

# The extent of the commitment of financial companies listed on the Amman Stock Exchange disclosure requirements for financial instruments contained in the International Financial Reporting Standard No. (7): Disclosures

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## Abstract

This study aimed to identify the extent of the commitment of the Jordanian financial companies to disclose according to standard financial reporting number (7), was a community study is the financial Jordanian companies listed on the Amman Stock Exchange of (36) company, has been designing and developing a questionnaire distributed to CFOs where the rate of (36) questionnaire, has been using many of the statistical methods such as averages and test t-test to test hypotheses and extract the results, was the most important findings of the study that there is a very large commitment to the requirements of disclosure in the Jordanian financial companies, especially with respect to the income statement, and that the most important the study's recommendations that the financial companies to disclose larger profits or losses of receivables.

## Introduction:

The International Accounting Standards Board had issued a standard financial reporting number (7): Disclosures, has been the development of this standard to be applied for the first time starting in 2007, has this standard ensures all axes disclosure of financial instruments and fair value, and how to recognize and disclosed, has been the emergence of this standard big impact in activating the disclosure of all balance sheet and income statement and equity process, and that there is a clear role for the process disclosed in the formulation of financial reporting and thus help in making the right decision.

**Keywords:** disclosures, financial instruments, financial reporting standard number (7).

## The problem of the study:

The axes of the disclosure, which came with the standard financial reporting number (7) is the source of management's attention in order to achieve the maximum possible degree of disclosure requirements, thus enhancing confidence in the financial statements are published, therefore, this study examines the extent of the commitment of the Jordanian financial companies listed on the Amman Stock financial, and through the following questions:

1. Is the Jordanian financial companies listed on the Ammam stock exchangeis committed to disclosure requirements for financial instruments according to standard financial reporting number (7)?

It is the main question first came the following sub-questions:

- Is the Jordanian financial companies listed on the Ammam stock exchangeis committed to disclosure requirements for financial instruments in the balance sheet according to standard financial reporting number (7)?

- Is the Jordanian financial companies listed on the Ammam stock exchangeis committed to disclosure requirements for financial instruments in the income statement according to standard financial reporting number (7)?

- Is the Jordanian financial companies listed on the Ammam stock exchange is committed to disclosure requirements for financial instruments and financial policies by the standard financial reporting number (7)?

Objectives of the study: The awaited targets upon the completion of this study are as follows:

1. to identify the extent of the commitment of the Jordanian financial companies listed on the Amman Stock Exchange to disclose financial instruments.

2. to identify the extent of the commitment of the Jordanian financial companies listed on the Amman Stock Exchange to disclose financial instruments in the balance sheet.

3. Identify the extent of Jordan's commitment to financial companies listed on the Ammam stock exchangedisclosure of financial instruments in the income statement.

4. Identify the extent of Jordan's commitment to financial companies listed on the Amman Stock Exchange to disclose their policies relating to financial instruments as standard (7).

### **Importance of the study:**

The importance of the study stems from the importance of the disclosure of financial instruments according to standard financial reporting number requirements (7), and their impact on the decisions of investors in the Amman Financial Market, and that financial companies are obliged to apply accounting standards and international financial reporting where you see ASE need to adhere to the standards because of its effects to improve the quality of disclosure and improve the reliability of the financial statements published.

**Hypotheses of the study:** The study of the reality of the problem, we assume the following hypotheses

**The first major hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to disclose their financial instruments according to standard financial reporting requirements No. (7).

**The first sub-hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to disclose their financial instruments according to standard financial reporting requirements of the number (7) on the balance sheet.

**The second sub-hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to disclose their financial instruments according to standard financial reporting requirements No. (7) in the income statement.

**The third sub-hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to the disclosure requirements for financial instruments and financial policies by the standard financial reporting number (7).

### **Previous studies:**

1. Study (Awdat ,2014), "over the Jordanian commercial banks' commitment to disclosure requirements contained in the International Financial Reporting Standards: An Empirical Study."

This study aimed to identify the extent of Jordanian commercial banks commitment to disclosure requirements based on the specific disclosure in the international financial reporting, where the study focused on the disclosure requirements in the balance sheet, income statement, and statement of cash flows, and the list of shareholders' equity, the accompanying financial statements and disclosures standards requirements. It also aimed to more areas disclosure statement in the financial statements during the years 2011 and 2012 m. To achieve the objectives of the study were to adopt two methods to determine the extent of Jordanian commercial banks commitment to disclosure requirements where the first method is based on the design model (check list) for the years 2011-2012 was applied to (13) Bank, while the second method has been the design of a questionnaire distributed to the study population consisting of (13) Bank; where distributed 65 questionnaires to financial accountants and internal auditors managers, where they were to recover (61) questionnaires were subjected to statistical analysis, and data analysis and hypothesis testing was used descriptive statistical methods and measures of central tendency Kalost arithmetic mean and standard deviation and the use of T-TEST method to test hypotheses and test Cronbach's alpha to test the credibility of the data.

The most important results of the study have been committed to banks to disclose all areas of disclosure in the financial statements at all (60%) according to the first method. The main recommendations of the study need to be concerned with all Jordanian banks disclosure contained in the international financial reporting standards of the largest items extracted by percentages.

2. Study (2012, bosch) entitled "the appropriateness of fair value in the seventh standard financial reporting in Europe, and the extent of reliability provided by the fair value of that model."

This study aims to test the extent of the accounting work for European banks Consistency according to International Financial Reporting Standards (7), and the reliability of the financial statements that are committed to the application of fair value set forth the requirements in the standard seventh financial reporting, so banks have to disclose the inputs used in measuring the fair value of the instruments Finance, for this purpose sets the standard sequence for measuring assets and liabilities at fair value. The study population of European banks is composed, the study sample was selected the largest 27 banks from different European countries were taking the final financial statements, particularly the statement of financial position where the focus was on financial instruments and how they are measured at fair value, researcher has used the application model to measure the extent of the commitment of these banks standard financial reporting number (7). The result of the study was the effect that there is in terms of reliability through re-classification of financial assets at fair value reliability. While he found a very weak impact of capital on the reliability of fair values.

3. Study (Theresa Dunne, 2010) entitled " An analysis of UK firms disclosures about derivatives usage in their corporate reports".

This study aimed to test some of the different factors that affect the disclosures in the companies for the use of financial derivatives, the analysis focused on disclosures by financial reporting standards, the study tested these disclosures on a selected sample of British companies, the study focused on the reasons for companies committed to make disclosure of information according to financial reporting standards, to activate the level of disclosure and transparency, to give a clear picture of the financial statements of the company in front of investors and stakeholders, also focused on the disclosure of financial derivatives operations and the hazards

involved, the test was conducted on 100 companies listed on the London Stock Exchange and engaged in investment operations in the Stock Exchange London, the study concluded that financial factors have had a significant impact in requiring companies to disclose in accordance with international financial reporting standards requirements and the cost of financial reporting is effective and has no importance, and the study recommended the need for disclosure of financial operations in the light of international financial reporting standards, and that is conducting other statistical research on other companies to measure the level of disclosure therein.

4. Study (Essa, 2012) entitled "The extent of the application of the international standard for the preparation of the seventh financial reports: Financial Instruments: Disclosures, a field study on the Jordanian banks."

This study aimed to assess the extent of the commitment of financial reports issued by the Jordanian banks to the provisions of the international standard for financial reporting number (7), the study focused on summarizing International Accounting Standard No. 7 in the form of words which must be disclosed in the financial statements, and the researcher used the applied method of during the model has been designed by the researcher and contains the standard 7 disclosures, and it was the community of study is a survey of financial reports to the banks of Jordan process and number (15) Bank to find out how to show this vocabulary, the study relied on the financial ratios and frequencies, averages for data analysis and hypothesis testing. The study showed the commitment of the financial reports published by the Jordanian banks and the requirements of the standard in all fields through a commitment to disclosure of financial instruments and the accounting for the fair value, as well as the disclosure of financial risks, as well as the disclosure of the notes and especially fiscal policies, and is committed as well as laws and regulations requirements and instructions related, ranging the level of disclosure from 14% to 100%. As it turns out that there is variation rates of disclosure item to another.

**The study methodology:**

Tracking study descriptive and analytical approach, and that of data collection and analysis of primary and secondary sources, and thus arrive at results of the study and dissemination.

**Collection of data sources:**

**Secondary sources:** where was gathering information about the fields of study of books and theses and published research.

**Primary sources:** a questionnaire study where it was commensurate with the design of the study hypotheses were three sub-areas were derived from the development of the main hypothesis, the questionnaire consisted of 21 questions for each area (7) questions.

**Community and the study sample:**

The study population consisted of (36) listed financial company in the Amman Financial Market, has been the study sample to determine the financial manager who prepares the financial statements in these companies and the number (36) financial director, has been the sample to determine in this way until the information is to be collected closer to accuracy and reality.

**Tool study tests:**

**- The stability of the tool:**

Was measured firming tool through cronbach alpha to measure access to the same data when re-study using the same instrument and the same individuals under one circumstances, has reached the value of this test (81%), this ratio is a function of the existence of internal consistency of the paragraphs of the questionnaire being greater than the acceptance rate (60%) (carpenter 0.2013, p. 203).

**- Validity of the Content:**

It means the extent of the expression domain of the domain to which it belongs vertebrae, has focused attention on making sure that the domain used in this study representative accurate set of paragraphs that concern them have been adopted correlations greater than (30%) were the statistical significance of the task at (5%) (sekaran, 2013, p 87).

The results of Pearson Correlation test for the effect of using analytical procedures on the quality of external auditing:

Table (1)

Item	Pearson coefficient	item	Pearson coefficient
1	**0.545	12	**0.521
2	**0.531	13	**0.497
3	**0.570	14	**0.566
4	**0.665	15	**0.472
5	**0.619	16	**0.436
6	**0.663	17	**0.633
7	**0.661	18	**0.424
8	**0.667	19	**0.505
9	**0.666	20	**0.536
10	**0.505	21	**0.663
11	**0.536	22	**0.661

\*\*correlation coefficient is statistically significant at the level of ( $\alpha \leq 0.01$ ).

Is evident from the above table that all the paragraphs of the field of measuring the level of the relationship between the vertebrae, which measure the extent of the application of the disclosure requirements for financial instruments, may show that all of the area's biggest links (30%), and was statistically significant at the level of ( $\alpha \geq 0.01$ ).

**The natural distribution of data test (1-Sample K-S):**

(1-Sample K-S) Test was conducted in order to identify whether the data follow a natural distribution or not, which is an important test in hypotheses testing because most experimental tests require natural distribution for data. Results of statistical analysis showed that value of significance is above  $\alpha \leq 0.05$ . This shows that data follows a natural distribution, and the following table shows that.

Table 2 Test(1-Sample Kolmogorov- Smirnov)

domain	Domain title	items	Z value	Value of significance level
First	Internal control setting	8	1.24	**0.49
Second	Analysis of risks	7	0.93	**0.43
Third	Control activities	7	1.15	**0.41
All items		22	0.89	**0.43

\*\* With significance level at  $\alpha \leq 0.05$ .

Table three shows that all the domains of the study had a significance level above (30%), so we conclude that the responses of the subjects to items of tool had natural distribution.

**Analysis and discussion of the hypotheses of the study:**

**The first sub-hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to the disclosure requirements for financial instruments in the balance sheet according to standard financial reporting number (7).

I have been using the arithmetic means and standard deviations and the level of the relative importance of the clause in order to reach a logical analysis on the questions relating to the first domain. Table (3)

	Item	mean	S.D	sig
1	The disclosure of the held-to-maturity financial assets.	4,10	0,87	high
2	The disclosure of the loans and receivables.	3,88	0,84	high
3	The disclosure of the assets available for sale.	3,86	0,82	high
4	The disclosure of the financial obligations that are measured at fair value.	3,83	0,81	high
5	The disclosure of the financial obligations which are measured at amortized cost.	3,83	0,76	high
6	The disclosure of the credit risk.	3,82	0,73	high
7	The disclosure of the amount of market risk and changes in fair value.	3,80	0,70	high
8	The disclosure of the re-classification of financial instruments of the framework of the fair value to amortized cost framework.	3,75	0,66	high
	Average disclosure	3,81	0,65	

Notes from the above table that all the first area domain got averages calculations ranging from (3.75) to (4.10), has got hypothesis on the arithmetic average (3.81) and standard deviation (0.65), and the degree of importance of the hypothesis of high and paragraphs, has been more paragraphs acceptance is paragraph (1), which states

that the disclosure of the held-to-maturity financial assets, and this shows that CFOs realize the importance of adhering to the standard of financial reporting number (7), and that this commitment explains the extent of the great interest by financial companies Jordan disclose all the terms of the financial instruments on the balance sheet, whether intended for sale or for trading. the degree of commitment to enhance the reliability and accuracy of the financial statements and this is what enhances the confidence of investors in the company.

**Discussion of the second sub-hypothesis:** the Jordanian financial companies listed on the Amman Stock Exchange disclosure requirements for financial instruments in the income statement does not abide by the standard of financial reporting number (7).

I have been using the arithmetic means and standard deviations and the level of the relative importance of the clause in order to reach a logical analysis on the questions relating to the second domain.

Table (4)

	Item	mean	S.D	sig
1	Disclosure of gains and losses on financial assets differences measured at fair value.	4,33	0.77	high
2	Disclosure of gains and losses on investments held-to-maturity.	4,21	0.73	high
3	Disclosure of interest income on financial instruments that are not divided at fair value.	4.20	0.76	high
4	Disclosure of interest income on financial instruments that are not divided at fair value.	4,20	0.66	high
5	Disclosure of gains and losses on available for sale assets. Disclosure of gains and losses differences measure of financial obligations at fair value classified.	4,15	0.65	high
6	Disclosure of gains and losses on financial liabilities measured at amortized cost.	4,12	0.64	high
7	Disclosure of gains and losses on loans and receivables.	2.44	1,43	medium
	Average mean.	4.14	0.63	high

Notes from the above table that all questions in the second field questions, got averages calculations ranging from (2.44) to (4.33), has got hypothesis on the arithmetic average (4.14) and standard deviation (0.63), were more paragraphs acceptance is the paragraph which states he disclosure of gains and losses differences of financial assets are measured at fair value, and this shows that CFOs care about the need for adequate disclosure of the fair value and the differences in valuation at fair value as they represent the true value of financial investments in the financial market active, so the measurement at fair value is the essence of the standard financial reporting No. (7). it was the relative importance of the hypothesis and paragraphs are too high except for the last paragraph, which states that it is the disclosure of gains and losses on loans and receivables. it was this paragraph below paragraphs commitment from the point of CFOs in the Jordanian financial companies view. Perhaps the reason is due that there is a lack of conviction to prove the loan losses they represent a weak point in the investment policy of the bank, which presents management accountable.

**The third sub-hypothesis:** the Jordanian financial companies listed on the Amman Financial Market, do not adhere to the disclosure requirements for financial instruments and financial policies by the standard financial reporting number (7).

I have been using the arithmetic means and standard deviations and the level of the relative importance of the clause in order to reach a logical analysis on the questions relating to the third domain.

Table (5)

The average level of the application of disclosure of accounting policies requirements.

	Item	mean	S.D	Sig
1	Disclosure of the measurement bases used in preparing the financial statements.	3.98	0.54	HIGH
2	Disclosure of the measurement bases used in preparing the financial statements.	3.96	0.18	HIGH
3	Disclosure of the other accounting policies used to understand the financial statements.	3.89	0.43	HIGH
4	Disclosure of how the presentation of the financial statements under accounting policies.	3.87	0.47	HIGH
5	Disclosure of the measurement bases used in the compilation of financial statements	3.67	0.25	HIGH
6	Disclosure of the special classification and measurement of financial instruments accounting policies	3.63	0.45	HIGH
7	Disclosure of accounting policies for derivative contracts and hedging.	3.61	0.45	HIGH
	Average mean.	3.68	0.51	HIGH

Is evident from the above table that there is a high degree of importance for the disclosure of financial policies according to standard financial reporting number (7), and that this disclosure is a big sign that the Jordanian financial companies are to disclose accounting policies relating to financial instruments The average came computational domain (3.68) , and standard deviation (0.51), and more paragraphs acceptance study sample is at paragraph which states that the "disclosure of accounting policies under the so-called accounting policies." this is clear evidence of the corporate management of the study sample on the disclosure of accounting policies for financial instruments and that this disclosure could encourage investment in these companies and enhance its competitive position in the market.

Test the main hypothesis : states to test the third hypothesis, which states Is Jordanian financial companies listed on the Ammam stock exchangeis committed to disclosure requirements for financial instruments according to standard financial reporting number (7)?

Has been the use of the test (t) for the single-sample (One Sample T-Test), and are shown in Table No. (6) The results of this test.

domain	Mean	Standard deviation	Calculated T value	df	significance
Disclosure of financial instruments according to the standard (7).	3.83	0.54	14.87	35	*0.000

The results indicate that in the previous table, the value of (t = 87.73), the level of statistical significance (0.000) which is less than the level of statistical significance ( $\alpha = 0.05$ ) that there is no disclosure of financial instruments according to standard financial reporting requirements No. (7), reached a mean (3.83) and statistically significant at the level (5%), and this indicates a commitment to disclosure requirements contained in the standard financial reporting number (7), and it is rejected hypothesis president and the acceptance of the alternative hypothesis, which states, "there is no disclosure of financial instruments according to standard reporting requirements international financial No. (7) ", and refers to the approximate level of disclosure for financial instruments in the balance sheet as well as in the income statement, and this confirms the desire of financial companies to abide by disclosure requirements in order to be financial statements published enjoy as global in the disclosure of financial instruments method according to standard No. (7).

**Results:**

The study found the following:

- There disclosure of financial instruments in the Jordanian financial companies according to standard financial reporting number requirements (7), has been the relative importance of high disclosure and this shows the desire of the Jordanian financial companies applying standard financial reporting number (7), and that this commitment to enhance confidence in the financial statements and enhances the competitive position of the company.

- The more areas of application is to apply the disclosure requirements of the standard relating to financial instruments in the income statement, followed by the disclosure of financial instruments in the balance sheet requirements, then the average level of the application of accounting policies and disclosure requirements.
- The most important paragraphs that adhere to the Jordanian financial companies disclose is disclosed profits and losses differences of financial assets measured at fair value. Paragraphs and less disclosure is the disclosure of gains and losses on loans and receivables.

**Recommendations of the study:** The study recommends the following

1. The need for the adoption of international financial reporting standards and to its importance in the field to assist in decision-making governance by increasing confidence in the financial statements published.
2. The financial companies to disclose larger profits or losses of receivables.
3. The need to increase disclosure ratios and proportions of commitment and financial reporting standards in order to achieve the principle of complementarity and uniformity in the accounting policies and methods.

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