

UDC: 339.743:[657.375.1:336.71(569.5)]

THE IMPACT OF EXCHANGE RATES ON THE MEASUREMENT AND ACCOUNTING DISCLOSURE IN THE FINANCIAL STATEMENTS IN COMMERCIAL BANKS IN JORDAN

Haider Mohammed Ali Bani At, PhD

Philadelphia University, Amman, Jordan

Abstract:

The research aims to clarify the effect of exchange rates on the measurement and accounting disclosure in the financial statements in commercial banks in Jordan and the commitment of the commercial banks listed on the Amman Financial Market in Jordan to disclose the accounting on the translation differences foreign exchange earnings and the statement of the impact of changes in currency exchange rates on the elements of financial statements and also calls for IAS 21: the effects of changes in exchange rates and to identify the relationship between the changes of exchange rates and the elements of financial statements.

To achieve the objectives of the study, the researcher used the descriptive method, analytical and interpretative as well as analysis of variance and display graphics, tables, illustrations to clarify the relationships between the variables of the study. The study found that the banks of Jordan is committed to applying the requirements of International Accounting Standard (No. 21): the effects of changes in exchange rates, for each of the translation of transactions denominated in foreign currencies and net investments in foreign subsidiaries and foreign operations which are complementary to the Bank's operations and the translation of vocabulary of the financial statements of foreign affiliates of the Bank, and disclosure requirements of the standard, showing results of the analysis study it. There is also a relationship between each of the earnings per share in commercial banks operating in Jordan and the volume of assets in commercial banks and shareholders equity and cash flows and profits of commercial banks and changes in exchange rates and are affected by.

The researcher recommended the need to adhere to the application of IAS 21: the effects of changes in exchange rates and the rest of the criteria because of its importance is reflected on the financial statements and thus the resolution used in the decision-making banks and auditing firms to keep up with new developments in international standards, to take by changes in the the terms of the criteria for modernization, development and activating the role of financial statements in making rational decision, the need to do studies take into account the effects of changes in exchange rates on the financial statements in whole or in part, as well as the need for further studies that take into account the commitment of the Jordanian banks apply other standard.

The impact of exchange rates on the measurement and accounting disclosure in the financial statements in commercial banks in Jordan:

Chapter I: Background and importance of the study (overall framework)

Introduction:

In light of the rapid developments in the field of business and global trade taking place in the world in the century atheist and twenty, he became aware of accounting from basic science that have an important role and prominent as it offers financial information and non-financial help many relevant parties inside and outside the facility in economic decision-making governance. The accounting standards and International Financial Reporting of the most popular areas in the world and in view of the application of generally accepted these standards in many countries, including Jordan.

Because of the nature that characterize banking operations and which is characterized by diversity, accuracy and speed in accomplishing the tasks, so the accounting of banks and banks should be a high degree of flexibility, clarity and speed so as to facilitate them to extract the data and accounting statements and information required in a timely manner. And deal the banks and banks with operations that are in foreign currencies, which basically consists either of transactions in foreign currencies or have foreign operations. In order to include foreign currency transactions and foreign operations in the financial statements of the facility must be expressed in terms of those operations in the currency of the reporting enterprise.

It has been explained IAS atheist Twenty-processing operations in foreign currencies are established in which basically consists either of transactions in foreign currencies or have foreign operations. In order to include foreign currency transactions and foreign operations in the financial statements of the facility must be expressed in terms of those operations in the currency of the reporting enterprise.

Problem:

That economic openness in recent years and the widespread use of the Internet, has increased trade exchange world between countries, also helped on the speed and ease the flow of funds between international financial markets, which in turn increased the volume of financial transactions that are denominated in foreign currencies of the

institutions and companies, until they became some of the companies adopted in most of its business operations to export to foreign markets, the other hand, many companies have come to rely on sources of imported raw materials and the import of many of the spare parts or parts that fall in the manufacturing process or services, currency converter. And most of these operations are carried out by the banks, and the size of investment has increased, which led to the emergence of the problem of the preparation of consolidated lists in one currency and therefore, to work on translating financial statements of a certain currency to another currency before embarking on the process of preparing the consolidated lists.

Based on the foregoing, the issue of foreign currency required to deal with financial transactions are processed by the bank, which is made in a currency different from the currency used by the Bank in the maintenance of accounts, such as buying a Jordanian company maintained its accounts in Jordanian Dinars for the goods of the company “Agnibp” and so that the terms of payment by the Company of Jordan repay the cost in dollars or in foreign currency other than the Jordanian dinar. The fundamental problem addressed by the research are: Is there a relationship between the effects of changes in exchange rates and the elements of the financial statements of commercial banks operating in Jordan and included in the Amman Financial Market?

The importance of research:

Highlights the importance of research in the study of the commitment of the Jordanian commercial banks operating in Jordan and included in the Amman Financial Market measurement and disclosure of accounting differences on translation of foreign currency and foreign exchange earnings. And the impact of currency exchange rates on the financial statements of the bank, whether Jordanian commercial banks face problems when the application of criterion (21) the effects of changes in exchange rates and then access to the results and recommendations for submission to banks and regulators on the banks of Jordan and the users of financial statements.

Research Objectives:

The research aims to achieve the following:

First statement of the commitment of the Jordanian banks requirements of IAS) 21) the effects of changes in exchange rates . Second statement that caused the exchange rates of foreign currencies, the process of accounting measurement and disclosure in commercial banks in Jordan. Third, to clarify the relationship between the elements of financial statements with the changes in exchange rates in commercial banks in Jordan.

Hypotheses:

The first hypothesis:

Banks do not comply with the requirements of the application of the Jordanian International Accounting Standard No. (21 The effects of changes in exchange rates).

The second is: do not affect the changes in exchange rates on the elements of the financial statements of commercial banks operating in Jordan and included in the Amman Financial Market.

The third hypothesis:

There is no relationship between changes in exchange rates and the elements of financial statements in commercial banks operating in Jordan and included in the Amman Financial Market.

Chapter II:**Conceptual Framework:**

The basic purpose of the preparation and publication of financial statements is to provide users of those statements information that is useful to them in the process of economic decision-making, and a conceptual framework for the preparation and presentation of financial statements of the theoretical framework under which to be guided in the process of identifying events and processes that must be accounted for, registration and how to measure these events and how to connect this information to users of financial statements (Abu Nassar, Hamidat, 2009) .

It has to International Accounting Standards Committee developed and published a conceptual framework for the preparation and presentation of financial statements has also been modified this framework by the International Accounting Standards Board, and guided by the International Accounting Standards Board in the process of issuing new standards in the process of amendments to the existing standards currently in the process of addressing any of the accounting issues that are not covered directly in the current international accounting standards. Since the accounting standards that are developed in any country or those developed by International Accounting Standards Board may not contain the foundations of the preparation and presentation of financial statements for all events and processes, it is asking the Department established the use of discretion Profile in the development and application of accounting policies and methods of supply and consistent with the conceptual framework for preparing and presenting financial statements from the perspective of International Accounting Standards Board. And the conceptual framework for the preparation and presentation of financial statements has been developed to assist the development of national standards bodies to develop national standards, and to assist users of accounting information on the interpretation of the information contained in the financial statements and knowledge of the background that had been prepared on the basis of (Kiso, 2010).

The financial statements of the most important sources of information relied upon by investors and lenders and financial analysts and other interested parties in the order established in the process of economic decision-making respecting the firm, and although there are similarities in the nature of financial information relating to the establishment by which you need different parties, but there is also some differences in the needs of Parties that information. Investors may need some information which may differ from information needed by the lenders or they need the tax authorities. Given the difficulty of preparing more than one set of financial statements meet all of the different point of certain users of financial statements, prepare financial statements and one called the financial statements of general-purpose to meet those lists most of what you need external parties interested in the order established.

Most companies publish financial statements through the annual report or semi-annual or quarterly, and the report contains usually in addition to the financial statements

information that additional other may not be required by accounting standards and IFRS, and covers the International Accounting Standard (1) the financial statements of general-purpose, begins with the standard view of the foundations of the public must be taken into account when preparing the lists.(LASB, 2007). The goal of the financial statements of the general purpose is to provide financial statements for the financial position of the facility and the outcome of its work and the cash flow it has, and so that data contained in the financial statements are useful in making economic decisions to a wide range of users of financial statements. The financial statements are the structural view of the financial position of the facility and its performance during a certain period. The aim of the financial statements to provide information about the result of company performance and financial position and cash flows so that they are appropriate for different categories of users of those lists to make rational economic decisions (Mirza, Graham, 2008) .

In order to achieve these objectives of financial statements must include the following:

- Assets.
- Commitments.
- Property rights.
- Income and expenses, including gains and losses.
- Other changes in equity.
- Cash flows.

The International Accounting Standard No. (21) effects of changes in foreign exchange rates, demonstrates how accounting transactions in foreign currencies and foreign operations, and shows the standard as well as how to translate the financial statements of subsidiaries into the currency of the report of the Holding Company. The reporting currency is the currency of presentation of financial statements. The standard mainly aims to set the exchange rate and to be used in the process of commercial transactions that are denominated in foreign currencies and exchange rates to be used to translate the menus prepared for foreign currency, and determine where the differences will show the exchange rates and financial statements. Must be applied in this standard:

A - accounting for transactions and balances in foreign currencies, except for derivative transactions (derivatives) and stocks that fall within the scope of IAS (39) financial instruments (IASB, 2007) .

B - translating the financial statements of foreign operations (subsidiaries and associates and enterprises subject to joint control) included in the financial statements of the business through the consolidated financial statements or the proportionate consolidation or otherwise property rights.

C - translate the results of work and budget of the subsidiaries to the currency exposure of the financial statements of the company finances.

Previous studies

1- (*Kate Phylaktis ,2002) Stock process and exchange rate dynamics:*

We study the long-run and short-run dynamics between stock prices and exchange rates and the channels through which exogenous shocks impact on these markets through the use of co integration methodology and multivariate Granger causality tests. We apply the analysis to a group of Pacific Basin countries over the period 1980 to 1998. The evidence suggests that stock and foreign exchange markets are positively related and that the US stock market acts as a conduit for these links. Furthermore, these links are not found to be determined by foreign exchange restrictions. Finally, through the application of recursive estimation the evidence shows that the financial crisis had a temporary effect on the long-run co movement of these markets.

2- (*Anna Pavlova , Roberto Rigobon,2006) Asset Prices and Exchange Rates:*

In this paper we study the implications of introducing demand shocks and trade in goods into an otherwise standard international asset pricing model. Trade in goods gives rise to an additional channel of international propagation—through the terms of trade—absent in traditional single-good asset pricing models. The inclusion of demand shocks helps overturn many unrealistic implications of existing international finance models in which productivity shocks are the sole source of uncertainty. Our model generates a rich set of implications on how stock, bond, and foreign exchange markets co-move. We solve

the model in closed-form, which yields a system of equations that can be readily estimated empirically. Our estimation validates the main predictions of the theory.

3-(Mahesh Pritamani,2002):*Exchange Rates and Stock Prices: Are they Related?*

Changes in exchange rates are expected to affect the competitiveness of companies: a strong dollar is bad for American exporters and a weak dollar is good. Yet empirical research has not found much evidence of the expected contemporaneous correlation between exchange rate changes and stock returns even for a carefully selected set of exporting firms. Authors have attributed this apparent anomaly to market inefficiency, investor “nai vete”, sample selection, etc. In this paper, we propose a simple extension by looking at a different implication of currency valuation. If a stronger currency signals a stronger economy then the weakness that exporting firms experience in the foreign markets is partially or fully offset by the strength in the domestic economy. We find that positive surprises in GDP announcements are typically associated with a stronger dollar supporting the dual effect of currency changes. The above result implies that a better sample to capture the impact of currency changes would likely be importing firms because an importer is helped by a stronger currency on both dimensions: lower import prices and a stronger domestic economy. Our results are consistent with this explanation. Alternate explanations for the results such as pass-through and hedging are considered.

4- (Steven B. Kamin and John H. Rogers,1997):*Output and real exchange rate in developing countries: An application to Mexico:*

Since Mexico's devaluation of the peso in 1994, some observers have called for policies designed to keep the real exchange rate highly competitive in order to promote exports and output growth. However, over the past few decades, devaluations of the real exchange rate have been associated nearly exclusively with economic contraction, while real appreciations have been followed almost invariably by expansions in economic activity. The purpose of this paper is to attempt to disentangle the possible factors underlying this correlation--(1) reverse causation from output to the real exchange rate, (2) spurious correlation with third factors such as capital account shocks, and (3) temporary concretionary effects of devaluation--and determine whether, once those factors are accounted for, a positive, long-run effect of real depreciation on output can be

identified in the data. Based on the results of a VAR model designed to explore the linkages between the real exchange rate and output, we conclude that even after sources of spurious correlation and reverse causation are controlled for, real devaluation has led to high inflation and economic contraction in Mexico. While changes in Mexico's economic structure and financial situation may qualify the future applicability of this conclusion, we view our findings as pointing to substantial risks to targeting the exchange rate at too competitive a level.

5- (*John Simpson, John P. Evans, 2003*): *Banking stock returns and their relationship to interest rates and exchange rates: Australian evidence.*

Banks in Australia, as agents of the Central Bank, are key players in the implementation of exchange rate and monetary policies. The purpose of this study is to examine dynamic interactions among, and the long-term equilibrium relationships between, bank stock returns and the key macroeconomic and monetary policy variables in interest rates and exchange rates. The concern is whether or not current economic indicators, as reflected in interest rates and exchange rates, can explain banking stock market returns or vice versa. The statistical models used include regression models, co integration tests and Granger causality tests from vector autoregressive models. The study finds no evidence that Australia's bank stock market returns form a co integrating relationship with short- and long-term interest rates and exchange rates over the period of study and thus conclusions may not be drawn relating to long-term rational expectations in the Australian banking market. Evidence is presented that causality runs from bank stock returns to interest rates and exchange rates. This indicates that Australian monetary authorities, over the past decade, appear to have placed strong reliance on the health and performance of the banking and financial sector as they formulate monetary and exchange rate policy settings.

6 - (*John A. Doukas, 2001*) *Exchange Rate Exposure at the Firm and Industry Level:*

Previous work on the exposure of firms to exchange rate risk has primarily focused on U.S. firms and, surprisingly, found stock returns were not significantly affected by exchange-rate fluctuations. The equity market premium for exposure to currency risk was also found to be insignificant. In this paper we examine the relation between Japanese stock returns and unanticipated exchange-rate changes for 1079 firms traded on the Tokyo

stock exchange over the 1975-1995 period. Second, we investigate whether exchange-rate risk is priced in the equity market of Japan using both unconditional and conditional multifactor asset pricing testing procedures. We find a significant relation between contemporaneous stock returns and unanticipated yen fluctuations. The exposure effect on multinationals and high-exporting firms, however, is found to be greater in comparison to low-exporting and domestic firms. Lagged-exchange rate changes on firm value are found to be statistically insignificant implying that investors are able to assess the impact of exchange-rate changes on firm value with no significant delay. The industry level analysis corroborates the cross-sectional findings for Japanese firms in that they are sensitive to contemporaneous unexpected exchange-rate fluctuations. The co-movement between stock returns and changes in the foreign value of the yen is found to be positively associated with the degree of the firm's foreign economic involvement and inversely related to its size and debt to asset ratio. Asset pricing tests show that currency risk is priced. We find corroborating evidence in support of the view that currency exposure is time varying. Our results indicate that the foreign exchange-rate risk premium is a significant component of Japanese stock returns. The combined evidence from the currency exposure and asset pricing analyses, suggests that currency risk is of hedging concern to investors with implications for corporate and portfolio management.

7 - (Sohnke M. Bartram, 2007) *Corporate Cash Flow and Stock Price Exposures to Foreign Exchange Rate Risk.*

This paper estimates the foreign exchange rate exposure of 6,917 U.S. nonfinancial firms on the basis of stock prices and corporate cash flows. The results show that several firms are significantly exposed to at least one of the foreign exchange rates Canadian Dollar, Japanese Yen and Euro, and significant exposures are more frequent at longer horizons. The percentage of firms for which stock price and earnings exposures are significantly different is relatively low, though it increases with time horizon. Overall, the impact of exchange rate risk on stock prices and cash flows is similar and determined by a related set of economic factors.

8 - (Golaka C Nath, G P Samanta, 2003) *Relationship Between Exchange Rate and Stock Prices in India – An Empirical Analysis:*

The dynamic linkage between exchange rate and stock prices has been subjected to extensive research for over a decade and attracted considerable attention from researchers worldwide during the Asian crisis of 1997-98. The issue is also important from the viewpoint of recent large cross-boarder movement of funds. In India the issue is also gaining importance in the liberalization era. With this background, the present study examines the causal relationship between returns in stock market and forex market in India. Using daily data from March 1993 to December 2002, we found that causal link is generally absent though in recent years there has been strong causal influence from stock market return to forex market return. The results, however, are tentative and we need further in-depth research to identify the causes and consequences of the findings.

9 - (*Ray C. Fair, 2001*) *Shock effects on stocks, bonds, and exchange rates:*

Tick data and newswire searches are used to find events that led to large and rapid changes in a stock future, a bond future, and three exchange rate futures. Knowledge of these events may be useful in future work. They have the advantages that they are truly surprises and that the sign of their effect on each financial market is known. The events are used in this study to analyze the effects of three types of shocks on the five variables.

Procedural definitions:

* Foreign facility: A facility or facility associate or joint venture or branch of the reporting enterprise are its activities in a country other than the reporting enterprise. As well as the foreign facility to which activities are not part of a complement to the activities of the reporting enterprise.

* Currency report: is the currency used in the presentation of financial statements.

* Foreign Currency: The currency other than the reporting currency of the entity.

*Exchange rate: The exchange rate between two currencies.

*Exchange rate difference: The difference resulting from the same number of units of foreign currency in the reporting currency at different exchange rates.

*Closing price: is the exchange rate at the balance sheet.

* Net investment in a foreign entity: is the reporting enterprise's share in the net assets of that entity.

* Monetary items: is the money held and assets and liabilities to be received or paid in fixed amounts of cash or determinable.

* The fair value: is the amount which an asset could be exchanged or a liability settled between the parties an absolute willing to deal on the basis of free trade.

Chapter III:

Analysis and extrapolation.

That economic openness in recent years and the widespread use of the Internet, has increased trade exchange world between countries, also helped on the speed and ease the flow of funds between international financial markets, which in turn increased the volume of financial transactions that are denominated in foreign currencies of the institutions and companies, until they became some of the companies adopted in most of its business operations to export to foreign markets, the other hand, many companies have come to rely on sources of imported raw materials and the import of many of the spare parts or parts that fall in the manufacturing process, keeping in mind that PHP business processes are mediated by the banks. And that these transactions arise when an enterprise

And that these transactions arise when an enterprise including the following:

A - buying or selling goods or services whose price in foreign currency.

B - lending or borrowing funds when the amounts payable or receivable are denominated in foreign.

C - a foreign exchange contract is a party (not finished) after.

D - possess or dispose of assets, as well as specific obligations payable in foreign currency.

E - transfers for purposes of services.

When you see the financial statements of commercial banks, we find that the exchange differences arising from the settlement of the terms of cash or when the report on items critical of the facility at rates of exchange are different from those already recorded by the initial period or has been reportable in the lists of previous financial,

recognized as income or expense in the period in which it arises. As shown in the following table:

Profits of foreign currencies				
BANK NAME	2006	2007	2008	2009
Jordan Islamic Bank	1,644,852	1,904,550	1,539,248	1,217,231
Jordan Kuwait Bank	2,865,632	4,116,745	3,887,477	3,011,521
Jordan Commercial Bank	871,435	1,159,728	977,539	695,475
The Housing Bank for Trade and Finance	9,815,541	11,039,146	7,320,625	5,269,149
Arab Jordan Investment Bank	1,515,238	1,600,867	1,129,219	1,122,012
Union Bank	2,309,592	4,021,731	6,182,806	2,358,755
Arab Banking Corporation / Jordan	910,629	1,045,221	1,316,855	676,579
Investment bank	1,459,987	1,552,638	1,667,089	1,423,069
Capital Bank of Jordan	1,751,180	1,581,719	2,177,683	1,155,020
Societe General De Banque – Jordan	924,357	896,473	654,902	552,008
Cairo Amman Bank	2,676,881	2,995,714	2,585,118	2,444,809
Bank of Jordan	2,806,971	2,127,267	2,108,661	2,005,628
Jordan Ahli Bank	3,644,517	4,502,519	2,861,143	2,510,638
Islamic International Arab Bank	1,042,169	931,840	655,549	335,745
Arab Bank	34,995,000	45,205,000	34,269,000	26,612,000

table number 1: Profits of foreign currencies

And Foreign currency translation differences are reported them in the list of financial position within the human Almsahminokma shown in Table 2: Foreign currency translation differences and this Maittalbp International Accounting Standard No. 21 the effects of changes in exchange rates.

Foreign currency translation differences:Table 2

BANK	Foreign currency translation differences			
	2006	2007	2008	2009
Jordan Islamic Bank	0	0	0	0
Jordan Kuwait Bank	0	0	0	0
Jordan Commercial Bank	0	0	0	0
The Housing Bank for Trade and Finance	1,733,632	1,057,229	590,684	4,232,617
Arab Jordan Investment Bank	272,000	272,000	272,000	272,000
Union Bank	0	0	0	0
Arab Banking Corporation / Jordan	0	0	0	0
Investment bank	0	0	0	0
Capital Bank of Jordan	3,874,407	2,984,443	1,235,542	2,420,483
Societe General De Banque - Jordan	0	0	0	0
Cairo Amman Bank	0	0	0	0
Bank of Jordan	(122)	623,826	0	0
Jordan Ahli Bank	0	0	18,000	0
Islamic International Arab Bank	0	0	0	0
Arab Bank	126,192,000	104,681,000	89,665,000	148,481,000

And other hypotheses will be tested by the following sequence:

1- The relationship between cash flows and changes in exchange rates in commercial banks.

Is there a relationship between cash flows and changes in exchange rates in commercial banks?

For an answer to that is the use of a model study conducted by researcher (Söhnke M. Bartram, 2007);

$$Rcfst = \alpha + \beta_j Rst + e_{jt}$$

Where cash flow variables (RCF_{jt}) on changes in ex-change rates (RS_{jt}):

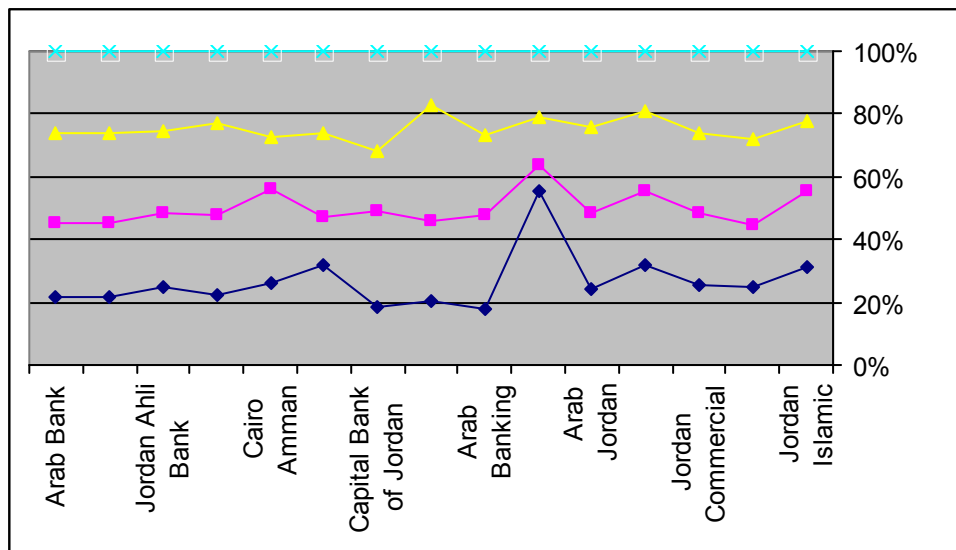
The following table 3: shows the cash flows from 2006-2009

table 3: Cash flows

BANK	Cash flows			
	2006	2007	2008	2009
	867,676,001	671,644,566	628,766,994	620,457,642
	230,216,207	186,912,125	252,628,195	264,392,240

Jordan Islamic Bank				
Jordan Kuwait Bank	111,111,890	100,237,477	112,059,323	113,965,007
Jordan Commercial Bank	1,884,630,696	1,383,777,956	1,514,810,331	1,139,742,499
The Housing Bank for Trade and Finance	80,773,015	78,600,585	91,620,582	79,989,166
Arab Jordan Investment Bank	74,762,644	11,553,342	20,472,865	28,490,107
Union Bank	128,713,143	214,940,320	186,249,557	193,972,296
Arab Banking Corporation / Jordan	68,355,970	86,968,026	125,697,089	59,541,600
Investment bank	92,871,385	153,572,368	95,014,349	160,937,764
Capital Bank of Jordan	229,090,556	109,531,923	192,009,050	186,781,336
Societe Generale De Banque - Jordan	49,823,825	56,467,663	30,469,361	51,851,616
Cairo Amman Bank	299,533,337	349,730,374	395,785,072	311,257,577
Bank of Jordan	364,025,045	341,971,117	381,839,500	378,114,984
Jordan Ahli Bank	382,437,016	408,835,693	503,853,506	456,418,484
Islamic International Arab Bank	382,437,016	408,835,693	503,853,506	456,418,484
Arab Bank	3,751,411,000	2,912,701,000	2,840,800,000	3,689,311,000

The following figure shows the fluctuations in cash flows in commercial banks in the period 2006 -2009 .

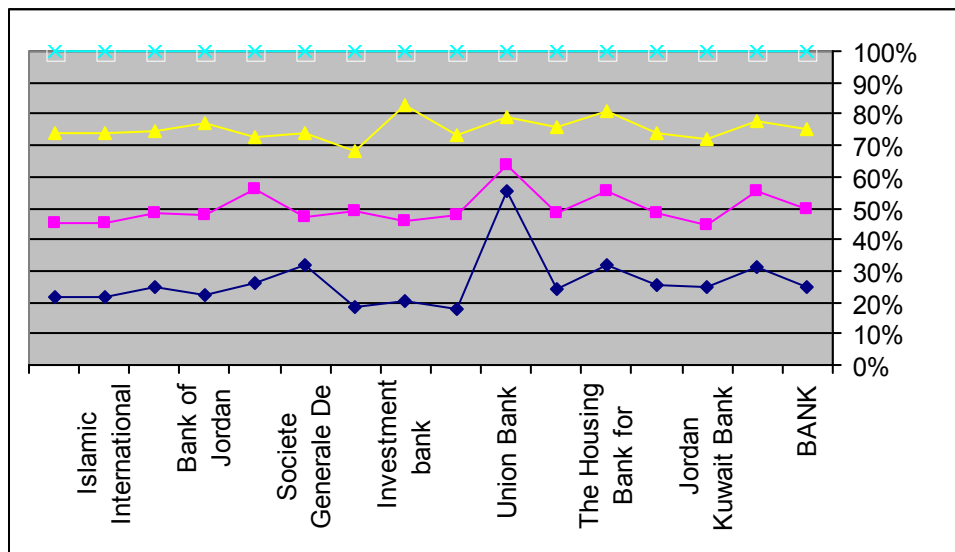


In applying the model of the study: $Rcfst = 3.4 + 0.815 Rst$
 Was estimated in a manner least squares($\alpha = 3.4$, $b = 0.815$) : The results are shown in Table 4: Cash flows Estimated.

Table 4: Cash flows Estimated

BANK	Cash flows Estimated			
	2006	2007	2008	2009
Jordan Islamic Bank	707156244.8	547390625.3	512445404.1	505673282.2
Jordan Kuwait Bank	187626512.7	152333685.9	205892282.9	215479979.6
Jordan Commercial Bank	90556494.35	81693847.76	91328652.25	92881784.71
The Housing Bank for Trade and Finance	1535974321	1127779338	1234570724	928890440.7
Arab Jordan Investment Bank	65830311.23	64059780.78	74671078.33	65191474.29
Union Bank	60931858.86	9416277.73	16685688.98	23219741.21
Arab Banking Corporation / Jordan	104901515.5	175176664.8	151793693	158087725.2
Investment bank	55710419.55	70879245.19	102443431.5	48526708
Capital Bank of Jordan	75690482.78	125161783.9	77436998.44	131164581.7
Societe Generale De Banque - Jordan	186709107.1	89268821.25	156487679.8	152227092.8
Cairo Amman Bank	40606721.38	46021449.35	24832833.22	42259371.04
Bank of Jordan	244119973.7	285030558.8	322565137.7	253675229.3
Jordan Ahli Bank	296680715.7	278706764.4	311199496.5	308164016
Islamic International Arab Bank	311686472	333201393.8	410640911.4	371981368.5
Arab Bank	311686472	333201393.8	410640911.4	371981368.5

Figure 2 depicts the following fluctuations during the period 2006-2009 to the estimated cash flows:



Using analysis of ANOVA, we find that

Table 5: analysis of ANOVA

variables	R2	level	F/ COMPUTE	F/TABLE
Cash flows	0.72	.05	101	3
exchange rate				

Through the review of the previous analysis, we find: There is a relationship between cash flows and changes in exchange rates in commercial banks in spite of fluctuations shown by the figure resulting from the instability of the financial market.

2- relationship between the stock return in the commercial banks operating in Jordan and changes in exchange rates.

Is there a relationship between the stock return in the commercial banks operating in Jordan and changes in exchange rates?

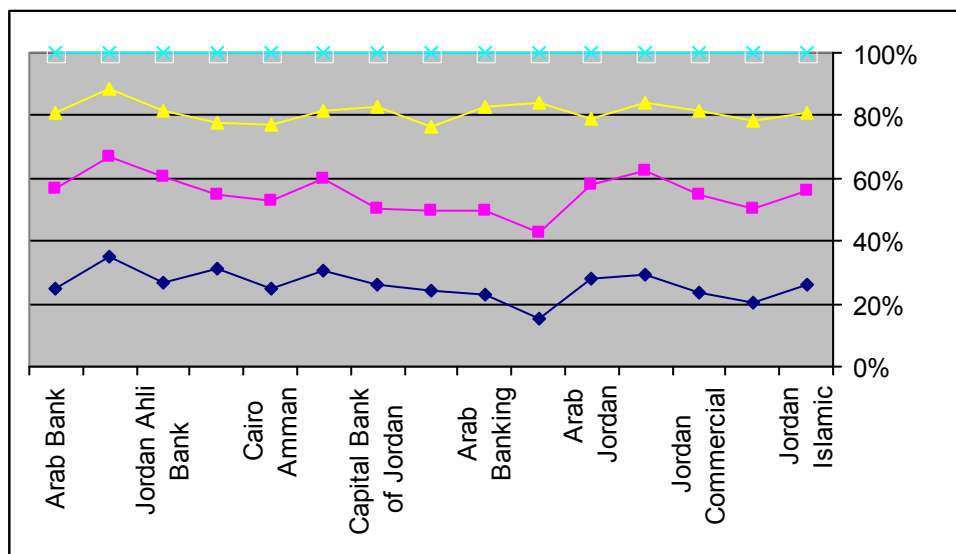
For an answer to that is the use of a model study conducted by researcher: As shown, consequently: (Mahesh Pritamani, 2002)

$$R_{it} = \alpha + \beta_1 R_{mt} + Y_{igt}$$

Where R_{it} is the stock return for stock i , R_{mt} is the market return, and gt is the change in exchange rate measured in foreign currency per dollar.

And Figure 5 examines the following note the change in fluctuations in exchange rates during the years 2006-2009.

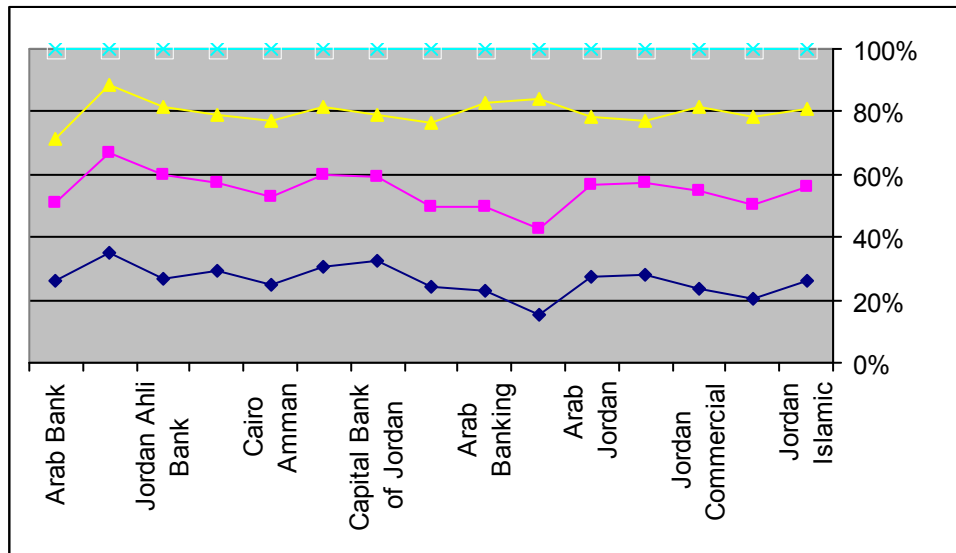
And Figure 5: fluctuations in exchange rates



Using least squares. (α, β_1, Y_i) has been estimated parameter values
 And became the equation as follows:
 $R_{it} = 8.84 + 2.96 R_{mt} + 9.13 g_t$

In applying the model study, the oscillations during the past 2006-2009 illustrated by the following format:

And Figure 6: fluctuations in estimated exchange rates



The fluctuations in Figure (5) is lower than in Figure This indicates a lack of stability of the financial market in the period under study.

Using analysis of ANOVA, we find that

Table: 6: analysis of ANOVA

variables	R2	level	F/ COMPUTE	F/ TABLE
stock return	.97	.05	279	3.1
market return				
exchange rate				

Accept the hypothesis, which says: There is a relationship between the earnings per share in commercial banks operating in Jordan and changes in exchange rates.

3 – relationship between assets and changes in exchange rates in commercial banks.

Is there a relationship between assets and changes in exchange rates in commercial banks?

We have been developing the following form to clarify the relationship between the size of bank assets and changes in the prices of Abfmstqa of the financial statements of banks listed on the Amman Stock Exchange as follows:
 $Y = \alpha + b_1X_1 + \text{error}$. Where y is the total assets, X1 is the exchange rate . The estimated parameters of the model using the least squares and become the model as follows.

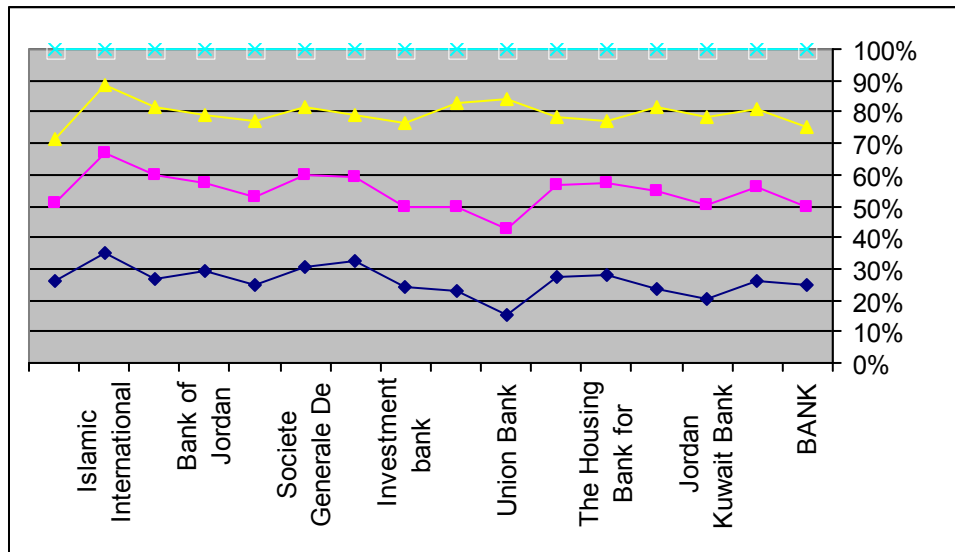
$$Y = 7.4 + 405 X1$$

The graph below shows the total assets for the period 2006-2009

Table7: Total assets

BANK	Total assets			
	2,006	2,007	2,008	2,009
Jordan Islamic Bank	666165067.4	771342757.4	623395447.4	492978562.4
Jordan Kuwait Bank	1160580967	1667281732	1574428192	1219666012
Jordan Commercial Bank	352931182.4	469689847.4	395903302.4	281667382.4
The Housing Bank for Trade and Finance	4677415072	4899031882	3204080152	3848215237
Arab Jordan Investment Bank	723831397.4	758511142.4	567493702.4	564574867.4
Union Bank	935384767.4	1628801062	2504036437	955295782.4
Arab Banking Corporation / Jordan	368804752.4	423314512.4	533326282.4	274014502.4
Investment bank	591294742.4	628818397.4	675171052.4	576342952.4
Capital Bank of Jordan	2278362742	1849295617	1382356132	1448078722
Societe Generale De Banque - Jordan	374364592.4	363071572.4	265235317.4	223563247.4
Cairo Amman Bank	1084136812	1213264177	1046972797	990147652.4
Bank of Jordan	1136773852	1114192672	854007712.4	812279347.4
Jordan Ahli Bank	1476029392	1823520202	1166052922	1016808397
Islamic International Arab Bank	422078452.4	377395207.4	265497352.4	135976732.4
Arab Bank	65280735007	60703830007	50193270007	70912665007

The figure shows the changes in the volume of assets by the proposed model.



Using analysis of ANOVA, we find that.

Table 8: analysis of ANOVA

variables	R2	level	F/ COMPUTE	F/TABLE
assets	0.99	.05	1923	3
exchange rate				

Accept the hypothesis which states that there is a relationship between the size of assets and changes in exchange rates in the commercial banks despite the fluctuations shown by the figure resulting from the instability of the financial market.

4 – relationship between income and changes in exchange rates in commercial banks.

Is there a relationship between income and changes in exchange rates in commercial banks?

We have been developing the following form to clarify the relationship between the size of bank assets and changes in the prices of Abfmstqa of the financial statements of banks listed on the Amman Stock Exchange as follows:

$$I = \alpha + b1X1 + \text{error}$$

Where I is the Income, X1is the exchange rate .The estimated parameters of the model using the least squares and become the model as follows.

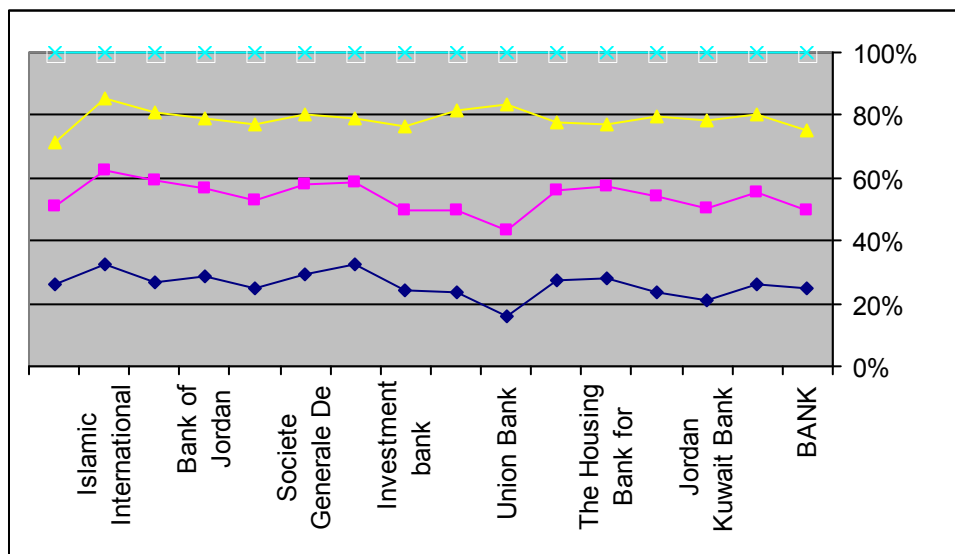
$$I = 1717451 + 7.1 X1$$

The graph below shows the total profit for the period 2006 -2009

Table9; profit for the period 2006 -2009

BANK	2,006	2,007	2,008	2,009
Jordan Islamic Bank	13395900.2	15239756	12646111.8	10359791.1
Jordan Kuwait Bank	22063438.2	30946340.5	29318537.7	23099250.1
Jordan Commercial Bank	7904639.5	9951519.8	8657977.9	6655323.5
The Housing Bank for Trade and Finance	83716579.3	87601713.5	57887744.9	69179989.6
Arab Jordan Investment Bank	14406840.8	15014806.7	11666105.9	11614936.2
Union Bank	18115554.2	30271741.1	45615373.6	18464611.5
Arab Banking Corporation / Jordan	8182916.9	9138520.1	11067121.5	6521161.9
Investment bank	12083358.7	12741180.8	13553782.9	11821240.9
Capital Bank of Jordan	41659118.7	34137201.2	25951348.5	27103522.3
Societe Generale De Banque - Jordan	8280385.7	8082409.3	6367255.2	5636707.8
Cairo Amman Bank	20723306.1	22987020.4	20071788.8	19075594.9
Bank of Jordan	21646078.9	21250211.3	16688944.1	15957409.8
Jordan Ahli Bank	27593521.7	33685335.9	22159366.3	19542980.8
Islamic International Arab Bank	9116850.9	8333515	6371848.9	4101240.5
Arab Bank	1146145151	1065908051	881648851	1244877751

The figure shows the changes in the volume of profit by the proposed model.



Using analysis of ANOVA, we find that.

Table 10: analysis of ANOVA

variables	R2	level	F/ COMPUTE	F/TABLE
total profit	0.978	.05	610	3
exchange rate				

Accept the hypothesis which states that there is a relationship between income and changes in exchange rates in the commercial banks despite the fluctuations shown by the figure resulting from the instability of the financial market.

5- relationship between the rights of shareholders and changes in exchange rates in commercial banks.

Is there a relationship between the rights of shareholders and changes in exchange rates in commercial banks?

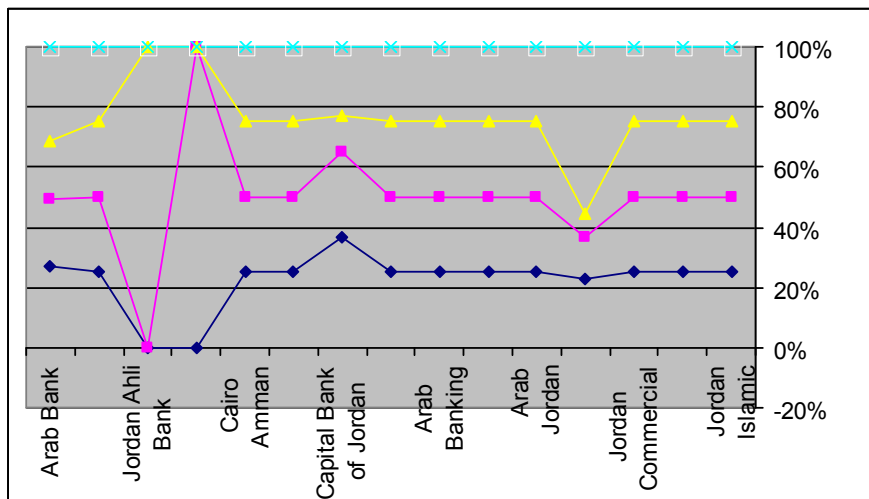
We have been developing the following form to clarify the relationship between the bank's equity and changes in exchange rates derived from financial statements of banks listed on the Amman Stock Exchange as follows:

$$q = \alpha + b1X1 + \text{error}$$

Where q is the Equity, X1is the exchange rate .The estimated parameters of the model using the least squares and become the model as follows.

$$q = 2 +28.6 X1$$

The graph below shows the total changes to equity for the period 2006-2009



Using analysis of ANOVA, we find that.

Table:11 analysis of ANOVA

variables	R2	Level	F/ COMPUTE	F/TABLE
equity	0.956	.05	286	3
exchange rate				

Accept the hypothesis which states that there is a relationship between equity and changes in exchange rates in the commercial banks despite the fluctuations displayed by the shape and the resulting instability of the financial market.

Chapter IV: the results and recommendations

Results:

The study showed the following results Based on the scientific analysis showed the researcher to reach a set of conclusions about the commitment of the Jordanian banks apply the requirements of Accounting Standard No. 21: the effects of changes in exchange rates

1 - Banks of Jordan the application of the requirements of IAS 21: the effects of changes in exchange rates, and for each of the translation of transactions denominated in foreign currencies and net investments in foreign subsidiaries and foreign operations which are complementary to the Bank's operations and the translation of vocabulary of the financial statements of foreign affiliates of the Bank, and disclosure requirements of the standard , where the results of the analysis showed that study.

2 - There is a relationship between the earnings per share in commercial banks operating in Jordan and changes in exchange rates.

3 - There is a relationship between the volume of assets in commercial banks operating in Jordan and changes in exchange rates.

4 - There is a relationship between the rights of shareholders in commercial banks operating in Jordan and changes in exchange rates.

5 - There is a relationship between the cash flows in the commercial banks operating in Jordan and changes in exchange rates.

6 - There is a relationship between the profits of commercial banks operating in Jordan and changes in exchange rates.

Recommendations:

In the light of the results of the study, the researcher recommends the following:

- Some differences in the classification of Jordanian banks translation of the financial statements of foreign subsidiaries as equity until the disposal of the net investment and not part of the gains and losses in order to complete compliance with the requirements of International Accounting Standard No. 21 The effects of changes in exchange rates.
- banks and auditing firms to keep up with new developments in international standards, to take by changes in the terms of the criteria for modernization, development and activating the role of financial statements in making rational decision.
- the need for further studies that take into account the extent of the commitment of the Jordanian banks apply other standards.
- the need for further studies that take into account the effects of changes in exchange rates on the financial statements in whole or in part.

References:

- Alfredson. K. Leo Ken, Picker Ruth , Pacter Paul ,and Radford Jennie, (2007), applying International Accounting Standards. John Wiley and sons.
- LASB, (2007), International Financial Reporting Standards , IASCF , London , UK.
- Kieso ,D.Jerry Weygandt,and T.Warfield.,(2006)Intermediate Accounting, Twelfth Edition, New York: John Wiley & Sons ,inc .
- Mirza Abbas Ali ,Graham Holt , Magnus Orrell ,(2006) , International Financial Reporting Standards(IFRS) Workbook and Guide: John Wiley and Sons .
- Mirza Abbas Ali ,Graham Holt , Magnus Orrell ,Liesel Knorr(2008) ,Wiley IFRS: Practical Implementation Guide and Workbook , 2nd Edition, John Wiley and Sons .
- Floyed A Beam,Joseph H. Anthony,Robin P Clement, Suzanne H.Lowensohn, 2010 Advanced Accounting,Pearson,Tenth Eadition.
- Almidani, aiman,1993,Corporate financial management. Library of King Fahd- al-reyath.
- Steiner,Bob,Foreign Exchange and money Markets : Theory ,Practise and Risk , Butterworth–Heinemann: Oxford , 2002.
- Alfredson,K,Leo,Ken.Picker,Ruth.Pacter,P.and Radford,j.Applying International Accounting Standards. John Wiley. 2006
- John Larsen,E.John.2006.Modern Advanced Accounting.2009.Ninth Edition,Boston:Irwin McGraw Hill.
- Richard lewis, david pendrill.2003.advanced financial accounting,7 th edition,prentce hall.