Accounting Conservatism and its Impact on the Forecasting Financial Failure in Industrial Companies Listed on the Amman Stock Exchange: an Analytical Study

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Abstract

This study aimed to try to find a way to predict the advanced stages of financial failure in Industrial corporations listed on the Amman Stock Exchange (ASE), and that by measuring the level of the conservatism the accounting abide by these companies, and by knowing whether there was a relationship between the Accounting Conservatism and forecasting financial failure. To achieve these results, the researchers used model (Basu, 1997) to measure the Accounting Conservatism, and model (Altman and mccough, 1995) to predict the financial failure, was the use of multiple linear regression model to test the hypotheses of the study and clarify the relationship between them.

The study sample included industrial companies listed on the ASE and the number of (74), were excluded (14) company due to lack of information, to become the sample used in the study sample (60) company, and during the period from 2008 to 2012), and came results of the study are consistent with several previous studies have shown that industrial companies listed on the Amman Stock Exchange is committed to an acceptable degree of Accounting Conservatism, and that there is an impact of the Accounting Conservatism to predict the financial failure of those companies, and the findings also indicated that there is a relationship medium between the Accounting Conservatism, forecasting financial failure.

1. Introduction

For Accounting Conservatism impact on accounting information, which is reflected in turn on investment decisions, has led to growing research that bother conservative accounting significantly, especially in the last decade because it has a significant impact on the appropriateness of the accounting information contained in the financial statements and sincerity, and there are several reasons led to the attention of researchers conservative accounting Notable among these is the need for financial statements that are more conservative to make sure that management practices profit in the financial reports, as well as to the increasing controversy about the use of fair value in the valuation of assets, which refers to the need to disclose during the making investment decisions (Hamdan, 2011, p70). One of the most dangerous phenomena that can be exposed to the property is a phenomenon of financial failure and return to internal and external reasons, share together or uniquely to lead the entity into bankruptcy and liquidation, and the most important internal causes are poor management, and lack of optimal use of available resources, and lack of efficient operational policies of various such policies sales, pricing, production, and total reliance on sources of funding for borrowers as a basis to fund investments in assets, and the lack of efficient management of sales in the collection of receivables from sales futures and other, which is reflected in the size of the profits, but the most important external conditions are represented by the circumstances surrounding economic environment of the facility, and the environment competitive, and the lack of funding sources to make the necessary expansions, and specialized studies and research in this subject has suggested that the main factor in the occurrence of solo failure phenomenon but it is bad management (Zubaidi, 2011, p307).

When talking about the last global event in the financial failure of which appeared during the global financial crisis in a year (2008), where a lot of people interested financial crisis fail to mention relationship accounting financial analysis where that policy Accounting Conservatism directly affect the preparation of financial statements, and can not be accessed transparency, the disclosure that the Securities Commission is seeking to compel companies to apply under ignore important criteria such as the conservatism of accounting. (Shuaib, 2009, p116). The research aims to link the Accounting Conservatism and financial indicators to predict failure in industrial companies listed on the Amman Stock Exchange. Because the process of making financial decisions are accompanied by risks, and that there are no guarantees among decision makers, that may expose them to bankruptcy, hence the Accounting Conservatism reduces the element of risk, and the risk of bankruptcy, because it supports the cash flows resulting from the reduction of excessive investment, and reduce the risk changes, and avoid losses (Gary, et al., 2013).

1.1 The problem of the study :

The failure of the financial risks that threaten the continuity of companies, leading to a halt established for conduct of their business, because of its inability to pay its obligations on them, and thus exit from the market. Most studies have focused on finding and research tools from which to predict the financial failure before it occurs sufficiently in advance to find appropriate solutions, and avoid falling losses (Moses et al, 2012, p127). This study seeks to clarify whether there is a trace of the Accounting Conservatism to predict financial failure in Industrial Corporations listed on the Amman Stock Exchange, in order to help the administration avoid falling into the failure, and try to be addressed before it happens, and that is reflected in turn on the degree of disclosure in the financial statements that the base important information to decision makers within the facility, and outside, as well as the degree of knowledge that the conservatism abide by these companies, and the problem of the study are summarized by answering the following questions :

1- What is the degree of accounting, which is committed to the conservatism by industrial companies in the ASE ?

2- Does the Accounting Conservatism to predict financial failure ?

The second question is derived from the following two questions :

A. Is there an impact on the profits of financial indicators to predict failure ?

B. Is there a trace of the earning per share on the financial indicators to predict failure?

1-2 Objectives of the study :

The main objective of this study is to clarify the effect of the Accounting Conservatism to predict the financial failure, and measure the degree of the conservatism, which is committed by industrial companies listed on the Amman Stock Exchange, by clarifying the concept of Accounting Conservatism and its standards, and clarify the concept of financial failure and its importance, and to clarify whether there is any impact between the elements of the Accounting Conservatism, and financial indicators to predict failure.

2. The methodology of the study :

Been using descriptive analytical method for the analysis of data industrial companies listed on the Amman Stock Exchange to determine the level of the Accounting Conservatism in these companies, and clarify the impact of the Accounting Conservatism to predict the financial failure, using the program spss to analyze the study data, and test hypotheses to arrive at the results.

2.1 Model study
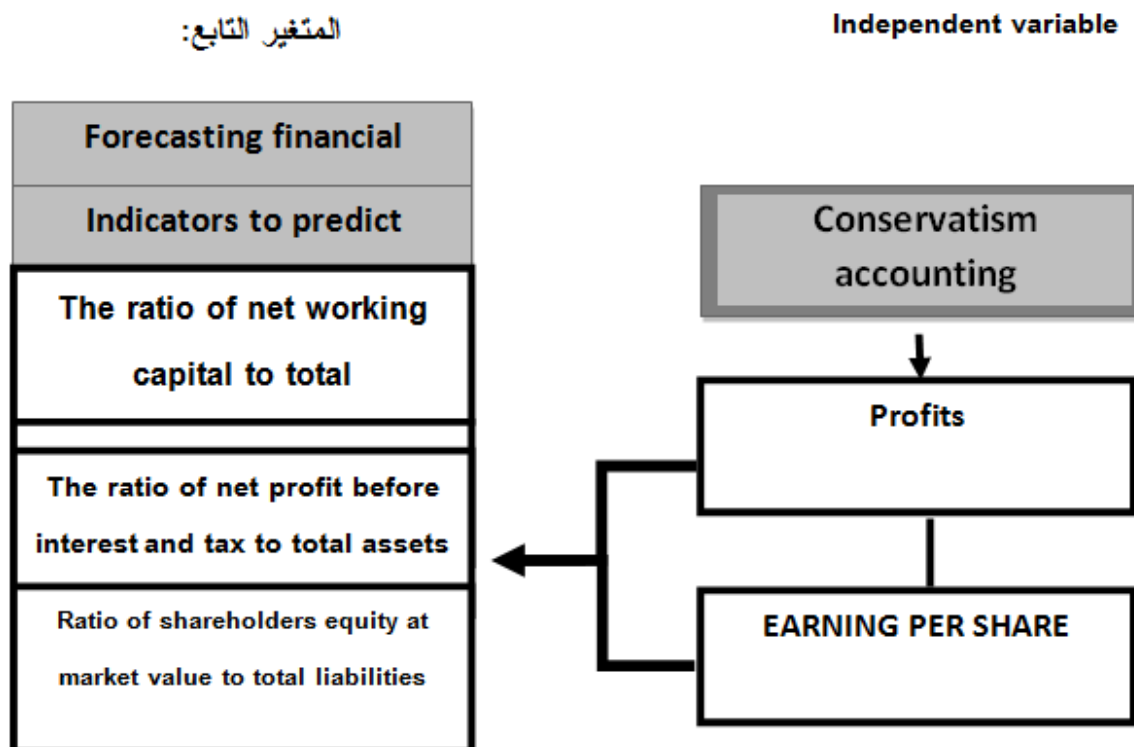
(Figure 1) model study

2.2 Hypotheses of the study :

Ho1: shall not be required for industrial companies listed on the Amman Stock Exchange acceptable degree of

conservatism .

Ho2: No effect of the conservatism in the accounting predictability of financial failure in industrial companies listed on the Amman Stock Exchange.

The main hypothesis derived from the second the following sub-hypotheses :

Ho21: There is no impact on profits for the indicators to predict financial failure .

Ho22: There is no impact on the earning per share on the indicators to predict financial failure.

2.3 Sample **:**

The study population consists of all industrial companies listed on the Amman Stock Exchange, samples were taken from these companies and number (74), were excluded (14) companies to non-availability of information, and thus study sample consisted of (60) companies.

*2.4 Method of data processing***:**

Model was used (Basu, 1997) to measure the level of the Accounting Conservatism for industrial companies listed on the Amman Stock Exchange through the factors affecting the degree of conservatism using the accounting measure of the relationship between earnings and stock returns through the following equation :

Where :

X_{it} / P_{it-1}: the ratio of earnings per share for the facility i in year t to the share price at the beginning of the fiscal year .

R_{it}: Earnings per share for the company i between the beginning of the period and the end of the fiscal year t .

RD_{it}: dummy variable equal to one if the yield was negative, and zero in the other cases .

$R_{it} \times RD_{it}$: Interactive variable consists of multiplying the return on the share price of the facility, unreal. The regression coefficient 1β refers to the ratio of the response to bad news to respond to the good news, as it represents the positive laboratory that the financial statements are conservative. (Shtiwi, p 600.2010).

The model is used (et al., 1995 ALTMAN) to predict financial failure, a quantitative model is also called the model discriminant analysis was developed in several studies by Altman that were reached its current form, where this model evaluates each of liquidity, and activity And profitability and the extent of adoption of the treaty on external sources of funding (borrowing) to finance its investments Where he was able (ALTMAN) using the method of statistical analysis of discrimination to put this model according to the following equation:

$$Z.score = 3.25 + 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$$

Where :

Z: Guide index continuity or not .

X: expressing financial ratios referred to in the model.

Was given the ratio of financial code (X) as shown in the following form:

Financial ratio	Code
The ratio of net working capital to total assets	X1
The ratio of the balance of retained earnings to total assets	X2
The ratio of net profit before interest and tax (EBIT) to total assets	X3
The ratio of the market value of shareholders' equity to total liabilities	X4

Table (1) the percentages used in the study

Reach (Altman) to the following results :

1- Whether or increased the value of Z in the facility for 2.99, this facility is successful and able to continuity .

2- If the value of Z is less than 1.81, the property within the facility failed to weak financial performance and do not have the ability to continuity .

3-If the value of Z is greater than 1.81 and less than 2.99, it is difficult to judge the financial performance of this property, located within the gray area, or Blur. (Al-Zubaidi, 2011,p346).

3. Theoretical framework :

3-1 The concept of Accounting Conservatism

Accounting Conservatism or the so-called principle of caution, he knew that reaction warned of uncertainty to try to ensure that uncertainty and risks inherent in the business activities have been taken into account sufficiently (FASB2006, NO2).The International Accounting Standards Board (IASB, 2006) has pointed out that the Accounting Conservatism means caution or conservatism when preparing financial statements, and means no exaggeration when assessing income, or assets, or assessment obligations, and expenditures undervalued. has stated many researchers as previously stated Accounting Conservatism on it accounting principles where indicated (Sterling) to that principle, the most influential in the evaluation of accounting, where they are invoked in conditions of uncertainty to the preference of some roads, or standards, or alternative estimates when preparing the financial statements(Schroeder and others, 2006, p 198). such as the application method Finally in - first out of the way the first in - first out when calculating the cost of goods sold, or the application of the rule of cost or market, whichever is less, and others.

3-1-1 Accounting policies conservatism :

The policy underlying the conservatism in the accounting approach reflects the general attitude of the accountant, including for cases of uncertainty in a practical manner, preferably processors to the problems of accounting as follows :

First: the measurement on the income statement :

1- Measure of income, and gains at least values ,and prefer to postpone recognized early .
2- Measuring expenses, and losses at their highest .
3- Measuring net income between the value of the minimum possible values (Hanan 0.2013, p237) .

Second: the measurement on the balance sheet :

1- Measuring net asset value of at least between the possible values .
2- Measurement of liabilities carried at the top of the between the possible values .
3- To measure the equity values of the least among the possible   values (Obaidat .2004, p88).

3-1-2 Types of Accounting Conservatism :

The first type is conditional conservatism, a lack of symmetry in the timing of recognition, the recognition of any more bad news than good news for profits. In other words is to accelerate the recognition of losses more than the recognition of the profits, and is also called the Accounting Conservatism for the income statement, and the conservatism of accounting after the event, where the impact on the profitability of the business, and their market value, and earnings per share .

The second type is the unconditional Accounting Conservatism, disclosure and mean values of the net assets at least, or at least recognition of the values of equity. It is also called the conservatism of accounting prior to the event and Accounting Conservatism balance sheet. (Smara, 2009, p22).

3-1-3 The effect of the Accounting Conservatism to predict financial failure:

The prediction of financial failure be based on facts, or indicators, or information current or previous underlying financial analysts in predicting the development of enterprise future, and the possibility of continuity in achieving the desired objectives, and planned, if this prediction is based on factual information and not misleading, and represents the real situation of the facility, the future predictions are more accurate, where users need internal and external management and shareholders, creditors and investors expecting to create a historical picture about the cash inflows and outflows, as well as determine the size of liquidity, and convenience of financial which are useful for the analysis of sources of funds, and their uses, and the commitments and resources established , and the changes that have occurred in previous periods to predict what will be in the future period, and the proportion of these expectations and check the size of the risks surrounding (Hanan .2013, p59). That the high level of Accounting Conservatism leads to increase the quality of financial reporting where makes the information contained in these reports more realistic, and not misleading to its users, and is therefore reflected in the decisions of the users of this information, and the relationship of the Accounting Conservatism financial failure has been the study (Poorzamani, 2013: 64) study of the relationship between the Accounting Conservatism, and model Altman (ALTMAN) where this study found that the Accounting Conservatism inverse relationship with the risk of bankruptcy, and this means that the Accounting Conservatism reduces the risk of bankruptcy future by improving the accuracy of forecasts of financial analysts that are based on factual information. And Accounting Conservatism supports cash outflows resulting from the reduction of excessive investment and reduce the risk of changes, and to avoid economic losses and reduce the asymmetry in information, Where he was Financial Accounting Standards Board Accounting Conservatism that reaction warned to ensure there is no absolute truth in the hidden dangers in the conditions of daily work that lead to the reduction of the risk of bankruptcy of the facility. And offer theoretical previous studies that addressed the issue of conservatism of accounting, and its impact on the information provided in financial reports, and the relationship of the Accounting Conservatism financial failure illustrated the significant impact of the Accounting Conservatism on the information provided in the financial reports, the bottom so that the more committed to established policy of Accounting Conservatism, this leads to Information more realistic, And reflect the financial status of the facility, and thus improve the accuracy of analysts' expectations, the financial situation of the future of the facility, and help management also whether established at the stage of failure financially, or may be exposed to the failure of the financial in the future to try and plan to avoid falling into it .

3-2 Concept of financial failure :

Financial failure of dangerous phenomena that may face established, and in different stages may begin in the establishment phase, or in the growth phase, or prosperity, it prevents the achievement of established for an adequate return on invested resources, and maximize the value of the business, and this is linked to two factors, the first is the size of the return expected from operational activity, and the degree of risk inherent to this return, and the inability to repay, and therefore the stoppage of activity, and the inability of the entity to continue, and that the ability of the entity to the continuity associated with the safety of the financial indicators that reflect the performance efficiency of the facility, which is liquidity, activity, and indebtedness, and profitability. (Othman, 2013, p455).

3-2-1 Risk of lack of liquidity :

Financial management that gives great importance to the level of liquidity in the business, because a significant increase in operating profit alone does not protect property from the risk of lack of liquidity, and the large increase in the degree of liquidity does not protect the facility from the risks of a significant drop in operating profit, so it does not need from budget accurate between the goals of liquidity and profitability, but for the lack of liquidity risk large compared with the increase in terms arise because of the inability of the facility to provide the necessary funds, or non-possession of liquid assets, or assets that can be converted into cash within a short period of time, and also arise for lack of appropriate between dates maturities of assets and liabilities, and the lack of follow-up deviations between flow Monetary current and projected because of excessive expansion in investment in fixed assets, or because of the submission dates of repayment on the dates of collection, or due to the expansion in the granting of trade credit and other, where a shortage of liquidity to the deficit established in repayment obligations short-term schedule, and accumulation, and this is what has lead established to resort to other ways to make up the shortfall in liquidity, and going their daily activities by borrowing, or the issuance of bonds, thus increasing the risk is greater, because facility will bear the cost of larger pay interest on the loans, and the probability of failure the possibility of repayment of these loans in a timely manner, as well as lack of liquidity leads to the loss of investment opportunities, and missed opportunities for cash discounts when you buy, and the loss of the entity's ability to sell on credit liquidation of certain investments, and assets at an inconvenient time. (Shawawrah, 2013, p50). All of these reasons, whether individually or combined entity could lead to financial hardship may not be exceeded and ultimately lead to the failure of the facility and exit from the market.

3-2-2- The effect of liquidity on the continuity established

Continuity is one of the hypotheses of accounting where the continuity established means the entity's ability to achieve its objectives, and thus continuing the conduct of their business, which is so unlike the concept of financial failure, which means there is continuity, established and exit from the market, and the impact of the controversy revolves around the possibility of the auditor in reporting failure financial, the Board of standards of the International Auditing (IAASB) issued the International Standard on Auditing (ISA) No. (570) for the imposition of continuity, where necessary this standard examination of the continuity established to determine the extent of its ability to continuity, and by providing guidance on the responsibility of the auditor when auditing reports Finance relating to the imposition of continuity.

4 Results

4-1 Test Multicollinearity:

To test the independence of each variable of the independent variables, was tested data independent variables to make sure they are free of the phenomenon link multiple linear, by the method of factor amplifying the contrast (Variance Inflationary Factor) (VIF), was to extract the value of VIF to test whether there is an overlap between the independent variables in each of the hypotheses first and second, where if the value is less than VIF (5%), this indicates the absence of any Multicolleniarity lack of overlap between the variables so as to ensure that the affected variable on another variable

.

This is illustrated by the following table:

Independent variables	collinearity Statistics	
	Tolerance	VIF
RD_{it}	0.559	1.788
R_{it}	0.838	1.193
$R_{it} \times RD_{it}$	0.566	1.768

Table (2) test the extent of overlap between the independent variables

Where the coefficient values amplify the contrast (VIF) for all variables less than (10) and between (1.193_ 1.788), and that the test values variation allowed (Tolerance) ranged between (0.559 _ 0.556), and this is an indication of the lack of correlation high between variables independent (Multicollinearity).

4-2 Test Link interoperability Autocorrelation :

Test was used Test Durbin Watson (D.W) and tested problem link nested in the first hypothesis by showing that the value of (D.W) are statistically significant at the level (0.05 = α) in terms of (1.528) for the premise of the first, and according to the decision rule it if the value of (D.W) less than or equal to (5), this means free from the problem of the link variables interoperability, and suitable for the measurement of variables, and it shows the table number (3). (Joudeh, 2009, p224).

Table (3) test the correlation of the independent variables **Model Summary** [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.466[a]	.217	.209	.030	1.528

4-3 Test Results hypotheses :

    1- <u>The first major hypothesis :</u>

Ho1: Ho1: shall not be required for industrial companies listed on the Amman Stock Exchange acceptable degree of conservatism.

I have been using the test Multiple Linear Regression to test whether industrial companies listed on the Amman Stock Exchange is committed to conservative accounting, which measures the test more than independent variable on the dependent variable, and using the model (Basu, 1997), which depends on the relationship between earnings and stock returns, where were measured response rate additional bad news compared with the good news through regression coefficient β, which reflects the changing interactive Rit × RDit, where the sample uses stock returns a reference to the nature of the news, if the stock returns is positive, it indicates to news good, and if it returns the stock is negative, it refers to the bad news, and according to the decision rule:

Table (4) multiple linear regression testing **The results of the first major test the hypothesis**

The level of significance	F tabular	F calculated	Average squares	Degrees of freedom	Sum of squares	
0.000	2.60	26.911	.0240	3	0.071	Regression
			.0010	291	.2550	Error
				294	.3260	Total

Table (5) the value of (F) calculated statistically significant at the level of moral

Coefficient of determination r^2	correlation coefficient r	The level of significance	T calculated	B	Independent variables
0.217	0.466	.000	12.509	.0300	constant
		.000	-6.287	-0.030	RDit
		.121	1.556	0.005	Rit
		.827	-.219	-0.004	Rit X RDit

From the test results of multiple regression (Table 5) shows that the value of (F) calculated statistically significant at the level of moral (0.05 = α) amounted to (26.911), the largest of Tabulated value, and according to the decision rule first rejects the hypothesis (Ho) if calculated value greater than the tabular value, and accept the hypothesis (Ha), and according to the decision rule second, if the value of the moral (Sig) less than (0.05), it rejects the hypothesis nihilism (Ho) and accept the alternative hypothesis (Ha), and table (7) shows that the value of (Sig) are statistically significant for a significance level (0.05 = α) is (0.000), and this means that industrial companies listed on the Amman Stock Exchange is committed to an acceptable degree of Accounting Conservatism, and is a relationship medium universe R value amounted to (0.446) and the value of R2 amounted to (0.217), where the measure value (R) strength of the relationship between two variables quantity fields, and the relationship is the amount of (strong) if the value of (R) above (0.60) and considered weak if less than (0.30), but if the (0.30 - 0.60), the relationship is moderate. (Quality, 2009, p223). This result is consistent with the study (Smara, 2009), which found that industrial companies listed on the Amman Stock Exchange follow a high level of Accounting Conservatism, where researchers used the model (Basu, 1997) to predict the level of the Accounting Conservatism. This result does not agree with the study (Hamdan, 2011), which reached a low level of Accounting Conservatism in industrial companies listed on the Amman Stock Exchange, where researchers used a measure of the proportion of the total dues to the overall profits, and are also consistent with a study (Hamdan, 2012), who used two methods to predict the level of the Accounting Conservatism terms used method of dues normal, and the method of percentage of book value to market value, which could not researchers to prove that industrial companies listed on the Amman Stock Exchange is committed to an acceptable level of Accounting Conservatism in two ways, and so these companies do not adhere to an acceptable level of conservatism.

    1- <u>The second major hypothesis :</u>

Ho2: No effect of the conservatism in the accounting predictability of financial failure in industrial companies listed on the Amman Stock Exchange.

The aim of this thesis is to find out if there is a trace of the Accounting Conservatism to predict the financial failure, and to achieve this goal have been used multiple linear regression testing

- **The results of the second major test the hypothesis:**

Table (6) multiple regression test

The level of significance	F tabular	F calculated	Average squares	Degrees of freedom	Sum of squares	
0.000	2.37	32.614	6.856	4	27.424	Regression
			0.210	290	60.963	Error
				294	88.386	Total

The results of the computer in the table (6) that the value of F calculated statistically significant at the significance level ($0.05 = \alpha$) in terms of (32.614) and this value is greater than the tabular value, which amounted to (2.37), and depending on the decision rule rejects the premise of nihilism (Ho) If the value of F calculated is greater than Tabulated value, and based on the results, we reject the hypothesis nihilism (Ho), and accept the alternative hypothesis (Ha), and value (Sig) are statistically significant at the significance level ($0.05 = \alpha$) in terms of (0.000), and according to the decision rule it if the value of (Sig) is less than (0.05), we reject the hypothesis nihilism (Ho), and accept the alternative hypothesis (Ha), and thus these results mean that there is an impact of the Accounting Conservatism to predict financial failure in industrial companies listed on the ASE, and these results are consistent with previous studies which concluded that the Accounting Conservatism helps in accurate predictions of the future, including the prediction by established financial, and profits, including the entity's ability to make a profit, and thus the ability to predict about the entity's ability to continuity or not, where are consistent the result with the findings of the study (Poorzmani, 2013), which discuss the relationship Accounting Conservatism prediction of financial failure, using a model (Basu, 1997) and his relationship with the model (Altman) to predict financial failure, and the findings of this study that there is an inverse relationship to the Accounting Conservatism for the risk of bankruptcy, where it reduces the risk of bankruptcy, these findings are consistent also with the result (Hamdan, 2010), which discuss the factors affecting the degree of Accounting Conservatism when preparing financial statements using the model (Basu, 1997), and concluded that the Accounting Conservatism increases the ability of the information contained in the reports financial future predictions, and agree this study with the study (Ahmed, 2011), who used the proportion of book value to market value of the net assets of the company to measure the Accounting Conservatism, and concluded that the high level of Accounting Conservatism increases the credibility of the financial statements, and improve the accuracy of forecasts of financial analysts in the forecast the future of the financial situation of the facility.

4.4 The results of testing Sub-hypotheses :

1- The first sub-hypothesis :

Ho21: There is no impact on profits for the indicators to predict financial failure.

Table (7) the results of the first sub-test the hypothesis

constant	B	R2	R	The level of significance	T tabular	T calculated
0.012	0.064	0.015	0.122	0.035	-1.96	-2.113

Was used deviation simple and describes the results of the computer that the value of (T calculated = -2.113) is greater than Tabulated value (-1.96), and depending on the base the decision to accept the hypothesis (Ho) if the calculated value is less than tabular value and moral value (SIG) greater than (0.05), and we reject the hypothesis (Ho) if the calculated value greater than the tabular value. And moral value (SIG) is less than (0.05), we hypothesis nihilism (Ho) and accept the alternative hypothesis (Ha), and This means that there is a statistically significant effect of return on the stock on the indicators to predict financial failure, and considers the relationship is weak universe (R = 0.122) and variable independent crosses (0.015) of the variation in the dependent variable.

1- test results of the second sub-hypothesis :

Ho22: There is no impact on the earning per share on the indicators to predict financial failure.

Table (8) the results of the second test the Sub hypothesis

constant	B	R2	R	The level of significance	T tabular	T calculated
0.006	0.042	0.133	0.365	0.000	1.97	6.712

By the results of the computer, we find that the value of (T calculated = 6.712) greater than Tabulated value (1.96), and depending on the base the decision to accept the hypothesis (Ho) if the calculated value is less than tabular value, and value-intestinal (SIG) is greater than (0.05) and reject the hypothesis (Ho) if the calculated value greater than the tabular value, and moral value (SIG) is less than (0.05), we reject the hypothesis nihilism (Ho), and accept the alternative hypothesis (Ha), and This means that there is a statistically significant effect of return on the stock on the indicators predict financial failure, and the relationship is the fact that medium (R =

0.365), and the independent variable crosses (R2 = 0.133) of the variation in the dependent variable.

4-5 the results of the financial analysis (predict failure):

Were analyzed (60) companies from all sectors of the industrial companies in the ASE model using (Altman) to predict financial failure .

The results showed successful companies, and companies exposed to failure, and the other occurred within the region Blur, which can not be judged as a failure in the future during different periods of the study period, amounting to (5) years, reaching successful companies that were not exposed to the failure or the tumble of (47), and reached companies that have signed within the region misty (4) companies only, and amounted to companies that have been stalled, then the failure of the financial (9) company, where model predicted failure (8) companies before one year of failure of the total (9) companies exposed to the failure of the financial in the last year of the sample researched, where the percentage of model accuracy (88%), was due to the decrease in the predictive power of the model for the figure predicted by Altman when testing the model, which amounted to (94%) to the sample size is relatively large, or the diversity of activities, facilities, or both, and the following table summarizes the results of these proportions:

Table (9) A summary of the results of the financial analysis

Percentage of the total sample firms	Number	Companies
78%	47	Successful
7%	4	Blur region
15%	9	Failed
100%	60	Total
88%	=9/8	Predictive power of the model

5. Conclusions and Recommendations

5-1 Conclusions

5-1-1 first major hypothesis conclusions:

Computer results showed that industrial companies listed on the Amman Stock Exchange is committed to an acceptable degree of Accounting Conservatism. The fact that the medium is the relationship r = 0.466 and 0.217 independent variables explain the change in the dependent variable.

5-1-2 second major Hypothesis conclusions :

The results of the computer and having the effect of the Accounting Conservatism on the predictability of financial failure in industrial companies listed on the Amman Stock Exchange, and is a relationship medium fact r = 0.557 and the independent variables explain 0.31 change in the dependent variable, and the results showed that the ratio of net working capital to total assets, the proportion of the balance of retained earnings to total assets are statistically significant at the 0.05 level, which indicates the presence of statistically significant effect in the predictability of financial failure in industrial companies listed on the Amman Stock Exchange.

    A- the conclusions of the first sub-hypothesis :

The results showed that there is a statistically significant effect on earnings for failing to predict the financial indicators combined, is the fact that the value of the relationship is weak (R = 0.122), and the independent variable explains (1.5%) of the variation in the dependent variable.

    B- the conclusions of the second sub-hypothesis :

The results showed that there is a statistically significant effect of return on the stock on the financial indicators to predict failure combined, and the relationship is the fact that the value of the medium (R = 0.365), and the independent variable explains (13.3%) of the variation in the dependent variable.

5-2 Recommendations **:**

Through the results of the study showed that the companies in the sample surveyed is committed to an acceptable degree of Accounting Conservatism, the study recommends :

1- The study recommends legislative bodies in the Amman Financial Market compel companies to contribute to the general level of the average of the Accounting Conservatism, because it reduces the risk of financial failure .

2- The study recommends audit firms operating in Jordan to work on activating the control over the reservation's commitment to its customers accounting when preparing financial reports, through increased audit procedures to verify the terms of the profits, which will increase the transparency and fairness of the financial statements .

3- enter the Accounting Conservatism within the financial indicators to predict failure.

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