documents, such as documents relating to the assessment of assets

³⁴ non-verbal language

technique implies compensation of multiple methods, measures, researchers, and theories and/or perspectives (Patton 1990; Denzin 1979; Denzin and Lincoln 1994).

Triangulation could be used in four ways, as Denzin (2003) and Seale (1999) revealed. In the data collection (data triangulation) a variety of sources are used to collect the data, such as documents, individuals, groups and others. This study has collected data from the users of accounting information face to face and in absentia, and from financial reports. Some studies use more than a single researcher (investigator triangulation) although this doesn't apply in the current study. The third way is to apply more than one theory to explain the phenomenon (theory triangulation), and this has been applied in the current study through the three theories that explain the impairment concept application (agency, signalling and legitimacy). Finally, methodological triangulation involves using more than one method to gather data, such as interviews, questionnaires, and documents, as adopted in this study.

To explain the approach as well as the methods used for data collection, this research follows a 'multi-method' approach. In summary, this chapter will highlight the following: the methodology adopted in this study; the accounting information users who were studied and the reasons for studying them; the data collection methods, namely questionnaires, semi-structured interviews, and some information from financial statements; issues relating to the pilot study and questionnaire arbitration; and issues associated with the translation of the questionnaire and interview questions. Finally, the responses' validity and reliability will be explained and discussed.

5.5.2. Survey in general

In this section, we will discuss in detail two common data collection or evidence-gathering techniques employed in the current study that uses qualitative and quantitative research methods, namely questionnaire survey and semi-structured interviews. One of the most common methods in accounting and business studies is survey research, which is considered a useful research instrument as it includes a number of research techniques and is characterized by broad coverage and widespread use (Campbell and Katona 1953). Surveys form the basis of the data collection process of a majority of business studies (Ghauri and Gronhaug (2005), and the application of the survey approach in business research has experienced success (Lewis et al. 2005). Using the survey as a major research technique will add significant input to the current literature on asset impairment as well as providing a

powerful instrument for generalizing conclusions and deriving suggestions for application, as will be discussed here.

5.5.2.1. Questionnaire survey

In general, questionnaires are used for explanatory and/or descriptive research, discovering attitudes and opinions; questionnaires may be used to understand organizational practices (Saunders 2007). By the same token, the questionnaire is widely used and allows recognition and explanation of the changeability in different phenomena. The questionnaire survey is more helpful when used jointly with other methods, for example, in-depth interviews, to discover detailed attitudes (Jankowicz 2005; Bryman and Bell 2007; Saunders et al. 2009). The questionnaire is more appropriate for Jordanian respondents, because it gives them more convenience and freedom in the process of completing the questionnaire, and they feel confident about expressing their opinions anonymously, also because it is the most widely accepted tool, if compared with other means. As stated before, the questionnaire method was found suitable as a technique for collecting primary data. It was used to obtain financial statement users' opinions about an important issue: the degree of satisfaction with financial statements that contain impairment loss. (Al-Htaybat et al. 2011; Ibrahim and Kim 1994; Alhajraf 2002) used the same tool to examine the opinions of users of financial statements about the significance of financial disclosure in Egypt and Kuwait. Meanwhile, Naser et al. (2003) used a similar instrument to investigate the opinions of various user groups about annual reports in Kuwait. All these authors asked participants to express their opinions on an interval data scale. (Al-Razeen and Karbhari 2004; Mirshekary and Saudagaran 2005) applied a questionnaire technique to obtain users' opinions about the importance of annual reports in Saudi Arabia and Iran. The questionnaire survey was employed as support for another method (interview) to ensure there was sufficient data to accomplish the study's objectives.

Surveys gather data by administering a standardized questionnaire to a sample of respondents. In order to be able to evaluate responses given by different subjects, survey questions must be standardized, and a high degree of accuracy is required in preparing the questionnaire to test the relationships between variables (Flynn et al. 1990). The information is gathered from a sample of the population, which must be carefully designated and selected to guarantee that conclusions can be significantly generalized to the whole population (Lewis et al. 2005).

The study population represents the accounting information users in Jordan. The sample selection is a fundamental and significant part of the survey, because it must be carefully selected to make sure that it represents the true distribution of the population and respondents of the questionnaire, as will be shown later. There are two sorts of questionnaire: self-administrated and interviewer-administrated (Saunders et al. 2009). The self-administrated questionnaire is divided into three types: internet-mediated questionnaire, postal questionnaire and delivery-collection questionnaire; the interviewer-administrated questionnaire is divided into two types: telephone questionnaire and structured interview.

The questionnaire responses received in written form, as for delivery-collection questionnaires and mail surveys, or orally, as in interviews. Surveying by delivery-collection questionnaire has a number of advantages over other survey techniques: the method is low-cost and high-relevance, and enables sampling of a larger percentage of the population than other methods such as face-to-face interviews. Also, this sort of survey usually reduces the risk of personal bias, because there is no personal communication between the respondent and the researcher. It has also been found that preserving respondents' anonymity increases the response rate of the survey (Faria and Dickinson 1996). Another advantage of the written survey is that it allows the use of scales, which will be explained later. Also, it is more suitable for Jordanian respondents, easier to distribute, and easier for respondents to complete. For these reasons, this study will send delivery-collection questionnaires to the accounting information users in Jordan, in addition to conducting semi-structured interviews. One of the main disadvantages of questionnaire surveys is the low response rate compared to other methods. Several studies have been conducted to discover ways of increasing this response rate, as reviewed by Kanuk and Berenson (1975) and Greer et al. (2000). A further disadvantage of this method is the difficulties that might be faced by the respondent in understanding and answering the questions. Also, the self-administrated questionnaire has been criticized by Sekaran (2003) who declared that it is not appropriate for covering a wide geographical region and that anonymity cannot be guaranteed in some cases. Furthermore, this sort of questionnaire provides little opportunity for the researcher to extract more data when respondents provide imperfect answers. In summary, no tool is without some disadvantages, so the possible procedures to overcome them will be considered to maintain the quality of the study; consequently, semi-structured interviews were adopted to eliminate the limitations of the questionnaire in this study.

Table (5- 1) The relation between some Questions, objectives and methods

Research questions	Objective	Methods
The application of IAS 36 presents accounting values which meet and satisfy customers needs	To identify the importance of applying impairment loss in Jordan.	Main: questionnaire survey Support: interviews survey
Impairment loss can not reflect the real decline in asset benefits because it relies on personal interpretations	To identify the effect of applying asset impairment on faithful representation	Main: questionnaire survey Support: interviews survey
IAS No. 36 is more relevance to determined the asset value, for decision making especially in the case of high inflation rates	To examine the effect of applying asset impairment on relevance	Main: questionnaire survey Support: interviews survey
Impairment application does not help in the comparison between companies that do not use the same method in determining the amount of decline	To examine the effect of applying asset impairment on comparability	Main: questionnaire survey Support: interviews survey
What is the relationship between external audit and earnings management?	To examine the role of applying asset impairment on increasing creditability	Main: questionnaire survey Support: interviews survey

Source: prepared by the researcher

5.5.3. Interview in general

The second method is a qualitative method which is represented by interviews. According to Oppenheim (2000), interviewing is an interaction between two persons face to face to collect the required data; it is also a technique of gathering data from humans by asking them questions and getting them to react verbally (face to face). There are several different ways of performing interviews (structured interviews, semi-structured interviews and unstructured interviews) (Drake 1946). Structured interviews follow a specific questionnaire and this research tool is frequently used as the basis for most quantitative surveys. Structured interviews are widely used in surveying opinions, beliefs and perceptions of people. A standardized structured questionnaire is prepared wherever specific questions are asked in a set order and in a set manner to guarantee that there is no difference between interviews (Presser et al. 2004). Respondents' answers are registered on a questionnaire form (usually with pre-specified response formats) through the interview practice, and the finished questionnaires are most often analyzed quantitatively. The structured interview generally does not allow the interviewer to add and eliminate questions, to modify their sequence or to change the wording of questions (Sekaran 2003).

Unstructured interviews are normally conducted as a preliminary step in the research process to create ideas/hypotheses about the topic being investigated (Dipboye 1994; Oppenheim

2000). Such interviews are totally informal and not controlled by a specific set of detailed questions. Rather, the interviewer is guided by a predefined list of issues. These interviews amount to an informal conversation about the subject. The main purpose is to discover how people think and how they react to issues. The respondent is given confidence to talk freely about the topic and is encouraged to reveal everything that he/she feels and thinks about these points. The interviewer must note (or record) all remarks that may be relevant and pursue them until he/she is satisfied that there is no more to be gained by further probing (Dipboye 1994). The last sort of interview, semi-structured interviews, is broadly used in qualitative research (Louise and While 1994). Semi-structured interviews comprise a group of open-ended questions depending on the issue the researcher wishes to study. The open-ended nature of the questions provides opportunities for both the interviewer and interviewee to talk about specific issues in more detail. If the interviewee has difficulty answering a question or hesitates, the interviewer will probe further. As a result individual interviews are costly and the researcher should consider whether the same amount of data can be more efficiently collected using written questionnaires.

5.5.3.1. Semi Structure Interview

One of the most common research methods used in the social sciences is the semi-structured interview. The main characteristic of a semi-structured interview is flexibility, allowing the interviewer to bring up new questions in the interview as a result of what the interviewee declares (Lindlof and Taylor 2010). Generally, it has a framework of the topic to be investigated. The exact topic that the interviewer wishes to pursue through the interview should generally be thought about well in advance (particularly during interviews for research projects). It is normally useful for interviewers to prepare an interview guide, which is an informal "grouping of topics and questions that the interviewer can ask in different ways for different participants". Interview guides assist researchers to highlight the topics he/she wishes to investigate. This freedom may assist interviewers to alter their questions according to the interview environment/situation, and tailor them to the people they are interviewing (Lindlof and Taylor 2010). Questions are asked when the interviewer believes it is suitable to ask them, and the wording of questions will not necessarily be the same for all respondents. This sort of interview was used in the current study because it has certain strengths, compared with other sorts, as follows: there is a positive relationship between interviewer and interviewee; it is a very simple, effective and convenient means of obtaining data about things that can't be simply observed, for instance feelings and emotions; it is characterized by

high validity, by enabling the interviewee to talk about the issues in detail and in depth; the interviewees are able to talk for themselves with little direction from the interviewer; it is possible to discuss/clarify difficult questions and issues, and the interviewer is able to probe areas suggested by the respondent's answers. It also has weak points: it depends on the ability of the interviewer; the interviewer may give out faulty signals that lead the respondent to give predictable answers; it is difficult to analyze because it provides in-depth qualitative information; it is not easy to generalize the results.

The interview technique assists the researcher to collect valid and consistent data that are relevant to the research questions (Saunders et al. 2009). It also gives the researcher great flexibility to recognize the phenomenon under examination (Strauss and Corbin 1998). Moreover, interviews are supposed to be a suitable technique in certain cases such as those which include complex and highly confidential information or when the essential information cannot be gathered by other methods (Hussey and Hussey 1997). However, qualitative techniques require the researcher to obtain answers from the interviewee without introducing bias (Herod 1993).

The researcher used semi-structured as a second instrument of data collection to obtain valuable information; however, in order to find analytic paths through those data, it is crucial to guard against failing to carry out a true analysis (Bryman and Bell 2007). One of the main reasons for applying an interview approach is to eliminate doubts about respondents' replies and clarify matters arising from the questionnaire. This type of qualitative study has high credibility, as noted earlier; thus, based on previous studies, the researcher used a set of questions that would guarantee that the goal of the study was achieved. Also, the drafted interview questions were presented to three of teaching staff (see appendix 5.1) in Jordanian universities three professors (professionals in accounting) in order to increase the validity of the interviews. Additionally, the researcher used observation as a supplementary tool to collect the data, noting verbal contributions and non-verbal movements by the respondents in the interviews. The following subsections will focus on issues relating to the semi-structured interviews; particular issues related to translation of both the interview questions and the participants' responses will be discussed.

The interview approach is one of the most important methods of data collection; it is characterized by a high degree of credibility, accuracy and suitability for the problem of the study (Saunders 2003; Bryman and Bell 2007; Hair et al. 2011). In-depth interviewed are

useful for gaining knowledge and discovering the issues which the researcher intends to study. Interviews provided the researcher with a great opportunity to understand the concept of impairment loss from the viewpoint of users of financial statements, how to apply it, and its advantages and disadvantages in more detail. They also highlighted the most important factors affecting companies' decisions to apply impairment loss. In exploratory studies, semi-structured interviews are preferred in order to help the researcher understand the nature of the relationship between variables and how independent variables affect dependent variables. Also, to locate the nature of the impairment loss, determine how to apply it in Jordanian companies in great depth, and identify the most important factors reflected in the users' decisions on impairment losses, the adoption of this type of interview opens the way for the financial reports users to talk freely and provides great flexibility for them to express their opinions about the subject of the study (Horton, Macve et al. 2004; DiCicco Bloom and Crabtree 2006).

Fourteen interviewees (See appendix 5.2) are selected from seven groups of financial accounting information users (investors, creditors, auditors, financial analysts, financial managers, accountants and, finally, academics), two from each group, each of whom have sufficient experience in accounting. The interviews were conducted in Amman, Jordan, from mid-January to May 2011. The average interview time was an hour and a half, and the interviewer began by asking the respondent for their opinion on the standard IAS 36 and how it affects the financial information in general. The researcher sought to meet persons with the ability to make decisions (senior management) in order to measure the phenomenon of interest as each person from the various groups had different experiences and different goals, which is considered a positive point in the study.

The number of interviews was relatively small and this may be considered a limitation in this study; nevertheless, the researcher was able to overcome this through applying the questionnaire survey, gaining access to the financial statements of companies and reinforcing data by documentation and observation. The researcher encouraged the respondents to cooperate by guaranteeing their confidentiality and anonymity; the data will not be used for any purpose other than the study purposes (research), and they were informed in advance as to the length of the interview, and that it would not exceed the predetermined period, thus avoiding taking up too much of the respondents' time (Dean and Whyte 1958; Whyte and Dean 1969; Atkinson et al. 2003). The researcher conducted the interviews in respondents'

business places, at their request, and at times that suited them (all preferred to conduct the interview in their offices during working hours³⁵, except two who requested that the interview be held after the working day; one of the interviews was cancelled at the behest of the respondent and rescheduled for another day, which shows the freedom and flexibility enjoyed by the researcher in ensuring the success of this study). Also, as mentioned earlier, the interview questions were formulated based on a few previous studies (Jonas and Blanchet 2000; Barth et al. 2003; Li et al. 2004; Schultze 2005) and the researcher's experience, because the time during which standard "impairment of assets IAS 36" has been applied (since 1/9/1999) is deemed a relatively short period and the accounting literature still needs more investigation. Moreover, to ensure that the study questions were answered subjectively, the interviews started by talking about IAS 36 (Impairment of Assets) in general, openly, and providing space for respondents to talk freely, to create a satisfactory environment in the interview and enable respondents to remember any pieces of information about this standard (Lacity and Janson 1994; Potter and Wetherell 2004).

The next questions started to investigate the goal of the study; the checklist of questions about the accounting standard was short, clear and direct, and the researcher gave the respondents enough time to answer the questions (Zikmund et al. 2000; Sekaran 2003; Bryman and Bell 2007). Also, both emotional practices and ethical codes were adopted to protect the privacy and identity of the research participants (Kirk and Miller 1986; Punch 1994); the interview environment was characterized by comfort for all the respondents, and each respondent was interviewed separately, for fear that the views of one would impact on the others (Nakagawa and Cuthill 2007). Moreover, the researcher consulted the respondents about the possibility of using a digital/voice recorder in the interview; nine of them preferred to use manual recording. The credibility of the respondent is the most important problem in terms of obtaining valid information in any kind of research (be it interview, questionnaire or observation); to reduce the size of this problem, overcome the obstacle and increase the credibility of the research, the researcher asked respondents the same question but in a different way, sometimes at different times during the interview (Hoepfl 1997; Libarkin and Kurdziel 2002; Golafshani 2003; Marshall and Rossman 2010).

³⁵ The working day in Jordan is from 8: 00 am - 3: 30 pm

All interviews were typed and printed as soon as possible after completion so as to ensure impartiality and objectivity. After the researcher had finished the writing stage, a copy was sent to the respondent to ensure that what was written corresponded to what was said and meant; this gained the acceptance and approval of the respondents (Dean and Whyte 1958).

5.6. GENERAL PRINCIPLES OF FIELD STUDY

The researcher has identified the general principles and guidelines for conducting the study as follows:

- 1) The study problem was formulated as the following question: Does the adoption of Asset Impairment improve the quality of accounting information (under International Accounting Standards) from a User's Perspective in Jordan?
- 2) The research problem has been divided into its main elements: specifying the exact impacts resulting from application of impairment IAS No. 36 (decline in the asset value) and improving the quality (qualitative characteristics) of accounting information (IASB in accordance with the new conceptual framework of the accounting and FASB 2008). This framework consists of fundamental qualitative characteristics (relevance and faithful representation) plus the enhancing qualitative characteristics (understandability, comparability, verifiability and timelines).
- 3) Based on the elements of the problem, eight hypotheses have been formulated concerning the intermediate variables, which are referenced as attributes of accounting information quality, to determine the relationship between impairment (the decline in the assets value) as an independent variable and their impact on financial information as the dependent variable.

5.6.1. Design of the questionnaire

The study will be undertaken as an interpretive study to determine the relationship between the variables of the study through a questionnaire which has been designed using a Likert model. It contains five values (5-1) because used extensively in social science research representing, respectively: strongly agree, agree, neutral, disagree, and strongly disagree. (Sekaran 2003) This type always uses items that are presented to a large number of respondents ($N \geq 100$). The researcher carefully formulated the fifty-five closed-ended questions which were typically drawn from disclosure reference during a review of the related literature in developing countries and partly based on the socioeconomic and environmental disclosure items suited to the Jordanian context, to guarantee achieving the

objectives of the research. The questionnaire was designed to elicit the perceptions of respondents concerning the research topic. The questionnaires (see appendix 5.3) consists of three pillars. The first pillar talks about the respondents' personal information (demographical data) including current job, position, practical experience, academic qualifications and major. Demographical information is considered supportive for the researcher to justify different perceptions among groups, as well to provide the researcher with a clear picture of impairment in general, in accordance with the International Accounting Standard No. 36 (impairment of assets) and the current status of the standard in Jordan and the researcher's aspirations in conducting the study. The second pillar consists of seven sections. The first section aims to measure the respondents' views on the importance of applying IAS No.36 (impairment of assets) (Yaftian and Mirshekary 2009).The other sections, consisting of fifty-five questions divided by the independent variables and dependent variable, aim to measure the provisions stipulated in IAS No.36 that have an impact on the quality of financial statements.

To avoid a succession of similar answers, some positive questions (47) and some negative ones (7) were devised. In the analysis stage the values of expressions will be changed from negative to positive values, which is paralleled by subtracting any positive value from six (6). For example, if the value corresponding to a negative question is 4 (agree), it will be changed to $(6 - 4 = 2)$ and so on for the rest of the values. This change will unify the assessment base to all variables when conducting the analysis with all questions asked in a positive way; in other words the application of impairment does not improve the quality (qualitative characteristics) of accounting information. Then each question will be evaluated; negative questions will change, while positives are retained without any change so that they are on the scale as positive values.

5.6.2. Polit study

According to Polit et al. (2001) the main idea of employing this stage is to test the thoughts behind the main research questions, to recognize any weaknesses in the research design, to test the suitability of the methods of data collection, and to detect any defects in this tool (the questionnaire). It can also take up suggestions by experienced respondents through the feedback on the questionnaire (Jun Xu and Quaddus 2005) and can assist in determining the sample size. This thesis is considered to be one of the first studies to discuss the effect of applying the impairment concept on the quality of accounting information, and to use a

comprehensive measurement tool to assess the quality of accounting information in terms of primary, fundamental and enhancing qualitative characteristics (IASB 2008).

A group of one hundred accounting information users³⁶ was randomly selected, because the response rate for such studies about 30% to 50% (e.g. Kamel 2006; Al-Zu'bi 2008) and the researcher wants 35 of the respondents, and sent the questionnaire, which had been developed through an arbitrating stage. Forty completed questionnaires were received, and the responses were analyzed using SPSS 16.1 Three main statistical tests were used to test the internal validity of the questionnaire and the reliability of the constructs. Reliability means the extent of consistency between a number of measurements for a single variable (Hair et al. 2006). According to the literature survey, many diagnostic measures are available to test reliability (see Robinson et al.1991). To ensure the truthfulness and stability of a measurement, Cronbach's alpha measures the reliability coefficient which provides a signal of the consistency of the entire scale. In general, if Cronbach's alpha value is above 0.70, this indicates an acceptable measure of reliability; thus, Cronbach's alpha coefficient test was applied to all questions and the result was acceptable as it was equal to 0.92 This indicates that Cronbach's alpha is high enough to ensure reliable results and proposes that the quality of the scores is a reliable Cronbach's alpha. This may be due to the higher homogeneity of the study population in terms of qualifications and quality (Cortina 1993; George 2003; Streiner 2003).

This test was performed on the pilot study; the objective of this test is to establish the relevance of the items that represent the variables from their association with each other, and to ensure consistency and compatibility of the procedure between questions in order to exclude irregular questions from the questionnaire. The stability of the scale was calculated as the reliability coefficient of internal consistency; the internal consistency reliability equation used Cronbach's alpha to determine the stability of the paragraphs as they measure aspects that are designed to be measure, in addition to "split half method" has been used as one of the methods of this measurement (Cortina 1993; Streiner 2003). According to Sekaran (2003) "Cronbach's alpha can be considered a perfectly adequate index of the inter-item consistency reliability".

³⁶ the group from different accounting information users (accountant, auditors, financial analysts, creditors/bank, academics and investors)

In the pilot study, the quality of accounting information was measured with forty-six items see the appendix (5.3) and a similar forty-six items were used to investigate the application of the impairment concept. In order to examine the quality of accounting information attributes, the item-to-total reliability test on the responses of the pilot study showed five items with corrected correlations below 0.05, which were consequently removed from the questionnaire. All other items had corrected correlations above 0.6 and were therefore retained (Churchill, 1979). Consequently, the number of items concerning accounting information quality was reduced to forty-five items. The number of questions measuring the quality was reduced to forty-five. This means there is a good fit between the proposed model and the responses.

1-Split half Cronbach's alpha: this is one of the methods used to demonstrate the stability of phrases resolution, which depends on divide the questions for two sets (such as the questions numbered odd and even), and then computing the correlation between the two sets; the results of the correlation coefficient is equivalent to 0.95 (greater than 60%) (Sekaran 2003) where the spearman-Brown coefficient is 95.8 and the Guttman split half coefficient is 94.9 (see table 5.2)

Table (5- 2) The relation between Questions (reliability statistics) split- half reliability

Cronbach's alpha part (1)	89.5
Part(2)	90.9
Spemanar-Brown coefficient	95.8
Guttman split half coefficient	94.9

Source: prepared by the researcher

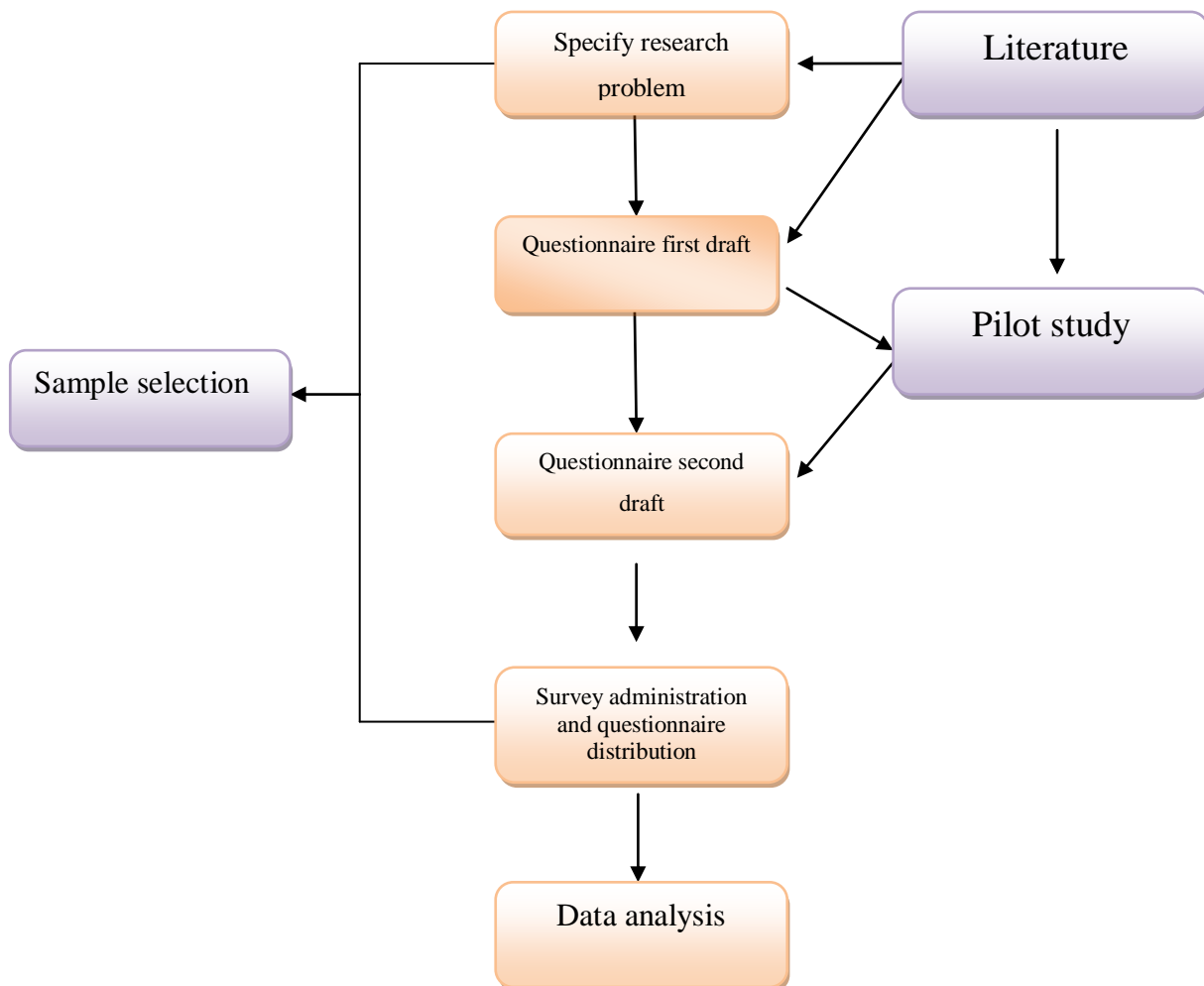
5.6.3. Questionnaire reliability and validity

Pre-testing and revision was conducted, to ensure the integrity of the questionnaire, by five academics, two CPAs, three external auditors, two financial analysts and five accountants³⁷ (Reinstein and Lander 2004; Bryman and Bell 2007). Further, the researcher took into consideration the advice of colleagues who are considered experts in both accounting and research methodology, and received valuable feedback on the research design, the best ways of increasing the response rate, and the ability of the research design to achieve the goal of the study. This group of individuals possesses the ability to prepare financial statements and have accounting certificates, and some are faculty members of universities. The researcher received comments on some questions relating to formulation and/or content of the questions.

³⁷ Students in Arab Amman university

The researcher was advised that adjustments were necessary to make the questions clearer, more objective, and more suitable for the purpose of the study. Accordingly the questionnaire was revised prior to final distribution, based on the clarification and comments received (as shown in appendix (5.4).

Figure (5-5) The stages of survey development and implementation



Source: Prepared by the researcher

According to Sekaran (2003) and Saunders et al. (2009) the reliability of a measure reveals the extent to which the measure is without bias; in other words, the reliability of a measure indicates the stability and consistency with which the tool measures the concepts and helps to assess the goodness of a measure. This test was performed through Cronbach's alpha. Meanwhile, validity is evaluated by examining whether the tool of the research measures what it is believed to measure or something else (Sekaran 2003). Also, it can be used to

assess the quality of any quantitative research. In general, content validity is the common measure used to measure the validity by applying two approaches of validity: the face validity and logical validity (Sekaran 2003).

Validity tests are used to examine the goodness of measures by applying content validity to ensure that the measures include an adequate and representative set of items that achieve the purpose of measuring the variables (Sekaran 2003). This procedure is carried out by using face validity and logical validity.

Face validity: this indicates that the items that are supposed to measure a concept do, on the face of it, look as though they are measuring the concept (Sekaran 2003). This test was performed by showing the questionnaire to twenty people who work in accounting jobs (such as accountants and financial managers); the results show that the items in this questionnaire test what they appear to measure (the impact of impairment losses on the quality of accounting information). However, this type of test does not provide a high degree of validity, so the researcher used another type called logical validity (Sekaran 2003), which has been applied in the current study.

Logical validity: the researcher has constructed a table including all the items regarding the qualitative characteristics of accounting information, and has then explained how this table will be used to measure the quality of accounting information. The content of the test is considered a representative sample of the information that has been identified, and it is then presented to a group of arbitrators and experts to judge the honesty of the content. Their notes (arbitrators) indicate that the paragraphs of the test cover the required variables (McGartland et al. 2003). Also the study questionnaire concentrates on three important points. The researcher to make sure that the paragraphs of questionnaire can measure the variables in the study, and to get usefulness of the results for the arbitration stage (ratified by the arbitrators), including face validity and content validity, the researcher displayed again the questionnaire to a group of experts and arbitrators of qualified in accounting, has strengthened this truth the use of logical validity (Logical Validity) in defining concepts and variables related to the wording of paragraphs and its function accurately, taking into account the comments received by the arbitrators, in terms of the patch for some of the paragraphs and the abolition of some and the integration of other paragraph (Modell 2005).

5.6.4. Sources of data: -

There are two sources of data in this study, thus offering the researcher a wide range of flexibility to explore the phenomenon under investigation:

Primary sources: the questionnaire and the semi-structured interviews.

Secondary sources: accounting literature relating to the impairment concept, and companies' financial statements.

Secondary sources: These include references to literature and periodicals related to the concept of the different accounting treatment for assets and outputs of the accounting information system in order to identify the concepts, terminology and different dimensions for the construction of the theoretical framework. They also include the most important previous studies on this subject (Venkatraman and Ramanujam 1986).

Primary sources (development tool scale): These are required in order to achieve the best solution to the study problem and test the hypotheses that have been developed. The measurement tool appropriate for this purpose of gathering preliminary data is the questionnaire while the second tool used is the semi-structured interview (Greenhalgh and Peacock 2005).

5.6.5. Distribution process

Previous studies (Francis et al. 1996; Massoud and Raiborn 2003; Riedl 2004; Sevin and Schroeder 2005; Yang et al. 2005; Barth et al. 2008; Daske et al. 2008) have investigated the implementation process to learn the issues related to impairment in depth, and in order to examine the nature of the relationship between the implementation process (of IAS No.36) and the outcome of this process on accounting information. This thesis adopts a quantitative and qualitative research design related to the study subject. The researcher will adapt a questionnaire³⁸ (Reinstein and Lander 2004; Yang et al. 2005; Aljifri and Khasharmeh 2006; Lantto 2007; Obaidat 2007; Al-Khadash and Salah 2009; De Zoysa and Rudkin 2010) based on the theoretical framework and the results of prior studies such as Deming et al. (2005) which is at the same time consistent with the study objective. So this study differs from prior

³⁸ Adapted from Zoysa and Rudkin (2010) implementing the impairment of assets requirements of SFAS No.144.

studies due to its choice of methodology that applies two instruments to collect the data (questionnaire and semi-structured interview); it will also analyze the data using qualitative and quantitative analysis.

The questionnaire was distributed in 2011 to 750 respondents selected according to a disproportionate stratified random sampling method see table no.3 Sekaran (2003) from six groups (financial managers and accountants, auditors, creditors, investors, financial analysts and academics) of accounting information users in Jordan. Therefore, the unit of analysis will be groups³⁹ and the time horizon is cross-sectional⁴⁰.

5.6.6. Population and Sample

According to Sekaran (2003), surveys are considered a useful and powerful tool in finding answers to research questions, but they sometimes cause problems for researchers if they are not suitably targeted. In other words, if data are not collected from the people or objects that can supply the right answers to solve the problem, the survey will be unsuccessful. So, the researcher will explain the sampling in greater detail.

5.6.6.1. Population

The population for our study consists of all financial information users in Jordanian shareholding companies. Sampling returns to the choice of the research units (groups) from a clear population depending on exact criteria (Czaja and Blair 2005). The logic is to find a representative sample that could create generalisable results that will save the researcher time, money and effort in investigating the total population. It is very hard to investigate a large population, and the quality of the research is likely to be affected; the researcher also faced difficulty in identifying the whole population. So, the first step in determining the sample is to determine the whole population from which the sample will be selected. The population for the current study consists of all accounting information users, including financial managers, accountants, auditors, creditors, investors, financial analysts and academics.

³⁹ Unit of analysis: study group dynamics by examining the patterns in each of the groups

⁴⁰ Cross-sectional the data will be gathered just once, perhaps over a period of days, weeks, or months.

5.6.6.2. Sampling

A sample is a subset of the population and includes some elements selected from the whole population, while sampling is the process of selecting (Zikmund et al. 2000; Sekaran 2003; Bryman and Bell 2007). The selection process should take two issues into consideration: sample size and sampling design, to ensure generalizability. Sampling design is divided into two types: probability and non-probability; the main difference between the two types is that in the probability sampling the elements of the population have a known chance of being selected for the sample, but in non-probability the elements don't have a known chance of being in the sample. The current study used probability sampling because the population elements are known. Also, according to (Sekaran 2003; Saunders et al. 2009), probability sampling involves simple random sampling, systematic sampling, stratified random sampling, area sampling, double sampling and cluster sampling, while non-probability sampling includes quota sampling, judgement sampling and convenience sampling.

Stratified random sampling involves stratifying the elements along meaningful levels and taking proportionate or disproportionate samples from the strata. This sampling design is more efficient than the simple random design because, for the same sample size, each important segment of the population is better represented, and more valuable and differentiated information is obtained with respect to each group (Sekaran 2003). The current study applied the stratified random sampling / disproportionate sampling because the population is divided into meaningful segments. According to Sekaran (2003), a sample size of between 30 and 500 items is suitable for most studies; also, as a statistical base a bigger sample size will lead to more accurate parameter estimates, which in turn gives a better chance of finding what we are looking for. Swift (2001) emphasizes that when the sample size n is large (say 30 or more) the distribution of the sample mean (\bar{x}) is approximately normal⁴¹. The approximation is better when (n) is larger. The closer we look, the more likely we are to find it (Cohen 1969). To determine the best size of study sample, which is known as the "effect size," many methods have been used, and diverse statistical tests have been developed to identify the effect sizes, but the common principle is the same. The researcher

⁴¹ (Approximate) normal distribution is often called the central limit theorem

has applied the equation suggested by Zikmund (2000) to calculate the sample size based on this equation. $n^{42} = \left[z \frac{\sqrt{p*(1-p)}}{\alpha} \right]^2 = n = \left[1.96 \frac{\sqrt{(0.7)*(0.3)}}{0.05} \right]^2 = 324$

Z = the critical value (confidence level)

P = Success rate of the phenomenon

α = Level of accuracy required (.05 %.)

n = is the sample size

In the questionnaires which were distributed for the pilot study, the researcher included a question to discover whether a financial manager would agree to apply impairment loss in a financial report. The intention was to use the result in a Zikmund equation. Subsequently, 28 out of 40 answered 'yes', with a ratio of 0.70%. So, according to the result the effective sample size will be 324 items to achieve the purpose of the study. The researcher decided, as a result of an increasing population, to choose equal size of disproportionate stratified random sample method to represent the six subgroups (see Hair et al. 1995). The use of equal sample size improves the statistical significance and validity of the sample and overcomes any bias that may exist towards any category (Askander 2008).

Using probability sampling: accountant employees of companies, auditors, investors and financial analysts, creditors, and professors of accounting at Jordanian universities have been selected as samples of each stratum randomly based on the list containing the names of entities that fall under each stratum of the population study and the numbers that fall under each of them, according to the availability of information about each of them to the researcher. On that basis, the researcher selected the items for each stratum, so the researcher did not interfere with the distribution of the sample, and accepted the size of each group at $54 = 324/6$ items (see figure 5.3).

⁴²According to this equation **z** is the critical value, **p** is Success rate of the phenomenon, **α** is .05%.

Table (5- 3) Sample Selection Criteria

Group	Number of elements	(n=324) Sample size	The criteria used for selection(current job)
Academics	311	54	Academics Working in Jordanian universities
Investors	466	54	licensed Investment Institutions and other investors
Auditors	778	54	Workers for licensed auditing firms
Accountants & Financial Manager	884	54	Workers in corporation listed on (ASE)
Creditors	123	54	Workers in Jordanian banks
Financial Analysts	278	54	Accountants working in the Financial Consulting

As there are several parties concerned with applying the IAS No. 36 impairment of assets (Reinstein and Lander 2004; Yang et al. 2005; Rahahleh and Siam 2009; De Zoysa and Rudkin 2010; Dixon 2006), the study community consists of six categories:

Investment Institutions and investors in the Amman Stock Exchange (ASE): this category was selected because its members are the main users of accounting information included in financial statements, and the main users of disclosed information relating to impairment when taking decisions; in addition, they had the ability to understand the questionnaires' items and respond to them better than individual investors. Moreover, it was important to discover their views on the impact of the application of the impairment of assets on the credibility of financial statements and presentation of the reality of the unit reporting obligations, and thus on the adequacy and reliability of financial statements as a sound basis for making investment decisions (Yang et al. 2005; Obaidat 2007; Al-Khadash and Salah 2009; Rahahleh and Siam 2009).

Creditors: this category was selected because its role played by supplying the companies with funds and therefore watches for the annual financial statement disclosure by the companies in order to achieve a guarantee for these funds and to make sure that the companies have the capability to make the payment. They are always helpful for obtaining loans (Lantto 2007; Rahahleh and Siam 2009; De Zoysa and Rudkin 2010).

Financial analysts: this category was selected because financial analysts always need clear information in order to enable them to do their jobs as investment advisers (to submit advices to potential investors). so they prefer to have information based on internationally accepted

accounting standards (IASs), and discovering its impact on accounting information practices, in order to understand financial statements about the activities of companies; and helps them in the implementation of their business appropriately; and they consider the financial statement as a mirror of business conditions (Khasharmeh 1995; Reinstein and Lander 2004; Lantto 2007; Rahahleh and Siam 2009; De Zoysa and Rudkin 2010). So financial analysts were asked to assess the relevance of information according to IASB Framework, and discover to what extent its useful in their financial analysis (Lantto 2007).

Auditors of public shareholding companies' accounts: were included due to their active role in preparing financial statements and presenting information after auditing them, (Reinstein and Lander 2004; Yang et al. 2005; Aljifri and Khasharmeh 2006; Lantto 2007; Obaidat 2007; Al-Khadash and Salah 2009). Because the auditor is a proxy for shareholders, and all parties depend on the auditor's report, in order, to review financial statements and show his neutral opinion.

Academics: this category was selected from private and public universities in Jordan due to its members' active role as consultants and identifying major challenges for impairment application, and suitable strategies for addressing them, also academics and practitioners working together to improve and develop the accounting practices (De Zoysa and Rudkin 2010).

Accountants and financial managers: this category was selected because of its members' active role in constructing strategies, planning and achieving goals for future periods; they have to plan their business operations to give a good picture of the company's financial position (De Zoysa and Rudkin 2010). Because accountants located on their responsibility, preparing financial statements, and to make sure of their ability to meet the needs of users of accounting information, which contribute to confidence-building, including offer the data and information relevant to their decisions and this can only be achieved through a comprehensive offer which guarantees achieving an atmosphere of confidence among investors, and beneficial to all parties.

On the other hand, in relation to interviews, the interviewees are carefully selected by following a technique called purposeful sampling; purposeful sampling is a method where one deliberately chooses a specific group or type of people to study. This is the direct opposite of the statistical method of random sampling (Kvale 1989).

5.6.7. Problems through Data Collection in Jordan

Jordan is a developing country, consisting of different social, economic, cultural and religious aspects which significantly affect the conducting of social studies. During the undertaking of this research some problems arose which should be noted as follows: First, comparatively few studies have been published on this subject; in other words there is a shortage of studies on impairment of assets in the context of Jordan. Second, accessing data in Jordan was a very serious challenge for the researcher. The researcher has faced many difficulties in obtaining data that reveal the number of Jordanian investors (individuals) and their contact information. To resolve this issue, the investors' details were accessed directly from Amman Porsa (Amman stock exchange) records after obtaining permission to obtain them. Although data are available in the companies' websites, their accessibility is generally poor and difficult; therefore it was essential to obtain it directly from the companies, which was a time-consuming process.

Third, indeed, most respondents in Jordan consider research processes a waste of time and the majority doesn't agree with the research results (Bribesh 2006). Fourth, the outcomes are dependent on respondents' attitudes in the context of Jordan. These results may not be appropriate to other developing countries as they have different economies and cultures. In addition, the analysis of the data for 2009 and 2010 using IAS 36 is more readily generalizable across Jordanian markets currently operating. The findings are limited to this period according to the opinions of accounting information users in Jordan. Fifth, some respondents from companies' headquarters commute between different places, even in Amman, which meant that the researcher had to travel from place to place.

Access to members of boards of directors and sub-committees was very difficult as they do not stay in the same place. Therefore, the researcher used the contact numbers for respondents provided by the management questionnaire as quickly as possible without giving any attention to the terms they selected. Sixth, if one makes a comparison between Jordan and developed countries, the access to data in Jordan appears very difficult, due to a number of barriers such as permission being required before the collection process could start. Seventh, several respondents tried to avoid the researcher because they considered the interview process as an investigation. Eighth, the researcher had to be very active and dynamic to gather the data since a less active researcher would have faced difficulty in finishing the data collection according to plan, and all secondary data were primarily hand-

collected from annual reports, a process that requires more time to secure that crucial accuracy.

These issues were taken into consideration when starting the data collection and choosing the numbers and groups of participants.

5.7. HYPOTHESES DEVELOPMENT

Although there is great interest in the usefulness of accounting standards for the quality of accounting information, prior practical studies detected conflicting findings about the degree to which accounting standards add usefulness to the decision-makers in Jordan.

Prior empirical studies examined the effect of US GAAP or IFRS on the quality of financial reports (Lantto 2007; Alsharairi and Al-Abdullah 2008; Armstrong et al. 2009; Horton et al. 2010; Agyei-Mensah 2011; Mardini et al. 2011), and there were some conflicting results. Some of the studies found that impairment increases the transparency, but other studies have presented results showing that impairment loss provided negative feedback (Amir et al. 1993; Ashbaugh and Olsson 2002; Bartov et al. 2002; Psaros and Trotman 2004; Barth et al. 2006; Van der Meulen et al. 2007; Barth et al. 2008). For example, Barth et al. (2006) discovered that US firms disclose higher accounting quality than IAS firms, whereas Leuz (2003) revealed insignificant differences between IAS and US firms regarding standards.

The best clarification of the diversity of these results is the indirect measures used in the practical analyses which highlight specific attributes of financial reporting information that are likely to affect the quality of financial reporting information, such as financial statements, earnings management, and timeliness (Schipper and Vincent 2003; Cohen et al. 2004; Barth et al. 2008). On the other hand, none of these measurement methods provide a comprehensive assessment of financial reporting quality, including all qualitative characteristics as defined by both FASB and the IASB in the Exposure Draft 'New Conceptual Framework for Financial Reporting' (IASB 2008). Earnings management identification tools emphasize the significance of earnings quality rather than financial reporting quality as a comprehensive objective (Healy and Wahlen 1998; Burgstahler et al. 2006; Krishnan and Parsons 2008).

Krishnan and Parsons (2008) define earnings quality as "the level to which reported earnings include economic reality, in order to correctly evaluate a company's financial performance". But financial reports quality is a larger concept that includes financial information and disclosures in addition to non-financial information that affects decision-making included in

the report. This clearly shows the desirability of creating a comprehensive measurement tool to reveal the quality of financial reports, taking into account all dimensions of decision-making usefulness.

Thus, the measurement tool applied in this study used all qualitative characteristics because these characteristics decide the usefulness of financial information in the decision-making process (IASB 2008). One of the objectives of this study is to measure the quality of financial reports. For this reason we used the fundamental characteristics (i.e. relevance and faithful representation) and enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and creditability instead of timeliness) as defined in the new conceptual framework (IASB 2008) on behalf of the financial reports quality. To evaluate accounting information quality, several measurement methods have been used. Table (5.4) provides the most widely-used methods in the literature review to evaluate financial reporting quality, i.e. accrual models, value relevance models, specific items in the financial statement and methods using the qualitative characteristics.

The accrual method basically depends on earnings quality measurement. The accrual method assumes that managers rely on their discretion in assessing the accruals to achieve earnings management purposes (Dechow et al. 1996; Healy and Wahlen 1998), but the reputation for earnings management negatively affects the quality of accounting information (Van Tendeloo and Vanstraelen 2005). The most important advantage of the accrual method is that it depends on the information contained in financial reports only, and it is possible to apply the regression model between the company characteristics and the extent of earnings management (Dechow et al. 1996; Healy and Wahlen 1998). The main disadvantage of the accrual method is the difficulty in differentiating between discretionary and non-discretionary accruals (Healy and Wahlen 1998), so the main problem with the accrual method is that it can't provide complete evidence and direct proof to measure the quality of accounting information to achieve the purpose of the study (Healy and Wahlen 1998).

The second popular method of measuring the quality of accounting information, and the one that most studies use, is value relevance e.g. Nichols and Wahlen (2004) by investigating the relationship between the company book value and the company's market value, according to stock prices. If the relationship between the two values is strong (high correlation), the accounting information has high quality and vice versa; this method also depends on the information included in the financial reports, like the accrual method (Barth et al. 2001;

Nichols and Wahlen 2004). But the disadvantage of this method is that it requires an efficient market, which is difficult to find in developing countries (in the context of a developing country, Jordan). And, for a comprehensive method, it should use the financial accounting information plus the non-financial information.

The third method is called 'specific items in the financial report'. This method applies some items in depth to measure the quality of financial reports. It assesses the influence of specific information presented in the financial report on the decisions made by the users, such as risk disclosure information. Beretta and Bozzolan (2004) and Hirst et al. (2004) are concerned with the use of fair value accounting and its effect on the financial reporting quality. The conclusion concerning measuring the quality of accounting information through the method which uses specific items in financial statements achieved a partial focus which indicates the shortage of comprehensive general ideas on whole financial reporting quality. As a result, the accrual method and value relevance method concentrate on the information disclosed in the financial reports to calculate the accounting information quality (Dechow et al. 1996; Byeonghee et al. 1997; Nichols and Wahlen 2004), while the third method (the specific items in financial reports) uses both financial and non-financial information to measure the accounting information quality but is still deficient in measuring the comprehensive quality (Beretta and Bozzolan 2004; Cohen et al. 2004). The last method is operationalizing the qualitative characteristics to evaluate the quality of accounting information to determine the decision-making usefulness of accounting information (financial reports).

A number of researchers (Jonas and Blanchet 2000; Lee et al. 2002; McDaniel et al. 2002) have developed a set of questions for each qualitative characteristic in order to measure the quality of accounting information based on the conceptual framework of accounting (FASB; 1980 and IASB; 1989), instead of the new ED (2008). Some of them concentrated on the main characteristics of relevance and faithful representation such as (McDaniel et al. 2002). In order to achieve a high degree of trust, the researcher preferred to apply the secondary characteristics (comparability, understandability, conformity and timeliness) as well as the basic characteristics (relevance and faithful representation) to give a comprehensive picture of the quality of financial reports, and to give a comprehensive assessment. In addition, the complete annual report should be taken into consideration because financial reporting includes both financial and non-financial information.

The current study will use the qualitative characteristics method because this method is described as being more comprehensive. Moreover, Beest et al. (2009) developed and tested a multiple tool to comprehensively assess the quality of financial reporting information, whether it includes financial or non-financial information (Beest et al. 2009). We compare it with other methods such as McDaniel et al. (2002) to measure the quality of accounting information as mentioned previously, and also with Giannini's (2007) methodology using SFAC No. 2, Qualitative Characteristics of Accounting Information, to evaluate SFAS No. 142 and No. 144. Furthermore, with this measurement method the study will overcome the validity and reliability problems related to prior measurement methods such as earnings management detection tools and value relevance methods.

Also, the current method has been tested by Beest et al. (2009) and the result shows that the measurement tool evaluates the quality of financial reporting in a valid and reliable way.

Table (5- 4) The Common Methods Used to Measure the Quality of Financial Reporting in Prior Studies

Method name	Accrual models	Value relevance method	Specific items in financial report	Qualitative characteristics
Method concept	Consider earning management as a proxy variable to measure(earning)information quality	Investigate the relation between stock return and earning numbers to measure the quality of financial reporting	Examine specific items in financial statement in intensity	Used the usefulness of financial reporting information by operationalizeing the qualitative characteristics
advantage Method	Described easy to collect the data	Described somewhat easy to measure the data	Concentrate on financial reporting quality Used direct of measure of financial reporting quality	Directly used financial reporting quality and focus on financial information quality
Disadvantage method	Concentrate on earning quality, used indirect measure for financial accounting information and difficult to approximate discretionary accruals	Concentrate on earning quality, also applied indirect measure. Unclear tradeoffs between reliability and relevance.	Difficult to applied and measure.	in fact it's difficult to operationlize regarding difficulties in measuring
Authors	(Jones,1999; Nichols and Wahlen 2004; Dechow et.al.1995; Healy and Wahlen1999)	Barth et al 2001;Nichols and Wahlen2004;Choi et al 1997;Nelson1996	Beretta and Bozzolan 2004;Hirst et al2004;Cohen et al 2004	Barth et al 2006; Schipper and Vincent 2003; Van der Meulen et al 2007

Source: Beest et al (2009) P.37

Therefore, to achieve the main aim of this thesis the researcher started by constructing a measurement tool on the basis of prior literature which defines financial reporting quality in terms of the fundamental and enhancing qualitative characteristics underlying decision usefulness as defined in the ED (IASB, 2008). The current study will measure the quality of accounting information after impairment application in accordance with the new conceptual framework of the accounting standard (IASB and FASB 2008). This is different from what was used by (Jonas and Blanchet 2000; Lee et al. 2002; McDaniel et al. 2002) and what was used by McDaniel et al (2002), which was the old conceptual framework (FASB 1980; IASB 1989). The measurement tool used in this study is more appropriate to the Jordanian

environment, in addition to the IFRS. The credibility and reliability of this method have been tested by a good number of researchers, as we mentioned earlier, taking into consideration that some questions were changed or amended to be more successful for environments such as Jordan (see questions 44, 45, 46 and 47 in the appendix no 5.3), along with this framework which consists of using fundamental qualitative characteristics and enhancing qualitative characteristics as mentioned above.

According to the deepest argument around the importance of applying impairment, Reinstein and Lander (2004) detect a high level of consensus among all study groups that SFAS No.144 improves financial reporting if compared with SFAS No.121. Also, Lantto (2007) examines whether the International Financial Reporting Standards (IFRS) improve the usefulness of accounting information in Jordan. Chalmers et al. (2011) indicates that, impairment loss better reflect the underlying economic attributes of goodwill than do amortization charges. Lander and Reinstein (2003) find that SFAS No.142 is considered a perfect attempt to replace goodwill accounting practices that would lead to more financial statements that are honestly represent the underlying economic conditions of the company. The result shows that this information prepared under many (IFRS/IAS) standards provides more relevant and reliable information, and shows that they are, overall, neutral towards the reliability of information prepared by using judgment under IFRS. On the other hand, Chambers (2006) concluded that goodwill accounting under SFAS No.142 does not improve financial reports compared to amortization-based accounting. The same result was obtained by Sevin and Schroeder (2005) who found that adoption of SFAS No.142 motivates companies to practice earnings management, while Kvaal (2005) found that impairment reporting for several companies does not perform the requirements of FRS 11⁴³ and there are several examples of puzzling presentations. In short, prior studies have achieved ambiguous results. Therefore the researcher will examine whether applying impairment is important to users in Jordan or not by investigating the reliability, relevancy, comparability, convenience and credibility of accounting information according to users' perception, and whether there is a significance difference between users' perception regarding impairment. Consequently the researcher will test the following hypotheses:

⁴³ The accounting standard FRS 11 sets out principles and procedures for accounting for impairments of fixed assets and goodwill.

Hypothesis (1) There are significant differences among the opinions of accounting professionals in determining the **importance of applying** asset impairment in Jordanian shareholding companies. This is statistically expressed as follows:

Ho: $\mu \leq 3$

H1: $\mu > 3$

Faithful representation means that accounting information should be complete, neutral, and free of errors (IASB 2008:36), and faithful representation is measured through five items referring to neutrality, qualified auditors, completeness, freedom from errors and verifiability to confirm the usefulness of the information.

Meanwhile, convenience (relevance) means that relevant accounting information is capable of making a difference in a decision by helping users form predictions concerning the outcomes of past, present and future events (FASB 1980 Para 51), or to confirm or correct prior impressions regarding faithful representation and convenience. Relevance according to (IASB/FASB, 2008, p. 17) is defined as “the capability of making a difference in the decisions made by users”. This is measured by comparing the relation between market information (share price) and accounting information (financial statements). If there was a strong correlation between the two values, it is an indication of suitability data. Dahmash et al. (2009), using the Australian GAAP⁴⁴, investigated the value relevance and reliability of reporting goodwill and identifiable asset; their result elaborates that Australian companies that present information respect to goodwill and identifiable intangible assets are value relevant but not reliable. Also, Fitzsimons and McCarthy (2002) find that applying impairment improves both information value and the representational faithfulness of reported financial information. Herrmann et al. (2009) Reliability consists of verifiability, neutrality, and representational faithfulness. Verifiability always prefers historical cost, while neutrality and representational faithfulness prefer and reinforce fair value measures over historical cost.

⁴⁴ Australian GAAP (Australian Accounting Standard AASB 136 Impairment of Assets) is an annual publication that provides a description of the major requirements of Accounting Standards, interpretations and the framework issued by the Australian Accounting Standards Board (AASB) used to prepare a general purpose financial report. These pronouncements are collectively referred to as GAAP, an acronym for generally accepted accounting principles. IFRS is required for all private sector reporting entities and as the basis for public sector reporting since 2005.

Historical cost measures for asset reduces neutrality of accounting information as it introduces a chance for bias. Historical costs do not provide representationally faithful measures of asset values especially when the amount of the decline in asset values fundamentally different from depreciation calculated previously. therefore, the traditional arguments of greater reliability of assets and earnings under historical cost can be challenged Also, Ahmed and Guler (2007) find that impairment has improved the reliability, while (Hsieh and Wu 2006; Lapointe-Antunes et al. 2008) find that investors perceive goodwill impairment losses as reliable measures of a reduction in the value of goodwill. In addition, general standards such as IAS 36 should theoretically improve the representational faithfulness of financial reporting. Herrmann et al. (2009) argue that fair values for asset are more appropriate to decision makers. Current studies have shown that re-evaluations of asset are correlated with stock prices that it is very helpful in predicting future earnings. Also fair values give appropriate information. Which lead to improved predictive value, and gives better feedback, offer more timely financial information if compared with historical cost measures of asset (e.g. property, plant, and equipment,).In short, they improve the adequacy of the financial information for all users. Duangploy (2005) asserts an evaluation of the asset value is difficult and biased; as a result it is more likely to motivate management manipulation than assess the value of the estimated item. Therefore impairment losses may potentially be harmful to the quality of accounting information if managers employ the impairment as a medium to manage their goals. Because applying impairment standard require the preparer to practice extensive professional judgment and discretion, which lead for more opportunities for judgment and bias (Stokes and Webster 2009), become necessary to know its affect.

Moreover, Rees et al. (1996) conclude that management uses their discretion to provide value relevance signals and the main reason for asset write-down is opportunism and earnings management. This result is supported by (Davidson and Vella 2003; Riedl 2004) who conclude that impairment is still unable to satisfy the public user's needs because there are still vast opportunities for managers to manipulate, Van Hulzen et al. (2012,p.94) their findings " show that the amortization expense on goodwill is more value relevant than the impairment expense. This indicates that investors perceive the amortization expense as more relevant information for investment decisions and stock price valuation", thereby decreasing the relevance and reliability of accounting information. Therefore, the researcher developed the second and third hypotheses.

Hypothesis (2) There is a positive tendency towards applying asset impairment on **faithful representation** of financial statements in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Hypothesis (3) There is a positive tendency towards applying asset impairment on **relevance** of financial statement in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Comparability means that information about a particular enterprise gains greatly in usefulness if it can be compared with similar information for other enterprises or with its past periods. Conformity means consistency from period to period without changing policies and procedure. Previous studies especially the study by Jermakowicz and Gornik (2006) revealed that the adoption by the European Union of IFRS will lead to improved transparency and comparability of financial statements between companies. Hope et al. (2006) discovered that the application of IFRS will lead to improved investor protection and open the way for foreign investors (in the capital market) and will also lead to more comparability and comprehensiveness of financial information. Meanwhile Callao et al. (2006) examined the effect of applying IFRS in Spain. The results obtained show that local comparability has worsened. Also using accounting depending on fair values is also better-quality from the viewpoint of comparability and consistency, because the fair value accounting allows assets to value in different periods on a comparable basis, which lead to improve these characteristics comparability and consistency (Herrmann et al. 2009). The same result achieved by Bhamornsiri and Guinn (2010) using fair value measurements should improve consistency and comparability of financial reports. The results were ambiguous and there was no consensus among the researchers. Zucca and Campbell's study (1992) shows that impairment is a technique used by management to handle earnings by income smoothing or the big bath method, while other studies take the opposite view. Fitzsimons and McCarthy (2002) point out that applying SFAS 144 improves information value of reported financial information and increases the comparability among entities and the representational

faithfulness of reported financial information. From other hand (Schultze 2005; Hope et al. 2006; Maccarrone 2007) find that new impairment regulations are intended to improve the information content to enable users to apply comparability to discover the firm's position in relation to other competitors, but Sevin et al. (2005) find that many companies are not willing to provide additional voluntary disclosure to improve transparency of financial statements. Herrmann et al. (2009) state that comparative practice rely on comparisons between assets based on purchase prices, which are constantly changing, resulting in reduces the accuracy of the comparison, accordingly is more better to using fair value accounting which IAS 36 one of them. Barksjo et al. (2006) showed that the application of impairment losses did not have any effect on the accounting information either positively or negatively; consequently, the study tests the following hypotheses:

Hypothesis (4) There is a positive tendency towards applying asset impairment on improving **comparability** of financial statements in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Hypothesis (5) There may be a positive tendency towards applying asset impairment on **conformity** of financial statements in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

In line with the new conceptual framework of accounting and recent literature, we define financial reporting quality in terms of decision usefulness and the degree of comprehensibility and credibility; also, the adoption of IFRS will improve the transparency of financial reports between firms (Jermakowicz and Gornik 2006), although these researchers do not provide evidence of the perceived improvement of financial reporting after adoption of IFRS. Gordon and Tang (2012) impairment has the ability to improve the understandability and usefulness of impairment information. Moreover, credible means believable or trustworthy. Van Hulzen et al. (2012,p.114) examine the influence of applying impairment on the quality of accounting information, using relevance and timeliness

characteristics as a proxy to measure the quality, the findings shows mixed evidence of increased accounting quality. Elliott and Hanna (1996) detect that impairment adds noise to the information environment; management should present implementing standards' relevance and faithful representation of the information, while users always believe that the transparency of financial statements needs to improve (Bunsis 1997). To understand the strengths and weaknesses of any accounting standard, its effect on accounting information and the possible improvement it may bring after adoption, it is important to investigate the accounting practices in detail as well as their degree of comprehensibility. Consequently, the researcher will test the next two hypotheses:

Hypothesis (6) There may be a positive tendency towards applying asset impairment on improving **understandability** of financial statements in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Hypothesis (7) There may be a positive tendency towards applying asset impairment on **increasing credibility** of financial statements in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Many prior studies have investigated firm performance using various different measures. For instance, Duangploy (2005) used impairment's effect on stock value as a proxy of performance, concluding that impairment is associated with bad news about firm performance, which lead to decrease in stock return in the market, that indicate weak performance. Bunsis (1997) showed that write-offs had no significant informative value for stock market in the pre-SFAS No.121 period; moreover, there are significant associations between negative stock price decline and goodwill write-off announcements, in contrast to the findings of (Smith 1994; Francis et al. 1996). Churyk (2005) concurred with Duangploy (2005) in finding a strong relationship between impairment and stock prices in line with prior studies such as Rees et al. (1996) found that impairment has a negative effect on companies'

performance according to users' perspective and saw impairment as negative news, but the current study will apply in a different context (Jordan) and may produce different results.

Datta and Iskandar (2008) reveal that it's difficult to evaluate future performance because impairment could apply for many purposes. Bartov et al. (1998) agree with Elliott and Hanna (1996) that impairment adds noise to the information environment, while Strong and Meyer (1987) investigate the same variables and find that impairment negatively affects performance. Barksjo and Paananen (2006) examine the impact of applying IFRS on the financial information by discovering its effect before and after the implementation of IFRS the result indicate that IFRS has not lead to higher accounting quality. On the other hand, Zucca and Campbell (1992) find that impairment gives an indication that stock prices will be better, This result has been confirmed by Chambers (2006) who concludes that the using impairment cause a higher accounting quality, consistent with the goals of the FASB, also Chambers find that financial reporting quality has improved by using impairments. Lapointe et al. (2009) and Chen et al. (2004) find that impairment application improve the quality of accounting information, consistent with the objectives of the FASB regarding the quality of accounting information. while Elliott and Shaw (1988) discover that companies applying impairment are associated with lower security returns for three years before and eighteen months after the announcement of the impairment.

Hypothesis (8) There may be a positive tendency towards applying asset impairment on improving **the quality of financial statements** in Jordanian shareholding companies according to users' perspective. This is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

In order to examine this hypothesis the researcher will measure the effect of applying the impairment concept on all qualitative characteristics mentioned in the previous hypothesizes.

5.8. METHODOLOGICAL LIMITATIONS

This thesis was undertaken taking into account that the purposes of the study were met and the research question were answered. As is well known, any study in social science may be faced some limitations. Because this thesis apply more than a method for data collection, the

study has been exposed to some criticism, the first criticisms is its reliance on a small number of interviews respondents, conducted 14 interviews, naturally such a number of interviews, will not reflect all the perspectives of the entire population in Jordan regarding the study's topic, which requires taking careful in generalizing the results, also because the philosophical approach which applied in this study is objective ontological and positive" epistemology which are chosen from the research theoretical framework, lead to prevent generalization the results to different contexts. As well as, it may not be possible to generalize knowledge created through a qualitative approach to other communities or settings (i.e., results may be exclusive to the relatively few people included in the research study). Data analysis is always time-consuming, and the results can easily be influenced by the researcher's personal biases and idiosyncrasies.

Additionally, most respondents in Jordan consider research processes a waste of time and the majority doesn't agree with the research results (Bribesh, 2006). some interviewees in Jordan do not prefer to have their views by using tape-recorded and they are bothered if notes are taken through the interview, because they are considered as interrogation to them; that is explain why this researcher using only fourteen interviews. In addition, the area of impairment loss is a much debated topic related to manipulation, so respondents (participants) may feel this study to be an indirect investigation which would make many of them very careful or hesitant when answering (Al-Ghamdi 2012).

Another important limitation that associated with questionnaire and semi-structured interview is that they may consider it as misleading in some cases when interviewees might wish not to reveal their insufficiency in supplying useful information or might not wish give a bad impression of their companies which may direct them to give "perfect" answers. Although the questionnaire which used in the study was too long, which make respondents feeling with bored, so they may give random answers without thinking to finish the questions quickly. The qualitative method has some limitation related to the data collected that it may be impressionistic and subjective rather than depend on reality.

5.9. CONCLUSION

This chapter began by identifying and discussing the research paradigm, philosophy and best methodology for selection. The adopted methodology is justified by both the objectivist ontology and positive epistemology. Therefore the deductive approach seems to be suited for this study. The chapter then tried to clarify the research methodology and appropriate

(suitable) methods. Three methods of data collection were selected as appropriate for carrying out this study, the questionnaire, semi-structured interviews and documentation when it's necessary. The use of these instruments is known as triangulation, which enables the researcher to understand and aware of the opinions of financial statements users about the significance of applying impairment of assets (IAS 36) in Jordanian companies, and how companies' financial statements can satisfy the Jordanian user's requirements. The triangulation method is used to increase confidence in the findings obtained. One important way of attempting to understand the impairment concept's mechanisms, as well as the purpose of impairment application is to merge qualitative and quantitative methods, as is implemented in this research.

Furthermore, quantitative and qualitative methods are not only useful for obtaining an accurate image of the nature of impairment, but also for providing a deeper understanding of a phenomenon (Cooper and Schindler 2003). For example, Filatotchev and Nakajim (2010) suggest that understanding impairment of assets depends on a variety of sources such as combining a statistical study based on a survey or published information with semi-structured interviews.

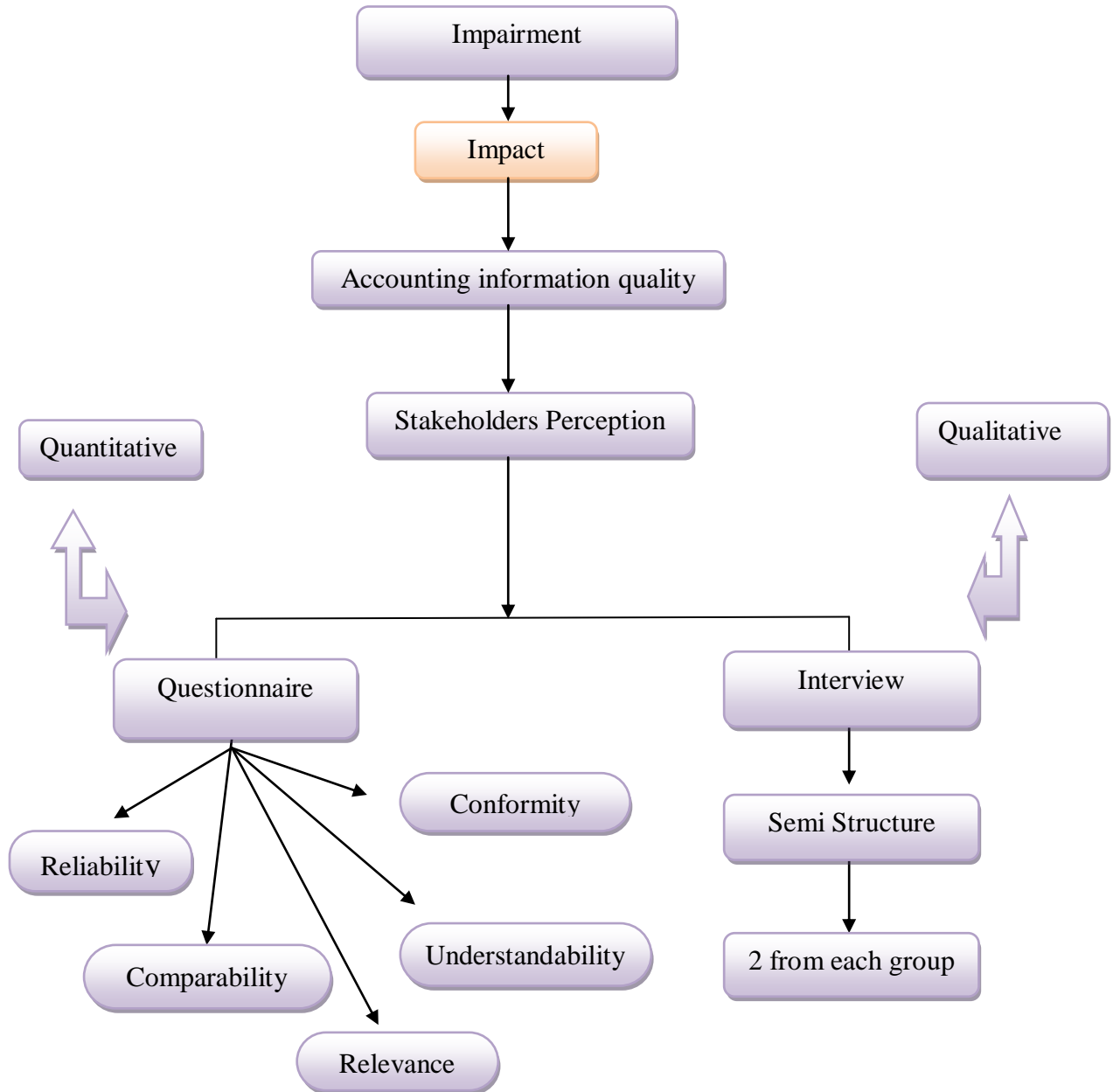
This study adopts an objectivist ontological and positivist epistemological stance since it is deemed to be a neo-empirical study (descriptive research) represented by agency theory (earning management), signaling and legitimacy as discussed in chapter four. Therefore, the best methodology for this type of research is hypothetico-deductive approach. The research methodology used in this study serves as a link between the theoretical and practical side of the research. Theoretical framework indicates that the search is employing three theories (agency, signaling and legitimacy) to provide explanation for impairment application. These theories justify the research methodology used in the study and the various hypotheses that have been developed based on these theories. This study has provided and discussed hypotheses and tests used in this study, to gain insights into respondents' perceptions of the motivations and techniques of applying asset impairment and to examine the effectiveness of impairment loss on reducing uncertainty and improving the quality of accounting information in Jordan. The findings of the study, may not suit for other developing countries because they have different economies and cultures.

Therefore, both quantitative and qualitative methods were adopted in order to enhance data quality and to attempt to fill the gap in the literature. Moreover, according to the

methodology chosen, the researcher will justify the choice of each approach and present details of the three instruments employed in this research (questionnaire, secondary data and semi-structured interviews) in terms of the design, sample selection criteria and analysis procedures. SPSS, a parametric test, is used to analyze the questionnaire responses. However, the amount of data obtained from semi-structured interviews was coded as well as being analyzed manually.

Quantitative and qualitative methods (regression analysis) were applied to examine the data collected from questionnaires to investigate the hypotheses proposed. As a result, this research is acknowledged as following deductive approach in analysing the hypothesis and the theoretical framework (Bryman and Bell 2007), as mentioned in the theoretical chapter. The following chapter sets out in detail how such methods (questionnaire approach and the semi-structured interviews) are applied. The data gathered via the questionnaire and semi-structured interviews were analyzed and the results are presented in chapter seven (analysis and results chapter).

Figure (5- 6) Research Design



Will apply parametric and non-parametric analysis (t-test) (Correlation and Regression)

Our contribution is coming by applying two types of analysis: (1) Quantitative (2) Qualitative

CHAPTER SIX

ANALYSIS OF QUESTIONNAIRE SURVEY

6.1. INTRODUCTION

A number of studies have documented evidence on the causes and effects of impaired asset. One view of such studies is that management uses accounting rules to manipulate earnings by recognizing impairment when it is advantageous to do so Zucca and Campbell (1992). Another view is that impairment is used as an appropriate response to the changes in the company's value in the economic environment (Rees et al. 1996). Moreover, a few researchers have investigated the market reaction to asset impairment (Strong and Meyer 1987). The majority of these studies use only the financial reports as primary data to discover the effects of impairment; this may give inaccurate findings, unlike this thesis which explores the real effect of impairment by collecting data from users of the financial reports themselves to obtain reliable results. This approach differentiates it from previous studies as it uses empirical data, which is considered a comparative advantage of the current study.

Accordingly, the perceptions of accounting information users are considered the cornerstone of evaluating the impairment application, so their perceptions have a remarkable implication for the purpose of the current research. As mentioned previously, the primary purpose of this study is twofold. The first aim is to test the extent to which impairment (IAS No.36) application affects the quality of accounting information in Jordan. Secondly, it contributes to the existing literature by investigating new evidence concerning impairment application. Accordingly, the main purpose of this chapter is to provide the overall results of the questionnaire survey.

For the purposes of understanding the study objectives, two types of statistical methods were applied as follows: firstly, descriptive statistical methods were calculated to identify the characteristics of the study sample and the basic characteristics of the study variables in addition to calculating the t-value if necessary; secondly, the parametric and non-parametric statistical test (Kruskal-Wallis) to examine the study hypotheses, in order to measure any substantive differences between several categories.

Linear regression analysis is applied to explain the consequences of statistical tests for eight hypotheses, particularly for each characteristic related to each hypothesis; then the findings are examined to test the hypotheses using regression analysis once again at the level of each qualitative characteristic combined according to the form that has been developed for research. The remains of this chapter are organised as follows. Section 6.2 gives a descriptive analysis of general aspects of respondents, mainly in terms of their characteristics. Section 6.3 describes the relation between the questions and the study variables. Section 6.4 describes the results of the questionnaire concerned with the importance of applying the impairment of asset motivations and techniques for impairment application. Section 6.5 presents the test hypothesis concerning the effect of impairment mechanisms on qualitative characteristics. Section 6.6 provides the concluding discussion. The subsequent sections point out the procedures performed to examine the planned hypotheses, and explain the results of the following statistical tests.

6.2. DESCRIPTIVE STATISTICS OF RESPONDENTS

The perceptions of the respondents are measured using a questionnaire; then the perceptions are converted to values to enable them to be analyzed using the suitable statistical analysis. The questionnaires were distributed by hand and email to ensure their delivery and to decrease the loss ratio. As a final test the questionnaire was mailed to six strata⁴⁵; each stratum consisted of 125 respondents to give a total of 750. Completed questionnaires were received from 347 respondents within a period of eight to ten weeks. This outcome was quite consistent with expectations as access to auditors and accounting staff is somewhat easier than other groups and they are more familiar with new subjects such as the current study. Only 324 questionnaires were suitable for analysis, representing a good response rate of 43.2% (Dillman (1978) see Table (6.1). Comparatively speaking, previous researchers such as (Kamel 2006; AI-Zu'bi 2008) observed that the Middle East appears to have a low response rate for questionnaires, varying from 30% to 50%; this rate is supposed to be sufficient (Dewing and Russell 2002; Ghauri and Gronhaug 2005; Dixon et al. 2006) to achieve efficiency and obtain important, meaningful findings.

The researcher sent again questionnaire for a number of those who didn't answer when distributes the questionnaires (non-response follow-up). The non-response bias test was

⁴⁵ As mentioned in the methodology chapter

applied in the current study by comparing the responses of early and late respondents. After carrying out the t-test for first hypothesis and ANOVA test at the 5% confidence level, no significant differences between the two groups were found.

Table (6.1) Questionnaire response rate

Questionnaires Sent		Questionnaires Received	Questionnaires Accepted	Response Rate
750		347	324	43.2%
Accountant ⁴⁶	125	62	54	
Auditors	125	59	54	
Financial analyst	125	57	54	
Creditors	125	56	54	
Academic	125	56	54	
Investors	125	57	54	
Total	750	347	324	

Source: prepared by the researcher

Three hundred and twenty-four questionnaires were accepted on the basis of the selection criteria described. This sample size is adequate to perform the main statistical tests of the study (Tabachnik and Fidell 2006; Rahahleh and Siam 2009). Furthermore, it has been proposed that the number of responses must be at least five times more than the number of items that will be tested (Al-Zu'bi 2008). In this study, the questionnaire contained fifty-five items on which to perform the analysis stage, representing a response-to-item ratio greater than 6:1, which exceeds the minimum standard (Hair et al. 2006). The respondents were requested to clarify the effect of each item from their opinions, after which the data were encoded in preparation for statistical analysis, according to the research plan.

6.2.1. Descriptive Statistics of Respondents' Demographic Information (Questionnaire)

Descriptive analyses of the data were obtained regarding the respondents as seen in Table (6.2); these provided additional information for each group to assist in interpreting the findings. They indicated that 85 per cent of the respondents were men and 15 per cent were women; they were aged over 30 years. The respondents are well educated: a third of them have bachelor's degrees, another third have master's degrees and the final third are PhD holders, which inspires high confidence in the information provided and the study results. It is clear from the analysis of the first section's results in Table (6.2) that 80 per cent of

⁴⁶ Accountant and financial managers

respondents are specialists in accounting and finance. The results are more reliable due to the wide experience of respondents in their current professions; about 91 per cent of them have over six years' working experience, and 37 per cent requested a copy of the research results. Most of the respondents had experience in interpreting financial statements that were prepared in accordance with a different GAAP from Jordanian standards. The financial directors, accountants, auditors and financial managers work in companies that represent all other industries. Furthermore, these companies represent all companies listed in the Amman Stock Exchange. The companies represent all sizes, be they large, medium or small, listed in the ASE. Background information concerning each stratum is as follows:

Of the members of the academic stratum who responded to our survey, about 90 per cent of them were men; the majority of the academics were aged between 36 and 63 and most of them have PhD degrees (98 per cent) while the others have master's degrees. 72 per cent have between 6 and 20 years' working experience as academics and all of them of them specialize in accounting.

The second stratum is the investors of whom 80 per cent were men. The majority of investors were aged between 28 and 58. 48 per cent have bachelor's degrees, 31 per cent have master's degrees, and 21 per cent have PhD degrees. 74 per cent have between 10 and 30 years' working experience and 90 per cent of them specialize in accounting. The third stratum is auditors, many of whom had worked a long time in that profession. About 84 per cent of the respondents had worked for between 7 and 29 years as auditors and about 96 per cent of the respondents had accounting degrees; 55 per cent have master's degrees, 25 per cent have bachelor's degrees and the rest have PhD degrees.

The fourth stratum is accountants and financial managers, about 83 per cent of whom were aged between 38 and 70. About 77 per cent of them have bachelor's or master's degrees, 83 per cent have worked for over 10 years as accountants in listed firms (ASE), and 15 per cent of them were women; the remaining 85 per cent were men. The fifth stratum is creditors. About 79 per cent of them were men, and the majority of creditors were between the ages of 28 and 59; most of them have bachelors, masters or PhD degrees, with percentages of 53, 40 and 6 respectively. About 94 per cent of them have a good length of experience in the banking sector of between 5 and 25 years, and 40 per cent of them specialize in accounting while 53 per cent have economics degrees. The last stratum is financial analysts. About 87 per cent of them were men, and the majority was between the ages of 28-58. Many of them

have master's degrees (48 per cent), while 15 per cent have PhD degrees and 37 per cent have bachelor's degrees. 91 per cent have worked as accountants or financial managers for between 6 and 31 years and most of them specialize in accounting.

From previous arguments, it has been noted that the respondents are well educated because the majority hold doctoral and master's degrees (71 per cent) and most of them have practical experience that exceeds five years (91 per cent). This will enrich the study and increase confidence in the results, because the respondents are properly qualified at the academic level and most of them (80 per cent) had accounting or finance backgrounds, which gives legitimacy to the data and increases confidence in the data in the two stages of analysis and interpretation see Table (6.2). Overall, the respondents had quite a long working experience in their area of expertise and most of them had trained in interpreting financial statements that had been prepared in accordance with a different GAAP. Accordingly, it is evident that respondents exhibit sufficient academic knowledge and practical experience to answer the questionnaire, which adds to the reliability of the study findings (Rahahleh and Siam 2009).

Table (6-2) Descriptive Statistic of Respondents' demographic information (questionnaire)

Panel (1)				
Sex	Male	275	percent	84.9 %
	Female	49	percent	15.1 %
Panel (2)				
Education Level			Number	percent
	Diploma		3	1.0 %
	Bachelor degree		118	36.4 %
	Master degree		113	34.9 %
	PhD		90	27.7 %
Panel (3)				
Experience			Number	percent
	0-5		30	9.0 %
	6-10		74	22.8 %
	11-15		96	29.6 %
	16-20		65	20.0 %
	21-25		44	13.5 %
	26-30		13	4.0 %
	31- more		2	1.0 %
Panel (4)				
Specialization (Major)	Finance		50	15 %
	Accountant		207	63 %
	Management		39	12 %
	Economic		18	.05 %
	Marketing		4	.01 %
	Others		6	.02 %

6.3. QUESTIONS AND VARIABLES

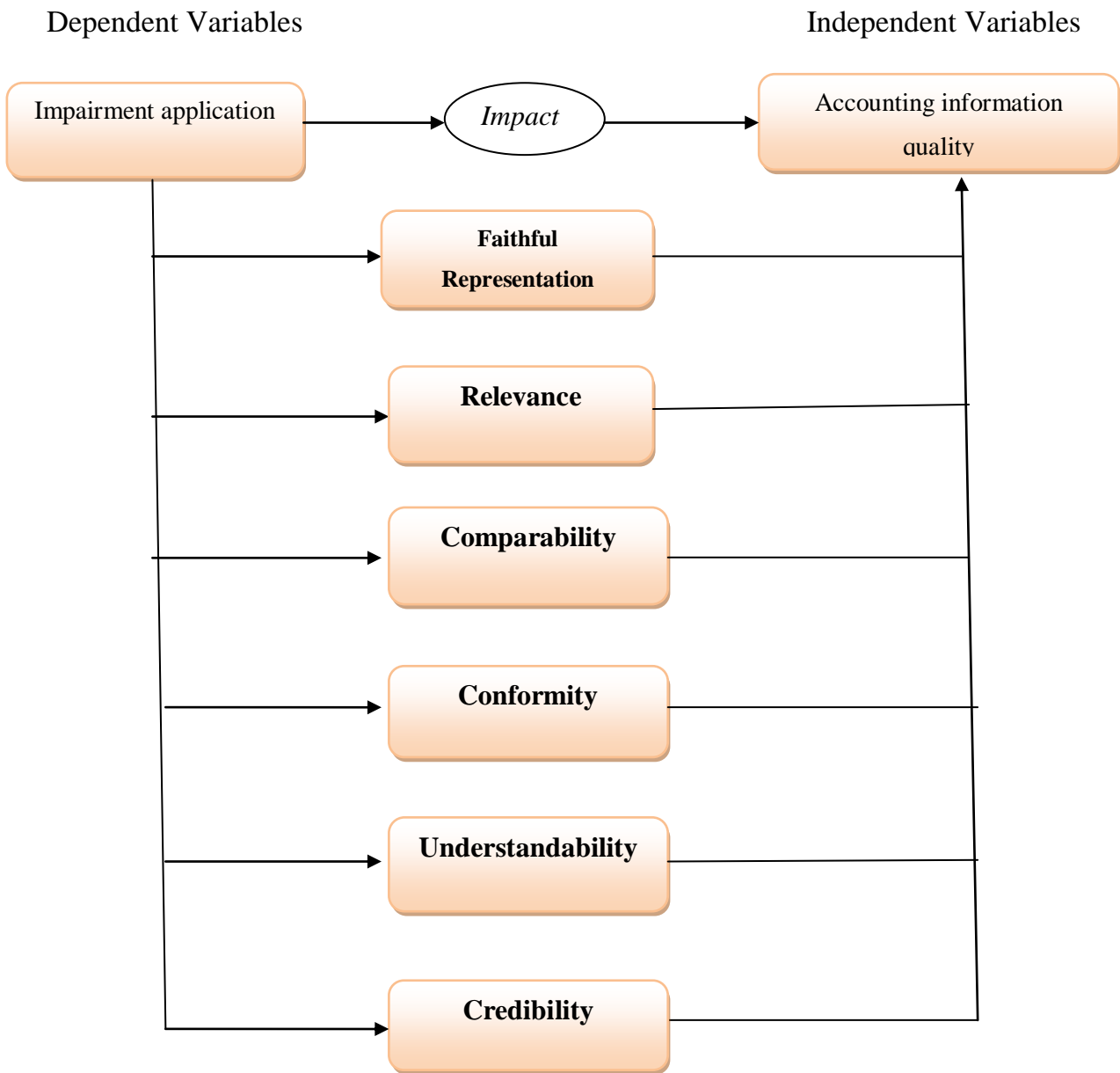
Special questions were prepared for this study based on three dimensions: the theoretical framework in chapter four, the results of previous studies (Strong and Meyer 1987; Rees et al. 1996) and consistency with the study objectives.

Table (6-3) Questionnaire Sections and Questions measuring the variables of study

Questionnaire Sections		Variable	Questions measuring the variable
First Section	Personal information of respondent	Sex Age Academic qualification Specialization Years of experience in the present work Current position	(Q1) (Q2) (Q3) (Q4) (Q5) (Q6)
Second section		Importance of applying IAS 36 "impairment of assets"	(Q1-Q9)
Third section		Impact of applying IAS 36 on the faithful representation of financial statements	(Q10-Q20)
Fourth section		Impact of applying IAS 36 on relevance of financial statements	(Q21-Q29)
fifth section		Impact of applying IAS 36 on the comparability of financial statements	(Q30-Q36)
sixth section		Impact of applying IAS 36 on the conformity of financial statements	(Q37-Q40)
seventh section		Impact of applying IAS 36 on the understandability of financial statements	(Q41-Q47)
eight section		Impact of applying IAS 36 on the creditability of financial statements	(Q48-Q55)
ninth section		Impact of applying IAS 36 on the quality of financial reports	(Q10-Q55)

The questionnaire consists of nine sections. In the first, personal information about the six categories was gathered. The second section aims at measuring the degree to which respondents advocate the importance of applying IAS 36. The third to ninth sections incorporate the provisions stipulated in IAS 36 that have an impact on the quality of financial statements; furthermore, it includes items that affect the adequacy of disclosure regarding financial instruments in the financial statements included in IAS 36. Questionnaire sections and questions designed to measure each variable in the study are summarized in Table (6.3). The sections of the questionnaire were drafted in a way that ensures easy measurement, which is mainly aimed at facilitating the measurement of the variables to bring legitimacy to the findings.

6.3.1. Model Dependent and Independent Variables



Source: prepared by the researcher

Figure (5- 7) Dependent and Independent variables

6.4 .TESTING HYPOTHESES

6.4.1. Parametric analysis

The International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) comprise a set of international accounting principles which, when adopted, allow

the availability of comprehensible rules to demonstrate comparable and transparent accounting information. Its adoption represents a necessary element for an attractive capital market which has encouraged the Jordanians to introduce a set of uniform accounting standards for listed ASE companies, with the aim of establishing a good investment environment.

Rahahleh and Siam (2009) state that it is inappropriate for the accounting policies and professionals to work in isolation from the important economic developments, and their reflections on the quality of financial statements and their relevance to decision-making, Therefore, it was essential to develop accounting standards or adopt IAS. This has happened in Jordan, where the IAS was adopted to ensure that financial statements are fairly presented to achieve adequate disclosure. One of these standards is Impairment of Assets (IAS No.36). In order to measure its impact on accounting information quality, this study will employ the qualitative characteristics⁴⁷ of accounting information under the new conceptual framework⁴⁸ of accounting according to users' opinions, as (Al-Saih 2002) suggested that some standards are inconsistent with certain requirements in these countries. Eight hypotheses were developed for this purpose; these require the use of a t-test for hypothesis no.1 and ANOVA for hypotheses 2 to 8. The responses were analyzed, and were formulated as follows:

Hypothesis (1) There is a significant difference among the opinions of accounting professionals in determining the **importance of applying** asset impairment in Jordanian shareholding companies.

In order to assess the importance of applying the new standard IAS⁴⁹ No. 36 Impairment of Assets from users' perspective in Jordan, it was essential to investigate the hypothesis which was statistically expressed as follows:

Ho: $\mu \leq 3$

H1: $\mu > 3$

⁴⁷ As mentioned in the methodology chapter page 118

⁴⁸ Conceptual framework of accounting: (Exposure Draft) by FASB and IASB (11/3/2010).

⁴⁹ International accounting standards (impairment of assets)

The above hypothesis seeks to detect the attitude and beliefs of accounting information users about the importance of applying Impairment of Assets (IAS No.36). According to the analysis of the findings as shown in Tables (6.4) and (6.5) (t -values = 25.454, p = 0.00) there is agreement among the respondents (six groups) regarding the importance of IAS 36 application, (Wild 2001; Rahahleh and Siam 2009; Herrmann et al. 2006; Peetathawatchai and Kittima 2012) and it is noticed that the mean of the agreement degree for the importance of applying IAS 36 is high (3.772) with a low standard deviation (0.546). This means that there is a great agreement among accounting professionals in Jordan about the importance of applying IAS 36, 'impairment of assets'.

In order to verify the level of significance and for more explanation of the above results, the researcher applied the ANOVA test to identify the extent of compatibility between user groups in determining the importance of IAS 36 application. The findings of ANOVA shown in Table (6.4) indicate that there is considerable compatibility (homogeneous) among five categories - accountants, investors, financial analysts, creditors and auditors - but it is clear from 'analysis of variance' between groups that there is a significant statistical difference among the respondents' opinions about the importance of IAS 36 'impairment of assets', particularly among academics and other groups, since the lowest mean value was 3.55 for accountants and the highest was 4.281 for academics. This takes into consideration the slight difference in the degree of agreement among the categories; as expected, the agreement mean for academics indicates that they were more aware of the importance of impairment of assets than the other five groups.

This result can be attributed to the fact that academics have more knowledge about the standards than other groups and understand the advantage of this standard. Accordingly, it can be concluded that academics realize the importance of using the IAS to facilitate comparison of financial statements issued by local companies in the same sector, and with those issued by international companies or competitors in other countries. Generally, because they know the importance of adopting the IAS, this will reflect positively on the accounting system in Jordan, giving a fair picture of companies' financial position and ensuring the accuracy of data included in companies' financial reports. Also, the auditors, investors and financial analysts appeared to have an appropriate knowledge of the importance of this standard, whereas the accountants showed the least agreement on the importance of applying IAS 36, at 3.551; this is an unexpected result, although it may reflect the fact that they know that impairment is sometimes used for other purposes.

Generally, all respondents agreed on the importance of applying impairment of assets, although there was some variance in opinion among the respondents, as indicated by the findings.

Table (6.4) ANOVA for the Six Groups

	Sum of squares	df	Mean Square	F	Sig
Between groups	19.517	5	3.903	16.104	.000
Within groups	77.081				
total	96.598				

Also the results of the t-value and sig value lead us to accept the alternative hypothesis (H1) when $\alpha = (0.05)$. This indicates all accounting information user groups (the respondents) assert the importance of applying the IAS No.36 ‘Impairment of Assets’ in Jordan, This leads to the conclusion that there are statistically significant differences among the opinions of accounting professionals in determining the importance of IAS 36, ‘Impairment of Assets’ application to Jordanian companies.

Additionally, the descriptive statistics of the mean and standard deviation respectively lead to the same result because the mean is greater than the critical value (3.00), thus leading us to accept the alternative hypothesis.

From the findings, it can be concluded that all accounting information user groups believe that applying assets impairment (IAS No.36) leads to better accounting information and all user groups emphasize the importance of applying the impairment concept. Also, the findings indicate that the study sample members recognize the need for such standards in order to guarantee that users of accounting information are supplied with the necessary data. Therefore, agreement was found amongst all groups while the academics have a stronger belief in the substance of applying IAS 36.

Table (6-5) Results of Testing the First hypothesis using the t-test (ANOVA)

Group	n	Mean	Standard Deviation	t-value	Sig
Academics	54	4.281	0.522	18.018	.000
Investors	54	3.839	0.320	19.241	.000
Auditors	54	3.695	0.499	10.235	.000
Accountant & Financial Manager	54	3.551	0.600	6.744	.000
Creditors	54	3.584	0.556	7.714	.000
Financial Analysts	54	3.687	0.397	12.706	.000
Overall	324	3.772	0.546	25.454	.000

Hypothesis (2) There is a significant positive tendency toward applying asset impairment on **faithful representation** of financial statements in Jordanian shareholding companies according to users' perspective.

This hypothesis aims to identify and understand the impact of applying asset impairment on the **faithful representation** (reliability) of financial statements in Jordanian shareholding companies according to users' perspective. The data collected by the questionnaire were appropriate for this type of analysis. Question numbers Q15-Q20⁵⁰ measured the independent variable (X) application of IAS No.36 while questions Q10-Q14 measured the dependent variable (Y) faithful representation. The researcher used two types of analysis. The first is T-One Sample Test at the level of significance (0.05%) confidence level (95%) to test the study hypothesis, and Table (6.6) shows the computed values of t and the significance level for the hypothesis separately.

The second type is regression to provide more accurate findings. This approach of analysis investigates the relationships between variables, and whether impairment application would have any influence (effect) in terms of improving or harming accounting information. The purpose is to test whether the explanatory variable 'impairment application' (X) affects the response variable (Y) faithful representation of accounting information (quality); any such effect is the major focus of the study and, to discover any change in the qualitative characteristic attributes of accounting information according to users' perspective, the

⁵⁰ The questionnaire appendix no

following model has been formulated to examine the second hypothesis, which is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Table (6.6) Correlation, Regression and T-test for second hypothesis

Group	n	Regression equation	p-value K-S	r	t- value	Sig	R ² %
Academics	54	Y1=1.076+0.681x1	0.227	.563	4.915	.000	32
Investors	54	Y1=2.990+0.420x1	0.105	.619	4.480	.000	38
Auditors	54	Y1=0.975+0.635x1	0.104	.540	4.630	.000	29
Accountants & Financial Manager	54	Y1=0.298+0.834x1	0.175	.606	5.492	.000	36
Creditors	54	Y1=.967+0.680x1	0.104	.539	4.620	.000	29
Financial Analysts	54	Y1=-.548+1.1.013x1	0.145	.634	5.912	.000	40
Overall	324	R= (0.61)** Correlation is significant at the 0.01 /					

*The critical value for (t) is 1.96

** Correlation is significant at the 0.01 level (2-tailed).

Depending on the correlation and regression findings for all user groups' perspectives (324) in Jordan as shown in Table (6.6), there is a high correlation ($r = 0.61$) between the application of impairment loss and faithful representation of accounting information at significance level ($p = 0.001$), which means there is a significant correlation at level ($p \leq 0.00$) between impairment application and faithful representation characteristics.

Another correlation test is applied for each separate group to detect each group's opinion regarding impairment loss's impact on the property 'faithful representation'. The findings indicate that there is a significant statistical relationship between the two variables; the correlation is strong, ranging from 52% for auditors to 63% for financial analysts, with the highest correlation found in the financial analysts group and the lowest in the auditors group. This result could be attributed to the likelihood that auditors are more aware that impairment loss depends on market value (fair) instead of historic value, which is more convenient but less reliable. These results lead to the conclusion that there are no significant statistical differences among the opinions of the accounting users in determining the effect of IAS 36 application on faithful representation of financial statements of Jordanian companies;

consistent with Fitzsimons and McCarthy (2000) show that SFAS 144 enhances the comparability characteristics and the representational faithfulness of reported financial information. Barth et al. (2008) discover the application of International Accounting Standards (IAS) is linked with higher accounting quality. Thus, each group of users considers impairment according to their own position and interests.

Furthermore, the p-values for all user groups indicate that H₀ should be not accepted. In addition, the results show a positive association between X₁ and Y₁. Also, according to the regression equation, any change by one unit of impairment application implies that faithful representation will definitely change positively, thus leading to not accept the null hypothesis ($\beta = 0.609$, $P \leq 0.01$). This leads to more reliability of the accounting information and increases the quality of financial statements for decision-makers. In general, it enhances the qualitative characteristics of accounting information, and faithful representation in particular.

Moreover, the Kolmogorov- Smirnov test indicates that the data are normally distributed because the p value $> .05$. Thus, we accept H₀ which states that the data have normally distributed see Table (6.6).

Hypothesis (3) There is a positive tendency toward applying asset impairment on **relevance** characteristics of financial statements in Jordanian shareholding companies according to users' perspective.

The main purpose of this hypothesis was to assess the influence and extent of applying IAS No.36 'impairment of assets' on relevance, one of the fundamental qualitative characteristics. To assess this hypothesis, two hypotheses will be applied, statistically expressed as follows:

H₀: $\beta = 0$ vrs H₁: $\beta \neq 0$

H₀: $\rho = 0$ vrs H₁: $\rho \neq 0$

X₂ represents the independent variable which is measured by question numbers Q21, Q22 and Q24 (application of asset impairment) while Y₂ represents the dependent variable (relevance) which is measured by the question numbers Q23, Q25, Q26, Q27, Q28 and Q29. Through this hypothesis the researcher will investigate the effect and the relationship between the two variables (X₂) and (Y₂). According to the t-test, the computed (t) is (20.66), which is higher than its critical value (1.96). Therefore, the decision is to not accept the null hypothesis and accept the alternative hypothesis, which means that the application of

International Accounting Standard No. 36 directed towards fair value has a positive impact on the relevance of accounting information for companies listed on the Amman Stock Exchange (ASE) from the viewpoint of all accounting information users, this result fully consistent with (Chen et al. 2004; Barth et al. 2008; Lapointe et al. 2008; Iatirdis 2008). The mean (3.80) indicates positive signs regarding the impact of application of this standard (IAS 36) on the relevance of accounting information to these companies listed in the Amman Stock Exchange in Jordan, unlike the findings of (Bini and Bella 2007). The findings on the correlation and regression shown in Table (6.7) indicate that there is a significant statistical relationship between application of IAS No.36 and the relevance characteristic, and the correlation between these two variables (impairment application and relevance) ranged from 52% (Academics) to 63% (Accountants & Financial Managers).

Similarly, the P value ($< .05\%$) leads to the not accept the null hypothesis (H0) and acceptance of the alternative hypothesis (H1). In other words there is a positive association between X2 and Y2, which means that the application of IAS No.36 will improve (affect positively) the fundamental characteristics of relevance and faithful representation, but to varying degrees among the groups. The accountants and financial managers group has a stronger belief in this improving of the accounting information than the other five groups because they prepare the financial reports and appear to be most knowledgeable about the impact of impairment on the relevance, whereas the creditors and academics groups were the least aware of this effect, a result that surprised the researcher. Moreover, the attitudes of auditors, investors and financial analysts are quite similar, following the accountants.

According to the statistical results shown in the Table (6.7) it can be noted that applying the impairment concept positively affects the relevance of financial information and leads to more effective accounting information and increased objectivity of the accounting information of financial statements for making decisions. In general, it enhances the qualitative characteristics of accounting information, and relevance in particular. The results of the ANOVA analysis showed that the level of significance values is higher than the level of significance used by researchers in this study (0.05), which lead to the assertion of the previous conclusion.

Table (6-7) Results of testing the third hypothesis using the ANOVA test

Group	n	Regression equation	p-value K-S	r	t-value	Sig	R ² %
Academics	54	Y2=2.716+0.374x2	0.108	.527	4.466	.000	.27
Investors	54	Y2=2.157+0.367x2	0.230	.625	5.257	.000	.35
Auditors	54	Y2=2.398+0.417x2	0.193	.598	5.375	.000	.35
Accountants & Financial Manager	54	Y2=1.893+0.645x2	0.077	.632	5.881	.000	.40
Creditors	54	Y2=1.982+0.470x2	0.223	.535	4.571	.000	.28
Financial Analysts	54	Y2=1.273+0.642x2	0.095	.589	5.252	.000	.35
Overall	324	computed (t) =20.66/ The critical value for (t) is 1.96 (mean = 3.80)*					

*Mean for all sample

The regression model shows and explains that any change in 'impairment application' will definitely account for (interpret) 36% of the variance in relevance of accounting information ($\beta = 0.602$, $P \leq 0.01$), which means there is a statistical effect of impairment on relevance characteristic. Moreover, according to the findings of the one-sample Kolmogorov-Smirnov test, the data are normally distributed for Y2 because the p value $> .05$ which leads to acceptance of the H0.

Hypothesis (4) There is a positive tendency towards applying asset impairment on improving **comparability** of financial statements in Jordanian shareholding companies according to users' perspective. The fourth hypothesis was to assess the impact of applying IAS No.36 'impairment of assets' on one of the secondary qualitative characteristics "comparability". To test this hypothesis, question numbers Q31, Q35 and Q36 will be used to measure the independent variable (X3) application of IAS No.36, and question numbers Q30, Q32, Q33 and Q34 will be used to measure the dependent variable (Y3) comparability of accounting information; this is statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

The results of the ANOVA analysis in Table 6.8 show that the values of significance level are higher than the significance level (0.05) for all groups, which leads to not accept the null

hypothesis. Also, the correlations findings in Table (6.8) offer evidence of a very strong⁵¹ relationship between applying IAS No.36 'impairment of assets' and comparability. consistent with Iatirdis (2008: Daske and Gebhardt 2006) and Fitzsimons and McCarthy (2000) how show that SFAS 144 develops the content of accounting information reported, and enhances the comparability characteristics; Daske and Gebhardt (2006.p.461) stated that "the mandatory adoption of IFRS improve the comparability and increase transparency which lead to higher quality of financial reporting. Moreover, there is a dissimilarity between the groups of respondents relating to this hypothesis; accountant and investor groups have a much stronger belief ($R= 0.66\%$) in the influence of impairment on comparability than the other four groups. This result can be attributed to cultural factors because investors have a bad impression of companies that use impairment loss in their financial reports (e.g. Hanna et al. 1996; Comprix 2000; Jordan and Clark 2004; Godfrey and Koh 2009; Comprix 2000; Li and Shroff 2011), so impairment helps them to differentiate a healthy company from the others. Accountants, according to Jordanian culture, always try to compare themselves with others to show themselves as the best; however if the result dissatisfies them, this starts to justify these findings. But the unexpected result is the opinion of academics and financial analysts, which were low relative to other groups.

This result leads to the conclusion that there is a positive significant relationship between the explanatory variable (X) and the response variable (Y). Also, the t-values and p-values, as shown in Table (6.8) respectively, indicate that all user groups emphasize and declare that impairment has a positive effect on comparability (computed $t > \text{critical } t$). Furthermore, the determination coefficient indicates that the impairment application explains almost 37% to 46% of the variation in comparability, so this result will develop the extent of disclosure.

⁵¹ According to Zikmund (2000) if R between (.60-.80) mean high correlation

Table (6-8) Results of testing the fourth hypothesis using the ANOVA - test

Group	n	Regression equation	p-value K-S	R	t-value	Sig	R ² %
Academics	54	Y3=2.140+0.387x3	0.519	.495	4.105	.000	24
Investors	54	Y3=1.611+0.463x3	0.076	.662	5.879	.000	40
Auditors	54	Y3=2.210+0.392x3	0.342	.540	4.631	.000	29
Accountants & Financial Manager	54	Y3=1.639+0.544x3	0.428	.671	6.527	.000	45
Creditors	54	Y3=2.773+0.492x3	0.201	.633	5.897	.000	40
Financial Analysts	54	Y3=2.023+0.466x3	0.462	.593	4.419	.000	29
Overall	324	R* = 0.65					

R*Correlation for total sample

In addition, the regression model shows and explains that any change in 'impairment application' will definitely account for 42% of the variance in comparability of accounting information, which means there is a statistical effect of impairment on comparability characteristics. ($\beta = 0.65$, $P \leq 0.01$). Also, Kolmogorov-Smirnov test is applied and the outcome shows that the data are normally distributed for Y3 because the p value (Sig) > 0.05 .

Hypothesis (5) There is a positive tendency towards applying asset impairment on the **conformity** characteristic of financial statements in Jordanian shareholding companies according to users' perspective.

The fifth hypothesis was intended to assess the influence of applying IAS No.36 'impairment of assets' on one of the secondary qualitative characteristics 'conformity'. To test this hypothesis, questions Q38 and Q39 were used to measure the independent variable (X4) application of 'impairment of assets', while questions Q37 and Q40 were used to measure the dependent variable (Y4) conformity of accounting information. To test this hypothesis, two hypotheses will be applied, which are statistically expressed as follows:

H0: $\beta = 0$ vrs H1: $\beta \neq 0$

H0: $\rho = 0$ vrs H1: $\rho \neq 0$

The t-test, correlation, and regression findings as shown in Table (6.9) indicate that four groups (academics, auditors, accountants and financial analysts) of accounting information users confirm that the application of impairment concept positively affects the consistency characteristic deal with (Iatirdis 2008), while the other two groups (creditors and investors)

hold a contrary opinion. This result agrees with the accounting literature such as Anandaragan (2000) detects that the investor is not getting what they expect from impairment and (Chaney 1988; Smith 1994; Francis et al. 1996; Heflin and Warfield 1996) because investors always have a bad reaction to companies which announce or publish impairment loss in their financial reports (Hanna et al. 1996; Deng and Lev 1998; Li et al. 2010; Li and Shroff 2011).

Table (6-9) Results of testing the fifth hypothesis using the ANOVA -test

Group	n	Regression equation	p-value K-S	R	t-value	Sig	R ² %
Academics	54	Y4=1.239+0.595x4	0.082	.665	6.415	.000	.44
Investors	54	Y4=2.516+0.096x4	0.078	.06	0.477	.635 *	.01
Auditors	54	Y4=.838+0.647x4	0.081	.435	3.483	.001	.19
Accountants & Financial Manager	54	Y4=1.643+0.472x4	0.266	.323	2.462	.017	.10
Creditors	54	Y4=2.809+0.160x4	0.083	.153	1.120	.268 *	.02
Financial Analysts	54	Y4=2.185+0.357x4	0.131	.287	2.159	.036	.02
Overall	324						

*The mean difference is significant at the .05 level (One-Way ANOVA)

The attitude of investors can be understood as they may not want to shoulder the responsibility of applying this standard and they consider companies with impairment loss as heading towards bankruptcy, with a weak performance and management. This result can be attributed to cultural factors, as discussed in the Jordan chapter, and is also consistent with the findings of Enochsson and Nielsen (2009) who stated that some companies prefer to not recognize an impairment loss. Moreover there is a tendency to only recognize an impairment loss when it is absolutely necessary. The market value of a company depends very much on the expected profit related to the actual earnings the company achieves. Impairment loss affects the profit negatively, which could jeopardize the possibility of achieving the expected results, thereby decreasing the market value.

Moreover, what is surprising is the attitude of the creditors group; they are in total agreement with investors, but the other four groups (academics, auditors, accountants and financial analysts) believe that there is a significant relationship between impairment application and the consistency characteristic of accounting information.

On the other hand, the findings of the correlation coefficient indicate significant differences between the auditors and academics, who have a much stronger belief in the influence of impairment on consistency, and two other groups (financial analysts and accountants), while investors and creditors don't believe there is any influence. Also the correlation for the entire sample ($R=0.37$) indicates a weak relationship between the two variables.

Regarding the value of the determination coefficient, it has been shown that the application of accounting standard No. 36 explains the change in the consistency property of accounting information from the perspective of four groups (academics, creditors, accountants and financial managers, and financial analysts), while investors and auditors have a different opinion. Clearly, from the foregoing, there is a high level of disagreement about this hypothesis amongst the users of accounting information.

In order to investigate whether the data have a normal distribution, the one-sample Kolmogorov-Smirnov test is applied and the results indicate that the data are normally distributed for Y4 because the p value ($\text{Sig} > 0.05$).

Hypothesis (6) There is a positive tendency towards applying asset impairment on improving **understandability** of financial statements in Jordanian shareholding companies according to users' perspective.

The sixth hypothesis was intended to assess the influence and extent of applying IAS No.36 'impairment of assets' on one of the secondary qualitative characteristics "understandability". To test this hypothesis, questions Q45, Q46 and Q47 were used to measure the independent variable X5, impairment application, while questions Q41, Q42, Q43 and Q44 were used to measure the dependent variable Y5, understandability of accounting information. In order to understand the relationship between the two variables, and to test this hypothesis, two hypotheses will be applied, which are statistically expressed as follows:

$H_0: \beta = 0$ vrs $H_1: \beta \neq 0$

$H_0: \rho = 0$ vrs $H_1: \rho \neq 0$

Table (6-10) Results of testing the sixth hypothesis using the ANOVA - test

Group	n	Regression equation	p-value K-S	r	t-value	Sig	R ² %
Academics	54	Y5=1.720+0.543x5	0.078	.423	3.363	.001	.18
Investors	54	Y5=2.140+0.282x5	0.578	.257	1.915	.061*	.06
Auditors	54	Y5=1.239+0.705x5	0.081	.633	5.894	.000	.40
Accountants & Financial Manager	54	Y5=0.599+0.836x5	0.130	.639	5.997	.000	.41
Creditors	54	Y5=1.697+0.562x5	0.083	.599	5.394	.000	.36
Financial Analysts	54	Y5=1.152+0.624x5	0.437	.581	5.154	.000	.33
Overall	324	R=0.581 for all sample					

*The mean difference is significant at the .05 level (One-Way ANOVA)

From the values of T-test and p-values (for each group) which were calculated and extracted from the analysis, the results as shown in Table (6.10) respectively indicate a significant relationship between the application of impairment and the understandability characteristic according to all user groups' opinions except investors, who have an extremely different opinion which is nonetheless consistent with accounting literature (Smith 1994; Francis et al. 1996; Anandaragan 2000; Watts 2003; Deming et al. 2005) because investors fear impairment loss. This is due to the variation of the culture impact among groups. Therefore, the investors' opinion means accepting the null hypothesis, which states that there is no effect of applying IAS No. 36 on the characteristic of understandability; however, the other five groups specify that there is a statistically significant relationship between applying the impairment concept and the understandability.

In general, it is noticed that the degree of agreement among five groups of the sample is very high. This means that there is a consensus among the accounting professionals (auditors and accountants⁵², financial analysts, creditors and academics) regarding the influence of the IAS 36 application on the understandability of financial statements and there is high disagreement with this hypothesis by the investors group.

On the other hand, the correlation for each group, as shown in Table (6.10), shows significant differences in responses between groups. Accountants and auditors were the most likely to believe in the influence of impairment, as expected, because they are aware that impairment information will satisfy the stakeholders' needs, whereas creditors, academics and financial

⁵² Accountants and financial managers

analysts have less agreement, but investors totally disagree with the other groups. In addition, the regression model for all samples shows that any change in 'impairment application' will definitely account for 33% of the variance in the understandability characteristic of accounting information ($\beta = 0.581$, $P \leq 0.01$), which means there is a statistical effect of impairment on understandability characteristics.

Also, the one-sample Kolmogorov-Smirnov test is applied to discover whether the data are subject to normal distribution; it can be concluded that the data are normally distributed for Y5 because the p value (Sig) > .05.

Hypothesis (7) There is a positive tendency towards applying asset impairment on increasing **credibility** of financial statements in Jordanian shareholding companies according users' perspective.

The above hypothesis seeks to detect the attitude and beliefs of accounting information users about the influence of applying Impairment of Assets (IAS No.36) on "credibility" of financial statement. Questions Q48, Q49, Q50 and Q51 were used to measure the independent variable X6 (application IAS No.36) while questions Q52, Q53, Q54 and Q55 were used to measure the dependent variable Y6, credibility of accounting information. To investigate this hypothesis, two hypotheses will be applied and are statistically expressed as follows:

H0: $\beta = 0$ vs H1: $\beta \neq 0$

H0: $\rho = 0$ vs H1: $\rho \neq 0$

Table (6-11) Results of testing the seven hypothesis using the ANOVA -test

Group	n	Regression equation	p-value K-S	r	t-value	Sig	R ² %
Academics	54	Y6=1.239+.595x6	0.372	.665	6.415	.000	.44
Investors	54	Y6=2.952+.121x6	0.074	.255	1.902*	.063**	.06
Auditors	54	Y6=1.195+.533x6	0.254	.613	5.600	.000	.37
Accountants & Financial Manager	54	Y6=1.432+.466x6	0.201	.566	4.946	.000	.32
Creditors	54	Y6=0.927+.637x6	0.296	.663	6.197	.000	.44
Financial Analysts	54	Y6=1.003+.620x6	0.262	.615	5.293	.000	.43
Overall	324	*less than the critical value 1.96 **more than 0.05					

According to the correlation results for each group as shown in Table (6.11), academics, auditors, creditors, accountants and financial analysts groups believe that impairment has an impact on the credibility of financial reports in line with (Iatirdis 2008; Daske and Gebhardt 2006; Mizuno 2004). The accountants group agrees to some extent but the investors group disagree that impairment has any effect on credibility of accounting information in line with (Anandaragan 2000; Bens and Heltzer 2004) because they consider impairment a bad indication for the future and believe that impairment is a tool used by management for manipulation. This may be because there is little awareness of the nature and roles of this standard and it may also be attributed to cultural factors such as the disclosure environment.

The same result was achieved through T-test and p-value, as shown in Table (6.11) respectively, indicating a significant relationship between the application of impairment and the increasing credibility characteristic according to users' perspective for all groups except investors because the computed t (1.90) was less than the critical value (1.96). Therefore the decision is to not accept the null hypothesis, which states that there is no effect of applying IAS No. 36 on the characteristic of credibility for the five groups, while investors have a different opinion and consistent with (Anandaragan 2000). Also, the value of R square ranged from 32% to 44%, which shows that the application of accounting standard No. 36 is significant in explaining the change in the property of the credibility characteristic of accounting information.

Also, the one-sample Kolmogorov-Smirnov test is applied to discover whether the data are subject to normal distribution, the result indicates that the data are normally distributed for Y6 because the p value (Sig) > .05.

Hypothesis (8) There is a positive tendency towards applying asset impairment on **the quality of financial statements** in Jordanian shareholding companies according to users' perspective.

In order to examine this hypothesis the researcher will measure the effect of applying impairment concept on all qualitative characteristics mentioned in the previous hypotheses. Therefore, the average was calculated for all independent and dependent variables followed by an investigation of the influence of impairment on the quality of accounting information. So, in order to achieve an accurate result the researcher applied a simple regression between

the applications of IAS No.36 (impairment of assets) on the quality (all qualitative characteristics) of accounting information to learn and understand the influence between the two variables (impairment application X7, and the quality of accounting information Y7); the output is shown in Table (6.11).

To investigate this hypothesis, two hypotheses will be applied and are statistically expressed as follows:

$$H_0: \beta = 0 \quad \text{vrs} \quad H_1: \beta \neq 0$$

$$H_0: \rho = 0 \quad \text{vrs} \quad H_1: \rho \neq 0$$

Table (6-12) Results of testing the eight hypothesis using the ANOVA -test

Group	N	Regression equation	K-S sig	R	t-value	Sig	r ²
Academics	54	Y7=-.944+0.778x7	0.208	.835	11.149	.000	.70
Investors	54	Y7=1.498+0.509x7	0.325	.650	5.994	.000	.42
Auditors	54	Y7=0.382+0.824x7	0.068	.900	15.724	.000	.80
Accountants & Financial Manager	54	Y7=-.067+1.002x7	0.226	.881	13.331	.000	.77
Creditors	54	Y7=0.558+0.785x7	0.068	.875	15.724	.000	.77
Financial Analysts	54	Y7=0.223+0.894x7	0.119	.873	12.421	.000	.76
Overall	324						

It has been noted that all respondents have generally agreed that impairment application positively affects the quality of accounting information; this can be seen in the correlation coefficient (R value) in Table (6.12) which is very high, in line with (Fitzsimons and McCarthy 2000; Chambers 2007; Iatirdis 2008), but there are still some slight disagreements. The auditors strongly believe (90%) that impairment affects the quality of accounting information. This finding could be attributed to the fact that auditors have more awareness and empirical knowledge than other groups; in addition, according to the Companies Law they have a responsibility pertaining to the financial reports disclosed, and they are aware of the usefulness of these standards.

The accountants group is ranked next with a correlation coefficient of 88%. This could be because accountants have responsibility with auditors for preparing financial reports, while the creditors and financial analysts groups' attitudes were ranked third due to their wide experience, and their commitment to internal and external instructions (legal system).

Academics strongly agree, at 83%, although this is a lower percentage. The investors seem to be the least enthusiastic about the influence of impairment on the quality of financial reports.

According to the findings in Table (6.12), it is clear that the t-value is higher than the critical value, which indicates a significance influence of impairment on the quality of accounting information according to all user groups' opinions. Therefore, the decision is to not accept the null hypothesis, which states that there is an affect of applying IAS No. 36 on all the qualitative characteristics (the quality) of accounting information. However, IAS No. 36 may be affecting the financial reports for all types of firms. This result fully consistent with Barth et al. (2008) that discovers the application of International Accounting Standards (IAS) is linked with higher accounting quality; this improvement could be interpreted as restricting the freedom of managers. Also Chambers (2007) found evidence that annual impairment testing improves financial reporting. Moreover, through the value of R square it clear that the application of accounting standard No. 36 (impairment of assets) is significant in explaining (0.77) of the variation in the quality of accounting information.

It becomes clear from the previous debates that the alternative hypothesis should be accepted, which indicates the existence of such an effect. As discussed previously, in order to investigate whether the data for this study have a normal distribution, we applied the one-sample Kolmogorov-Smirnov test; the findings indicate that the data are normally distributed for both variables, X7 and Y7, because the p value $> .05$. Thus we accept H0 which states that the data have normal distribution see table (6.12).

Moreover, we believe that our results can be used as guidance to improve the current view, especially in areas where firms seem to have difficulties in carrying out impairment properly, as this study is considered the first to argue this issue in the Middle East.

To help strengthen the current findings, the researcher investigated all the respondents as one group to explain the influence of impairment application on the quality of accounting information; all hypotheses have been tested for all respondents (324 individuals). On that basis, the results as shown in Table (6.13) indicate that all hypotheses confirm the strong relationship between the impairment application and the quality of accounting information. All the hypotheses between number two and number eight show that the impairment application concept has a positive impact on the quality of accounting information (faithful representation; relevance; comparability; conformity; understandability; and creditability). As a result, the application of the impairment concept improves the quality of accounting

information, and these results will develop the disclosure levels according to users' perspective in Jordan.

Table (6-13) responses of all accounting groups

H No	Regression equation	Correlation coefficient	t-Value	p-value	Conclusions	r^2
H2	$Y1=0.595+0.752X1$	.609	13.764	.000	Accept H1	.37
H3	$Y2=2.125+.485X2$	.602	13.539	.000	Accept H1	.36
H4	$Y3=1.739+.498X3$	.651	15.405	.000	Accept H1	.42
H5	$Y4=1.671+.463X4$	.371	7.167	.000	Accept H1	.13
H6	$Y5=1.164+.670X5$	.581	12.824	.000	Accept H1	.33
H7	$Y6=1.930+.377X6$	.518	10.88	.000	Accept H1	.27
H8	$Y7=0.588+0.796X7$	.876	32.502	.000	Accept H1	.77

6.4.2. Nonparametric Analysis

In order to verify the findings achieved through parametric analysis, the researcher applied non-parametric analysis to support the results. The z-test and Wilcoxon analysis of respondents' perceptions were applied, as shown in Table (6.14). This reveals that there is complete and significant agreement in perceptions regarding the effect of applying impairment of assets, and that all the findings were identical with parametric analysis, as shown in Tables (6.13) and (6.14) respectively.

In the light of data analysis and hypotheses-testing, as shown in Table (6.14) (Wilcoxon analysis), relating to the importance of using impairment of assets, all accounting users believe in the importance of applying impairment. This means that the null hypothesis is not accepted and leads to the conclusion that there are no significant statistical differences between the opinions of accounting professionals in determining the importance of IAS 36; this is consistent with (Rahahleh and Siam 2009).

Table (6-14) Wilcoxon /test Statistics

Group/Hypo 1	n	Mean	Standard Deviation	z-value	Sig
Academics	54	4.281	0.522	6.401	.000
Investors	54	3.839	0.320	6.430	.000
Auditors	54	3.695	0.499	5.820	.000
Accountant & Financial Manager	54	3.551	0.600	5.033	.000
Creditors	54	3.584	0.556	5.304	.000
Financial Analysts	54	3.687	0.397	6.173	.000
Overall	324	3.772	0.546	25.454	.000

The correlation coefficient for the entire sample indicates that there is a substantial convergence between the opinions of the six categories representing the study sample in applying IAS 36 'impairment of assets' on the quality of accounting information. This means that there is a consensus among the accounting users regarding the influence of impairment application on the faithful representation, relevance, comparability, understandability, conformity and creditability of financial statements, which is consistent with (Fitzsimons and McCarthy 2001).

Also, for more details the researcher applied the correlation for each group separately. The findings, as shown in Table (6.15), indicate a significant difference in the investors' group opinion on the effect of impairment on conformity, understandability, and credibility, and in the creditors' group regarding conformity. The result of this difference is consistent with prior studies such as (Anandaragan 2000; Bens and Heltzer 2004) which show that investors consider impairment loss a signal of bad performance and weak management. The correlation coefficients of the financial analysts, academic staff and accountants were higher than others (R= 0.58, 0.58, 0.57 respectively). It could be that the financial analysts, academic staff and accountants have more knowledge of accounting standards than the other groups. This result is consistent with the literature review (Titard and Pariser 1996).

Table (6-15) Nonparametric Correlations

H No	Academics		Investors		Auditors		Accountants		Creditors		Financial analysts	
	R	Sig	R	Sig	R	Sig	R	Sig	R	Sig	R	Sig
H2	.57	.000	.40	.003	.52	.000	.58	.000	.48	.000	.58	.000
H3	.54	.000	.48	.000	.55	.000	.49	.000	.51	.000	.56	.000
H4	.44	.000	.43	.001	.51	.000	.61	.000	.57	.000	.56	.000
H5	.55	.000	.03	.82	.40	.002	.37	.006	.21	.111	.33	.000
H6	.47	.000	.08	.56	.62	.000	.63	.000	.62	.000	.58	.000
H7	.61	.000	.22	.10	.59	.000	.54	.000	.58	.000	.55	.000
H8	.77	.000	.52	.00	.76	.000	.73	.000	.76	.000	.75	.000

6.5. CONCLUSION

In the light of data analysis and hypotheses-testing, the following findings have been obtained. The study groups (academics, auditors, financial analysts, accountants, creditors and investors) totally agreed on the importance of applying IAS 36 'impairment of assets' in financial statements in Jordan in line with (Wild 2001; Rahahleh and Siam 2009) Such importance is due to the characteristics of relevance, faithfulness presentation, comparability and consistency resulting from IAS 36 application, which meets the needs of financial statement users. The t-values and p-values (computed value more than the critical value) indicate that all accounting users believed in the importance of applying IAS 36. It is noted through the mean that there is a significant convergence amongst the study groups in their agreement on the importance of IAS 36; the academics strongly believed in the importance of applying impairment, with a mean of 4.281, which is more than the others.

The findings from the questionnaire survey show that accounting information users consider impairment standards essential for increasing the transparency of financial reports and dealing with the findings therein (Adams 2002; Chambers 2006; Barth et al. 2008). They also lead to more effective accounting information and increased reliability of this information, and they enhance the availability of higher levels of useful information; furthermore, the absence of such standards may lead to undesirable findings such as lost external financial sources and an unfavourable picture of the company performance (Chaney 1988; Fried, Schiff et al. 1989; Heflin and Warfield 1996; Bartov, Lindahl et al. 1998; Deng and Lev 1998). Accounting information users think that impairment is necessary for Jordanian companies to assist them in protecting shareholders' rights, including those of minorities,

protecting the company and increasing its trustworthiness, and strengthening the national economy.

IAS No.36 was adopted in March 2004, and the responses in our investigation have been obtained from respondents who have reasonable experience of impairment tests of assets, despite the short period in which they have been applied. It may, for that reason, be premature to draw any strong conclusions based on our results. However, we still consider our results to be of interest to all accounting information users, because accountants may use our findings to improve the way they carry out impairment tests in Jordan or other similar countries. Auditors may use our results to focus on areas that deserve further attention. Standard-setters may want to evaluate the current standard and consider how to improve it by discovering the weak points. Investors will use these results to help them in evaluating the fair value of the firms and decision-making process.

The current study explores the perception of accounting information users about the influence of impairment on the quality of accounting information, and whether impairment improves the transparency of financial reports in the Jordanian business environment. More efforts are still needed to encourage better impairment practices, and there is a clear concern about the role of disclosure and transparency; the findings show that there is a real desire for better disclosure and transparency by both companies and users. This result is consistent with prior studies such as (Comprix 2000; La Porta et al. 2000; Reese and Weisbach 2002; Adams 2002; Chambers 2006; Barth and Schipper 2007; Giannini 2007; Lapointe-Antunes et al. 2008) which concluded that there is a significant association between the application of impairment and the quality level of accounting information disclosure.

Accounting information users (auditors, accountants, financial analysts, creditors, academics and investors) advocate the substantial influence of applying IAS 36, 'impairment of assets' on the relevance and reliability of the financial statements issued by Jordanian companies. In addition, there are no substantive differences between the opinions of the six categories, a fact that enhances the importance of applying IAS 36. The unanimity of the study sample about the impairment disclosure may be due to the fact that the items mentioned in the standard about what should be disclosed fulfill the expectations of the users of financial statements issued by Jordanian companies.

However, the results show that accounting information users think there is a strong awareness about impairment and its significance for Jordanian society, and such a perception is widely

held across society, even by those who are closely involved with companies, such as top management and investors. The study reached a set of conclusions which were discussed and interpreted throughout the work in an attempt to achieve clarification of the impact of international accounting standard number thirty-six, and detect the level of use and the impact of different accounting treatments in the evaluation of real asset value. It also explored the impact on the decisions of users based upon the most important obstacles facing Jordanian companies listed in the Amman Financial Market, and the disclosure about the availability of elements of the study in the researched companies, before testing the hypotheses of the study separately.

With respect to the characteristics of the sample, the study sample was mostly male with a smaller proportion of females, and this indicates that most users of accounting information from Jordanian companies listed in the Amman Financial Market are male. The response rate was quite good, and this indicates the degree of interest in the topic amongst users of financial information in Jordanian companies listed in the Amman Stock Exchange. Most of the respondents have scientific qualifications and are university graduates at bachelor's level and above, which is proof that the respondents are sufficiently well qualified academically.

The specialization variable indicates that most respondents are allocated to the field of accounting; this indicates their direct connection with the subject of the study and international accounting standards, thereby enhancing the reliability and credibility of the study and its findings, and also demonstrating the ability of respondents to deal with expressions of resolution seriously and rationally.

A major finding of this research is that investors' views conflict with other users regarding impairment, because they fund the market so they will be more conservatism.

The current job variable indicates that most respondents are accountants; this increases the ability of respondents to answer the questionnaire items on experience and awareness of the benefits of the application of International Accounting Standard number thirty-six.

The average age of respondents is the late thirties, and this is confirmation that the majority has dealt with the questions seriously. Respondents' practical experience was an average of fourteen years and this is proof of their ability to understand phrases and answer questions, and of their experience in the conditions of the Jordanian market. A few members of the

sample were very interested in obtaining the results of this study and this indicated the importance of this subject.

The findings indicate that there is awareness among accounting information users of the importance of applying impairment standards; the majority of the questionnaire respondents think that impairment application should affect the accounting information quality, which is consistent with the users in developed countries.

The value of the constancy of high-resolution terms is evidence of the suitability of the words enclosed in the resolution to accomplish the objectives of the study.

The reliability is high-resolution, in accordance with Cronbach's alpha coefficient (95%) for all items, which is considered proof of the honesty and consistency of terms.

Most of the responses to question No. 44 (cannot depend on the financial statements in the light of the non-application of IFRS No. 36 from investors in an environment designed to attract investment) suggest that their confidence in the financial statements and the outputs of the accounting information system would be enhanced were there to be a trend in application of IAS No.36, which would increase the transparency of financial reports. It would also encourage the use of the fair value in recognition asset and the use of specific disciplines to estimate fair value of all the assets on the balance sheet. In other words, it promotes the use of fair value as the sole basis for measuring real value of asset, and viewing the output of the accounting information will improve the confidence of users with financial statements.

Most of the responses to question No. 3 (impairment of assets meet and satisfy customers' needs) suggest that the process of impairment application needs to improved.

Through the output of hypothesis No.1, the conclusion indicates that all accounting information users from different groups assert the importance of applying impairment concepts, which provide accurate information.

The relation and/or effect between the impairment application and fundamental characteristics (relevance and faithful representation) according to users' perception are, as would be expected, significantly positively correlated and may be most meaningful for improving the quality of accounting reports.

From the results, it is clear that investors do not trust with information that is published, which includes impairment losses, as they consider that the application of this standard

(impairment of assets) does not improve the consistency of financial information or its understandability. Overall, they consider this standard to be disadvantageous for firms whose financial reports include impairment loss. However, this view is wrong and Jordan should increase its educational advertising on standards in general, and on asset impairment in particular, in order to provide information that helps the decision-making process.

Any international standards should be examined and tested before they are adopted in order to ensure their impact and appropriateness.

CHAPTER SEVEN

QUALITATIVE ANALYSIS

7.1. INTRODUCTION

This chapter aims to evaluate whether manager's decisions to impair assets are influenced by manipulation factors or whether the impairment really should be recorded. An extensive debate has existed how managers implement regulations of impairment loss requiring the recognition of declines in asset values, which are commonly labeled write-offs, write-downs or impairments. During the current global financial crisis (GFC) a large number of firms, faced unprecedented market volatility, significant declines in profitability, and continued falls in stock prices, needed to recognize asset impairments, which declared a major focus during the GFC⁵³ on the impairment of assets more pressure on understanding, measuring and documenting the triggers of impairment" (Australian Securities and Investment Commission, 2008). This was leading to growing pressure on companies to cut costs in order to reduce the effects of the economic slowdown, which encourage the researcher to shed the light on this topic especially in developing countries.

Developing countries faced these problems largely because of the weak auditing and governmental systems, which cause a huge Shake-up led to the bankruptcy of a number of large companies, which motivate the researcher to study is impairment increased the reliability of accounting information or consider a tool for manipulation.

This chapter documents the researcher's experience with the qualitative approach throughout the process of initiating contacts with the sample, choosing the research methods, developing the research questions, translation issues and the analysis of the data, leading on to the final results of this research. This chapter is seen as the link between what was explored in the previous chapters and what will be presented in the further chapters. As mentioned before, this research aims to describe the impact of IAS 36 impairment implementation on the quality of accounting information according to users' perspectives in Jordan and the issues surrounding it in depth. In order to achieve this purpose, this research follows a qualitative approach and is considered to be interpretative in nature.

⁵³ Global Financial Crisis

In reviewing literature regarding impairment, it can be noticed that impairment practices are a sophisticated phenomenon that may be affected by several factors. due to its effect in the financial crisis, because many companies used impairment as a mean for manipulation, most studies document that asset write-offs are joined with change in management (Moore 1973, Strong and Meyer 1987, Francis et al. 1996), decline in earnings (Elliott and Shaw 1988), decline in stock prices possibility of future write-offs in both frequency and magnitude, lower earnings response coefficient (Smith 1994; Francis et al. 1996), unexpected accruals (Rees et al.1996), and lower abnormal returns in the next two years (Bartov 1998).

7.2. TRANSLATION ISSUES RELATING TO INTERVIEWS

The researcher translate the interview questions in Arabic into English, then give the same questions to three of his friends⁵⁴ (Free of charge) then met with the three persons in order to discuss their notes and remove any bias or/and ambiguity in the questions, leading to agreement on the final version (Balbinotti et al. 2007), This version was then given to another qualified (professor in English literature, who is a specialist in teaching English⁵⁵, to translate it into Arabic. Based on his notes, the questions in Arabic were redesigned for the last time for use in the interviews after ensuring, through discussion, that any ambiguities were removed. One concept that was difficult to translate is "impairment" as there is no specific word in the Arabic language directly corresponding to this word.

To deal with this issue the researcher consulted the translation team (three persons) to try to find the best meaning (خسائر التذني); in addition, the researcher provided further explanation for the interviewees to make sure that the same meaning required for the purposes of the study was being conveyed. Also, the answers were translated by the researcher himself, because he has the ability to understand everything that happened during the interview and interpret the non-verbal language; he then presented the work to friend (PhD) to review the translation (Free of charge), in order to ensure the validity and accuracy of the results. Because of the interview atmosphere, which was characterized by flexibility and freedom for the respondent, plus the researcher's knowledge of the study subject, the researcher was able to verify the accuracy of responses obtained.

⁵⁴ finished their studies in US or UK

⁵⁵ Prof.. Mahammod Kanakry, Faculty of Educational Science AL al –bayt university ,Mafrag-Jordan

7.3. VALIDITY

To assess the validity of the study, it is necessary to ensure that the measurement tool used in the study measures what is supposed to be measured (Creswell 2009; Leedy and Ormrod 2009). There are many standards and criteria that can be used to measure the study quality, such as credibility, dependability, transferability, reliability, and objectivity, particularly in qualitative research. One of the criteria used to judge the quality of the study is validity, and the concept of validity is absolute because the researcher must avoid achieving incorrect or questionable results; furthermore the reliability of the findings must be beyond question (Khatemende 2006; Yin 2009). Moreover, validity is concerned with the results of the study, which should represent what actually happened. It is always divided into two kinds: internal validity and external validity; specifically in this study, the internal validity can be bypassed by the diverse tools of data collection, the methods used, and triangulation, which help increase the validity of the study, as this study is exploratory in nature. All these factors led to the validity and reliability of the results (Yin 2002; Bernard 2006; Bryman and Bell 2007; Yin 2009).

In addition, in order to raise the validity of the research questions and the results of impairment application on accounting information quality from the user's perspective, the researcher has been recommended to integrate the following methodological features:

1-The research would need to be a real field study of a real effect of impairment loss on the accounting information, as a laboratory study would make it difficult to assess the impact on the external environment in accounting decisions.

2-The study should be longitudinal, so that it can provide sufficient time for the researcher to discover the effect of impairment on the quality of accounting information to be observed and in order to increase the causal interpretation of the findings (Chakravarthy and Doz 1992; Hart and Banbury 1994).

The researcher collects the data from the field, and cannot wait a long time to obtain results as there is a limited amount of time available for him to earn a PhD. A further component is the credibility of results in qualitative research and whether they are believable from the point of view of the participants in the research (Khatemende 2006). While the main function of qualitative research is to describe and investigate the phenomena from the perspective of users (respondents), the researcher is the only one who can judge this issue and determine whether the results are credible or not, which may be considered an additional limitation of this study (Zikmund et al. 2000).

7.4. BIAS REDUCTION

One of the main problems arising from semi-structured interviews is interviewer bias, whether during the interview or/and at the analysis stage, and this bias may significantly affect the data that were collected and analyzed or even the research result. The researcher has thus employed certain procedures to overcome this bias as far as possible by taking the following steps.

7.4.1. Pilot interviews

To guarantee the control of potential bias, the researcher conducted test interviews with professionals who have good experience in accounting and identical responsibilities to those of the intended sample. Those respondents were selected from students at Amman Arab University For Higher Studies (PhD program) as well as investors, auditors and academics; this procedure enhanced the researcher's understanding and helped him discover the potential responses to specific questions by the respondents relating to language, length, depth, objectivity and suitability for the study, thus providing the researcher with very valuable notes.

7.4.2. Interview guide

The researcher prepared a checklist interview as a guide - with preset neutral questions and queries - to minimize his interference, and to make sure that all questions are designed completely and consistently with the main themes under investigation. The checklist questions and theoretical framework will diminish researcher bias.

7.4.3. Using Independent Researchers

In order to evaluate the reliability of any research, the research design should be taken into consideration and the data resulting from themes should represent variations in real phenomena rather than the irrelevant circumstances of measurement, the hidden peculiarities of individual analysts, and unclear biases of a procedure (Krippendorff 2004). To decrease researcher bias, the researcher tested whether the selected themes and concepts were representative of the data collected using two independent researchers, third-year PhD students in business/accounting and finance. They had no prior knowledge of the research, but the researcher gave them a summary of the study content and asked them to look at the transcripts and diary notes; this was intended to discover whether, in their opinion, the themes and concepts correspond to the questions of the thesis, and to differentiate their findings from

the researcher's findings. This tactic increases confidence and reliability, because the degree to which a process can be re-created under varying conditions, in different situations, using different coders is part of the test of reliability (Krippendorff 2004). The main aims of this process are to reduce the subjectivity of the researcher, obtain more reliable results, and increase confidence that these different themes and concepts have been fully included in the analysis process.

A clear example was whether to consider each qualitative characteristic as an individual factor affecting the quality of financial reports or whether to group them together under one concept. The three researchers agreed to consider them as one concept called the "the quality of accounting information". Another example of disagreement was concerned with whether to consider impairment loss as a negative or positive signal. The decision was reached to consider it as one of the factors that affect a company's reputation, in order to measure the outcome of the implementation of impairment on strategic decisions taken by users in Jordan. Finally, the researcher focus on the themes, to choose the best rational themes that should be included in this thesis to assist in finding the best answer to all the research questions depending on the scientific, logical thinking see (Silverman 2009).

7.5. DATA ANALYSIS

As mentioned in the previous chapter, the second research method used in this thesis to collect the primary data is semi-structured interviews. This method seeks to investigate the opinions of different stakeholder groups about impairment of asset issues in Jordan, the experiences of individuals, how they made sense of them and what meanings those experiences hold (Smith 2004). This section is concerned with qualitative analysis in which fourteen respondents were selected, two from each group⁵⁶ because each group have different needs and wants (heterogeneous groups) which mean different opinions⁵⁷, in order to measure stakeholders' perceptions regarding impairment's effect on the quality of accounting information, and the main differences between these groups. It will also show the results underlining the main issues emerging from the fourteen interviews, which were conducted in Jordan between January 2011 and May 2011.

⁵⁶ There are six groups (investors, financial analysts, auditors, accountants & financial managers, academics and creditors).

⁵⁷ To represent each of these groups in the research sample the population is divided into groups or layers depending on the qualities that make up the population of the study.

High-quality research needs a systematic and precise approach to design and implementation of the study, particular methods and procedures of data collection and analysis, and the explanation and reporting of the conclusion (Popay et al. 1998). The literature survey has shown that there are a few specific mechanisms available to conduct the process of analyzing qualitative data (Yin 2003). Different pieces of qualitative data analysis software are accessible, such as NUD*IST, ATLAS and NVIVO. NVIVO was trialed and compared with manual qualitative data analysis. Manual qualitative data analysis was found to be more valuable as the researcher was more involved in it and got 'closer' to the data, becoming used to the participants' words and using the analysis to assemble thoughts and themes. Qualitative data analysis software was more time-consuming as the researcher had to draw tree nodes with different themes and sub-nodes with related themes on paper before putting them on NVIVO. This consumed more time than using colour codes (using highlighter pens) to connect between different themes of the same issues in a transcription methods table. The second reason for not using qualitative data analysis software was the discrepancies between Word and NVIVO document pages. Some features were missing in NVIVO and the software sometimes suddenly shut down after more than six hours of work (Elsayed, 2008: p240), causing a loss of analysis. The third reason was the small number of interviewees, fourteen, which didn't need analysis by software. For these reasons the researcher preferred to use manual data analysis; often, the researcher started the analysis process by reading the interview transcripts (Easterby et al. 1991; Johnson and Duberley 2000). Before describing the Qualitative Data Analysis (QDA), the researcher will highlight the various types of QDA and define qualitative data: unlike other data, they consist of words and observation rather than numbers, and analysis and interpretation are necessary to bring order and understanding. This requires creativity, discipline and a systematic approach. There is no single or best way of applying analysis; the process will depend on the questions wishes to answer, the needs of those who will use the information, and the resources that are available (Taylor and Renner 2003; Norman and Yvonna 2005).

According to Gibbs et al (2002), qualitative data analysis (QDA) is a range of practices and procedures whereby researchers move from the qualitative data that have been collected to some form of explanation, understanding or interpretation of the people and situations being investigated. QDA is usually based on an interpretative philosophy, the idea being to investigate the meaningful and symbolic content of qualitative data. For example, by analyzing interview data the researcher may be attempting to identify any or all of the

following: Why do they have that point of view, how did they come to that view, what have they been doing, and how have they conveyed their view of their situation?

7.5.1. The Analysis Process

The process of analyzing data was started shortly after the completion of data collection; this was important to ensure that important data were not lost, as can occur if the period of analysis begins a long time after the data collection is completed. The researcher read and re-read the interview transcripts three times in order to ensure that the data recorded were correctly classified, with similar ideas grouped in meaningful units and significance to the study (Hycner 1985; Miles and Huberman 1999). Then the researcher coded the fourteen participants in the interviews to hide the respondents' identity (see appendix no 5.2). The first step after collecting the data was to describe the basic elements of narrative and interpretation (Miles and Huberman 1994; Taylor and Renner 2003). This step ensures good connections between the themes.

In the second step, the researcher seeks to understand the data carefully, because good analysis stemmed from understanding the data; this requires the reading and re-reading of the transcript many times to ensure that all the data are included in the transcript. Then, the researcher begins to write down any impressions, notes or markers in order to facilitate the analysis process, because this will be useful in the next steps; this is known in the phases of analysis as data reduction⁵⁸. Sometimes the information provided does not add meaning or value or may have been collected in a biased way, in this case the data should be evaluated. The researcher should then review the purpose of the evaluation and what he/she wishes to discover, regarding the key questions that the thesis seeks to answer (Miles and Huberman 1994; Patton 2002).

Before starting the analysis stage, the researcher should consider the quality of the data and concentrate on the analysis process with regard to the research questions. Great efforts are made to gain impressions/opinions extracted from the interviews; these are considered of great value in helping the researcher recognize the best solution to the study problem. Also, to discover the appropriate type for data analysis, the researcher seeks to detect and understand how all the groups respond to each question in order to identify consistency and

⁵⁸ Refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcriptions (Miles and Huberman, 1994)

differences, to classify the data, and to explore the connections and relationships between the answers and the topics or themes (Pope and Mays 2000; Whittemore et al. 2001).

The third step is categorizing the information, also known as coding the data (developing codes⁵⁹) Categorizing does not mean assigning numerical codes such as in qualitative analysis, but simply labelling variables and respondents with any codes or values sometimes used (plus +, minus – and very bright (.)). The researcher seeks to identify the themes, patterns, ideas, concepts, behaviours, interactions, incidents or phrases used, to classify them into similar categories, and he/she should understand which data to include and which to exclude. The fourth step identifies patterns and connections within and between categories, and explains that the researcher is going to use analysis by hand. The last step is data display, interpreting the themes and making connections between the findings and the study problem (Whittemore et al. 2001).

In order to develop different themes, ideas and concepts (Patton 2002), it is necessary to classify the similar themes and ideas, and determine which of these themes and ideas are importance to finding the best solution to the study questions (Miller 1997). A range of different themes and concepts emerged from each interview, after the collection of these themes and concepts, taking into account the differences in views between each group of respondents, because each group has different goals and different financial information requirements.

The researcher began the interview with general questions to achieve a comfortable atmosphere, starting by asking about the level of education, management level and practical experience in order to identify the ability of the respondent to understand the subject under discussion, to ensure they had the necessary expertise, and to detect the extent of their knowledge of the accounting Standard (impairment of assets), the purpose of its application (impairment loss) and the general goals of this standard.

The main objective, in asking these questions, was to gather evidence on the respondent's knowledge of this standard, how they would deal with it, and their impression of this standard. This was done to ensure that the respondents provided a high degree of accuracy in terms of the data collected, it turns out that the educational level of the respondents ranged

⁵⁹ Noticing relevant phenomena; collecting examples; analyzing those phenomena in order to find commonalities, differences, patterns and structures (Seidel and Kelle, 1995).

between BA degree and PhD levels. Some of them work in senior management and the majority has ample experience ranging from between 6 and 28 years. All of the respondents were males and their ages (the fourteen respondents) ranged from 31 to 59 years.

7.5.1.1. EXAMPLE EXPLAINS THE ANALYSIS MECHANISM (Views on the Nature of the Impairment, Purpose and Importance)

Interview questions were divided into three sections, The first section includes questions 1, 3 and 7, and aims to explore opinions of interviewees about the definition of impairment of assets, The purpose of the application impairment losses, the importance of impairment losses, the availability of asset market in Jordan, and how they see the topic of impairment loss? Moreover, this section aims to explore the rationale for adopting IAS 36 in Jordan through the opinions of the participants.

The first question put to the interviewees to explore their views about the nature of the impairment standard (definition, importance and purposes). The participants answers to this question may help to explore how they see this standard. The analysis based on the answers given to this question is presented as follow.

Table (7.1): Focused Coding for Question 1, 3 of section 1(Views on the nature of impairment, purpose and the importance)

Question 1: To what extent you informed on the International Accounting Standard No. 36 impairment of assets, (definition, the purpose of the application and the importance of impairment losses)?	
Focused Coding	
1	Impairment is the difference between the market value and the book value, especially if the carrying amount is greater than the market value
2	Better financial reports disclosure
3	May be affects negatively the reputation of the company and considered indicator to bankruptcy.
4	Protect the country's economy
Theme	All of the respondents have a good knowledge of the impairment concept. This standard is one of the most important ways for disclose the true values of assets, taking into account the difficulties associated with it.

Table 7.1 shows the participants' views about the definition of 'impairment of assets', The purpose of the application impairment losses, the importance of impairment losses, which can be classified in four major themes: (i) Impairment is the difference between the market value and the book value, especially if the carrying amount is greater than the recoverable value; (ii) Better financial reports disclosure; (iii) affects negatively the reputation of the company

and considered indicator to bankruptcy; and (iv) Protect the country's economy. These themes lead to a general understanding of the impairment concepts, purposes and importance. There is a consensus of all respondents about their knowledge of impairment losses, In addition, there have been an ambiguity and confusion in the aims and the purposes of impairment, they comment that impairment was aimed at protecting stakeholder' rights, promoting fairness and objectivity, improving the financial reports and affects negatively the reputation of the company.

Resulting in drawing an unclear picture about aims and purposes of impairment of assets, however, some of the interviewees consider impairment as a window for risk, consistent with (Jarva 2007), as it was ambiguous in its character; while others claimed that impairment have specific aims through achieve better financial reports disclosure. More detailed account of the contents of the established four coding can be found in Tables 7.1.1, 7.1.2, 7.1.3 and 7.1.4.

Table (7.1.1): Focused Coding Number 1 for question 1 of section 1 (impairment definition)

Impairment is the difference between the market value and the book value, especially if the carrying amount is greater than the market value (recoverable amount)	
All Interviewee R 1-14	the difference when the carrying amount is greater than the market value, and carries (the difference) on income statement

Table 7.1.1 shows the answers of the 14 participants who believe that the impairment is the difference between the market value and the book value, especially if the carrying amount is greater than the recoverable amount (market value), Information collected from interviews explains that all participants have a good knowledge at impairment loss for example R6, R8 state that the difference is considered a period loss (expense), which negatively affects the profits, also interviewees R1,R4,R5,R9 and R10 impairment come to overcome the criticism addressed to the historical cost basis and to display information more relevance, (e.g. Barth et al. 2008).

Many of the interviewees mentioned that 'impairment of asset' was a new concept in the Jordanian business environment and had only recently emerged. This concept appeared in Jordan after the sharp decline in the general index of the Amman Stock Exchange in 2008⁶⁰. Before the crisis, there had been a lack of interest among both users and companies in IAS 36 'impairment of assets' except on a narrow scale.

⁶⁰ In this year (ASE) the stock market index had been falling from 5131 to 3609

The respondents have a good knowledge of the impairment concept, It seems clear from the respondents answers see (R12) working in a Jordanian bank said:

"Impairment is the difference between the market value and the book value, mainly if the carrying amount is greater than the market value, I have a good knowledge regarding this standard, which aims to improve the assessment of asset value to reflect the truth value, or the fair value, and seeks to address the defaults in the historical cost basis. I have some information relating to the goals and on the terms of application and how to calculate the impairment losses". Also, an academic (R9) declared: *"I'm teaching this semester-spring - an intermediate accounting; this topic is one of the course outlines. Also, I'm supervising a group of research projects. The title of the research project is the reality of implementing the International Accounting Standards number 36 in Jordan. Actually, the student research tries to conduct a survey over Jordanian companies listed in Amman Stock Exchange (ASE). The study provides an attempt to explore the different aspects of implementation regarding this international standard and he points out that impairment aims to promoting fairness and objectivity".* This means that he has a good knowledge about this standard. In addition, interviewee (R7) claimed that *"Impairment of assets is not new in Jordanian companies but they practiced impairment loss on a narrow scale to achieve Reliable information".* He gave two examples to support his viewpoint. First, the stock market quickly embraced the international accounting standards for listed companies in 1989 (IAS1989). Second, according to the Jordanian securities commission (JSC) law (23/1997), and directives of disclosure, auditing and accounting standard (1/1998), all entities subject to the JSC's supervision are required to apply international financial reporting standards (IFRS). Some interviewees asserted that there is confusion relating to the expression "impairment of asset", since the expression has only lately been translated into the Arabic language as (Kasaer Al-tadeny). Also, interviewee (R1) stated that:

"The translation of impairment of assets to Arabic is inadequate and provides an incorrect concept for the English concept of impairment of assets and always associated with risk". From another point of view, interviewee (R5) suggested a definition for the concept of impairment loss which hasn't been mentioned before in the literature. He defined impairment of assets according to a wide stakeholder perspective, stating that: *"impairment of assets is concerned with setting the best practice of recording assets in the way that ensures the protection of the stakeholder's right".*

Table (7.1.2): Focused Coding Number 2 for Question 3 of section 1 (Impairment purpose and importance)

Question 3: Could you please state your opinion on the aims and importance of impairment loss?	
Better financial reports disclosure	
Interviewee R 2	Assist company to adhere to laws and standards
Interviewee R 5	Protecting stakeholder rights
Interviewee R 12	Assist company to implement the best practices of asset evaluation
Interviewee R 7	Reliable information,
Interviewee R 8	Improve disclosure and transparency
Interviewee R 9	Promoting fairness and objectivity
Interviewee R 10	Protecting company and increasing its trustworthiness
Interviewee R 6	Protecting shareholders' rights including minorities

Table 7.1.2 shows the answers of 8 participants who believe that the impairment improve the financial reports such as (Chambers 2007). Information collected from interviews explains the reasons and justifications for this answer provided from those participants. Interviewee R2, for example, states that impairment application assist company to adhere to laws and standards. Similarly, interviewee R5 indicates that impairment aims to protecting stakeholder rights; in the same context, interviewee R12 stresses that impairment assist companies to implement the best practices of asset evaluation; also interviewee R7 stresses that impairment aims to provide reliable information consistent with Iatirdis (2008), which will help all accounting information users; where interviewee R8 believes that impairment improve disclosure and transparency of the financial reports in line with (Daske and Gebhardt 2006), from the same point interviewee R9 believe impairment aims to promoting fairness and objectivity consistent with (Chen et al. 2004; Barth et al. 2008; Lapointe et al. 2008; Iatirdis (2008); and to overcome weaknesses at the historical cost basis, Interviewee R10, however, justifies his answer from another viewpoint. He believes that impairment aims protecting company and increasing its trustworthiness, similarly interviewee R6, defend his answer through another viewpoint. He points out that impairment protecting shareholders' rights including minorities, and this is evidence by signalling theory.

Table (7.1.3): Focused Coding Number 3 for Question 3 of section 1 (Affects Negatively)

May be affects negatively the reputation of the company and considered indicator to bankruptcy.	
Interviewee R 1	Increasing risk
Interviewee R 3	Good indicator for poor performance(weak management)
Interviewee R 13	Open the door for manipulation
Interviewee R 14	Increase manipulation

In detailing the focus coding 3 that impairment affects negatively on the company reputation and considered indicator to bankruptcy, Table 7.1.3, show that 4 participants believe that impairment affect negatively,

Interviewee R1 states that impairment loss considered indicator for increase the risk that faced the company. Similarly, interviewee R3 declares that impairment consider indicator for poor performance; which led to decrease in the profitability. In the same context, Interviewees R13 and R14 add that impairment loss give legitimacy to manipulate in accounting information in line with agency theory (e.g. Trueman and Titman 1988; Schrand and Wong 2000; Riedl 2004; Deming et al. 2005; Watt 2003; Lee 2011; Siggelkow and Zulch 2013; Trottier 2013), due to the lake of clear procedures.

Table (7.1.4): Focused Coding Number 4 for Question 3 of section 1 (Protect the Country's Economy)

Protect the country's economy	
Interviewee R4	Protecting company from corruption and fraud
Interviewee R11	Strengthening the national economy

Table 7.1.4 shows the responses of two participants for the focused coding 4 that the impairment aims to protect the country's economy. As can be seen in table 7.1.4, Interviewees R4 and R11 states that impairment loss could be classified as a tool to protect economy; through comment many countries realized the importance of applying financial accounting standards, to be the basis of measuring the impact of operations, economic activities. Interviewee R4 he also indicates that IAS 36 protecting company from corruption and fraud, which reflects positively on the country economy.

Table (7.2): Focused Coding for Question 7 of section 1 (Views on the availability of a market for assets in Jordan)

Question 3: Is there an active market for assets in Jordan?	
Focused Coding	
1	there is active market for assets in Jordan
2	there is a weak market in Jordan to provide a fair value of assets
Theme	it is easy to assess the value of any asset with a high degree of truthfulness, but there is difficulty in determining some asset values and this negatively affects the application of this criterion in Jordan".

Table 7.2 shows the participants' views about the availability of a market for assets in Jordan, which can be classified in two major themes: (i) there is active market for assets in Jordan, to help companies to recognize the market value, which considered one of the important

elements to facilitate the success of impairment application. (ii) There is a weak market in Jordan to provide a fair value of assets. These themes guide to a common understanding of the impairment concepts, Information collected from interviews explains the reasons and justifications for this answer provided from those participants.

Table (7.2.1): Focused Coding Number 1 for Question 7 of section 1 (Impairment Purpose and Importance)

There is active market for assets in Jordan	
Interviewee R6, R8,R1	There is an objectivity to determine the values of assets such as real estate, agricultural crops, cars, land.
Interviewee R 5	Any asset can be evaluated highly credibly and reasonably
IntervieweeR2,R 7	Simplicity of knowing the market value of the assets
Interviewee R 11	assets market in Jordan provides sufficient information and reasonable for most assets
Interviewee R 4	there is no difficulties in identifying the asset values, especially in a small market such as the Jordanian Market
Interviewee R 3	Accurate values for assets
Interviewee R 14	could determine the value of any asset regardless of its useful life
Interviewee R 10	old asset values can be known, depending on the experience of workers in these markets

It is necessary to investigate the availability of a market for assets in Jordan, because this is considered one of the important elements to facilitate the success of impairment application. As seen by users and accounting literature, the market for assets is a very important part of impairment application. All users consider that it provides useful information about asset values especially when there is a need to evaluate the assets values.

Interviewees R1,R6 and R8, for example, states that there is active market for assets in Jordan; to determine the values of assets such as real estate, agricultural crops, cars, land". This view supported by interviewee R3 who state that the prices for any asset available in the Jordan market that characterized with accurate values. Also, interviewee R5 indicates that any asset can be evaluated highly credibly and reasonably, regardless it's possible to determine market values, and compare them with the book values.

In addition, in Jordan can determine the value of an asset with a high degree of objectivity and the biggest proof is the real estate market; also interviewees R2 and R7 stress the simplicity of knowing the market value of the assets, which will help to applying impairment loss; where interviewee R11 believes that assets market in Jordan provides sufficient

information and reasonable for assets, Similarly, interviewee R4 believe there is no difficulties in identifying the asset values, especially in Jordanian market, which will reflected positively on the application of the accounting standard 'impairment of assets', Interviewee R14, comment that the value of any asset could be determined regardless of its useful life. Also Interviewee R10 indicates that used asset values can be acknowledged, because of the experience of workers in these markets. Interviewee (R6) states the following:

"Based on my experience, there is active market for assets in Jordan; note that there is an objectivity to determine the values of some assets such as real estate, agricultural crops, cars, land. I think that there is difficulty in determining asset market values and this negatively affects the application of this criterion in Jordan".

But the other interviewees consider it easy to assess any asset value with a high degree of truthfulness, as stated by (R1):

"Based on my knowledge of the Jordanian market, any asset can be evaluated highly credibly and reasonably, regardless of its age; actually, it's possible to determine market values, and compare them with the book values. In summary, I see that Jordan can determine the value of an asset with a high degree of objectivity and the biggest proof is the real estate market (both buildings and land) plus the cars market ... and other assets. And it can even provide information about it; to take an example, the elevator may provide information about its age and/or hours of work"

A financial analyst (R8) interviewee agrees with the above and argues that:

"Everyone knows and you know it, but if you want to evaluate any asset fairly, you really do not need such a market even if these assets were used, and the reason for this is that there are values of such assets, for example, real estate or even cars can be evaluated with a high degree of objectivity and this also applies to the car; if you have a car aged 7 years of a particular brand, and suppose its brand is Toyota, the market will guide you to the true price".

In summary, there is a consensus from most respondents about the availability of active market for asset in Jordan. Which mean the availability of suitable environment to implementing impairment of assets in Jordan, and this will enhance the confidence with accounting information regarding impairment loss.

Table (7.2.2): Focused Coding Number 2 for question 7 of section 1

There is a weak market in Jordan to provide a fair value of assets	
Interviewee R9, and R13	The market doesn't reflect the real value of assets
Interviewee R14	lack of accurate information on some assets

Table 7.2.2 shows the answers of the three participants for the focused coding 2 who believe that the assets market in Jordan still weak to provide a fair value of assets; for example interviewees R9 and R13 declare that the assets market is still shallow and weak, and doesn't reflect the real value of assets; Interviewee R14 declares despite the asset market provides good information, but it does not include all the assets because of a lack of accurate information on some assets, in addition, He also states that the market is still not achieve the required goals.

Table 7.3 analyzing the respondent's answers (the four criteria for understanding the concept of impairment), it becomes clear that all respondents have a good knowledge of this standard because the mean average for the answers reveals a positive attitude (14/14); accordingly, the data which have been collected will be more reliable. According to table 7.3, most the accounting information users believe that Jordan have an active asset market, which gives a good impression in terms of the method used for evaluating assets in the market.

Table (7-3) Example of the Technique Used to Measure The Criteria to Understand the Concept of Impairment In Jordan

The Criteria(Impairment Concept)	(R1)	(R2)	(R3)	(R4)	(R5)	(R6)	(R7)	(R8)	(R9)	(R10)	(R11)	(R12)	(R13)	(R14)	%
Impairment loss definition	+	+	+	+	+	+	+	+	+	+	+	+	+-	+	13/14
importance of impairment of asset	+	+	+	+	+	+	+	+	+	+	+	+	+	+	14/14
The purpose of applying impairment loss	+	+	+	-	+	+	+	+	+	+	-	+	+	+	12/14
The availability of active market for assets in Jordan	+	+	+	+	+	+	+	+	-	+	+	+	+ -	+	8/14

Where R1-R14 Mean Respondent No 1 to 14

Moreover, after completing the unloading process for all the interviews relating to impairment's aims and importance, the researcher found that 35% interviewees agreed that impairment is intended to assist companies to adhere to laws and standards, and protect stakeholder rights, also providing reliable information the same percentage of interviewees considered impairment as likely to increase risk. Meanwhile, 50% of the interviewees considered impairment to be important for improve disclosure and transparency of financial reports and assist the company to implement the best practices of asset evaluation while 28 % saw impairment as a very important factor for protecting the company and increasing its trustworthiness, promoting fairness and objectivity and the same ratio believed that impairment increases the chances of manipulation; (for more details regarding this issue see table 7.4) while 14% of interviewees believed that impairment's importance consisted in protecting shareholders' rights including minorities, protecting company from corruption and fraud and strengthening the national economy.

In summary, most of the groups of accounting information users interviewed for this thesis agreed about the significance of impairment for Jordanian companies, and that it was essential for all companies.

Table (7-4) Interviews Views about Impairment Importance

No	Factors	G1	G2	G3	G4	G5	G6	N	%
Number in each category		2	2	2	2	2	4	14	Ratio
1	Assist company to adhere to laws and standards	1	0	1	1	1	1	5	35%
2	Protecting stakeholder rights	1	0	0	2	1	1	5	35%
3	Assist company to implement the best practices of asset evaluation	2	0	2	1	1	1	7	50%
4	Reliable information	1	0	1	1	1	1	5	35%
5	Improve disclosure and transparency	2	0	2	2	0	1	7	50%
6	Protecting company and increasing its trustworthiness	1	0	0	1	1	1	4	28%
7	Increase manipulation	1	1	0	0	1	1	4	28%
8	Promoting fairness and objectivity	1	0	1	1	0	2	5	35%
9	Protecting shareholders' rights including minorities	1	0	1	0	0	0	2	14%
10	Increasing risk	1	2	0	0	0	2	5	35%
11	Protecting company from corruption and fraud	0	0	1	1	0	0	2	14%
12	Strengthening the national economy	0	0	1	0	0	1	2	14%

Note: This table shows factors of impairment definition mentioned by the categories of interviewees. G1= Academics, G2= Investors, G3= Auditors, G4= Creditors, G5= Financial analysts, G6= Accountants and Financial Managers.

7.5.1.2. Respondents Views about the Application Process of 'Impairment of Asset' in Jordan

The second section includes questions 2, 5, 6, 8 and 9, aims to explore opinions of interviewees about the nature and mechanism of the application 'impairment of assets'.

7.5.1.2.1. Views on the Current Accounting Treatment (Practice) of Asset Impairment in Jordanian Companies

Question 2: In your opinion how you see the treatment of assets in the companies including goodwill?

This section spotlights the interviewees' beliefs about existing impairment practices in the Jordanian business environment, and the extent to which Jordanian companies are using impairment according to IFRS instruction; in addition, it explores their opinions about the developments that have happened in this field.

This question was to discover the way in which asset treatment is currently used in financial reports in Jordan: the current practices; the legal system; the accountability framework; and

other factors influencing the application of asset impairment in Jordan. The participants views about this issue as follow; respondent (R3) who believe that:

"Still some companies in Jordan are using the principle of historical cost in the presentation of all their assets but the goodwill is certainly assessed according to the market values, especially in cases of buying and selling". The researcher attributes that for cultural factors, company ownership and tribal society makes companies more conservative as mentioned in chapter Jordan. Interviewee (R7) state that

"The most important factor behind the fear of the included impairment losses in the financial statements is that they give a general impression that the administration has manipulated the financial statements, as investors follow a general trend of believing that the impairment losses are an indication of the administration weakness, because the process of estimating the value of assets market is subject to the discretion of the administration, which undermines the credibility".

Currently, companies are still applying the historical cost principle instead of the fair value; this provides more reliable information but less relevant information, as (R13) commented:

"From my perspective so far they do not apply this standard (impairment of assets) in all companies, even if there is a decline in the value of some company assets; this is due to several reasons including fear of bad reputation, or it is an indication of the decline in the performance and/or weakness of the administration which will lead to a decline in stock prices. This also applies to the goodwill, but some companies have recently started to apply this standard to be able to disclose more credible information".

This view was fully supported by one of the investors, who strongly believed that impairment will negatively affect the company reputation in terms of stock prices and performance, and will lead to investors fleeing. On the other hand interviewee (R8) made the following comment on this issue:

"It is known that the assets are recorded in the companies according to the principle of historical cost which is the principle underlying the preparation of financial statements, and businesses currently own tangible and intangible assets which can change its market value substantially from the value recorded in the book; a lot of specialists call upon companies to demonstrate the value of assets at their fair value, so that the values recorded in the books are more appropriate for the decision-makers, and are characterised by realism and compatibility with the economic situation, the changes in which affect the values. A corporate approach has recently been taken to the application of this standard".

One of the academics (R9) agreed with this view and stated the following:

"I believe to a large extent that companies in Jordan still prefer using historical cost basis in their financial reports, and there is a fear of the application of IAS 36 (impairment loss); this is evident from the number of companies that have applied impairment losses in their financial statement and IAS 36 seeks to highlight and provide information that is more credible and reliable".

And this due to the lack of confidence in the companies that use the impairment losses, although there is doubt that the administration may manipulate with the financial statements, which affect negatively on the quality of accounting information, also the process of estimating the value of assets market is subject to the discretion of the administration and the methods of assessing cash flows are very difficult.

Another academic (R10) commented:

"Valuation of the goodwill depends on the fair market value of the company's net assets. Also he thinks that valuation of goodwill revolves around the estimation of fair market value of net assets and the problem in this valuation is that there is no real transaction. In addition, he doesn't agree with an indefinite life of intangible assets in general and the goodwill in particular".

In summary, the majority of interviewees asserted that Jordanian companies prefer to use historical cost for recording the assets in financial reports. Sixty-four interviewees affirmed that companies prefer to use historical cost rather than market value (fair value). It was concluded from the respondents that the IAS 36 standard is ideal for developed countries such as the UK or the US, and is suitable for developing countries such as Jordan, but it still needs a lot of care and attention to be successful, for example, become clear the needs to active market for assets.

In such environments, the information needs of investors are considered paramount. It is possible to determine the value of the 'asset market' with high precision due to the rapid spread of information in Jordan, a fact that facilitates the process of estimating market value. Furthermore, the interviewees detected some important obstacles to the process of applying this standard (impairment of assets); in other words, according to the interviewees, there are some themes (factors) which could have a direct effect on the existence and implementation of the impairment concept in Jordanian companies as follows: (1) It gives a general impression that the administration manipulates the financial reports,(2) It provides a general trend that the impairment losses are an indication of the weakness of the administration, (3) Estimating the market value of assets is subject to the discretion of the administration, which

undermine the credibility, (4) It gives a bad reputation, (5) it is a signal of the decline in the performance, (6) It causes a decline in stock prices, (7) There is difficulty in calculating the recoverable amount (8), It needs a lot of care. See table (7.3.) Which gives impression that impairment loss is a negative signal to markets and lead accounting information users specially investors to shrink their prospect of future performance (profits) when a company recognizes an impairment loss, agreed with Li et al. (2010) findings.

7.5.1.2.2. Views on the Methods of asset revaluation

This part presents the interviewees' responses to questions about their evaluation of the level of applying 'impairment of assets' practices within Jordanian companies and the most important obstacles in the asset re-evaluation. In addition it explores their attitudes concerning the extent of the essential standards of sufficiency for disclosure and transparency and the extent of asset revaluation in companies.

Here, the research seeks to inquire into the accounting methods applied to value assessment and calculation of market value (fair value). The main objective of this question is to discover whether there are difficulties faced companies in determining the carrying values of assets and market value (fair value), and where the problems lie. Question number six in the interview tackles this issue directly.

Question 6: According to your experience do you think that the methods used to measure impairment loss (IAS No. 36) weaken the comparability and consistency of this standard?

Information is sought on the method used for the adoption of the assets values and the extent of its influence on the process of comparison, using the checklist relating to this issue. These questions are designed to discover the ease in calculating the recoverable amount⁶¹ (fair value⁶²); the questions are inquiring about how to 'improve' the mechanism of evaluation, what obstacles might be expected during the process of calculating the recoverable amount (fair value), and whether there was a plan to improve the mechanism to determine the

⁶¹ Recoverable amount: the higher of an asset's fair value less costs to sell (sometimes called net selling price) and its value in use

⁶² Fair value: the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties

recoverable amount (fair value) of the assets by the company. An interviewee from the accountants (R1), who is also an independent member of a listed company in ASE, states the following based on his experience in one of these companies:

"Any company that reported an impaired loss should provide full disclosure about the assets impaired and the reasons for impairment, Also, the company should disclose the amount of loss and how it determines the fair market value; in my opinion this is a critical and difficult issue in the impairment of assets, which will effect negatively on the comparability and consistency ".

The interviewee mentioned three important issues regarding impairment application; the first issue is about disclosing the impairment loss, and the second issue relates to the determination of a fair market value, and the third issue about comparability and consistency. He commented that it is a critical and difficult issue to know and define the market value of the asset, especially in developing countries, which indicates that the issue depends precisely on the management view. Also, another investor (R14) asserts the difficulty of obtaining reliable information on the different ways of computing the recoverable amount, commenting thus:

"As an investor I do not care how impairment loss is measured; I focus on the amount of impairment loss, which does not affect the comparison process with other companies or even with previous years for the same company. Based on your question, sure, if there were more than a mechanism, this measure would affect the credibility of the results and would also affect the comparison operations and it may sometimes be difficult because of different measurement tools".

Regarding other companies' attitudes to impairment of assets, (R3) comments as follows:

"We can strengthen and improve the company's reputation and plant the trust among shareholders through provides them with current value for the companies, that are will improve the comparability with others in the near future".

To summarize the interviewee's opinions, all of them agree that different methods of measurement will diminish the reliability of the data presented in the financial reports, and will make the comparison process among the companies very difficult in terms of all accounting information users reaching general agreement on this issue. McDonnel (2005) stated that asset impairment is quite a subjective and complex area that requires expertise in its application such as the estimation of future cash flows (for used asset) is very difficult.

7.5.1.3. *Impairment a tool for manipulation or for increasing credibility*

This part of interviewees' responses aims to discover is impairment used for manipulation or to achieve more reliable information.

Question 9: Do you think that information (financial statement) that contains impairment losses is more credible instrument or a tool for increasing manipulation?

This issue was investigated through question number nine in the interview in order to identify the opinion of accounting information users on this theme. A few researchers have discussed this issue in developed countries (Adams 2002; Jordan and Clark 2004; Riedl 2004 and some of them have submitted evidence that impairment loss is a method of manipulating through applying earnings management (Fitzsimons and McCarthy 2001; Barth et al. 2008), or is intended to achieve other purposes see Watts (1996) suggesting that the confidence in estimating fair value, such as IAS 36, might encourage managerial manipulation. On the other hand, some researchers have considered impairment application a useful tool for providing accurate information and the best means of increasing the credibility of accounting information (Zucca and Campbell 1992) which should have resulted in enhanced transparency, credibility and the availability of higher levels of useful decision-making information. One of the auditors (R5) commented as follows:

"100% (hundred percent), it improves the accuracy of the information disclosed. I, note that many decisions are affected either positively or negatively after the announcement of impairment loss; some see it as positive while others consider it as a negative signal. And this is sufficient to effect any decisions the company is planning to take, which means that the application of this standard actually affects the quality and reliability of the information advertised. But there are questions about companies that are in an excellent position, achieve a high level of profits and apply the "impairment losses". But from my point of view impairment application improves the credibility of accounting information and provides information that is more credible and reliable for the process of decision-making".

Also the interviewee (R12) agree with the auditors' view and argue that the *"impairment concept comes to deal with the problems of the historical cost principle, and really I think that this standard will improve the quality of accounting information by giving a clear picture of the companies' positions"*

Also supports this view (R7; R8; R9 and R10), all of whom give an example of what happened to the financial reports after applying impairment loss:

"these financial reports become clearer, more accurate, describe reality, and provide relevant information which indicates an increase in credibility to satisfy the users needs and wants by improving the information content and reporting, if the valuation of fair value relies on objective measurements". Impairment presents equitable treatment and fairness for all parties, thus promoting public trust in the company.

While (R13) comments in terms of this issue:

"I considered impairment losses as one instrument of manipulation used by companies' managements; they are either not true, and thus provide incorrect information for users, or the impairment loss was real, which indicates weak management, prompting investors to fear investing in the shares (stocks) of this company. From my knowledge and experience of the Jordanian market, there was a relationship between the companies that used the impairment loss and the results of net income of their work; it was found that most companies that were using impairment loss were making losses, which encourages investors to sell shares quickly".

Furthermore interviewee (R3) agrees with this view:

"Impairment loss is considered one of the tools for manipulation by the top management. Also, management has two important reasons to manipulate earnings. The first one is an external demand to meet earnings forecasts and increase stock price; the second reason represents an internal demand relating to optimal contracting".

It is clear that Investors and accountants, however, have a very different view on impairment application. Those two groups both consider impairment application to be a technique used for illegal manipulation; practitioners use it to fool some of the groups who use the financial information, in order to achieve their own goals. This practice is carried out by those who prepare this information and is made possible by the extent of the confidence invested in them. Some companies understand the aims of the standard but have not implemented it, which makes it useless, because of the unwillingness of the company to exercise more limitations and control, in addition to the lack of mechanisms that ensure and monitor the company's adherence to this standard.

Testing assets for impairment under IAS 36 involves significant use of estimates and, thus, opens the door for earnings management. As a result there is a space for corporate management to manipulate accounting information by applying impairment loss; thus, the accountants can use the flexibility available in this standard (such as asset evaluation process, predicting the cash flow) to achieve private goals by increasing or decreasing the estimated value of the asset so as to ensure that they attain some private goals consistent with agency

theory (earnings management) or with signaling and legitimacy theory such as protecting the company's reputation. Also, if one compares impairment with historical cost, the result indicates that the impairment concept will be more convenient and more credible than historical cost because using fair value (Bens 2006) provides information that is more convenient, more transparent and more reliable for all users of financial information. This issue needs more investigation, especially in developing countries.

7.5.1.4. The Relation between Impairment Loss and Users' Decisions

Question 5: the application of the IAS No.36 has an impact in the users' decisions of financial statements? If yes did you get the influenced by other companies that already applied IAS 36?

This issue was tested by question number five in the interview. The interviewees' responses reveal three views on how the accounting users recognize the impairment loss in their decisions or how it affects their decisions. The investors and accountants considered impairment loss as a negative signal and an indicator of a decline in the company performance; the recognition of impairment losses will decrease the book value of assets and increase the debt-to-equity ratio which may increase the requirement for stipulated debt contracts, leading companies to acquire high leverage ratios and being recognized as high-risk companies. Moreover, its indication of weakness in the management, meaning a negative effect on their decisions, also supports the opinion of the accountants.

Meanwhile, creditors see impairment loss as providing them with important information that will help them significantly with lending decisions; it provides them with accurate information, useful in future lending decisions, as it gives them a clear picture of the real situation of the companies. The third view of the three groups (the financial analysts, academics and auditors) regards impairment as a suitable means of improving decisions through the provision of reliable information; the analysis of the financial statements is based on information characterized by the greatest quality.

Interviewee (R6) states that *"information becomes highly credible, and the percentage of manipulation is very low leading to improved decisions by the users"*. Interviewee (R9) agrees with this opinion and comments:

"This standard discloses high-quality information which becomes more credible with increased transparency to show the company's position".

Moreover interviewee (R14) comments as follows:

"Really, many of the 'accounting information users' refuse to invest in companies that have implemented impairment loss, because the application of impairment has a negative impact on the company, so it actually leads to a change in the decision-making process.

Also interviewee (R13) states that:

"The corporate lenders may be reluctant to grant larger loans to companies that have applied impairment loss".

Interviewee (R12) commented on the same theme:

"Yes, there will be changes, as we mentioned just now that the data are becoming more convenient and therefore the decisions taken by the categories used will become more rational and reasonable and will provide more realistic information, making a difference in the decisions of users in the light of an assessment of the assets, in accordance with the values of market capitalization.

Also Interviewee (R10) mentioned:

It locates the financial position of the company accurately and objectively. Any small piece of information may affect the users' decisions either positively or negatively, or even amend them. This information should be displayed for various user groups of financial information".

While interviewee (R3) comment:

"Impairment loss effect negatively on users decisions, through investors refusing to buy companies stocks that have applied impairment losses, and it is considered indicator of weakness management".

In summary, through previous examples we note that there is a difference in the perception of this standard and in accordance with the aims of users of accounting information. Investors viewed impairments as negative news and there were important differences in market reactions to impairment loss. A number of researchers support this finding. Francis et al. (1987) supported the view that impairment loss was being used to manage earnings, a conclusion reached by several other studies (Hirschey and Richardson 2003; Segal 2003; Iatridis, Hussainey et al. 2007). Moreover, Strong and Meyer (1996) stated that managerial motivations play a main role in determining asset impairment policy.

In other words impairment announcements provide new information to the market and allow the users to change or modify their decisions.

7.5.1.5. The Nature of the Relationship Between Impairment Loss and Company's Reputation

Question 4: What is the impact of using impairment loss on the reputation of the company?

The main purpose of applying impairment loss IAS 36 was to improve the relevance of financial reporting by implementing 'fair value' accounting; recently, however, some researchers have declared that impairment loss negatively affects the company's reputation (Smith and Lipin 1994; Francis, Hanna et al. 1996). So, in order to understand and detect the nature of the effect of impairment loss on a company's reputation, the researcher devised question four in the interview to collect the users' opinions on such an effect.

One of the interviewees (R13) commented:

"In my knowledge and experience the use of impairment loss may adversely affect the reputation of the company, I believe that the company which applied impairment loss gives an impression or indication of a decline in performance, especially in the future; these companies are more likely to become less efficient, resulting in a decision to take asset impairment charges (loss).

While interviewee (R14) commends:

"Another motivation (incentive) for reporting impairment loss is the increase in management turnover, specifically in a year previous to asset impairment announcement; this is more likely to increase the probability of an impairment application because the new management has incentives to clear everything and blame the previous management. So, in summary impairment loss is likely to be negatively linked with company reputation'.

This opinion was supported by an accountant, which surprised the researcher. Most of the other groups believed that impairment loss doesn't have a negative impact on the company's reputation. Another view emerged from the interviews (Auditors, Creditors, Financial Analysts and Academics (R5; R9; R10; R7) :

"Impairment of assets improves the company reputation by giving an honest picture of the companies that applied impairment loss; it is suggested that these impairments are seen as a reaction by effective management to worsening economic conditions, in order to spare all stockholders and other accounting information users from the effects of cheating".

According to Francis et al. (2002) impairment loss disclosure can transmit three types of information to users: the first sort is information about the reduction in the economic value of assets; the second is information about modification of management strategies; the third is

about management's willingness and ability to manage earnings. Therefore, impairment loss provides more types of valuable information to assist users in their decisions, leading to an improvement in the disclosure policy of the companies, and improving the companies' reputations. Also, (R8) commented thus: *"Impairment losses positively affect the company's reputation, at least for credibility and transparency in the disclosure of important information, even if they show a worse financial position than the expected level"*. Finally, financial analysts saw impairment as a means of supporting disclosure and transparency.

7.5.2. The Impact of Applying Impairment Losses on the Quality (Qualitative Characteristics) of Accounting Information.

Question 4: What is the impact of using impairment loss on the qualitative characteristics of accounting information? Explain

The last section addresses the issue of the effect of impairment application on the quality of accounting information (financial reports) for companies in Jordan, This part explores the findings of an empirical investigation into the usefulness of impairment to the quality of accounting information for users in a developing country, Jordan. Through questions four, six and the checklist allocated specifically to the investigation of this theme, the evidence from the interviews suggests confidence in decision-making after applying the IAS 36. According to FASB (1978, Par. 3) the conceptual framework was improved to achieve the best "description for the relations that will underlie future financial accounting standards and practices and serve as a basis for evaluating existing standards and practices." On that basis, the researcher focused his analysis on the use of impairment to measure its influence on the qualitative characteristics of accounting information in SFAC No. 2. The qualitative characteristics of accounting information are summarized in the literature review chapter. In the current study the interview respondents indicate that the impairment improves the quality of accounting information, which is consistent with the evidence from developed countries. Table 7.6 illustrates how the users see the influence of impairment on each qualitative characteristic to measure the quality of accounting information. The accounting literature mentions that financial reports must have characteristics that render the content of accounting information of a sufficiently high quality to be presented to financial statement users; therefore, it must have the following characteristics: relevance, reliability, easily understandable, appropriate, accurate and comparable. Thus, it becomes necessary to detect the influence of the use of impairment loss on the quality of accounting information. It is known by all accounting users that the application of this criterion (impairment loss) provides

more relevant information, because it depends on the assets market value instead of book value, which is sometimes misleading. Impairment makes the information quality more relevant, which gives a sense of improving the process of comparison between companies because there is a consistent basis that can be used among companies to apply impairment losses.

Most of the interviewees assert that the application of impairment loss improved the quality of accounting information; for example, one of the financial managers (R4) comments on this theme:

"It is known that the relevance and reliability are conflicting properties so the accounting information will have more relevance and it may be less credible, and improving comparability and consistency properties, in total will provide the highest-quality information".

Also this view supported by (R2) who commented:

"The most important qualitative characteristics of financial information are the main characteristics (reliability and relevance), and it is known that relevance reduces the degree of reliability, and vice versa. If the application of assets valuation is done according to the impairment of assets concept (Standard No. 36), it will lead to the financial statements becoming more convenient (relevance) but will at the same time decrease the degree of reliability due to differences in the methods of measurement (a method of cash flows, market value), which weakens the reliability of the information. The evaluation of goodwill is often done personally in accordance with the rules, there is no clear basis for that; it largely depends on the personal efforts, which reduces the degree of reliability (the credibility) but, really, the impairment standard improves the quality of financial reports."

Another interviewee, one of the auditors (R6), asserts that: *"impairment improves the quality of accounting information through the application of the concept of impairment, which will improve the relevance of financial information for the decision-making process, but perhaps some ambiguity exists in terms of credibility because convenience and reliability are incompatible goals. Actually the other properties will be improved and both the comparison and the consistency of data will increase if companies are able to use the same accounting procedures every year relating to the assets, in addition to the ease of understanding, when information is classified, characterized, and offered clearly and concisely. This means that the quality of information allows users to comprehend the meaning. Understandability may*

be discovered using items that emphasize the transparency and clarity of the information presented in annual reports and this certainly increases the quality of these data through increased relevance. All in all, this will be reflected in the quality of the information".

Another of the creditors (R12) supported this view:

"In terms of the impact of impairment losses on the qualitative characteristics of accounting information, they will be more convenient but less reliable, and will provide more information to help in the comparison between the other companies. To be clearer, the application of this standard will increase the accuracy of the information for all users, which will help them in the decision-making process".

However, one of the investors (R14) argued as follows: *"There is no doubt about the impact of impairment on the company's financial position; therefore the qualitative characteristics of accounting information make the use of information more conservative and less optimistic'.*

In order to increase our awareness of the information included in table 7.5, which aims to measure the impact of impairment on the financial reports (accounting information) according to accounting information users in Jordan, the interviewer used a checklist to ensure that all the qualitative characteristics were covered in the interview. There are seven questions, each of which investigates one of the qualitative characteristics. The researcher gave a (+) sign for positive answers (meaning the respondent agreed that impairment improves this characteristic) while those expressing a contrary opinion were given a (-) sign, and those whose opinions were neutral were given a (+-) sign. By examining the answers in table 7.5, we note that each question produced more than 50% positive answers, meaning that all users agree about the importance of impairment of assets for increasing the credibility of financial statements. To explain further, the quality of financial reporting was assessed by computing the total scores on the fundamental and enhancing qualitative characteristics in table 7.5. The total score of the fundamental qualitative characteristics' relevance and faithful representation is divided by 2, $(11+7/ 28) \% =75\%$. Hence, both fundamental qualitative characteristics are weighted equally; the same process was carried out for the other qualitative characteristics.

7.6. Strengths and limitations of a qualitative approach

Using a qualitative approach has both strengths and weaknesses; one of the most important strengths is its use of in-depth investigation and the sum of details that can be obtained. It

also enables researchers to observe the different views of these studies and their categories (Hirschev and Richardson 2003; Segal 2003; Iatridis et al. 2007); qualitative research tries to create a tentative or explanatory theory about a phenomenon. Bryman (1984) and Pettigrew (1992) asserted that a quantitative approach is inappropriate when a researcher is dealing with processes of social and historical change, while Patton suggested that a qualitative approach is more suitable for studying processes because the illustration of these processes requires a fuller explanation; people have different experiences, process is dynamic and respondents' opinions are a key process consideration. It may not be possible to generalize knowledge created through a qualitative approach to other communities or settings (i.e., results may be exclusive to the relatively few people included in the research study). Data analysis is always time-consuming, and the results can easily be influenced by the researcher's personal biases and idiosyncrasies.

7.7. CONCLUSIONS

The main purpose of this chapter is to overcome weaknesses that exist in the quantitative survey and address them through the interviews. It also aims to show additional facts in terms of the influence of impairment loss IAS 36 on the quality of accounting information in Jordan, and to examine the extent to which impairment practices might affect accounting information. The study findings will enrich and contribute to the current accounting literature because the study is applied in a different environment (developing countries). Formally, 14 semi-structured interviews were conducted with respondents from six different groups of accounting information users, two from each group except the accountant group which had four (two accountants and two financial managers). The questions and checklist used in the interviews were designed to elicit the respondents' opinions to ensure that the study objectives were achieved. The interview questions can be assigned to three main axes according to the themes and concepts mentioned in the study interviews: First; the definition of 'Impairment of Assets' and its importance in Jordanian listed companies in ASE according to the user's opinion, Second; the nature and mechanism of the application of impairment of assets, Third; the impact of applying impairment loss on the quality (qualitative characteristics) of accounting information.

The study findings indicate that, in total, all accounting users have a good knowledge of the standard impairment of assets; they know its definition, importance, and the current practice for this standard as well as the main reason for its application, its aims and objective. We also

obtain the important result that all users except investors agree that the main purpose of applying impairment loss IAS 36 is to improve the relevancy of financial reporting by implementing 'fair value' accounting; additionally, there is not yet an active market for assets in Jordan to reflect or provide users with prices of (fair value) assets.

The respondents' answers revealed six common factors that were used to describe the implementation issue: the factors and problems that affect the use of impairment loss; methods of asset revaluation; the use of impairment for manipulation; impairment loss increases the credibility of accounting information; the relation between impairment loss and users' decisions; and, lastly, impairment loss affects the company's reputation. One of the most important results obtained from the respondents' views is that impairment announcements provide new information to the market and allow the users to change or modify their decisions. As the companies are really still applying the historical cost principle instead of the fair value in reporting assets in balance sheets, the researcher also elicited two important views regarding the revaluation process for assets. The first view said that the difficulty in obtaining reliable information still exists because of the different ways of computing the recoverable amount; the other view did not consider the evaluation process a big problem, especially in Jordan, because the asset value can be estimated roughly. One surprising result is that two groups of respondents (accountants and investors) see impairment as a tool for manipulation; these two groups both consider impairment application as a technique for illegal manipulation in order companies achieve their own goals, such as raising the amount of compensation (salaries), declaring a reasonable profit and avoiding loss, obtaining loans, and raising share prices, while the other groups considered impairment a tool for increasing reliability, More than half (64%) of the interview respondents from all the different groups agreed that impairment improved reliability and credibility in Jordan. Put another way, the results indicated that there is a consensus among four groups (Auditors, Creditors, Financial Analysts and Academics) that impairment of assets improves the company's reputation by giving a honest picture of the company's position, and they suggest that these impairments are seen as a reaction by effective management to worsening economic conditions in order to save all stockholders and other accounting information users from the consequences of cheating.

More interestingly, the results are consistent with agency theory in that the issues linked to the separation between ownership and management may lead managers to plan against owners if necessary, in order to increase their own personal wealth; therefore, opportunities

are given to managers to exercise their discretion about the business in order to accomplish a lot of objectives. Moreover, they are consistent with signaling theory in that using impairment as sign of a restructuring process in the near future will increase confidence in the company management. They are also consistent with legitimacy theory in that impairment is considered a way for a company to increase its acceptance by the environment in which it operates.

The majority of interviewees (80%) from all six groups of respondents agreed that impairment improves the accuracy of information presented through financial reports. Moreover, there was a consensus among respondents about the effectiveness of impairment on the quality of accounting information and they agreed that it plays a significant role in enhancing financial reporting. Five groups of stakeholders interviewed in the current study have the same opinion about the importance of impairment for Jordanian companies, and that it was necessary for all companies, in spite of their nature and nationality. This was an unexpected finding, since many voices have been heard in the media against implementing impairment among Jordanian companies, claiming that there is no need for more regulations to restrict companies, that company law is adequate and that all companies comply with it. An audit explained that the attitudes of some companies' officers indicate that they are as yet unaware of impairment's usefulness.

However, the interviews show that investors and accountants have a different view on impairment application, considering it bad news; this view concurs with results achieved in other studies applied in developed countries, such as (Smith 1994; Francis et al. 1996).

Finally, the responses in this study come from respondents who have practical experience of impairment tests. It may, therefore, be logical to draw strong conclusions. The researcher believes that many users will use these results to help them when making decisions, and considers that the consequences will be of interest to several user groups; for example, accountants could use these conclusions to develop their method of carrying out impairment tests. Auditors could use these results to focus on areas that are worth more attention. Standard-setters may want to assess the current standard and consider how to improve it; for instance, a follow-up example that clearly explains how the value of a CGU is estimated and how to adjust for risk in the cash flow and discount rate, respectively, would be useful. It is worth noting that impairment mechanisms in Jordan are at a preliminary stage and there is a shortage of knowledge on the significance of impairment; consequently, impairment still needs more time to be effective in the near future.

Table (7-5) The Criteria Used to Understand the Effect of Impairment on the Quality of Accounting Information

The Criteria (impairment effect on the quality of AI)	(R1)	(R2)	(R3)	(R4)	(R5)	(R6)	(R7)	(R8)	(R9)	(R10)	(R11)	(R12)	(R13)	(R14)	%
Impairment improves the relevance characteristics	+	+	+-	+	+	+	+	+	+	+	+	+	+-	-	11/14
Impairment improves the reliability characteristics	+-	-	-	+	+	+	+	-	+	-	+	+	-	-	7/14
Impairment improves the comparability characteristics	+	+-	-	+-	+	+	+	+	+	+	+	+	-	-	9/14
Impairment improves the consistency characteristics	+	+-	+-	+	+	+	+	+-	+	+	-	+	-	-	8/14
Impairment improves the understandability qualitative characteristic	+-	+-	-	+	+	-	+	+	+	+	+	+-	+	-	8/14
Impairment provides accurate information	+	-	-	+	+	+	+	+	+	+	+	+	-	-	10/14
Impairment is considered a tool for increasing credibility	-	+	-	+-	+	+	+	+	+	+	+	+	-	-	9/14

Where R1-R14=Respondent No1 to 14

CHAPTER EIGHT

SUMMARY AND CONCLUSION

8.1. INTRODUCTION

This is the final part of the study, and this section includes the main conclusions of the study, in addition to recommendations for future research. The focus of this research is on the area of disclosure, specifically 'impairment of assets' IAS 36. The recent financial crisis has led to a strong debate about the pros and cons of fair-value accounting (FVA). This debate presents a major challenge for FVA going forward and encourages standard-setters to use impairment concepts because it depends on the FVA. To the best of the researcher's knowledge, this study is one of the first studies aims to address the influence issue of impairment's on the quality of accounting information from users' perspective in Jordan.

The current study is expected to contribute the accounting literature, to understand the impact of 'impairment of asset' IAS 36 on the quality of accounting information in Jordan, through the users' perspective (six groups). The findings of previous studies carried out in different countries have been mixed, inconsistent and sometimes contradictory. Hence, such effect have not been a subject by previous studies, therefore this study is one of the first studies that aims to contribute the efforts that have been made to identify such effect.

Such a study is important because the main purpose of this thesis is to highlight two dimensions. The first one is to discover the new standard 'impairment of assets' IAS 36, investigating the motivations and techniques behind impairment application, while the second is to explore the main influence of this standard on the quality of accounting information (financial reports) according to users' perspective. To achieve this, the research approach adopted in this thesis includes a questionnaire survey and semi-structured interviews, which are used for primary data collection, as well as documents such as financial reports and stock prices when the researcher need further evidence (to discover the effect of impairment losses announcement on the share price), thus constituting a triangulation approach.

The aim is to investigate the role of impairment application in constraining manipulation or providing a suitable environment for manipulation through earnings management, in line with the agency, signalling and legitimacy theories explained in detail in the theoretical chapter (chapter four). Parametric and non-parametric analysis, descriptive statistics, t-test and regression, are primarily used to conduct the investigation; moreover, a questionnaire survey and semi-structured interviews are adopted in order to attain a deep understanding of the phenomena (the perception). The literature related to impairment loss and its effect on accounting information is still sparse, and has not provided adequate information thus far. The current thesis is expected to contribute to the existing accounting literature by providing new evidence from a developing country characterized by a typical legal system, regulations, and rapid development in the economic and political sectors.

Therefore this thesis has provided a comprehensive review of prior studies that have discussed impairment practices (e.g. Chen et al. 2007; Choi 2008; Zhang et al. 2010) and the role of impairment mechanisms as a tool for increasing creditability or for manipulation (e.g. Fitzsimons and McCarthy 2000; Sevin and Schroeder 2005; Henry and Schmitt 2001; Riedl 2004; Zucca and Campbell 1992; Li et al. 2010; Siggelkow and Zulch 2013), because this subject has not been studied extensively in the accounting literature (Adams 2002; Davidson and Vella 2003). Moreover, an overview of Jordan has been introduced to provide a comprehensive understanding of the fundamental underlying issues in order to help the researcher employ certain tests and measurements; then the focus of this research is to obtain an understanding of impairment practices and how impairment loss affects the quality of accounting information. It also tries to determine the main driver for applying impairment loss and provides accurate information that will assist companies to adhere to laws and standards, or to protect stakeholder rights when the management seeks to achieve private goals through manipulation/earnings management.

Also, the thesis submits three theories (agency, signalling and legitimacy) that could provide a scientific base for possible causes of impairment application, and presents a conceptual framework showing the relationship between impairment application and the quality of accounting information. It employs these theories as the essential bases for its argument because these theories provide adequate information about the interpretation of impairment application.

The research approach adopted in this dissertation is objectivist ontology and takes a positive epistemological stance since it is deemed to be a neo-empirical study represented by three complementary theories to explain the philosophy of impairment application. Hence, a hypothetico-deductive methodological approach is appropriate for examining the employed theory by establishing a set of research hypotheses. Consequently, eight hypotheses are prepared to answer the research questions regarding the influence of impairment practice on the quality of accounting information.

Jordan is chosen as the focus of this study for several reasons. Firstly, it is an open economy in the Middle East, especially to EU members and USA. Secondly, the Amman Stock Exchange is growing rapidly and this creates the possibility of testing the influence of impairment application. Thirdly, currently little is known about the impact of the impairment application, not only in developing countries but also in developed countries. Fourthly, the sudden imposition of IAS by the Jordanian Companies Act and the Securities Law creates an opportunity for stronger tests of the influence of disclosure and impairment of assets. To test such influence, a sample of Jordanian accounting information users was selected.

Generally, this thesis has provided findings that draw attention to impairment loss practices and their role in affecting accounting information in Jordan. Chapters six and seven report the findings of the questionnaire and interview surveys respectively, and this chapter presents the summary of the findings and the conclusions. This chapter is organized as follows. Section 8.2 provides a review of the findings. Section 8.3 outlines the implications and recommendations of the research. Section 8.4 clarifies the limitations of the study, while section 8.5 suggests areas for future research., Finally, section 8.5 and 8.6 presents the contribution and conclusion.

8.2. RESULTS AND FINDINGS

This study generates a number of contributions to the literature. It presents important insights into the operation of IAS 36, and asserts that this regulation suffers from the same problems as previous regulations relating to asset impairments, write-downs and write-offs, because there is still an opportunity for management to manipulate information (opportunistic incentives for impairments) although regulators hope that managers will be motivated to reduce information

asymmetry and protect stakeholder rights through disclosing accurate information about current and future performance.

The research detects a lack of awareness in developing countries of international accounting standards due to the absence of means of checking the application of international accounting standards or interpreting and disseminating them in specialized periodicals, such as those found in many developed countries of the world, in order to respond to some of the modern accounting ideas that may be later framed to become accounting standards, whether domestic or international. Therefore, organizations are not participating in commenting on the drafts of international accounting standards before approval or amendment to suit the local environment, despite the existence of experienced and qualified accounting practitioners who might have an important role to play in development standards.

Another important finding is the lack of awareness of international accounting standards in the courses for the faculty members of universities, since there is no curriculum in most universities relating to international accounting standards in spite of its importance to accounting students. It also indicated that the link between the follow-up to international accounting standards such as knowledge of IAS No. 36 and other standards is still weak. On the other hand, the materials taught in universities are still older versions which do not take into account the developments in the accounting science; moreover, they focus on American or British accounting standards for a number of reasons, including colonialism, which prevailed during the nineteenth and twentieth centuries, political subordination, or because the fact that these are the countries where most professors of accounting have graduated.

The findings from the questionnaire and interviews detect some important points: there is a great agreement among accounting professionals in Jordan regarding the importance of applying IAS 36, 'Impairment of Assets', as noted in the entire sample. Also, the findings from ANOVA⁶³ indicate considerable homogeneity among five categories of respondents (accountants, investors, financial analysts, creditors and auditors). Furthermore, it is clear from ANOVA between groups that there is a significant statistical difference among the respondents' opinions about the

⁶³ Analysis of Variance

importance of IAS 36; in particular, the academics have a stronger belief in the importance of applying IAS 36 than the other groups.

In addition, it has been demonstrated that, there is a support from most users of accounting information to applying impairment loss which aims to reduce information asymmetry consistent with agency theory, but there has been extensive criticism by investors to companies whose financial reports include 'impairment loss' because this exacerbates uncertainty about firm value (this is evident from their opinions towards the impairment impact on each of the comparison, conformity and understandability characteristics). They also believed that the reductions in asset values through impairment create indicators of manipulation with firm value by managers to achieve their own private goals. And this will cause significant impact on current-period income, earnings per share, and stock prices. Asset impairment was associated with signals of poor performance, which would probably reflect concern about firm value generally.

Moreover, the current findings reveal a significant statistical relationship between impairment loss and faithful representation. The correlation is strong ranging from (52% for auditors to 63% for financial analysts) and the higher correlation is found in the financial analysts group and the lowest in the auditors group. A plausible explanation for this result is that auditors are more aware that impairment loss depends on market value (fair) instead of historic value, which is more convenient but less reliable (Trottier 2013; Beatty and Weber 2006; Siggelkow and Zulch 2013). These results lead to the conclusion that there are significant statistical differences among the opinions of the accounting users in determining the effect of IAS 36 application on faithful representation of financial statements of Jordanian companies; thus, each group of users considers impairment according to their own position and interests. In summary, the findings indicate that impairment loss improves the reliability of accounting information.

The findings of the questionnaire were consistent with interviews through emphasize that impairment positively affects the relevance characteristic; this is clear from the computed (t) value =20.66 which is higher than the critical value for $e(t) = 1.96$. Furthermore, the regression model shows and explains that any change in impairment application will definitely have a positive effect on the relevancy of accounting information ($\beta = 0.602$, $P \leq 0.01$). This leads to more effective accounting information and increased subjectivity of the accounting information;

in general, it enhances the qualitative characteristics of accounting information, particularly relevance (Fitzsimons and McCarthy 2002; Chambers 2007; Giannini 2007; Barth et al. 2008).

This study has offered clear evidence of a very strong relationship between application of IAS No.36 'impairment of assets' and the comparability characteristic, but there are dissimilarities among the groups' perceptions; accountant and investor groups have a much stronger belief ($R = 0.66\%$) in the influence of impairment on comparability than the other groups; this result can be attributed to cultural factors as investors have a bad picture of companies that use impairment loss in their financial reports. However, these findings are in keeping with the literature (Francis et al. 1996; Watts 2003; Deming et al. 2005); impairment helps them to differentiate healthy companies from others, bearing in mind that they consider companies whose financial statements include impairment loss as bad companies. Meanwhile accountants, according to Jordanian culture, always try to compare themselves with others to show themselves as the best, but if the result dissatisfies them, it starts to justify these findings. The regression analysis explains that any change in 'impairment application' will certainly account for 42% of the variance in comparability of accounting information, which means there is a statistical effect of impairment on the comparability characteristic ($\beta = 0.65$, $P \leq 0.01$).

One of the important findings indicates that there are significant differences among groups' regarding the impact of impairment application on consistency. Four groups believe that impairment positively affects the consistency characteristic, as explained in chapter seven, while the other two groups (creditors and investors) take a contrary view. This result is consistent with the accounting literature as investors always have a bad reaction to companies that announce or publish impairment loss in their financial reports (Chaney 1988; Smith 1994; Francis, Hanna et al. 1996; Heflin and Warfield 1996; Deng and Lev 1998). Auditors and academics have a much stronger belief in the influence of impairment on consistency than the other groups, because they are considered the groups that are best-informed about the accounting standards. So, from the foregoing, there is clearly great disagreement about this hypothesis amongst the users of accounting information.

In my analysis the researcher find a positive and significant relationship between impairment application and understandability, creditability characteristics according to all groups except investors, who have a very different opinion. However, this finding is consistent with the

accounting literature, such as (Smith 1994; Francis et al. 1996; Anandaragan 2000; Watts 2003; Deming et al. 2005; Enochsson and Nielsen 2009) because investors fear impairment loss. This is due to the variation in the magnitude regarding the social impact among the other groups, and is also due to the opportunistic behaviour of some managers who hide the information related to current and future cash flows and use accounting standards that make the company look more attractive. Revsine (1991) supposed that, when publishing financial reports, managers always prefer using methods that provide flexibility in income; therefore the investors states that there is no effect of applying IAS No. 36 on the characteristics of understandability and creditability. However, the other five groups specify that there is a statistically significant relationship between application of the impairment concept and the understandability and creditability characteristics.

The main conclusion reached by the researcher is the positive impact of 'impairment of assets' on the quality of accounting information according to users' perspective in Jordan. Through t-test analysis we find that the computed value of t ($=32.502$) is larger than the critical value ($t = 1.96$) which means there is an impact of impairment on the quality of accounting information; we obtain the same findings from correlation and regression analysis which showed a highly significant correlation between the two variables ($R = .876$). In addition, the regression model for all samples shows that any change in 'impairment application' will definitely account for 77% of the variance in quality of accounting information ($\beta = 0.876$, $P \leq 0.01$), which means there is a statistical effect of impairment on the quality of accounting information. These findings are totally consistent with agency, signalling and legitimacy theories, which explain the main reasons for impairment application, as discussed in the theoretical chapter, to enhance the integrity of financial reporting (Peasnel and Young 2005).

Importantly, these findings indicate that the accounting disclosure in Jordan is addressed to the local environment, which isolates it from the world in general. We live in the midst of development and progress, and one cannot live in an environment isolated from the concepts of the contemporary world such as globalization, which is now imposed on the world's countries whether they want it or not. Perhaps this result is supported by a further consequence that a percentage of the sample does not know about IAS No. 36, the study's subject. These people were all company employees, and this demonstrates the lack of interest among the private sector

in following-up and exploring the International Accounting Standards, which are considered one of the fundamentals underpinning accountancy.

The official text of IAS 36 'Impairment of assets' presents difficulty and ambiguity in the mechanism of the application (Davidson and Vella 2003), which has led to a lack of commitment to applying it in its original form. This is shown in the research, which talks about the negative aspects of the standard, making it theoretically difficult to apply on the ground, because it is not free from criticism relating to its application. These criticisms include the imposition of values that relate to decline, and the recoverable amount, as well as measuring the value of usable or realizable value, whichever is higher, and relying on guesswork, which is not devoid of personal opinion. This confirms the criticism of accounting and the use of guessing and appreciation, as repeated in more than one place, such as the use of discretion in determining the use value when calculating the cash-generating unit.

The results of the study indicate through statistical analysis and correlation coefficients that the greatest positive impact of the application of financial reporting standards for fair value-oriented companies listed in the Amman bourse was in the direction of reliability and relevance characteristics of accounting information.

The standards of fair value (impairment of assets) have had a significant impact on the qualitative characteristics of accounting information provided. However, with the availability of financial market actors and laws and legislation that contribute to controlling the standards relating to fair value, and the availability of professionally qualified staff to deal with fair value, the information depends on fair value more appropriate to the needs of users of financial reports compared with the historical cost information, as they better reflect the present financial situation. It also facilitates the process of evaluating the past performance and future predictions, but at the same time is less reliable than historical cost information.

The results fully agree with the theories that explained the reasons for the weakness of the application. Agency theory states that the separation of ownership and management may lead managers to collude against the owners to increase their personal wealth and this is clear from the investors' view. Signalling theory states that impairment loss is a signal to stakeholders that profits and reforms are coming soon. Legitimacy theory states that a company may use

impairment loss as a tool to improve communications between itself and its environment (in which it operates) so as to ensure its survival.

Accordingly, these results were provided to the organizers (JACPA) who try to supervise and control the Jordanian companies, especially those involved in financial reporting fraud and lack of legitimacy through the identification of poor practices. In other words, regulators can satisfy investors by providing more effective legal measures, imposing sanctions on those who are used to manipulating, and encouraging companies to comply with the standards of ethics by increasing their awareness of the importance of investor protection. Furthermore, these results may contribute to the reduction of practices of earnings management through the identification of the motives and techniques. JACPA can try to find solutions to alleviate the motives and the protection of the financial reporting of the techniques used to manipulate through the development of local accounting standards or other regulations. The results may assist it in its purpose of monitoring and checking the availability of the necessary conditions for the implementation of weakness.

One of the main result is investors in Jordan consider 'impairment loss' a negative indicator for company performance, and they prefer to invest their money in companies that don't include 'impairment loss' in their financial statements; they also believe that managers still have significant discretion in applying the standard.

The results showed that this standard has complex aspects, which makes the process of its application on the ground very difficult process, because it has complications when applied, such as calculated values that relate to decline, the recoverable value, which are measured through fair value less costs to sell and its value in use, whichever is higher, and rely on guesswork, which is not free of personal opinion which confirms the criticism to this standard, because it depend on the use of guessing and discretion, as mentioned in accounting literature: such as the use of discretion in determining the value in use, and when calculating the cash-generating units, in addition to some of the contradictions with the structure of accounting theory, such as impairment losses reversed considered as increased in income that which contradict with the accounting theory.

8.3. IMPLICATIONS AND RECOMMENDATIONS

The current study provides new evidence from a developing country that contributes to the existing literature regarding the effect of impairment loss on the quality of accounting information to enhance the quality of financial reporting in general. The findings could be useful to all accounting information users (e.g. external auditors, regulators, creditors and investors) in their attempts to constrain the occurrence of manipulation through earnings management and enhance the quality of monitoring mechanisms.

There are many reasons to perform this kind of studies, especially in a country like Jordan. Where the study results showed that it has important implications for a number of parties, they help those responsible for formulate the accounting standards to identify the weaknesses relating to the application of IAS 36, and what are the problems associated with the application and discovering and measuring to what extent this standard satisfy the needs and desires of the users of financial reports. The results could be useful for the improvement and development of Accounting Standard No. 36 by reviewing the requirements and the application of practical guidelines, furthermore what are their views on this standard, and its impact on the financial statements.

Also the findings provide valuable information to regulators (legislators) in Jordan, to measure the appropriateness of this standard for the Jordanian environment or needs some adjustments to suit this environment. In addition, the published financial statements which included impairment losses is extremely important to investors to predict the company's current situation and its future. Impairment losses provide the necessary information to assist in making an investment decision. And help them to predict the future earnings more accurately. Results reported in this study have positive effects for owners, where they can through impairment losses evaluating its performance and to overcome the problems that occur conflicting information. And discover if impairment losses is a tool used to manipulate.

Study results indicate that the commitment to implement the requirements of impairment losses, leading to increased levels of disclosure in annual reports and provide investors with valuable information relevant. Finally, the current study has implications on the Jordanian economy, because it encourages attracting investments through the companies commitment to the

application of international accounting standards. Which provide the users with high quality of accounting information leads to capital markets more efficient.

In light of the study findings, the researcher recommends the following: first; Work should be undertaken to increase awareness among the preparers and auditors of financial reports of listed companies in the Amman bourse (Amman Stock Exchange) with respect to the standards of financial reporting by fair value-oriented firms (impairment of assets IAS 36) through workshops, courses and seminars dealing with this subject, and to encourage these parties to follow International Financial Reporting Standards by all means available. Second; it is important to raise the level of coordination and interaction between universities, educational and training institutions and between companies listed in the Amman bourse, and to bind the application of accounting standards in order to blend theoretical knowledge with the practical experience of workers in these companies. The teaching of accounting standards in the curriculum of accounting departments in Jordanian universities should be encouraged.

Third; further research on the application of fair value accounting (impairment of assets) should be encouraged in order to develop and standardize the criteria for measurement and disclosure of accounting for fair value to ensure that high-quality accounting information contributes to the rationalization of economic decisions. Forth: it is important to encourage and indicate the importance of applied research concerned with issues of impairment losses in the field of fair value accounting dealing with development and standardization of measurement and accounting disclosure about fair value to provide high-quality accounting information that contributes to the rationalization of economic decisions and encourages investment in the stock market.

Fifth; Reliability is the most important difficulty facing the application of assets impairment, so work should be done to provide guiding rules that are clear and specific for measuring fair value, and to reduce accountants' dependence on estimates in order to avoid problems resulting from earnings management through income-smoothing or the big bath theory.

Sixth; It is important to adopt the international accounting standard No. 36; this is not just an accounting policy – it is an economic policy that could lead to increased productivity and more investment because the (impairment) decline gives freedom and greater flexibility for companies to deal with the assets, long-term productivity, acceleration of recovery cost and maintenance of

the productive capacity of these assets in the community at high levels. This is entirely consistent with legitimacy theory in which a firm increases its level of acceptance in the environment in which it works. This is similar to what happened in South Korea, which has achieved high levels of gross domestic product and national and per capita income. It had previously been a poor country but developed an economic policy aimed at achieving the highest levels of productivity in terms of imposing its name on the world map as one of the industrialized countries, and it had to deliberately apply the concept of impairment as an economic policy. This is a young state operating in the old industrial world which has developed a model for all Third World countries to pursue.

The results of this study are also useful for exploring the features that are likely to affect the quality of financial reporting. Additionally, the results could be useful for the improvement and development of Accounting Standard No. 36 by reviewing the requirements and the application of practical guidelines. Although the results obtained reveal the existence of weaknesses in this standard, which give way to practices that are not legal, the interview survey highlighted many of the negative issues concerning the application of this standard. Thus, it is possible to take action to enhance the skills and capabilities of management and accountants by organizing training courses to determine their responsibilities toward the safety of financial reporting and increase their awareness of the importance of investor protection.

In addition, the current results reveal that the auditors did not provide the required role in monitoring the integrity of financial reports regarding the application of this standard; this is due to cultural factors such as favouritism in the selection of members, less independence, part-time work, less compensation and unclear responsibilities. Thus, these results also have implications for the evolution of the auditing profession in Jordan; therefore, regulators should increase awareness of these issues in the audit committees, highlight the increasing importance of the presence of independent members and communicate with the external auditors. The organizers should also organize training courses that contribute to improving the capacity and skills of the members of the audit committee. Companies should also acknowledge the vital role of the audit committee and clarify their logical responsibilities and duties. Auditing firms should recognize their legal responsibilities to protect shareholders by improving the skills and capabilities of

audit teams and increase their control to ensure the achievement of these goals (the discovery of fraud or manipulation in the financial reports).

Interestingly, this research contributes to the ongoing debate about impairment loss being a way of manipulating financial statements. It calls for research into ways of improving this standard and encourage companies to apply it, because it provides more convenient data. It has been shown that there are differences in application among countries, for example Jordan, where there is no efficient financial market, unlike in developed countries. Other factors affect the mechanics of the application (such as the economic situation, market regulations securities, disclosure requirements, ownership structures of companies, culture, and other factors).

Furthermore, the researcher found that the most important reasons for companies retreat to disclose the information required in IAS 36 are as follows: lack of inherent desire to write off the value of assets, high risk, ignorance of the purpose and operation procedures for disclosure requirements, and lack of effective control.

8.4. LIMITATIONS OF THE STUDY

Most studies exposed to has some limitations, which need to be taken into account and addressed when evaluating the findings of the study. That can be summarized as follow:

First; this study is considered as a particular study for Jordan context, without comparison with developed or developing country, which is lacking the generalisability of results. Since Jordan's economy is a unique situation because of the reform programs that are described in Jordan chapter, which reduce the possibility of generalizing the results to other environments.

Second; as explained in the methodology chapter, the philosophical approach which adopted in the current study is the objective ontological position and the positive" epistemology of the research, also leads to limit the generalization of the results.

Third; another limitation is related to the questionnaire technique for data collection, which is characterised by a degree of bias and subjectivity which is likely to affect on the results credibility (e.g. Rahahleh and Siam 2009 Dixon et al. 2006).

Fourth; limitations regarding semi-structured interview characterised by a degree of bias and subjectivity which reduced the accuracy and truthfulness of the information obtained as it is a limitation for this sort of researchs which depends on the personality of the interviewer or the researcher, particularly when the interviewee answers interferes with the thought of a researcher (e.g. Browne, 2005; Yin, 2009).

Fifth, the numbers of interviews could be expanded to include more respondents of each group examined, or to include other groups of respondents, which will improve the accuracy and truthfulness of the findings obtained. Also the data is analyzed using ANOVA test to investigate the significant differences among the groups, which could be extended through using other types of analysis such as (Kruskal-Wallis; Mann-Whitney U) test to examine the significant differences amongst the groups, also will be better to connect the findings with respondent's own demographic characteristics. furthermore the study may be expanded to compare the findings in Jordan with findings of other developed or developing country and compare the impairment impact in on the financial reports with other countries which known as comparative study.

8.5. AREAS FOR FURTHER RESEARCH

This study provides a significant contribution to the exploration of the practices of impairment loss, particularly in Jordan and developing countries in general, and its role in helping users' in decision making process. Moreover, it tries to detect the users' opinions regarding the impact of impairment loss on the quality of financial information. One possible direction for future research is to study the motives and techniques in order to provide an in-depth understanding of the practices of this standard. Furthermore, it is recommended the future studies focus specifically on finding ways of reducing the degree of flexibility granted to the administration when calculating the market value, especially when a cash flow method is used, and also focus on a better understanding of manipulation through impairment loss.

To the best of the researcher's knowledge, this study is one of the first studies discussed the issue of impairment in Jordan. To validate the conclusions of this study, further comprehensive research is required into the post-IAS 36 situation in Jordan. The recommendation is for future research to concentrate on the notion of tracing the reasons for impairment at the level of cash-

generating units, as implied by IAS 36. This may give the analysis a more comprehensive view of the deterioration in the companies' reputation.

Comparative studies are advocated in order to demonstrate the differences in the impact of the application of impairment loss in developed countries and developing countries and to discover the strengths, weaknesses and differences in existing mechanisms of application.

Since this standard was in its early stages during the study period, future research is recommended to extend our research by examining the impact of impairment loss on the quality of accounting information in the coming years, particularly when most listed companies are fully compliant with the regulations and disclosure. Finally, investigation of the study topic might be extended to other developing countries and other Arab countries that have similar characteristics to Jordan in order to provide more evidence on the influence of IAS 36 and monitoring mechanisms across economies.

there is no empirical evidence that investigates the impact of related issues regarding 'impairment of asset' IAS 36 on the extent of disclosure, company reputation, share price volatility, cost of equity capital, and quality of accounting reports for companies listed in the stock market in a country such as Jordan.

8.6. CONTRIBUTION

Theoretically; the 'impairment of asset' IAS 36 is a compulsory standard impose to protect shareholders (stakeholders) in Jordan. However, there is no evidence that the adoption of this standard will improve accounting information effectiveness. The current study highlights the importance of employing a wider theoretical framework; encompassing several disclosure theories; to get more explanation to the impairment practices, three theories used (agency; signalling and legitimacy theories) to justify the reasons for applying impairment loss that explained in details in chapter four.

Methodologically; this study contributes to the disclosure literature, specifically impairment literature as follow: This study considered the first study that used a new methodology (triangulation) for examine the influences of 'impairment of assets' on the quality of accounting information through using the qualitative and quantitative approaches to ensure a high degree of

credibility, and complete coverage all impairment loss aspects, and to overcome the weaknesses if using single approach.

Empirically; the current study contributes to the disclosure literature as follow:

Based on the researcher knowledge, this study is considered the first study discussed this topic in Jordan, or even in developing countries. Which mean different perspective could be obtained from different economies (developing countries such as Jordan representative of the Arab countries in the Middle East region), which is different in several respects such as business environment, regulations, culture, market and security.

Provide new empirical evidence that covering the practices regarding impairment loss from new context that has been subjected to few limited number of studies.

This thesis is distinguished from previous studies, by using the qualitative characteristics method to measure the quality of accounting information, as it was characterized by measuring the views of users about this standard IAS 36 which had not measured previously.

The results showed that there is a great similarity between the users' views in Jordan with developed countries regarding impairment losses

8.7. CONCLUSION

The main purpose of this study is to investigate the impact of impairment application on the quality of accounting information according to users' perspective in Jordan. This thesis used the qualitative characteristics method to measuring the quality of accounting information, because it distinguishes from other methods with comprehensive and completeness. It aims to make several contributions to the literature and to business practice. First, this study extends the literature regarding the IAS 36 'impairment of asset' by providing empirical evidence from an emerging capital market, regarding the extent of efficiency this standard, which may provide a greater clarity of permanent discussion about impairment losses, identify empirically the "Impairment of Assets" practices, the motives and techniques for application, this study showed significant agreement between the study results and the results of previous studies, and still a number of financial information users believe that impairment losses is considered a tool for manipulation.

APPENDICES

Appendix no (2. 1) definition regarding impairment

1	Carrying amount: the amount at which an asset is recognized in the balance sheet after deducting accumulated depreciation and accumulated impairment losses. (IAS 36.6).
2	Book Value: the value that appears in the accounting books and the balances transferred to the budget, with regard to the book value of assets that appear in the budget after deducting depreciation and compound complex impairment losses.
3	Recoverable Amount: the value that an asset could be exchanged for now (currently), which is equal to the cash obtained from the asset exchange process between willing parties, having the ability to estimate the expected cash flows; this value is equal to the fair value of the asset, which should be set by members of the accounting profession. According to IAS No. 36.6 is "the highest of an asset's fair value less cost to sell (sometimes called net selling price) and its value in use".
4	Fair value less costs to sell: if there is a binding sale agreement, the price under that agreement less cost of disposal should be used (IAS 36.25) as fair value; however, if there is an active market for the asset, market price less cost of disposal (IAS 36.26) will be the fair value. Otherwise, the asset's selling price less cost of disposal should be estimated (IAS 36.27), and costs of disposal are the direct added costs only (IAS 36.28).
5	The Net Selling Price: the monetary value that can be obtained from the asset sale minus the expenses relating to the sale process; this means the value that can be obtained from the sale of the asset in the bidding process or asset price in an active market.
6	net realizable value in IAS 36 is as follows: "The value that can be obtained from the sale of the asset in the process of negotiation between the parties is willing and knowledgeable, less costs of asset disposal", in other words the discounted present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life

Appendix no (2.2) internal and external indicators of impairment

1	<p><i>The internal indicators</i></p> <p>The internal indicators and conditions related to the firm check whether the decline in the assets is related to the asset itself or to the development of the enterprise in general, and the most important of these indicators are as follows:</p> <p>(1) Physical damage to the original: This means that events that have occurred to the assets clearly led to the collapse or degradation of their value.</p> <p>This type of indicators are particularly appropriate for physical assets, but here we should remember (Hsieh and Wu 2006) that some departments refuse to recognize the impairment loss in spite of its existence, in order to prevent their companies from acquiring a negative image. So, the IFRS is allowed to recognize and reverse the impairment losses but, of course, if the conditions were found to be an incentive to recognize the impairment loss, the question would be whether the managers would accept it or not.</p> <p>(2) Scrapping technology: This means rapid technological progress with a short cycle leads to the asset becoming obsolete; this requires a new generation of the asset due to changing tastes and consumer behaviours. The process is characterized by generations of subsequent technological advances that are usually compared to the generations that preceded them, including the following: Increased speed, High degree of accuracy, Increase the size of production capacity, Increase the degree of mechanization or automation.</p> <p>(3) Rehabilitation the asset to get rid of it:</p> <p>(4) The collapse of the asset's economic performance; this is linked to the assets that have performed below the expected economic level and it is possible to identify some of the reasons for the decline in performance as follows: The expected decline in productivity, The high costs associated with the performance of the asset, Deterioration of the asset's performance quality.</p>
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	<p>(5) Asset restructuring: restructuring is re-arrangement or asset organization, changing the place.</p>
<p>2</p>	<p><i>External impairment indicators</i></p> <p>The indicators and signs indicate a decrease in the asset value because of circumstances beyond the control of the entity and environment-related economic, technological and legislative factors. So let's take a look to the external indicators causing decline in value of assets:</p> <p>(1). Decreasing the asset value in the market: this happens when the asset price sale shown is less than its recoverable amount in the market; the main reasons for this are a decline in the currency rates or a decline in raw material prices or the granting of export incentives to the country of origin leading to a reduction in the asset price sale.</p> <p>(2). Technological changes, market, economic or legal negatives: this index consists of a set of factors that lead to a decline in the value of durable assets; some examples are as follows: -</p> <p>A- Technology: this relates to the production of similar assets at the same price or less, with more quality, multi-purpose ability, high-tech specifications and the cost of lower productivity. Each of the above factors has a negative impact on the asset and its fair value.</p> <p>B- Market: reduced demand for the asset and a market shift to an alternative asset.</p> <p>C- Economic: decrease of the currency price of the exporter country compared to local currency.</p> <p>D- Legal: a ban on the import of certain assets, the imposition of increased tax rates on assets and granting customs exemptions for similar assets under bilateral agreements. For further illustration,</p>

Appendix No (5.1) Names who have reviewed the interview questions

No.	names	Occupation	Specialization
1.	Basheir al-bana	Prof. in Amman Arab University	Accounting
2.	Howsam kadash	Prof.in Hashemite university	Accounting
3.	Adel sharkas	Associate prof. central bank of Jordan	Accounting and finance

Appendix no. (5.2) names of interviewees

أسماء الأشخاص الذين أجريت معهم المقابلة

المؤهل العلمي Qualification	الوظيفة Occupation	تاريخ المقابلة	الرمز	الرقم NO.
بكالوريوس محاسبة	مدير مالي /شركة استرا الزراعية /الفرع الرئيسي	الخميس 2011/3/10	R4	1
دكتورة محاسبة	مستشار ومحلل مالي/مؤسسة الاقراض الزراعي	الاحد 2011/2/27	R7	2
ماجستير محاسبة	محلل رئيسي	الاربعاء 2011/2/9	R8	3
ماجستير علوم مالية ومصرفية/ محاسبة	محاسبة / الشركة العربية الدولية للفنادق المساهمة العامة المحدودة	الخميس 2011/1/13	R3	4
ماجستير محاسبة	مدقق ومقدر في ضريبة الدخل	الاثنين 2011/3/21	R6	5
ماجستير محاسبة	مدقق خارجي /	الثلاثاء 2011/3/29	R5	6
دكتوراه محاسبة	أستاذ مشارك /قسم المحاسبة /الجامعة الاردنية	الثلاثاء 2011/4/5	R9	7
دكتوراه محاسبة	أستاذ مساعد/قسم المحاسبة / جامعة البلقاء التطبيقية / السلط	الاربعاء 2011/4/13	R10	8

دكتورة محاسبة	مدير معهد الدراسات المصرفية	الاربعاء 2011/1/26	R11	9
دكتوراه محاسبة	البنك المركزي الاردني	الاحد 2011/5/3	R12	10
بكالوريوس ادارة اعمال	مستثمر/شركة المصاعد الكهربائية	الاحد 2011/4/24	R13	11
ماجستير محاسبة	مستثمر/شركة الدقم للاسكان	الخميس 2011/5/14	R14	12
بكالوريوس محاسبة	المحاسب الرئيسي /بيت الاستثمار العالمي	الاثنين 2011/4/9	R1	13
ماجستير محاسبة	مدير مالي / الشركة العربية للتعددين	الاثنين 2011/3/20	R2	14

The people who interviewee

No	code	Date of interview	Occupation	Qualification
1	R1	Monday 9/4/2011	Principal accountant Global Investment House	BA /Accounting
2	R2	Monday 20/3/2011	Financial Manager / Arab Mining Company	Master/Accounting
3	R3	Thursday 13/1/2011	Accountant / Arab International Hotels	Master / banking and financial / accounting

4	R4	Thursday 10/3/2011	financial manager / Astra Agricultural / main branch	BA /Accounting
5	R5	Tuesday 29/3/2011	Auditor	Master /Accounting
6	R6	Monday 21/3/2011	Audit Manager and Income Tax (experts and consulting in financial tax	Master in Accounting
7	R7	Sunday 27/2/2011	advisor and financial analyst	PHD /Accounting
8	8R	Wednesday 9/2/2011	Financial Analyst	Master in Acc
9	9R	Tuesday 5/4/2011	Academic/ university of Jordan	PHD /Accounting
10	R10	Wednesday 13/4/2011	Academic/ Al-Balqa'a applied university	PHD /Accounting
11	R11	Wednesday 26/1/2011	director of the Institute of Banking Studies	Phd /Finance and accounting
12	R12	Thursday 16/5/2011	Central Bank of Jordan	PhD Accounting
13	R13	Sunday 13/1/2011	investor / company elevators	Bachelor of Business Administration
14	R14	Thursday 16/5/2011	investor / Al- docum Housing	Master /Acc

Appendix no (5.3.1) Questionnaire in Arabic

استبانته

الأخ المجيب/الأخت المجيبة

تحية طيبة وبعد،،،

يسعى الباحث من هذه الاستبانة الى استكمال أطروحتة لدرجة الدكتوراه في فلسفة المحاسبة، لذا يقوم بإجراء دراسة لبيان اثر تطبيق مفهوم "التدني في الأصول" المعيار المحاسبي رقم 36 على المعلومات المحاسبية للشركات المساهمة المدرجة في سوق عمان المالي من وجهة نظر المستخدمين ،

وتم تصميم الاستبانة المرفقة كجزء من متطلبات الدراسة، وحيث ان الباحث يعهد فيكم الاهتمام والاستعداد الدائمين لمؤازرة الأبحاث العلمية التي تخدم وتطور مجتمعنا، لذا كله أمل ان يجد التعاون الطيب منكم من خلال الاهتمام والإجابة الدقيقة على العبارات المحتواة في هذه الاستبانة، متطلعاً الى تعاونكم لإخراج الدراسة بالقبال المأمول حيث ان اقتراحاتكم وأرائكم وتوصياتكم ووجهات نظركم ستكون من الركائز التي تثري الدراسة وللتأكيد على إمكانية تكييف المعايير المحاسبية الدولية بما يلاءم البيئة الأردنية. وبالتالي ان تقديمكم للمعلومات بموضوعية وحيادية واهتمام سيؤدي الى مساعدة الباحث في تحقيق أهداف الدراسة والخروج بنتائج ذات مصداقية عالية.

هذا ويؤكد لكم الباحث بأن المعلومات التي سوف يتم جمعها ستعامل بسرية تامة، وسوف تستخدم لأغراض البحث العلمي فقط.

شاكرأ لكم حسن تعاونكم،،،

الباحث

راند كناكرية

University of Durham

United Kingdom

القسم الأول: البيانات التعريفية

الجنس: ذكر أنثى
العمر: سنة

الصحيحة الإجابة أمام X علامة وضع الرجاء

المؤهل العلمي:

بكالوريوس		دبلوم	
دكتوراه		ماجستير	

التخصص العلمي:

اقتصاد		علوم مالية ومصرفية	
إدارة أعمال		محاسبة	
غير ذلك اذكره		تسويق	

عدد سنوات الخبرة العملية:

الوظيفة الحالية:

مستثمرون		محلل مالي		مدقق	
محاسب		دائنون		مدير مالي	
أخرى: يرجى ذكرها:				أكاديمي	

هل ترغب بالحصول على نتائج هذه الدراسة بعد انتهائها :

لا أرغب

أرغب

في حال الرغبة الرجاء كتابة البريد الإلكتروني Email:

القسم الثاني: بيانات متغيرات الدراسة:

H01: تقيس أهمية تطبيق المعيار المحاسبي رقم 36 التدني في قيمة الأصول						
الرقم	العبارة	موافق بشدة	موافق	غير متأكد	غير موافق	غير موافق بشدة
1	تطبيق المعيار المحاسبي "التدني في الأصول" يحسن العلاقة بين المعلومات المحاسبية واتخاذ القرارات					
2	مفهوم التدني في قيمة الأصول يوفر قيم عادلة للأصول					
3	التدني في الأصول يقدم قيم 36 تطبيق المعيار المحاسبي رقم محاسبية تشجع حاجات ورغبات المستخدمين					
4	تطبيق التدني في قيمة الأصول يعتبر مؤشر عن الإصلاحات و التحسينات المستقبلية					
5	التدني المستمر في قيمة الأصول هو بمثابة مؤشر للتراجع في الأداء المستقبلي لهذه الأصول					
6	التدني في الأصول يوفر معلومات عن احد عناصر حوكمة الشركات					
7	لتحسين محتوى 36 يهدف المعيار المحاسبي الدولي رقم المعلومات					
8	مهم للمستخدمين 36 المعيار المحاسبي الدولي رقم					
9	مفهوم التدني في قيمة الأصول يدعم الدائنون في قراراتهم، بينما المستثمرون يترددون في الاستثمار في الشركات التي فيها خسائر "التدني في الأصول"					
H02: تقيس اثر تطبيق المعيار المحاسبي رقم 36 على العرض الصادق الأمين للبيانات المحاسبية						
10	التقارير السنوية تشرح أسباب اختيار خسائر التدني بشكل واضح					

					الشركات تبني اختيارها للتدني في الأصول والمبادئ المحاسبية الأخرى وفقاً لحجج منطقية صالحة وقوية	11
					أفضل أسلوب لتقييم الأصول 36 يعتبر المعيار الدولي رقم	12
					في مناقشة وعرض النتائج السنوية يتم تسليط الضوء على الأحداث الإيجابية أو السلبية مثل خسارة التدني	13
					المعلومات المحاسبية التي تتضمن خسائر التدني في الأصول تعرض حقاً الحالة الاقتصادية الحقيقية للشركات	14
					يزيد من دقة المعلومات 36 تطبيق المعيار المحاسبي الدولي رقم المحاسبية المتعلقة بالموجودات	15
					خسائر التدني لا تعكس الانخفاض في فوائد الأصل لأنها تعتمد على اجتهادات شخصية	16
					التدني في الأصول ليس قادر على تلبية احتياجات المستخدمين لأنه لا تزال هناك فرص واسعة للمديرين للتلاعب، والتي سوف تقلل من أهمية وموثوقية المعلومات	17
					ليس هناك تصور واضح عن المعنى الدقيق لوحدات توليد النقد والأصول التي يمكن النظر فيها معاً في وحدة توليد النقد، وبالتالي لا يمكن حساب التدني في بعض الأصول بدقة ونزاهة	18
					هنالك حجج قوية مقدمة لصالح دعم قرار التدني في الأصول وبعض التقديرات الواردة في التقرير السنوي	19
					سوف يزيد من موثوقية 36 تطبيق المعيار المحاسبي رقم المعلومات المحاسبية	20
H03: تقيس اثر تطبيق المعيار المحاسبي رقم 36 على ملائمة المعلومات المحاسبية						
					القيمة العادلة للأصول والتدفقات النقدية المستقبلية تستخدم كأساس لقياس التدني في الأصول	21
					تطبيق التدني في الأصول يؤثر سلباً على القدرة التنافسية للشركات	22

					23	ان تطبيق مفهوم التدني يقدم معلومات أكثر قبولاً وملائمة للمجتمع المحيط في تخصيص الأصول
					24	خلق قدرة تنبؤية استناداً إلى 36 لا يمكن للمعيار المحاسبي رقم أن الانخفاض ليس ثابتاً ومستمراً
					25	معلومات التدني في الأصول هي مناسبة لعملائنا
					26	التدني في الأصول يوفر معلومات حول ردود فعل السوق المختلفة والأحداث الهامة التي أثرت على الشركة
					27	التدني في الأصول أكثر ملاءمة لتحديد قيمة الأصول والاستثمارات من أجل اتخاذ القرارات خاصة في حالة ارتفاع معدلات التضخم
					28	هناك صعوبة في توقع القيمة العادلة للأصول، فضلاً عن الاعتماد على تقديرات لتحديد القيم المقدرة التي تعتبر أساساً لصنع القرار
					29	القرارات التي اتخذت في البيانات المالية وتشمل موجودات مقيمة على أساس القيمة العادلة هي أكثر ملاءمة ونزاهة
H04 : 36 تقيس اثر تطبيق المعيار المحاسبي رقم 36 على المقارنة للمعلومات المحاسبية						
					30	تطبيق التدني في الأصول لا يساعد في المقارنة بين الشركات التي لا تستخدم نفس الأسلوب في تحديد مقدار الانخفاض
					31	الإيضاحات المطلوبة في هذا المعيار توفر المعلومات التي تساعد المستخدمين للبيانات المالية في تقييم المخاطر المرتبطة بتطبيق خسارة التدني
					32	توفر الشركة مقارنة بين خسائر "التدني في الأصول" في الفترة الحالية مع الفترة المحاسبية السابقة
					33	المعلومات الواردة في التقرير السنوي قابلة للمقارنة بالمعلومات التي قدمتها المنظمات الأخرى فيما يتعلق بالتدني في الأصول
					34	مفهوم تدني الأصول لا يوفر اي ميزة تنافسية في تقديم

					المعلومات المالية لزيادة فعاليتها في صنع القرار وأهميتها في المفاضلة بين الشركات	
					صعوبة تحديد القيم العادلة للموجودات نتيجة لعدم وجود سوق نشط لهذه الأصول	35
					لا يمكن فرض مجموعة محددة من الموجودات الخاضعة للتخفيض ضمن المجموعة الأصلية، مما يؤدي الى عدم القابلية للمقارنة بسبب عدم وجود اساس موحد لمجموعات الاصول	36
H05: اثر تطبيق التدني في الأصول على الاتساق في المعلومات المحاسبية						
					يتم عرض معلومات التدني في قيمة الأصول بشكل متنسق	37
					وحدات القياس للحصول على معلومات التدني في الأصول صعبة	38
					يجب فصل خسائر "التدني في الأصول" عن الاهلاك المتراكم لأنه لا يتم عكس الإهلاك، في حين يتم عكس خسائر التدني في الأصول اذا توفرت الظروف لذلك	39
					يجب الاعتراف بخسائر "التدني في الأصول" سواء كان الانخفاض مؤقتاً او دائماً	40
H06: اثر تطبيق التدني في الأصول في تحسين فهم القوائم المالية						
					خسائر "التدني في الأصول" تقدم بطريقة منظمة	41
					خسائر "التدني في الأصول" في قائمة الدخل واضحة بما فيه الكفاية حسب الافصاح ومن خلال ظهورها	42
					الطريقة المستخدمة في التدني في الأصول توضح المعلومات المقدمة للمستخدمين	43
					لا يمكن ان تعتمد البيانات المالية في ضوء عدم تطبيق المعيار من المستثمرين في بيئة مصممة لجذب 36الدولي رقم الاستثمارات	44

					لا يمكن الاستدلال على التدني في الأصول اعتماداً على أسعار السوق لأنه لا يتم شراء الأصول أساساً لإعادة بيعها ولكن لعملية الإنتاج	45
					هو واحد من أفضل التقنيات 36 المعيار المحاسبي الدولي رقم لزيادة فهم المعلومات المالية	46
					معلومات "التدني في الأصول" دائماً ترسل إشارات واضحة للمستخدمين عن الأوضاع الحالية والمستقبلية	47
H07: اثر تطبيق التدني في الأصول في زيادة المصدقية						
					خسائر "التدني في الأصول" التي يمكن احتسابها لا تكون دقيقة لأنها تعتمد على التقدير والتخمين وفقاً لرأي المقدر	48
					خسائر "التدني في الأصول" لا تعتبر معلومات موضوعية وموثوقة لزيادة التدخل الشخصي في تحديد الانخفاض	49
					مفهوم "التدني في الأصول" يستخدم من قبل الإدارة الجديدة	50
					الانخفاض في الأصول يعتمد على حقائق	51
					تطبيق "التدني في الأصول" يزيد من مصداقية المعلومات المحاسبية	52
					تبنى مفهوم "التدني في الأصول" يؤدي الى معلومات مناسبة ولكن ليست ذات مصداقية	53
					تعتبر خسائر "التدني في الأصول" أداة للتلاعب لتشبع رغبات الإدارة	54
					خسائر "التدني في الأصول" تعطي سمعة سيئة عن أداء الشركات	55

Appendix no (5.3.2) Questionnaire in English

Questionnaire

Thank you for taking the time to complete the important questionnaire.

I am a PhD student at the University of Durham. I am conducting a study to explore the effects of assets impairment on the accounting information (financial reports) in shareholding companies within Jordan. I would like to ask for a few minutes of your time to fill out this questionnaire.

This study aims to investigate the effect of applying the concept of assets impairment (IAS No. 36) on the accounting information for shareholding companies listed in Amman stock Exchange. Please fill out this questionnaire accurately and objectively. This study is designed for academic research purposes only. Your honest answers are greatly appreciated.

Thank you for your time and assistance

The researcher

Demographic Data

1. What is your sex?

Male

Female

2. What is your age.....

3. What is your highest level of education?

	Diploma		Bachelor degree
	Master degree		PhD

4. What is your specialization?

	Finance		Accounting
	management		Marketing
	Economic		Other – please specify

5. What is your current job title?

	Auditors		Financial analyst
	Financial manager		Academic
	Creditors		Institution investors/ investors
	Accountant		Others.....

6. Years of Experience.....

7. Do you want to obtain a copy of the result of the study?

Yes

No

8. If Yes, please write your email

.....

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 1 The Importance of Applying Asset Impairment						
1-	Impairment implementation improves the relation between accounting information and decision making					
2-	Impairment concept gives a fair value of assets					
3-	The application of IAS 36 presents accounting values which meet and satisfy customers needs					
4-	Impairment application is considered as an indicator for future improvements and reforms in performance					
5-	The continued decline in the assets value is an indicator of the decline in future performance of these assets					
6-	Impairment provides information as one element of corporate governance					
7-	IAS No.36 is intended to improve the information content					

8-	IAS No.36 is important for users					
9-	the Impairment concept does not provide benefits for all stakeholders while supporting creditors in their decisions, investors are reluctant to credit for investment in firms applying impairment					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 2 The Effect of Applying Asset Impairment on Faithful Representation						
10-	The annual reports explain the reasons for choice of impairment loss clearly					
11-	Companies build their choice for impairment and certain accounting principles on valid and strong arguments					
12-	IAS No.36 is a better technique for evaluating assets					
13-	In the discussion and presentation of the annual results, the positive events as well as the negative events are highlighted for example impairment loss					
14-	The accounting information which is processed by impairment truly presents a true economic situation for companies					
15-	application IAS No.36 increases the accuracy of accounting information related to assets					
16-	Impairment loss can not reflect the real decline in asset benefits because it relies on personal interpretations					

17-	Impairment is not able to satisfy the public user's needs because, there are still vast opportunities for managers to manipulate, which will decrease the relevance and reliability of information					
18-	There is no clear perception of the exact meaning of the cash-generating units, and assets that can be considered together as a unit to generate cash, and thus sometimes not possible to calculate the decline in assets accurately and impartially					
19-	There are strong and valid arguments provided to support the decision for impairment, and and some of the estimates contained in the annual report					
20-	The application of Accounting Standard No. 36 will increase the reliability of accounting information					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 3 The Effect of Applying Asset Impairment on Convenience (Relevance)						
21-	The fair value of assets and future cash flows used as a basis for measuring the decline in assets					
22-	Impairment implementation affects negatively the competitive ability of companies					
23-	The impairment application provide information leading to more acceptable					

	and appropriate to the surrounding society in the allocation of assets					
24-	IAS No.36 cannot lead to the creation of predictive ability, based on the decline is not constant					
25-	Impairment information is appropriate for users work, especially in decision process					
26-	Impairment implementation provides feedback information on how various market events and significant transactions affected the company					
27-	IAS No. 36 is more relevance to determined the asset value, for decision making especially in the case of high inflation rates					
28-	There is difficulty in predicting the fair value of assets, as well as the reliance on estimates to determine the estimated values which consider the basis for decision-making					
29-	The decisions taken depending on financial statements, which include asset evaluated on the basis of fair value is more convenient and honest					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 4 The Effect of Applying Asset Impairment on Comparability						

30-	Impairment application does not help in the comparison between companies that do not use the same method in determining the amount of decline					
31-	The required disclosures in this standard provide information that helps financial statement users in evaluating the risks associated with recognized and unrecognized financial information					
32-	The company provides a comparison between the impairment losses in the current period with the previous accounting period					
33-	Information in the annual report is comparable to information provided by other organizations regarding impairment					
34-	The concept of assets impairment does not provide any competitive advantage in presenting the financial information to increase their effectiveness in decision-making, and its importance in the differentiation between companies					
35-	It was not possible to determine the fair values of assets as a result of the absence of an active market for such assets					
36	Cannot impose a specified category of assets subject to reduction in the origin group between companies, which leads to lack of comparability due to lack of a uniform basis of comparison in all companies					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 5 The Effect of Applying Asset Impairment on Conformity						
37-	Impairment information is represented in consistent format					
38-	The measurement units for Impairment information are difficult					
39-	Impairment losses should be separated from accumulated depreciation because the depreciation is not reversed, while the decline are reversed if the conditions are appropriate for that					
40-	Recognize impairment loss , whether ongoing or temporary reduction					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 6 The Effect of Applying Asset Impairment on improving understandability of Financial Statements						
41-	Impairment loss in the financial report is presented in a well organized manner					
42-	Impairment loss in the income statement is sufficiently clear					
43-	Impairment method used clarifies the presented information					
44-	Cannot depend on the financial statements in the light of the non-application of IFRS No. 36 from investors in an environment designed to					

	attract investment					
45-	It cannot be inferred impairment depending at market prices, because mainly assets are not purchased for resale but for production process					
46-	IAS No.36 is one of the best techniques for increasing understandability					
47-	Impairment information sent always clear signals to users for current and future periods					

N	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Section # 7 The Effect of Applying Asset Impairment on Increasing Creditability						
48-	The method used in calculating Impairment loss , cannot be accurate, because it depends on estimate and guess, according to the opinion of the estimate					
49-	Impairment loss does not consider objective and reliable information to increase the personal interference of the rule on the identification decline					
50-	The concept of impairment used by the new administration					
51-	Impairment information is based on facts					
52-	Impairment implementation increases the credibility of accounting information					

53-	The adoption of the impairment concept leads to access to appropriate information but is not credible					
54-	Impairment loss considered a tool for manipulate to meet management needs					
55-	Impairment loss gives a bad reputation for corporate performance					

Appendix no (5.4) Comments on the questionnaire.

القسم الثاني: بيانات متغيرات الدراسة:

H01: تقيس أهمية تطبيق المعيار المحاسبي رقم 36 الانخفاض في قيمة الأصول						
الرقم	العبارة	موافق بشدة	موافق	غير متأكد	غير موافق بشدة	غير موافق بشدة
1	تطبيق هذا المعيار "الانخفاض في الأصول" يحسن العلاقة بين المعلومات المحاسبية واتخاذ القرارات					
2	مفهوم الانخفاض في قيمة الأصول يوفر قيمة عادلة للأصول					
3	الانخفاض في الأصول 36 <u>تطبيق</u> المعيار المحاسبي رقم <u>يقدم قيم محاسبية</u> يتشبع حاجات ورغبات المستخدمين					
4	الانخفاض في قيمة الأصول يعتبر مؤشر عن التحسينات المستقبلية والإصلاحات <u>(غير مفهوم)</u>					
5	<u>التدني المستمر في قيمة الأصول</u> <u>خسائر الانخفاض</u> هي بمثابة مؤشر للتراجع في الأداء المستقبلي <u>لهذه الأصول</u>					
6	الانخفاض في الأصول يوفر معلومات عن احد عناصر حوكمة الشركات <u>(غير مفهوم)</u>					
7	لتحسين محتوى 36 يهدف المعيار المحاسبي الدولي رقم المعلومات					
8	مهم للمستخدمين 36 المعيار المحاسبي الدولي رقم					
9	مفهوم الانخفاض في قيمة الأصول لا يوفر منافع لجميع أصحاب المصلحة فهو يدعم الدائنون في قراراتهم					

					والمستثمرون يترددون في الاستثمار في الشركات التي فيها خسائر الانخفاض في الأصول <u>(سؤال طويل ومشتت بين الدائنين والمستثمرين)</u>	
H02: تقيس اثر الانخفاض في قيمة الأصول في العرض الصادق الأمين للبيانات <u>(جمل غير متناسقة لغويا)</u>						
					التقارير السنوية تشرح أسباب تطبيق واختيار خسائر الانخفاض بشكل واضح <u>(غير مفهوم)</u>	10
					الشركات تبني اختيارهم للانخفاض في الأصول والمبادئ المحاسبية الأخرى على تطبيق حجج صالحة وقوية <u>(غير مفهوم)</u>	11
					يعتبر المعيار الدولي رقم 36 أفضل أسلوب لتقييم الأصول	12
	غير موافق بشدة	غير موافق	غير متأكد	موافق بشدة	العبارة	الرقم
					في مناقشة وعرض النتائج السنوية يتم تسليط الضوء على الأحداث الايجابية او السلبية مثل خسارة الانخفاض	13
					المعلومات المحاسبية التي يتم معالجتها من قبل الانخفاض في الأصول تعرض حقاً الحالة الاقتصادية الحقيقية للشركات <u>(غير مفهوم)</u>	14
					تطبيق المعيار المحاسبي الدولي رقم 36 يزيد من دقة المعلومات المحاسبية المتعلقة بالموجودات	15
					خسائر الانخفاض لا تعكس الانخفاض في فوائد الأصل لأنها تعتمد على اجتهادات شخصية	16
					الانخفاض في الأصول ليس قادر على تلبية احتياجات المستخدمين لأنه لا تزال هناك فرص واسعة للمديرين للتلاعب، والتي سوف تقلل من أهمية وموثوقية المعلومات	17

					18	ليس هناك تصور واضح عن المعنى الدقيق لوحدات توليد النقد والأصول التي يمكن النظر فيها معاً في وحدة لتوليد النقد، وبالتالي لا يمكن حساب الانخفاض في <u>بعض</u> الأصول بدقة ونزاهة
					19	إلى أي مدى هي الحجج المقدمة لصالح دعم قرار الانخفاض في الأصول وبعض التقديرات الواردة في التقرير السنوي <u>(غير مفهوم)</u>
					20	تطبيق المعيار المحاسبي رقم 36 سوف يزيد من موثوقية المعلومات المحاسبية
H03: تقيس اثر تطبيق المعيار المحاسبي رقم 36 على ملائمة المعلومات المحاسبية						
					21	القيمة العادلة تستخدم كأساس لقياس الانخفاض في الأصول <u>(كلام غير صحيح)</u>
					22	تطبيق الانخفاض في الأصول يؤثر سلباً على القدرة التنافسية للشركات
					23	ان تطبيق مفهوم الانخفاض يقدم معلومات أكثر قبولاً وملائمة للمجتمع في تخصيص الأصول <u>(أي مجتمع)</u>
	غير موافق بشدة	غير موافق	غير متأكد	موافق	موافق بشدة	الرقم العبارة
					24	لا يمكن للمعيار المحاسبي رقم 36 خلق قدرة تنبؤية استناداً إلى أن الانخفاض ليس ثابتاً <u>(غير مفهوم)</u>
					25	معلومات الانخفاض في الأصول هي مناسبة لعملائنا
					26	الانخفاض في الأصول يوفر معلومات حول ردود فعل السوق المختلفة والأحداث الهامة التي أثرت على الشركة
					27	الانخفاض في الأصول أكثر ملائمة <u>(ملائمة وليس ملائمة)</u> لتحديد قيمة الأصول والاستثمارات من أجل اتخاذ القرار

					خاصة في حالة ارتفاع معدلات التضخم	
					هناك صعوبة في توقع القيمة العادلة للأصول، فضلاً عن الاعتماد على تقديرات لتحديد القيم المقدرة التي تعتبر أساساً لصنع القرار	28
					القرارات التي اتخذت في البيانات المالية وتشمل موجودات مقيمة على أساس القيمة العادلة هي أكثر ملائمة <u>(ملاءمة)</u> وليس ملائمة) ونزاهة	29
H04: تقيس اثر تطبيق المعيار المحاسبي رقم 36 على المقارنة للمعلومات المحاسبية						
					تطبيق الانخفاض في الأصول لا يساعد في المقارنة بين الشركات التي لا تستخدم نفس الأسلوب في تحديد مقدار الانخفاض	30
					الإيضاحات المطلوبة في هذا المعيار توفر المعلومات التي تساعد المستخدمين على البيانات المالية في تقييم المخاطر المرتبطة بتطبيق خسارة الانخفاض	31
					الى أي مدى توفر الشركة مقارنة بين الانخفاض في الأصول في الفترة الحالية مع الفترة المحاسبية السابقة <u>(صيغة السؤال مربكة)</u>	32
					المعلومات الواردة في التقرير السنوي قابلة للمقارنة بالمعلومات التي قدمتها المنظمات الأخرى فيما يتعلق بالانخفاض في الأصول	33
					مفهوم انخفاض الأصول لا يوفر اي ميزة تنافسية في تقديم المعلومات المالية لزيادة فعاليتها في صنع القرار وأهميتها في المفاضلة بين الشركات	34
غير موافق بشدة	غير موافق	غير متأكد	موافق	موافق بشدة	العبارة	الرقم

					صعوبة تحديد القيم العادلة للموجودات نتيجة لعدم وجود سوق نشط لهذه الأصول (كلام غير صحيح)	35
					لا يمكن فرض مجموعة محددة من الموجودات الخاضعة للتخفيض ضمن المجموعة الأصلية، مما يؤدي الى عدم القابلية للمقارنة بسبب عدم وجود اساس موحد لمجموعات الأصول	36
H05: اثر تطبيق الانخفاض في الأصول على الاتساق في المعلومات المحاسبية						
					يتم عرض معلومات الانخفاض في قيمة الأصول بشكل متنسق	37
					وحدات القياس للحصول على معلومات الانخفاض في الأصول صعبة	38
					يجب فصل خسائر الانخفاض في الأصول عن الاستهلاك المتراكم لأنه لا يتم عكس الإهلاك، في حين يتم عكس الانخفاض في الأصول اذا توفرت الظروف لذلك	39
					الاعتراف بخسائر الانخفاض في الأصول سواء كان الانخفاض مؤقتاً او دائماً	40
H06: اثر تطبيق الانخفاض في الأصول في تحسين فهم القوائم المالية						
					خسائر الانخفاض في الأصول تقدم بطريقة منظمة	41
					خسائر الانخفاض في الأصول في قائمة الدخل واضحة بما فيه الكفاية	41
					الطريقة المستخدمة في الانخفاض في الأصول توضح المعلومات المقدمة	43
					لا يمكن ان تعتمد البيانات المالية في ضوء عدم تطبيق المعيار الدولي رقم 36 من المستثمرين في بيئة مصممة	44

					لجذب الاستثمارات	
					لا يمكن الاستدلال على الانخفاض في الأصول اعتماداً على أسعار السوق لانه لا يتم شراء الأصول أساساً لإعادة بيعها ولكن لعملية الإنتاج	45
					المعيار المحاسبي الدولي رقم 36 هو واحد من أفضل التقنيات لزيادة الفهم	46
غير موافق بشدة	غير موافق	غير متأكد	موافق	موافق بشدة	العبارة	الرقم
					معلومات الانخفاض في الأصول دائماً ترسل إشارات واضحة للمستخدمين عن الاوضاع الحالية والمستقبلية	47
H07: اثر تطبيق الانخفاض في الأصول في زيادة المصدقية						
					خسائر الانخفاض في الأصول التي يمكن احتسابها لا تكون دقيقة لأنها تعتمد على التقدير والتخمين وفقاً لرأي المقدر	48
					خسائر الانخفاض في الأصول لا تعتبر معلومات موضوعية وموثوقة لزيادة التدخل الشخصي في تحديد الانخفاض	49
					مفهوم الانخفاض في الأصول يستخدم من قبل الإدارة الضعيفة (كلام غير مناسب)	50
					الانخفاض في الأصول يعتمد على حقائق	51
					تطبيق الانخفاض في الأصول يزيد من مصداقية المعلومات المحاسبية	52
					تبني مفهوم الانخفاض في الأصول يؤدي الى معلومات مناسبة ولكن ليست ذات مصداقية	53
					تعتبر خسائر الانخفاض في الأصول أداة للتلاعب لتتبع	54

					رغبات الإدارة	
					خسائر التخفيض لديها سمعة سيئة بالنسبة لجودة الأداء (كلام غير مناسب)	55

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بشكل عام الجمل لغويا بحاجة الى تنقيح وكتابتها بطريقة افضل

Appendix no 6.1 Explain the Coding For Each Respondent in the Interviews]

[; Accountant (1)	R1
Financial manager (2)	R2
Accountant (3)	R3
Financial manager (4)	R4
Auditor (5)	R5
Auditor (6)	R6
Financial Analyst (7)	R7
Financial Analyst (8)	R8
Academic (9)	R9
Academic (10)	R10
Creditor/ Bank (11)	R11
Creditor/ Bank (12)	R12
Investor (13)	R13
Investor (14)	R14

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