العنوان:	جودة نظام الافصاح المحاسبي في الأردن: مقارنة مع نظم الافصاح المتطور
المصدر:	مؤتة للبحوث والدراسات - سلسلة العلوم الإنسانية والاجتماعية
الناشر:	جامعة مؤتة
المؤلف الرئيسي:	الطراونة، خالد إبراهيم
مؤلفين آخرين:	الديحات، محمد عبدالرحيم(م. مشارك)
المجلد/العدد:	مج 26, ع 4
محكمة:	نعم
التاريخ الميلادي:	2011
الصفحات:	49 - 86
رقم MD:	128075
نوع المحتوى:	بحوث ومقالات
قواعد المعلومات:	EduSearch, HumanIndex
مواضيع:	القوائم المالية، الأردن، الأسواق المالية، الشركات المساهمة، النظم المحاسبية، الافصاح المحاسبي، المركز المالي، الايرادات، الأرباح، الخسائر، الاستثمار، رأس المال، التقارير المالية، الرقابة المالية، المعايير الاقتصادية، القوانين والتشريعات، الولايات المتحدة الأمريكية، الدراسات المقارنة
رابط:	http://search.mandumah.com/Record/128075

.Mu'tah Lil-Buhuth wad-Dirasat, Humanities and Social Sciences Series, Vol. 26, No.4, 2011

The Quality of Accounting Disclosure System in Jordan: A Comparison with Advanced Disclosure Systems

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Abstract

This study examines the current disclosure system in Jordan in terms of its legality and practicality. Specifically, two disclosure dimensions are investigated within the context of more advanced jurisdictions. Legislated disclosure level has been examined against the required rules of the American Integrated Disclosure System. Then, using the annual reports of a sample of 34 corporations, practiced disclosure level in Jordan along with actual disclosure compliance have been investigated using the specifications of the International Accounting Standard (IAS) No. 1 on disclosure as a yardstick. Two main hypotheses have been tested to evaluate the above disclosure dimensions.

Comparative analysis and descriptive statistics are used to investigate the hypotheses utilizing data from legal jurisdictions and corporate annual reports. The results have shown that the level of legislated disclosure in Jordan is only 37% of the required disclosure by the American SEC. Practically, Jordan disclosure practiced level is 57% of the level anticipated by IAS No. 1 measures. These results imply that the quality of disclosure in Jordan is still not adequate and needs more ramifications.

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* تاريخ تقديم البحث : 2009/6/1 تاريخ قبول البحث :2010/4/19

The study recommends that the Jordanian Securities Exchange Commission (JSEC) to incorporate some missing disclosure issues in its Laws and Instructions. The study recommends Jordanian firms to disclose more viable information needed by the users and to cooperate with the JSEC and AFM in the proper application of international reporting standard. The study calls for further research studies on disclosure until a full comprehensive system is established in the country.

Keywords: financial reporting; disclosure quality; disclosure; transparency.

.Mu'tah Lil-Buhuth wad-Dirasat, Humanities and Social Sciences Series, Vol. 26, No.4, 2011

جودة نظام الإفصاح المحاسبي في الأردن :
مقارنة مع نظم الإفصاح المتطور

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ملخص

هدفت هذه الدراسة إلى تقييم نظام الإفصاح المحاسبي في الأردن من الناحيتين القانونية والتطبيقية . حيث تناولت تقييم بعدين للإفصاح ضمن أطر تشريعية متقدمة . البعد القانوني يتعلق بفحص مستوى الإفصاح القانوني المنصوص عليه بالتشريعات الأردنية مقارنة بمستوى الإفصاح المنصوص عليه بالتشريعات الأردنية مقارنة بمستوي الإفصاح المنصوص عليه بالتشريع الأمريكي الصادر عن هيئة الأوراق المالية الأمريكية . والبعد التطبيقي يتعلق بتقييم مستوى الإفصاح الفعلي في القوائم المالية لعينة الدراسة والبالغة 34 شركة مساهمة أردنية ، وبيان مدى الإلتزام بتعليمات المعيار المحاسبي الدولي رقم (1) . حيث تم إختبار فرضيتين لتقييم البعدين أعلاه.

تم إستخدام التحليل المقارن والإحصاء الوصفي ، لتحليل و إختبار فرضيات الدراسة إستنادا إلى بيانات أخذت من التشريعات القانونية والقوائم المالية للشركات المساهمة العامة في الأردن . وأظهرت نتائج الدراسة أن مستوى الإفصاح في التشريع الأردني يتطابق مع مستوى الإفصاح المنصوص عليه بالتشريع الأمريكي بنسبة 37 % ، وأن مستوى الإفصاح المنصوص عليه وفقا لمعيار العرض والإفصاح الدولي رقم (1) بنسبة 57 % وبالتالي فإن النتائج تشير إلى أن جودة الإفصاح المحاسبي في الأردن غير كافية وتحتاج إلى تعديلات جوهرية.

توصي الدراسة هيئة الأوراق المالية الأردنية بإضافة ببعض بنود الإفصاح المنصوص عليها في التشريعات المتقدمة وغير مدرجة ضمن تشريعات الإفصاح المحاسبي الأردني . كما توصي الدراسة بضرورة رفع مستوى الإفصاح للبيانات التي تنشرها الشركات المساهمة الأردنية من خلال تطبيق معايير العرض والإفصاح الدولية . وأخيرا ، توصي الدراسة بإجراء المزيد من الدراسات في مجال الإفصاح المحاسبي من أجل الوصول لنظام شامل ومتكامل في الأردن.

الكلمات الدالة: الإبلاغ المالي ، الإفصاح ، جودة الإفصاح ، الشفافية.

Introduction:

Recently, Jordan has moved forward into the process of developing a reliable information market by establishing a Securities Exchange Commission (SEC) in 1997 to regulate and control corporate affairs in the country. The Jordanian legislators have given a significant importance to corporate disclosure when issuing the Financial Securities Law No. (23) for 1997 and its related Instructions No. (1) for 1998. The Jordanian legislators have devoted section seven of the securities law mainly for corporate disclosure. The Board of the SEC is given the authority to set the rules and standards for corporate disclosure. The Board encouraged the use of International Accounting Standards (IAS) regarding financial information disclosure by all Jordanian firms registered in the Amman Financial Market (AFM) starting on 1/1/1998.

However, the introduction of this new SEC in Jordan has made the country a lurking marketplace for foreign and domestic investments due to the anticipated development of the information market. In order to maintain the flow of investment ventures into the country, a congruent enhancement to the corporate disclosure system must be done. The reporting of accurate and timely financial information about business activities is a paramount function of an efficient disclosure system. Although the Jordanian legislators have focused on the rules and regulations of corporate disclosure in their SEC law of 1997, corporate compliance to apply those rules and regulations has not been empirically examined. One obvious research area in accounting in this regard is to test the validity of the current disclosure system in the country, and its ability to provide accurate corporate financial information. However, due to the lack of research on disclosure issues in Jordan, this study will be one of a mainstream of research needed in this respect.

Objectives of the Study:

The main objective of this study is to help legislators in Jordan in the process of developing an information market which fits with the current economic development in the country. This goal can be achieved by identifying any inherent problems or weaknesses associated with the mandating power of the disclosure system in the country and by solving any related problems associated with its application. One approach to pinpoint the problems of the mandated disclosure system in Jordan is to compare its rules and regulations with those enforced by other developed nations such as the United States of America.

In order to improve the current disclosure practice in Jordan, a thorough and critical investigation must be done on the dimensions of the current disclosure system. Therefore; this study will examine two dimensions of the Jordanian disclosure system: the legal side (mandated disclosure) and the practical side (corporate disclosure compliance). More explicitly, the current study aims to achieve the following objectives:

1. To investigate whether Jordanian companies are legally required to disclose their information based on official rules and regulations, as the case with more advanced disclosure systems such as that of the USA.
2. To investigate the quality of accounting disclosure practiced in Jordan in terms of its level and compliance as compared to international disclosure standards for these qualities.
3. To advance the understanding of the international accounting community of how accounting is institutionalized and practiced in underdeveloped nations in which accounting is newly regulated

Methodology:

To achieve the objectives of this study, a comparative and descriptive statistical analyses are used to investigate the two dimensions of the current accounting disclosure system in Jordan. The measurements of the dimensions are based on items derived from previous studies. That is, official disclosure regulations, the requirements of the International Accounting Standard (IAS) No. 1, and the annual reports of firms are all acceptable sources to generate data for measuring disclosure dimensions in Jordan. Comparing the legal requirements of the Jordanian disclosure to those of the United States would rely on information items derived from the two jurisdictions. This is a methodology that has been followed by previous researchers such as Frost and Pownall (1994) who compared the legal disclosure requirements in the USA with those of the UK.

The annual reports of a sample of firms are used to generate information items to examine the practiced level of disclosure and to measure the compliance rate with respect to some specified disclosure rules (IAS No.1). This is a methodology that has commonly been used by a vast number of researchers including (Kent and Stewart, 2008; Alexander, 1999; Mutar, 1993; Day, 1986; Anderson, 1981; etc).

Research variables and measures:

The main variable in this study is the quality of accounting disclosure system in Jordan. This variable is measured by two dimensions: its legal power, or the level of mandated disclosure in Jordan; and its practical power, which is measured by the level of practiced disclosure and the level of corporate compliance. For each quality dimension, there will be certain characteristics to be investigated using comparative and descriptive analysis. The results of the measured dimensions will be compared to international disclosure practices set by official accounting legislative bodies such as Securities Exchange Commission (SEC) of the United States and the International Accounting Standard Committee (IASC).

Specifically, These two dimensions will comprise the construct measures of the disclosure quality. A brief description to these measures is provided as follows:

- **Level of Mandated Disclosure:**

Disclosure level can be indicated by the required elements of financial and non- financial information that must be contained in the releases or disclosures by companies as legal requirements. In Jordan, for example, the JSEC requires firms to submit preliminary information when registering their securities for the first time in the exchange market. Then, all registered firms must submit annual reports to the Commission and to their shareholders. In addition, all registered firms must submit quarterly reports and must disclose any significant events, if any, during the year. Ultimately, these required information releases would build up sub levels of a mandated disclosure.

- **Level of Practiced Disclosure:**

The quantity of information (elements) released in response to the legal requirements is subject to management discretion or to some corporate attributes (Iatridis, 2008). That is, management could provide the minimum required elements, or could voluntarily release additional information that is not legally required. The level of practiced disclosure in Jordan can simply be measured by comparing management information releases in the annual reports by those releases required by IAS No. 1.

- **Disclosure Compliance:**

This dimension refers to the degree of corporate compliance to the reporting rules and regulations set forth by IAS No.1. Frost and Pownall (1994) contend that firms' disclosure behavior depends on monitoring and enforcement policies and rules (p.79). Firms with violations of these policies and rules are those who do not comply with disclosure rules. A strong degree of corporate compliance means a strong disclosure regulations and better reported information to users.

Hypotheses:

There will be two main hypotheses to be investigated to achieve the objectives of this study. The first hypothesis deals with disclosure legal side in Jordan. The testing of this hypothesis should focus on investigating whether Jordanian companies are legally required to disclose their information based on official rules and regulations, as the case with more advanced disclosure systems such as that of the USA. The results of such investigation may reveal some intuitive judgment about the legal power of accounting regulations in Jordan compared to those of the USA. That is, testing this hypothesis would show the extent of mandatory disclosure legislated in Jordan. The hypothesis will be tested by comparing the disclosure legal requirements in Jordan with the disclosure rules legislated in the United States. The comparison to test this hypothesis will focus on the level of disclosure as set by the two jurisdictions. The null form of this hypothesis is:

HO1: **There are no significant differences between Jordanian legal requirements of disclosure and those requirements set by the Securities Exchange Commission (SEC) in the United States.**

The second hypothesis addresses the practicality of accounting disclosure in Jordan. Mainly, this hypothesis will investigate the quality level of accounting disclosure practiced in Jordan in terms of its level and compliance as compared to international disclosure standards for these qualities. The results of such investigation may provide vital information to Jordanian accounting legislators by showing the practical weaknesses of the current disclosure system. This will also help in setting new disclosure standards to cover the weaknesses. The results will also advance the understanding of the international accounting community of how accounting is institutionalized and practiced in underdeveloped nations in which accounting is newly regulated.

To investigate this hypothesis, the practiced disclosure by Jordanian firms will be compared to disclosure regulations set by international standards. The null form of this hypothesis is:

HO2: The quality of practiced disclosure in Jordan is not significantly different from the quality level anticipated by following international accounting standards.

Testing this hypothesis will focus on the dimensions or qualities that should be considered in a fair disclosure system. Two dimensions of an acceptable disclosure practice were identified in the variables section. For each dimension, there will be sub hypotheses to be tested. The null forms of these sub hypotheses would state:

HO2a: There are no significant differences between the level of disclosure in the financial statements issued by Jordanian firms and the level of disclosure required by international accounting standards.

HO2b: There are no significant differences between the corporate disclosure compliance practiced by Jordanian

firms and disclosure compliance expected by international accounting standards.

Further discussion and the procedures followed to test the second hypothesis and its two sub-hypotheses are given in the proceeding sections of this study particularly in the 'Analysis and discussion of the practical side of disclosure Section'.

The Sample:

All foreign and domestic firms listed in the Amman Financial Market (AFM) were considered using the Jordanian Corporate Guide for 2004. Confining the sample into those firms listed in the AFM will guarantee a minimal disclosure practice, as such market requires. Banks and other financial institutions are excluded from the initial list since they are subject to different disclosure standards. In addition, only firms with securities trading activities during the year 2006 which had submitted annual reports for 2005 by June 30th of 2006 were considered in the sample. For uniformity purposes, firms with fiscal years end different from December 31 were also excluded from the sample. This screening process ended up with 34 firms in the sample [(1)] . Data on these firms were collected from the released annual reports for the year 2005.

Previous Studies:

Zeff (1993) comments on different views to the adequacy of financial reporting by different standard setters. According to U.S standards, the adequacy of reporting is viewed as to “present fairly” the financial performance and position of an enterprise. This view was emphasized by the AICPA “True Blood Report committee” when it was setting the objectives of financial reporting, and by the FASB when it was building its conceptual framework of reporting. However, Zeff contends that it must be noted that the US requirement for reporting is to present fairly in accordance to generally accepted accounting principles (GAAP). In European standards, the criterion to judge the adequacy of financial reporting is the “true and fair view” (TFV) which is emphasized by the British Accounting Standard Board (ASB) (1995) when it was building its conceptual framework of reporting. The concept of (TFV) means: “to properly represent the economic substance of transactions and situations occurring in a firm”, or as the ASB stated in its first conceptual statement “substance over form”. Finally, by international standards: the adequacy of financial reporting is measured by the extent of “fair presentation” which can be achieved

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([1])List of firms included in the sample may be requested directly from the first researcher (e-mail: k.tarawneh@yahoo.com).

by selecting the accounting policies that provide relevant, reliable, comparable, and understandable information. These four information qualities are mentioned in the International Accounting Concept Statement (IACS) no. 2, which deals with the characteristics of information.

Frost and Pownall (1994) is a seminal research paper on disclosure that considered many dimensions of accounting disclosure. The study examines disclosure rules in the U.S and the U.K regarding the timing and frequency of accounting disclosures made by domestic and foreign firms listing securities in either country or in both. The study has employed a sample of 107 firms from 13 domiciles traded securities on U.S and/or U.K exchanges. Firm compliance in either jurisdiction, considering five factors, was examined to find the differences between the two jurisdictions disclosure rules. The results showed substantial noncompliance in both countries with disclosure rules, but less in the U.S. The results also revealed that mandatory and voluntary disclosures are more frequent in the United States than in the United Kingdom. This variation is due to differences in disclosure rules in general and to the significant differences in the frequency and timing of voluntary disclosures between the two jurisdictions. The results also showed that domestic firms comply more closely with the rules than foreign firms in both jurisdictions. The authors explained the greater compliance with U.S disclosure rules due to the strict SEC enforcement rules and to the greater investor demand for information in the U.S. Frost and Pownall (1994) study is considered a significant theoretical background for this research for a number of reasons. First, it provides evidence on the factors behind firm disclosure choices that legislators consider when they make rules or policy decisions. This is, of course, related to one of the major objectives of this research, or what factors must be considered when legislators in Jordan are trying to mandate disclosure practices. Second, the study provides an excellent description to the features of highly advanced disclosure regimes such as that of the U.S and that of the U.K and, thus, an easy comparison can be used to help in building an advanced disclosure system in Jordan. Third, the study has covered many important disclosure issues that are important variables in this research, such as timing, frequency, content, compliance, and level of disclosure. Finally, the study provides evidence on the importance of accounting information to users across jurisdictions of different countries using mandatory and voluntary disclosures. Such evidence can be emphasized within the suggested disclosure system in Jordan.

Alexander (1999) considers reporting adequacy by providing a measure for adequacy. The focus of this study is on what would make adequate reporting by measuring the content of the reports. Alexander identifies three types of criteria to judge the adequacy of reporting:

Type A: a general over-riding requirement. This type describes the 'true and fair view' legislated by the British disclosure rules.

Type B: a set of rules, requirements or conventions to be consistently applied to familiar or unfamiliar situations. This type describes the preparation and presentation of financial statements illustrated in the framework of the International Accounting Standards Committee (IASC) or in the framework of the ASB or the FASB.

Type C: detailed provisions of specific methods for the treatment of all expected problems and situations. This type provides a convenient day to day checklists for defining the adequacy of financial statements.

Alexander argues that type B is inadequate as a benchmark for adequacy since it relies on a coherent framework that is internally inconsistent as the case with all frameworks. However, type A and type C are both theoretically possible, but Alexander argues that only type A is the best benchmark of adequacy in a dynamic world (p.239).

Richardson (2001) provides evidence that precise information of proprietary nature might be withheld from the market even if the company reports with all means of disclosures. In other words, increasing the levels of disclosure through all available means does not necessarily leads to reveal hidden inside information. Only with the discretion of management, for some reasons, such information can be voluntarily released to outsiders. Richardson argues that the level of disclosure will be affected by the cost of such disclosure that in turn is a function of information quality.

Jaggi and Baydoun (2001) evaluate the disclosure of extraordinary and exceptional items in the financial reports of Hong Kong companies, over the period 1989- 1993. The findings suggest that managers engage in earnings management through disclosure of extraordinary items when they have the flexibility to do so. This paper focuses on the disclosure of accounting information in the financial statements of UK firms.

Iatridis (2008) analyzes the financial characteristics of firms that provide extensive disclosures, and assess the financial impact of their motives, such as the need to raise equity finance. The study examines the financial attributes of firms that disclose information about key accounting issues including risk exposure, changes in accounting policies, use of international financial reporting standards and hedging practices. 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. The study shows that in order to raise finance in the capital and debt markets, firms tend to provide extensive accounting disclosures. Firms that provide informative accounting disclosures appear to display higher size, growth and leverage measures. The findings also show 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.

Weil and Fung (2009) examine whether the prohibition of selective disclosures to equity research analysts mandated by regulation alters the amount of information and the manner in which it is revealed to the market. They demonstrate that equity research analysts are more responsive to information contained in company-initiated disclosures after the regulation suggesting that it has affected the importance of various channels of communication. They also present evidence consistent with the notion that managers use earnings guidance as a substitute for selective disclosure following the passage of a regulation.

On the regional side, there have been quite few studies related to accounting disclosure. For instance, Mutar (1993) evaluates the level of disclosure practiced by a sample of Jordanian companies after the adoption of International Accounting Standards (IAS) as suggested by the Jordanian Auditors Association in 1989. The author has conducted an empirical investigation on the 1990 annual reports of a sample of firms listed in the Amman Financial Market. The aim of this investigation is to evaluate the actual disclosure level practiced by these firms after using the IAS. The major findings of this study were: i) In general, Jordanian companies satisfy the minimum disclosure requirements based on IAS. The practiced disclosure level reaches 80% of the level required by IAS. However, the author contends that the attained level of disclosure is not enough for users need. ii) The level and extent of disclosure vary from one financial statement to another. The statement of change in financial position is ranked first in terms of disclosure level, next comes the balance sheet, and then the income statements.

Al-Fathel (2001) examines the effect of firm size, share price, and the kind of business on the accounting disclosure practiced by a sample of Iraqi companies. Using Mutar (1987)'s methodology to measure the relative importance of disclosed items, the author distributed a questionnaire containing 50 items that must be disclosed according to the Iraqi disclosure rules on two classes of users: investors who deal with Baghdad's Financial Market were the first class and creditors represented by bank managers were the second class. The two classes of users were asked to weigh the importance of items in the questionnaire. Based on their responses, the author was able to measure the relative importance of each item. Then, the author chose a sample of 23 industrial companies that had disclosed information for the year ending 12/31/1997.

Abu-Nassar and Donibat (2005) examine the importance of disclosure regulations issued by the Jordanian Exchange Commission to users of financial information. The results showed a significant importance to most of the items required by the regulations. The study also showed that such regulations help in enhancing the quality of disclosed information.

Significance of the current study compared to previous studies:

The above literature review has an excellent participation to understand accounting disclosure in general. However, it may serve limited support for the purpose of developing the accounting disclosure in Jordan. Most of the foreign studies mentioned above have discussed disclosure issues within the context of highly advanced disclosure systems. However, this study, attempts to investigate the disclosure system of an under developed country in which accounting disclosure is still a relatively new issue.

Analysis and Discussion of the Legal side of Disclosure:

The first hypothesis in this study examines the legality of disclosure in Jordan. The testing of this hypothesis relies on comparing the mandated corporate disclosure in Jordan with the mandated rules and regulations legislated in the United States of America. The tables provided in this section are intended to show most of the legal aspects of the American disclosure system that can be used as a yardstick to measure the validity of the disclosure requirements in Jordan. Each table is designed to illustrate a certain disclosure dimension. The comparison between the required information items in the two disclosure systems would provide a basis to test the first hypothesis.

The American SEC along with the FASB of the AICPA has ruled out certain regulations regarding the methods of disclosure that would ensure full and fair corporate disclosure. Each firm is required to disclose financial and non financial information since the moment of registering its issued securities for public sale (1933 Act Rules). Then, it must comply with the 1934 Act rules in terms of providing periodic reporting to the SEC and to its shareholders. The FASB disclosure standards work as controllers on corporate reporting practice to maintain an acceptable level to the quality of fair disclosure. The analysis in these tables is confined to the American disclosure rules and regulations concerning the common public companies that are covered by the primary Acts described in the appendix.

Table 1 shows broadly six sub levels of anticipated disclosure by the American firm. These levels reflect the amount of information provided to the public through different requirements at different stages. Column 1 of table 1 shows these six disclosure levels as required by the American disclosure system.

As column 1 indicates, the American SEC requires firms to pre disclose information at the registration stage by filing the S-1 Form discussed earlier. Then, firms are required to provide periodic reporting in 10-K Forms to the SEC itself, and in the form of annual reports to the shareholders. The requirements of reporting to the SEC are quietly different from the requirements of reporting to shareholders. Therefore, each of these reporting requirements is considered to be a separate sub level of disclosure. The SEC also requires firms to submit quarterly reports in 10-Q Forms for the first three quarters of the year. This interim reporting is of great importance to the American legislators as much as the annual reporting is. The SEC also requires firms to report in 8-k Forms any significant events that may have impact on the financial position or financial results of a firm as a separate sub level of disclosure. Finally, firms must provide schedules and footnotes along with the annual reports. With the guidelines of the FASB standards on disclosure, these six sub levels, ruled and administered by the SEC, are assumed to generate full and fair disclosure to the public.

The second column of table 1 shows the mandated rules by the SEC for each disclosure level described in column 1. The third column presents the required form for each of the six sub levels of disclosure mentioned above. Finally, the forth column indicates the content of each required form which reflects the amount of information provided publicly by the sub level. The number of items contained in each sub level is used to measure the extent of disclosure in that level and, thus, is considered as a basis for comparison to test the hypothesis.

Table (1): The American SEC Disclosure

Disclosure level	Mandated Rules	Format	Content
1-Pre Disclosures	SEC 1933 Act		
	Company prospectus	Part I of S-1 Form (20 issues)	41 items (table 1.1)
	Additional information	Part II of S-1 Form (10 issues)	17 items (table 1.1)
Periodic Reporting	SEC 1934 Act		
2-Annual Reports submitted to SEC	S-X and S-K regulations	10-K (4 Parts) (13 issues)	72 items (table 1.2) , audited statements
3-Annual Reports to shareholders	S-X and S-K regulations	Reports to shareholders (8 issues)	56 items (table 1.3), audited statements
4-Quarterly Reports	Section 13 of 1934 Act	10-Q (2 parts) (3 issues)	14 items (table 1.4), un audited statements
5- Event disclosure	1934 SEC Act	8-K (7 issues)	7 items (table 1.5)
6- Schedules:	1934 SEC Act	No Form	10 schedules

Source: Research based on The American Integrated Disclosure System.

Tables (1.1 through 1.6), shown in the appendix, are designed to analyze the differences between the American and Jordanian disclosure systems on these six disclosure levels. The first two column of each table show the content items of the required form for each of the six sub levels legislated in the American disclosure system. The third column of each table shows the matched items legislated by the Jordanian system. The following discussion is devoted to illustrate the analysis for these tables:

Pre disclosures (table 1.1): In the first sub level, pre disclosed information is required in two parts of the S-1 Form; the first part contains 20 disclosure issues containing 41 items of primary information, and the second part contains 10 issues containing 17 items of additional information. Column 1 of table (1.1) in the appendix presents these 30 issues of the S-1 Form as mandated by the rules of the SEC 1933 Act. Column 2 of table (1.1) shows the number of information items required in the American disclosure system for each issue. Column 3 shows whether each of these 30 issues is ruled out by Jordan Securities Exchange Commission (JSEC), and shows the number of required items if such issue is mandated. Column 4 presents the legal reference in the JSEC Instructions for 1998 for mandated issues. As this column indicates, only 18 items out of the 58 American items are ruled by the JSEC. This result implies that only 31% of the American first sub level is mandated by the Jordanian disclosure rules.

Annual Reports to the SEC (table 1.2): In the second sub level shown in table(1), the SEC requires firms to provide periodic reporting in the form of annual reports submitted to the SEC using 10-K Forms. Table (1.2) in the appendix presents the required 72 items that were mandated by Regulation S-X and regulation S-K of the SEC 1934 Act. Column 1 of table 1.2 shows the design of the required 10-k Form which all American registering firms must submit annually to the SEC. The Form has four major parts containing 30 disclosure issues. Column 2 explains the text of each issue and column 3 indicates the number of informational items for the issues. Column 4 shows whether or not these issues are required by the Jordanian disclosure system. Column 5 indicates the number of required items according to the JSEC rules mentioned in column 4. According to table 1.2, the JSEC requires companies to file annually only 36 items as compared to 72 items that are required by the American SEC. This means that only 50% of the American second sub level is mandated by the Jordanian disclosure system.

Annual Reports to Shareholders (table 1.3): The third sub level refers to the required periodic reporting to shareholders. The SEC regulations stipulate 56 informational items to be disclosed in the annual reports to shareholders (see column 1 and 2 of table 1.3 in the appendix). Reporting to shareholders does not seem to be of a major concern to the JSC. As column 3 indicates, Only 16 items are found to be worth reporting to shareholders according to the JSEC requirements. Any other reported items by Jordanian firms would be either voluntary or for management convenience. Thus, the JSEC mandates around 29% of the SEC regulations regarding this sub level.

Quarterly Reports to the SEC (table 1.4): The forth sub level deals with the quarterly reports required by the SEC through the 10-Q Form mandated by the 1934 SEC Act. Table (1.4) in the appendix shows the two parts of the mandated 10-Q Form that contains14 informational items (see column 1 and 2). On the Jordanian side, only 3 items of part I are found to be required by the JSEC rules. The items in part II of the American 10-Q form are not of any importance to the Jordanian legislators. As a result, the JSEC has required only 21% of what the SEC requires on this sub level.

Event Disclosure (table 1.5): The fifth sub level shown in table (1) summarizes the SEC requirements on corporate event disclosure. Column 1 of table (1.5) in the appendix provides narrative description to seven major events that may affect the firm's financial performance or position. According to the American disclosure system, any of these seven events requires the filing of 8-K Form which must be submitted to the SEC within fifteen days after the occurrence of such event. Reviewing the Jordanian disclosure rules, reveals that only five major evens require immediate reporting to the JSEC as indicated in column 2 of table (1.5). This result implies that 71% of the American fifth sub level is mandated by the Jordanian disclosure rules.

Supplemental Information (table 1.6): The last disclosure sub level in table (1) is related to the schedules and other supplemental information required by regulation S-X and S-K in the American disclosure system. Table (1.6) in the appendix presents 12 of these schedules and supplements according to the American rules. On the Jordanian side, the requirement for schedules and supplemental information is not clearly stated in the Instructions of the JSEC for 1998. As indicated in column 3 of the table, only the requirement for the auditor report mentioned in Article 6, Par. C of the JSEC Instructions for 1998 is listed among the requirements of the paragraph. However, most of the requirements on this sub level are provided on an optional basis, either voluntarily or by management convenience. Most firms in Jordan provide schedules, footnotes, and supplemental information along with their annual reports to shareholders. Given that only the auditor's report is a legal requirement, this implies that only 10 % of the required items by the American disclosure system is legally required by the JSEC disclosure rules.

Table (2) presents summarized results of the analysis of these six sub levels of disclosure. As column 3 of the table indicates, the American disclosure system requires 217 information items distributed over the six disclosure levels in column 1. The second column of the table indicates the referenced table in the appendix as the source of data. Due to differences among the sub levels in terms of the number of the contained items, each sub level is weighted by dividing the number of its items by the total number in all sub levels. The resulted U.S level weights are presented in column 4. Each percentage number in column 4 represents the contribution of its sub level of the overall disclosure system provided by all sub levels.

Table (2): Disclosure Level Analysis

Disclosure levels	Source	U.S Items	Level weight	Jordan items	Percentage of U.S	weighted Average
1- Pre disclosure	Table (1.1)	58	0.267	18	0.31	0.082
2-Periodic 10-K Report to SEC	Table (1.2)	72	0.332	36	0.50	0.166
3-Periodic Reports to Sharehol der	Table (1.3)	56	0.258	16	0.29	0.075
4- Periodic 10-Q Report to SEC	Table (1.4)	14	0.065	3	0.21	0.016
5- Periodic 8-K Report to SEC	Table (1.5)	7	0.032	5	0.71	0.023
6- Supplements	Table (1.6)	10	0.046	1	0.10	0.004
Total		217	100%	61	28%	0.3665
Standard Deviation						0.1335

The number of matched information items found in the Jordanian disclosure system is presented in column 5 for each level. Column 6 of the table shows the required disclosure items by Jordanian rules, for each level, as a percentage of the required items by the American disclosure system. The resulted percentages are weighted according to the level weight in the American disclosure system. Column 7 shows these weighted percentages the sum of which provides the relative weighted average for the Jordanian disclosure level as compared to the standardized American disclosure level in column 4. As indicated in column 7, the relative weighted average for the Jordanian disclosure system is 36.65% with a standard deviation of 13.35%.

Testing the first hypothesis at 95% confidence level reveals a calculated t- value of 11.66 while the critical value at α = 5% and 5 degrees of freedom is 2.05. Therefore, the null hypothesis, which states that there are no significant differences between Jordanian legal requirements of disclosure and those requirements set by the Securities Exchange Commission (SEC) in the United States, is rejected. This means that there is a significant difference in the level of disclosure between the Jordanian disclosure system and the U.S disclosure system. This result leads the analysis to investigate the weaknesses of the level of disclosure in Jordan.

Analysis and Discussion of the Practical side of Disclosure:

The analysis in this section is intended to test the second hypothesis of this study that examines the quality of practiced disclosure in Jordan based on international disclosure standards. The hypothesis is split into two sub hypotheses; the first deals with the level of practiced disclosure and the second deals with its compliance. The first sub hypothesis investigates the level of reported information in the Jordanian annual reports measured against the required reporting level suggested by the International Accounting Standards Committee (IASC) in its IAS No.1. To investigate this sub hypothesis, the content of the annual reports of the sample firms are thoroughly examined to measure how much information is disclosed by these reports using the rules of the IAS No.1 as a yardstick. The second sub hypothesis examines the actual compliance practiced by Jordanian companies with respect to compliance expected by international standards.

The level of disclosure in the first sub hypothesis is a constructed ratio represents the level of disclosure provided by the annual reports of a sample of 34 firms. This ratio is constructed relative to the level of disclosure anticipated by following the requirements of the International Accounting Standard (IAS) No. 1 on corporate reporting.

A checklist of international disclosure requirements derived from 74 paragraphs of the IAS No.1 is designed to provide a yardstick for measuring the rules in the standard. As indicated in the appendix, the checklist is designed by dividing the standard requirements into six disclosure areas:

1. General disclosures: This area contains 10 paragraphs related to general formal requirements.
2. Balance Sheet disclosures: this area contains 24 important information items required in 24 paragraphs in the standard concerning the assets and liabilities of the firm.
3. Income Statement disclosures: This area contains 12 important information items required in 13 paragraphs concerning the measurement of performance of the firm.
4. Share Information disclosures: This area contains 14 disclosure requirements in 12 paragraphs concerning capital structure and other share information.
5. Footnotes disclosures: This area includes 8 information items required in 9 paragraphs concerning notes, number illustrations,

and interpretations of information items in the financial statements.

6. Non Financial disclosures: This area contains 6 information items derived from 8 paragraphs related to important non financial disclosures that affect the position and the performance of the firm.

Measuring the Jordanian disclosure level relative to the six areas in the checklist requires a two-step procedure:

1. The checklist is applied against the content of the sample reports to find the number of firms in the sample that must comply with each paragraph. The second column of the checklist indicates the number of items required in the paragraphs of the standard. The third column of the checklist in the appendix shows the number of firms in the sample that must comply with the items required in the area. The reports are examined again to check if firms who must comply are actually complying with the requirements of each area. The forth column shows the number of firms actually disclosed the required items.
2. The average number of firms that must comply is calculated for each area. As shown in column 3 of table (3) below, these averages for all six areas, indicated as "**Avg. Must**" in the table. Likewise, the average number of firms who actually complied is calculated for each area. The resulting averages for all six areas are shown in column 4 of table (3), indicated as "**Avg. Actual**" in the table. The average number of firms who must comply with each area is multiplied by the number of items in the area to find the area total points (**N1** in table 3). Likewise, the average number of firms who actually complied with each area is multiplied by the number of items in the area to find the area total points **(N2** in table 3).

Table (3): Analysis of the level of disclosure

Disclosure area	No. of Items	Avg. Must	Avg. Actual	N1	N2	Disclosure Ratio (R)
1- General Disclosure	10	34.00	25.30	340	253	0.744⋆
2- Balance Sheet	24	25.29	14.79	607	355	0.585⋆
3- Income Statement.	12	23.42	17.33	281	208	0.740⋆
4- Share Information	14	23.64	10.00	331	140	0.423⋆
5- Footnotes	8	19.87	7.12	159	57	0.358⋆
6- Non- Financial	6	25.50	7.83	153	47	0.307⋆
Total	74	25.26	13.71	1871	1060	0.566⋆

⋆ Indicates that the ratio is significant at 0.05.

Column 7 of table (3) shows the ratios for all areas. As indicated in table (3), the ratios are ranging from 30% to 74%. The ratio for all disclosure areas is calculated by dividing the sum of N2 by the sum of N1. That is; R
$= \Sigma N2 \div \Sigma N1$

Applying the procedure on the numbers of table (3) will result in a ratio of 57% as a measure of overall disclosure level in Jordan based on the data generated from the annual reports of the sample firms. This ratio means that Jordanian firms disclose in their annual reports 57% of the information required by the IAS No.1.

Testing the null hypothesis which states that there is no significant difference between the practiced disclosure in Jordan and the level of disclosure anticipated by international accounting standards involves investigating the significance of individual ratios for the six areas and the significance of the overall disclosure ratio.

As shown in table (3), all of the areas have a significant ratio since the calculated Zs are higher than the critical Z value of 1.96 at the 95% level of confidence ($\alpha = 5\%$). The procedure for calculating the Z values is illustrated in the appendices of the study. Thus, the null hypothesis is rejected. This result means that the Jordanian practiced level of disclosure provided in firms' annual reports is significantly less than the level required by international standards. This conclusion is also valid for each area in the standard checklist and for the overall compliance level of disclosure.

Conclusion of the Results:

The current study has examined the current accounting disclosure system in Jordan based on highly advanced perspectives that fit with the current economic needs of the country. Specifically, the study has investigated the legality and practicality of the Jordanian disclosure system on the basis of rules and specifications of more advanced jurisdictions.

On the legal side of disclosure, the level of legislated disclosure in Jordan is compared to the level of disclosure suggested by the American SEC in its Integrated Disclosure System. The two levels of disclosure in both jurisdictions were contrasted based on six disclosure issues required by the American SEC. A comparative analysis has been followed to detect points of weaknesses in the Jordanian legalized disclosure system. Utilizing the number of information items in each issue as a unit of measurement, the results have shown that the level of legalized disclosure in Jordan is about 37% of the level of disclosure required by the American disclosure commission on all issues. This result has led to the rejection of the first hypothesis, which calls for no significant difference between the two jurisdictions.

On the practical side of disclosure in Jordan two dimensions were investigated based on international disclosure standards. Specifically, the Jordanian disclosure level and compliance were examined from a practical perspective, using anticipated measures by the IAS No.1. A checklist of disclosure items suggested by the standard was carefully prepared and used as a yardstick for measuring the level of practiced disclosure in Jordan. The checklist covers six disclosure areas that would characterize a fair disclosure from the IASC point of view. The checklist was applied against 34 annual reports for 2005 for a sample of Jordanian companies. The descriptive statistic tools utilized in the analysis have revealed that the practical disclosure level of the sampled firms is about 57% of the level anticipated by the international standard.

The unit of analysis to measure the level of each area was the number of items in the area suggested by the IAS No. 1. The statistical test of the significance of this percentage has led to the rejection of the null hypothesis on the level dimension. That is the level of practical disclosure in Jordan is significantly less than the level anticipated by the international standard.

Disclosure compliance was distinguished from disclosure level by the unit of measurement in the analysis. The average number of firms, as opposed to the number of items, for the areas was used to analyze differences in compliance between Jordan firm reporting and the anticipated reporting by international disclosure standards. The descriptive statistical analysis has shown a compliance rate of 57% as practiced by the sampled firms. Testing the significance of this rate at the 95% confidence level has led to the rejection of the null hypothesis on Jordanian compliance. That is, the compliance rate practiced in Jordan is significantly less than the rate anticipated by international standards.

In sum, Jordan needs to raise the level of corporate disclosure on both the legal side and the practical side. This study has recommended some remedies to the weakness of the level of disclosure in the current system.

Jordan also needs to raise firms' compliance rate by either the direct supervision of the JSEC or by increasing penalties on reporting violators. Finally, Jordanian investors and other information users must not rely on one specific source of information under the prevailing circumstances. Rather, they could verify their data using other sources of information, at least until a full comprehensive disclosure system is developed in the country.

Finally, the results of this study could provide an alternative approach to understand accounting disclosure regulations and practices in under developed countries. These results could also provide a core material for future studies that will be conducted after the mandating of a new accounting disclosure system in Jordan.

Recommendations:

Based on the obtained results of the analyses that have been conducted to test the study hypotheses, the researcher suggests the following recommendations:

(1) The Jordan Security Exchange commission (JSEC) needs to expand its disclosure instructions to include the following:
   a Requiring a specific Form to be submitted along with any required disclosure issue. This form can be unified for all firms in an industry.
   b Determining the minimum information items to be included in the annual and quarterly reports submitted to shareholders. The commission has no requirements on these issues so far.
   c Requiring Schedules and supplemental information to be submitted to the commission along with the annual reports.

(2) The Jordanian Securities Exchange Commission (JSEC) needs to exercise close and direct supervision over corporate reporting issues and maintains ongoing follow ups to violations on these issues by establishing a special unit for these follow ups.

(3) Companies in Jordan can contribute substantially in building an excellent information market by reporting all significant items in the checklist of this study on time.

(4) A continuous cooperation between the JSEC and private accounting bodies should be maintained. The JSEC coordination with the Jordan Accounting Association (JAA) and the Jordanian certified Auditors (JCA) may bring about the combined effect of expertise and academia to develop a better information market in Jordan.

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محمد مطر ، " تقييم مستوى الإفصاح الفعلي في القوائم المالية المنشورة للشركات المساهمة العامة الأردنية في ضوء قواعد الإفصاح المنصوص عليها في أصول المحاسبة الدولية " ، دراسات المجلد العشرون ، العدد الثاني ،1993 م ، ص ص 170.

محمد فداء الدين بهجت وعبد الله قاسم يماني " : الأثر المتوقع لمعيار العرض والإفصاح العام على مستوى الإفصاح في القوائم المالية المنشورة للشركات السعودية " ، مجلد جامعة الملك سعود ، العلوم الإدارية (1) ، 1410 هـ ، 1990 م ، ص ص 100-60.

محمد أبو نصار وعلى الذنيبات " أهمية تعليمات الإفصاح الصادرة عن هيئة الأوراق المالية ومدى كفايتها في تلبية إحتياجات مستخدمي البيانات المالية " ، دراسات ، العلوم الإدارية ، المجلد 32 ، العدد 1.

Appendices

Appendix A:

Table 1.1: (U.S required disclosures by SEC at the registration stage)

Pre disclosure Issues part I (S- 1 Form)	U.S Required Items	If required by Jordanian rules	Legal reference JSE Rules
1- Distribution Spread	1	No	
2- Plan of distribution	1	No	
3- Use of proceeds	1	No	
4- Sales other than cash	1	No	
5- Capital structure	1	No	
6-Summarized 5 years income statements	5	No	
Summarized 5 years balance sheets	5	No	
Management discussion and analysis	3	Yes (3)	JSC, (Section 1, Article 3, Par. a.3)
7- Organization of the registrant	1	No	
8- Parents of registrant	1	No, but indication if parent	
9- Description of business	1	Yes (1)	JSC, (Section 1, Art. 3, Par. a.1)
10-Description of property	1	No	
11-Organization within five years	1	Yes, but within three years (3)	JSC, (Section 1, Art. 3, Par. a.5)
12-Legal proceedings	1	No	
13-Description of securities being registered	1	Yes (1)	JSC, (Section 1, Art. 3, Par. a.2)
14- Directors and key officers	2	Yes (2)	JSC, (Section 1, Art. 3, Par. a.6)
15- Names of beneficial owners	1	Yes (1)	JSC, (Section 1, Art. 3, par. a.7)
16-Detailed income Statements for 3 years	3	Yes, but for 1 year (1)	JSC, (Section 1, Article 3, Par. b.1)
17-Detailed balance Sheets for 3 years	3	Yes, but for 1 year (1)	JSC, (Section 1, Article 3, Par. b.1)
18-Detailed equity statements for 3 years	3	No	

Pre disclosure Issues part I (S- 1 Form)	**U.S Required Items**	**If required by Jordanian rules**	**Legal reference JSE Rules**
19-Detailed funds statements for 3 years	3	No	
20- Brokerage allocation	1	No	
Additional Pre Disclosures, Part II			
21-Marketing plans	1	No	
22- Issuance expenses	1	No	
23- Sales to special parties	1	No	
24- Sales of unregistered securities	1	No	
25-Subsidiaries of registrant	1	No, but indication if subsidiary	
26-Franchises and Concessions	1	No	
27- Treatment of stock Proceeds	1	No	
28Relationship with persons named in the registration statement	1	No	
29-Indemnification of directors and officers	1	Yes (1)	
30Financial statements and exhibits	8	Yes (4)	
Total number of required items	58	18	
	100%	31%	

Table 1.2: (Periodic Annual Reports to SEC Using Form 10-K)

U.S required 10-K Form submitted to the SEC within 90 days after year end			**Annual reports required by JSE**	
Part I	Text	Items	If required by JSC	Items
1- Business	Narrative description of company operations	8	No	1 (included in 7 of Part II)
2- Properties	Listing of all properties of the company	1	No	
3- Legal Proceeding	Disclosures relating to legal proceedings	1	yes (Sec. 3 Article 12)	1
4-Submission of matters to shareholders	annual meeting date, proxies solicitation, .etc.	2	No	
Part II				
5- Equity Market	Financial market for the company's stocks	1	No	
6- Selected Financial Data	Uncertified narrative financial data on current developments	12	Yes (Sec.2, Article 5, par. b)	7
7-Management Discussions and Analysis	Discussion of operations, financial conditions, and related economic conditions	30	Yes (Sec.2, Article 6, par. b1 thro b20)	20
8- Financial Statements and Supplements	Income Statement, Balance Sheet, and Funds' Statement ……	6	Yes (Sec.2, Article 6, par. c1, 2, 3, 4 and 5)	5

U.S required 10-K Form submitted to the SEC within 90 days after year end			**Annual reports required by JSE**	
9-Disagreements on Accounting and Financial disclosures	Listing of all disputed disclosures relating to accounting and financial matters	1	No	
Part III				
10- Directors and key Officers	Listing the names and ages of all Directors and Executive officers	2	Yes (Sec.2, Article 6, par. b13)	2 (included in 7 of Part II)
11-Management Remuneration and Transactions	Listing of management salaries, fringe benefits and related transactions	3	Yes (Sec.2, Article 6, par. b15)	1 (included in 7 of Part II)
12-Security Ownership of Beneficial owners and Management	Listing of certain key owners and managers and their security holdings	2	Yes (Sec.2, Article 6, par. b17)	1 (included in 7 of Part II)
Part IV				
13- Exhibits, Financial Schedules, and Reports on Form- 8-K	Providing financial information regarding all major events during the year	3	Yes (Sec. 3, Article 10, 11, and 13)	3
Total number of required items		72		41
- Repeated items		0		5
Net Items		72		36

Table 1.3 : (Annual Reports to shareholders)

U.S required information in the animal reports to sharcholders.	Kumbe r of items	The Jordanian required information in the annual reports to sharcholders.
1- Two- year auditcd balance sheets and three- year audited incomc statements and changes in financial position in addition to related schedules and footnotes	20	same but less schedules (16)
2- Five- year selected financial data including: □ Sales or operating revenues □ Operating income (loss) □ Total assets □ Long- tcrm obligations an preferred stock □ Declared cash dividends Additional items that enhance understanding of financial condition and opération results	6	2- No légal ru les on the content of reports to sharcholders
3- Management* s discussion and analysis of summary of opérations that include: □ Firms financial condition □ Firm's liquidity. capital resources and results of opérations □ Favorable and unfavorable trends and significant events or uncertainties □ Causes of material changes in the Financial statements as a whole □ Discussion of effects of inflation and changing prices □ Projections	9	3- No légal rules to what management provides sharcholders with
4- Brief description of the issuers business	1	4- No légal rules
5- Three- year financial data about: □ Industry segments □ Certain classes of similar products or services □ Foreign and domestic operations □ Export sales	4	5- No legal rules
6- Directors and executive officers: □ Names □ Principal occupation □ Names of their employers	5	6- No legal rules

U.S required information in the animal reports to sharcholders.	Kumbe r of items	The Jordanian required information in the annual reports to sharcholders.
7- Securities matters: □ The principal market for securities trading □ Market data required on common stock only □ the range of high and low bid quotations □ The frequency and amount of paid dividends □ Any restrictions on the ability to pay such dividends □ The number of common stock holders □ Earnings applicable to common shares □ Earnings per share □ Number of shares used in computation of earnings per share □ Dividends declared per share	**10**	**7- No legal rules**
8- Offer to provide, without charge and upon written request, a copy of the annual report on Form 10-K	**1**	**8- No legal rules**
Total number of items	**56**	**16**
Percentages	**100%**	**29%**

Table 1.4 : (Quarterly Reports: Form 10-Q submitted to the SEC)

U.S 10 -Q Form submitted to the SEC within 45 days after the end of each quarter		JSE requires quarterly reports but does not specify the form or the content of such reports	
Part I: Financial Information	Number of items		
1-Financial Statements for each quarter compared with the preceding quarter	3	1- Same unaudited statements (3)	

□ Unaudited income statements □ Unaudited balance sheets Unaudited changes in financial position statements			
2-Management's discussion and analysis □ Business operations □ Analysis of financial condition □ Analysis of results of operations □ Effects of inflation	4	2- not specified	
Part II: Other Information:	7	Not specified	
□ Legal proceedings □ Changes in securities □ Defaults on senior securities □ Submission of matters to a vote of securities holders □ Other information □ Exhibits □ Form 8-K report if filed during the quarter			
Total number of items	14	3	
Percentage	100%	21%	

Table 1.5: (Event Disclosure: Form 8-K submitted to the SEC)

Form 8-K submitted to the American SEC within 15 days after the occurrence of a significant event	**Event disclosure rules by JSE**
Narrative description of major events that may affect the firm such as:	Immediate reporting to the JSE of any significant event of the following:
1- Changes in control of the firm	1- same (Sec. 3, Article 10, Par. A5)
2- Acquisitions or dispositions of assets	2- same (Sec. 3, Article 10, Par. A1)
3- Bankruptcy	3- same (Sec. 3, Article 10, Par. T1)
4- Changes in the firm's auditor	4- not specified
5- other events	5- same (Sec.3, Articles 11, 12 and 13)
6- Registrations of the firm's directors	6- same (Sec.3, Article 10, Par. h)
7- Financial statements and exhibits in case of mergers and acquisitions	7- not specified

Table 1.6: Schedules and Supplements

Marketable securities			
Employees and related parties			
Property, plant, and equipment and their depreciation			
Short-term loans			
Valuation and qualifying accounts			
Guarantees of securities of other issues			
Mortgage loans on real estate			
Supplemental income statement information			
Other investments			
indebtedness of related parties			

Appendix B: International Disclosure Checklist

Disclosure Issue from IAS No.1	Para. No	Must	Complying	%
A- General Disclosures				
1-Providing comparative statements for two years	39	24	24	0.71
2- Showing firm's address in reports	46a, (102)	34	12	0.35
3- Indicating date and covered period of reports	46b	34	34	1.00
4- Indicating whether single firm or combined	46b	34	22	0.65
5- Identifying directors and top management	23a	34	33	0.97
6- Management discussion on financial and operational matters	23b	34	25	0.74
7- Showing accounting policies	21	34	32	0.94
8- Indication of any change in accounting policies	24	34	05	0.15
9- Providing the reports within 6months of year-end	52	34	34	1.00
10- Auditor report		34	32	0.94
		(340)	(253)	
B- Balance Sheet items				
1-Separation of assets and liabilities	53a	34	34	1.00
2- Showing sub totals and totals in the reports	53b	34	34	1.00
3- Listing items individually	54a	34	27	0.79
4- Organizing items vertically for each year	54c	34	32	0.94
5- Assets listed as: property,	66a	34	12	0.35

plant, and equipment				
6- Showing intangibles	66b	08	03	0.38
7-Showing Amortization schedules	66b	08	01	0.13
8- Listing content of inventory	66c	20	07	0.35
9-Indicating inventory evaluation method	66c	20	06	0.30
10-Indicating market value of inventory	66c	20	03	0.15
11-Listing investments and evaluation	66d	18	06	0.33
12-Indicating market value for investment	66d	18	03	0.17
13- Listing other financial assets	66e	30	11	0.37
14- Showing cash and cash equivalent	66f	34	32	0.94
15- Listing receivables	66g	30	22	0.73
16- Listing payables	66h	28	12	0.43
17- Showing short-term payables	66i	21	15	0.71
18- Income tax payable	66j	12	07	0.58
19- Long-term liabilities	66k	28	15	0.53
20- Showing minority interests	66l	08	06	0.75
21- Indicating common stock	66m	34	34	1.00
22- Indicating issued capital	66n	34	22	0.65
23- Indicating preferred stock	66o	17	06	0.35
24- Indicating paid-in capital and reserves	66p	09	05	0.55
		(607)	(355)	

C- Income Statement Items				
1- Showing revenues	75a	34	34	1.00
2- Operating expenses	75b, 77	34	34	1.00
3- Operating income	75c,77	34	24	0.70
4- Income from investments	75d	18	08	0.44
5- Interest expense	75e	25	11	0.44
6- Income tax expense	75f	17	09	0.53
7- Showing gross profit / loss	75g	34	30	0.88
8- Extraordinary items	75h	06	03	0.50
9- Capital gains	75I	09	04	0.44
10- Capital Expenses	75j	28	15	0.54
12- Minority share of profit / loss	75k	08	02	0.25
13- Net profit / loss	75l	34	34	1.00
		(281)	**(208)**	
D- Share Information Items				
1- Number of issued shares	74a	34	16	0.47
2-Number of outstanding shares	74b	34	15	0.44
3- Number of preferred shares	74c	18	09	0.50
4- Treasury shares	74d	00	00	0.00
5- Number of shares for options	74e	01	01	1.00
6- Nominal value per share	74f	34	18	0.53
7- Market value per share	74g	28	16	0.57
8-Declared dividends for common stock	74h	24	12	0.50
9-Declared dividends for preferred stock	74i	08	01	0.25

10- Share price variations during the year	74j	34	11	0.32
11- Earning per share	74k	34	16	0.47
12- Capital market for stock	74l	34	03	0.09
13- Number of shareholders	74m	34	16	0.47
14- Dividend Restrictions	74n	14	06	0.42
		(331)	**(140)**	
E- Footnotes				
1-Indication of following international standards	11,94a	34	17	0.50
2-Illustration of items in the statements	94b	34	26	0.76
3- Lawsuit against or to the firm	94c	03	01	0.33
4- Contingencies	94d	02	-	
5- Accounting bases and policies	94e	03	-	
6- Effect of inflation	99a	34	08	0.23
7-Effect of foreign currency exchange	99c	15	02	0.13
8-How shareholders get the reports	94f	34	03	0.09
	()	**(159)**	**(57)**	
F- Non Financial Disclosures				
1- Products of the firm	94d, 102b	34	13	0.38
2- Current markets	08a	34	12	0.35
3- Industry Trend	08a, 99b	34	06	0.17
4- Foreign markets	100	18	07	0.39
5- Exports	77	18	06	0.33

6- Operating capacity	80	15	03	0.20
		(153)	**(47)**	

Appendix C : procedures for calculating the Z values

The Z values were found using statistical procedures to calculate the significance of disclosure ratio.

That is $$Z = \frac{P - \hat{P}}{\sqrt{\frac{P(1-P)}{N}}}$$

Calculations of P:

General Disc.: 34 company must comply (10 items) / 34 total(10) = 100%

Bal. Sheet: 25.29 company must(24 items) / 34 total (24)= 74%

Income Statement: 23.42 must / 34 total = 69% (abbreviate items)

Share Infor: 23.64 must / 34 total = 70% (= =)

Footnotes: 19.87 must / 34 total = 58% (= =)

Non-fin. : 25.5 must /34 = 75% (= =)

Calculations of p hat: (N2 = Act.*number of items):

Gen. Disc.: 25.3 actual / 34 total = 74% N1= 25.3* 10 = 253

Bal. sheet : 14.79 actual / 34 = 43%

Inc. Stat.: 17.33 / 34 = 50% approximately

Share info.: 10/34 = 29% =

Footnotes : 7.12 / 34 = 22%

Non Fin. : 7.83 / 34 = 23%

Calculations of Zs:

Gen. Disc. : since P = 100% Must disclosed in full conformity Z is indefinite number

Bal. sheet: P- p hat = .74 - .43 = .31 (numerator of the equation of Z)

P(1-P)/N = .74(.26)/816 =.00024 take square root = .o155 (Denominator)

So Z = .31/.0155 = 20

(note: 816 is 34 times 24 items from column 2 0f table 3

Income Stat.: P-p hat = .69 - .50 = .19

P(1-P)/ N = .69(.31)/408 = .00052 take its square root = .02289

So Z = .19/.02289 = 8.3

And we can find the rest of Zs in the same way, which all are over 1.96