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# Characteristics of Firms Violating Annual Financial Disclosure Timing: The Case of Jordan

**Mansour I. Saaydah***

Department of Accounting, Jordan University, Jordan. *Email: msaaydah@ju.edu.jo

**ABSTRACT**

The objective of this study is to identify the characteristics of firms violating annual financial disclosure timing set by the Jordan Securities Commission (JSC). Sample firms average size, profitability indicators, total assets turnover, cash dividend per share and share market to book value were compared to industry-wide averages The study sample consists of all companies disclosed on the JSC sight as not providing their 2012 annual reports on time or provided reports with missing significant disclosure items and warned from further penalties by the commission. The study data on 26 companies (divided into three sub-samples: 8 manufacturing, 7 service and 11 financial) who violated disclosure requirement was obtained, mostly, from the official audited Jordanian public shareholding companies guide for 2013. The sample company 2012 variables were subject to the one sample T-tests to find out if there are significant mean differences from industry-wide averages for the same year. Results of the manufacturing firms sub-sample indicate less average net operating profit, less profitability (based on return on assets), less cash dividend per share and lower share market to book value. However, the averages of firm size (market value), total assets turnover, earnings per share, and return on equity are all lower than the manufacturing industry-wide averages in 2012, but not in a significant way. Results of service firms' sub-sample, show only significant lower average cash dividend per share compared to average industry-wide service firm in 2012. Results of financial firms sub-sample show significant lower average total assets, less earnings per share and cash dividend per share than average industry-wide financial firm in 2012. The overall conclusion is that Jordanian industrial and financial firms who file their annual reports late or misfile certain important disclosure items underperform average company's profitability and cash dividend per share relative to their respective sectors.

**Keywords:** Financial Disclosure Timing, Jordan Securities Commission, Profitability, Cash Dividends, Good News Bad News
**JEL Classifications:** D53, E44, G2

## 1. INTRODUCTION

It is still an interesting question, especially in the Middle Eastern region, to ask why certain public companies violate disclosure timing and/or ignore important disclosure items in their annual reports. It is a question that has been addressed over many years and in various countries with several possible explanations. One popular explanation is that late disclosure tend to help conceal or mitigate the effect of bad news (reporting low income or losses), a management phenomenon known as "good news early bad news late" (Tabner and Urquhart, 2011; Begley and Fischer, 1998; Chambers and Penman 1984, Givoly and Palmon, 1982). Other explanations include, but not limited to, the complexity of operations, leverage, company size, volatility and corporate governance level (Kirch et al., 2012).

The objective of this paper is to find out which firm's characteristics are associated most with Jordanian public companies decisions to disclose their 2012 annual reports late ignore or certain items in their disclosures regardless of the clear requirements of the companies' law and securities commission disclosures instructions.

## 2. STATEMENT OF THE PROBLEM

The phenomenon of "good news early bad news late" is well documented in the accounting literature (Kross, 1981; Chen et al., 2005), however, Begley and Fischer (1998), suggest that benefit and cost of disclosure delay are likely to have changed since the late 1970s, and the phenomenon of "good news early bad news late" may no longer exist. Kothari et al., 2009 subscribe to this view. This possible change in management behavior toward the timing of annual reports may be true in developed countries, where financial markets and regulating agencies are more efficient, investigates a wide range of corporate issues, trace and evaluate corporate behavior continuously, and impose serious penalties when necessary, however in developing countries corporate management may still have some discretion over annual reports timing, or feel free to ignore timing due to low penalty on surpassing it. Therefore, there still a need to identify firm's characteristics associated most with delayed annual report disclosure beyond regulatory limits in Jordan in order to make this information available to the Securities Commission and stock market management when revaluating disclosure requirements, since to the best of my knowledge not much research dealt with this issue in Jordan or the Middle East region.

The rest of the paper is organized as follows: Next section deals with literature review and past studies. After that comes the methodology section, followed by the results and discussion. The paper concludes by a brief summary and conclusion.

## 3. LITERATURE REVIEW AND PAST RESEARCH

### 3.1. Literature Review

It is well known that a great deal of early work by accounting profession members went to establish accounting rules and regulations(and later standards) to guide accountants and help them provide financial statements useful to users in making rational economic decisions. A major part of the professional efforts, in early 20th century was undertaken in the US (Paton, 1920; Paton and Littleton, 1940). After the enactment of securities exchange law of 1934, the Securities and Exchange Commission was given the authority to stipulate accounting principles and reporting practices, but it allowed the private accounting profession to do so as long as it is capable of doing so successfully. This law addressed the duties of corporate officer and owners and reporting requirements, specifying information that need to be included in corporate annual reports distributed to stockholders. The objective of these requirements is to provide fair disclosures by each corporation offering securities for sale to the public. The main goal of disclosure is to protect investors and make available to them and other users relevant information about public companies.

Based on that, the committee on accounting procedures (CAP), formed in 1938, began to issue statements on accounting principles and by 1939 it issued 12 Research Bulletins useful in organizing accountants' work and companies' financial reports. In 1970 the accounting standards steering committee (later the accounting standards board) was established in the UK and required accountants to conform to mandatory accounting standards.

The CAP was replaced by the Accounting Principles Board (APB) in 1959 which issued number of accounting Opinions. The opinions were not mandatory rather represent best practice, therefore, many companies departed from the bulletins and opinions which caused the American Institute of Certified Public Accountants in 1965 to indicate that corporation requiring departure from principles published by the APB disclose the fact in a footnote to financial statements.

In 1973 the APB was replaced by Financial Accounting Standards Board (FASB), which developed the Accounting Conceptual Framework and released many mandatory statements of financial accounting standards (SFASs). Due to its importance, each SFAS has its own disclosure requirements (Deegan, 2011).

In large part of Europe, until recently there was no primary focus on provision of financial information to support investment decisions by shareholders. Regulations though accounting standards (particularly International Financial Reporting Standards [IFRS]) became mandatory from the beginning of 2005 for all companies whose shares traded on securities markets in the European Union.

Several countries in the Middle East, including Jordan, have adopted IFRS to improve corporate accounting practices and the transparency of financial disclosures. However, Kaser and Kligler (2008) argue that using IFRS to introduce true and fair view of accounting, which relies on difficult to verify information, may not be suitable to improve accounting information quality, especially when corporate governance system is week.

The failure of huge companies in the US and elsewhere (such as Enron and WorldCom) in 2001 and after, brought the accounting and auditing profession under political pressure. This pressure led to the development of more rigorous corporate governance and accounting regulations. For example in the US they enacted the Sarbanes-Oxley Act law in 2002, which created the Public Companies Accounting Oversight Board, with authority to investigate public company's accounts and enhance auditor independence.

Further political pressure for change in accounting regulations was exerted following the US banking crisis (started by the failure of Lehman Brothers), leading to a global financial crisis starting in 2007/2008, which negatively affected the world economics' stability and growth. The major question directed to the accounting and auditing community is: Why financial statements of failing companies had not given adequate warnings of risk and problems facing ill companies? Which is equivalent to saying, why corporate disclosures were not transparent enough? This failure led to the G-20 leading summit to address the issue of reforming financial markets through enhancing transparency and accountability, extending required disclosures on complex financial products, and ensuring complete and accurate disclosure by firms of the financial conditions. It also called for the key global accounting standards bodies to work together, in the medium term, toward the objective of developing single high-quality global standards (G-20, 2008).

Since corporate annual report is a main instrument to communicate firm's results of operations, financial positions, cash flows and changes in owner equity, on timely basis to help investment community make informed judgment and better economic decisions most countries, if not all, have regulated, mostly through corporate laws, disclosure instructions and similar means, the contents and timing of financial reports.

In Jordan, for example, the company's law No. 22 for 1997 and its amendments required that companies prepare and issue its annual reports including auditor's opinion within 3 months of the end of its fiscal year.

Jordan Securities Commission (JSC) disclosure requirements for 2004 further required listed companies to publish their preliminary business results after completion of preliminary audit within 45 days of its fiscal year end and shall provide the commission with a copy thereof.

As the qualitative characteristics of accounting information indicates timeliness is a basic ingredient of the relevance quality of accounting information released in annual reports (FASB, 1980). Therefore if this ingredient is not available in the information of annual reports, the reports will be less useful or even worthless to users. Timely reports level the playing ground field to all investors which prevent information from being used for the benefit of some people at the expense of others.

## 4. PAST STUDIES

Al-Daoud et al. (2014) investigated the influence of board independence, board size, auditor's opinion, profitability and industry sector, on the timeliness of annual financial reports among Jordanian companies. Their study covers 114 listed companies on Amman Stock Exchange (ASE) for the year 2012. The timeliness of the financial reports is measured by audit report lag. They find that firms, on average, take more than 2 months to complete the audit of financial reports. They also find that firms with improved performance (good news) are faster in publishing their financial reports than firms with declining performance (bad news). The results also show that firms with an unqualified audit opinion release their financial reports earlier than those who did not receive clean opinions. In addition, firms with smaller boards report faster than those with larger boards. Finally, they find no evidence of the influence of independent directors and the type of sector on the timeliness of financial reporting.

de Haan et al. (2014) revisited the question whether managers attempt to hide bad earning news by announcing earnings during periods of low market attention or highlight good news by reporting during periods of higher attention. To answer the question the authors examined three specific times during which prior research has speculated that market attention is lower: After trading hours, on Fridays, and on "busy" days when numerous other firms are reporting earnings. Their sample consists of 124005 US firm-quarters over the period 2000-2011. They found that earnings announcement timing are highly variable, and market attention does appear to be lower after trading hours and on busy reporting days. However, they found that attention is the same or even higher on Fridays. Overall they conclude that their results are consistent with managers strategically reporting bad news during times when they expect that attention is limited, and conversely, reporting good news in periods of higher attention.

Hashima et al. (2013) empirically investigated the timeliness of corporate reporting in Malaysia and the characteristics of companies contributing to the lead time. Their sample consists of 200 listed companies on the Bursa Malaysia representing different sectors for the year ending 2007. The financial reporting lead time is 117 days which is 4 days earlier than the regulated 121 days. Their results revealed that company size and audit duration have significant relationship with the timeliness of corporate reporting.

Lehtinen (2013) using a case study aimed to understand the reporting practices in terms of timeliness and quality. He wanted to explain and describe the factors behind the reporting behavior, both motivational factors and those affecting the quality and reporting lag. He also aimed to observe and analyze the case of company's perceptions of reporting lag and quality of financial information but not to generalize the results. The empirical part of the study is executed by interview. The case company was chosen based on the fact that it has gone through major changes in its reporting environment recently especially to fasten financial reporting and improve its quality. The main results of the study show that the size and multinationality affect the reporting lag as well as taxation and other internal determinants. The board and CFO's role can be seen as important factor contributing to faster reporting and the employees also affect this practice by executing the changes. The company image is also a major reason for faster reporting in the case company. In addition, the welfare of employees and management capability are important motivators behind case company's reporting behavior. Lastly, the good quality of financial reporting indicates better transparency and best practice behavior which ultimately improves the company's image.

Kirch et al. (2012) examined the determining factors affecting the timing of disclosures in quarterly and annual financial statements of Brazilian companies listed on the Sao Paulo stock exchange for the period 1/1997-2/2009. The determining factors included: Leverage control, company size, level of corporate governance, institutional ownership, financial statement consolidation, volatility, and losses. The study data pertains to 83 companies, with 1585 observations examined using panel data methods. The main findings suggest that disclosing consolidated statements and/or statements that include losses has a positive effect on the timing of the disclosure, corroborating the hypothesis that disclosure timing is positively affected by greater complexity in operations and by the content of the statements (in this case, "bad news"). Control of the leverage variable, in turn, was shown to be negatively related to disclosure timing.

Park et al., (2013) examined the effect of Korea's fair disclosure regulation on the timeliness and informativeness of earnings announcements. The Korean regulation for listed firms requires that if a company's sales revenue, operating income (or loss) and net income (or loss) have changed by over 30% compared to the prior year, the firm must disclose this information through a preliminary financial report (PFR) even before the company is audited by external auditors. The authors first investigated the timeliness of PFR disclosures to determine the extent to which Korean listed companies actually comply with the requirement for prompt notification of information concerning material changes in financial performance. They also investigated the in formativeness of PFR by analyzing differential stock market reactions to different timings of PFR disclosures. Their results reveal that more than half of the sample firms' release their PFR after external audits are completed, thereby potentially invalidating the effectiveness of the regulation. They also find that PFR have information value only if they are disclosed prior to annual audit report dates. This finding supports the idea that timeliness increases the in formativeness of PFR disclosure by hindering insiders' ability to potentially profit from their information advantage.

Tabner and Urquhart (2011), examined whether early/late reporting firms are characterized by variables such as size, liquidity, bankruptcy risk and reporting lag history. Their findings, based on data of 464 firms, indicate that the most important predictor of the reporting lag is the lag ranking observed in the previous year. In addition, early firms have a lower bid ask spread than late firms, and early announcements are more likely to contain unexpected good news. They also found that pre-disclosure information asymmetry is higher in early rather than late firms. Conversely, late announcements are characterized by bad news and the stock returns of late firms underperform early and control firms both before and after the announcement.

Türel (2010), aimed to measure the extent of timeliness in a developing country, Turkey, and to establish the impact of both company specific and audit related factors on timeliness of financial reporting. He empirically investigated the timeliness of financial reports by 211 non-financial companies listed on the Istanbul stock exchange. The descriptive analysis indicates that 28% of the companies that prepares separate financial statements and 16% of the companies that prepares consolidated financial statements exceeded the regulatory deadline. The multivariate regression analysis indicates that sign of income, audit opinion, auditor firm and industry affect timeliness. The findings also indicate that companies reporting net income, having standard audit opinion, and operating in manufacturing industry release their financial statements earlier. On the other hand, companies that are audited by big four audit firms report later.

Nour and Al Fadel (2006) investigated the factors that might affect the timelines of issuing corporate annual reports in Iraq and Jordan. They used questionnaire to collect the necessary data, containing 22 factors that may be affecting the delay of issuing corporate annual reports. These factors were classified into four groups. The first group included factors associated with the corporation (e.g., size of operations, net income and level of internal control), the second group include factors related to auditing standard and professional behavior (e.g., dispute over audit scope, treating extraordinary items or determining taxable income) and, the third group pertained to the client office (e.g., the degree to which auditor perform accounting work for the client and the audit quality), and the fourth group include items related to the auditing process (e.g., delay in assurances and post balance sheet events). The questionnaire was distributed to two sample groups (managers and auditors) in Iraq and Jordan. The main result of the study indicated that all participants agreed on the factors delaying the issuance of corporate annual reports, no matter the size of the corporation and the size of its operations.

Al-Khouri and Balqasem (2006) examined the behavior of returns of firms listed on ASE, around the annual reports disclosure period, and the effect of timing of annual report announcements on securities' returns and volume. They followed the event study methodology to examine the behavior of both return and volume of shares around the disclosure of 104 annual reports over the period 2000-2002. Their results show a statistically significant difference in volume (but not in returns) response to the timing of annual report disclosure. That is firms that disclosed their annual reports early to the market had a statistically significant positive effect on volume, while firms that disclosed their annual reports later in the year have not affected the volume significantly. The researchers expected that one reason behind not finding a significant effect on securities' return might be due to the limits set by the ASE on security prices which lead to semi strong market efficiency with respect to reports disclosure.

Huang and Zhou (2006) went beyond the good news early, bad news late rule, by dividing an individual firm's news content into two parts - unexpected earnings in relation to the previous year (news A) and unexpected earnings in relation to industry-wide medium earnings (news B) - and proves in theory that they play different roles in determining announcement dates given the assumptions that shareholders are reference dependent, loss averse, and have diminishing sensitivity, and that managers attempt to maximize the shareholders' valuation of the firm. They found, based on data from 5904 earnings announcement dates, that news A is negatively correlated with reporting lag, and that news B provides the underlying motivation for managers to move forward or delay the earnings announcement date, and that the probability of delaying an announcement increases as the difference between news B and A increases.

Trueman (1990) stated that recent empirical research has found that when a firm releases its earnings report earlier than expected, its stock price rises, on average, and if the report is late, its stock price declines. The analysis in this study focuses on two alternative explanations for these findings, each based on the premise that some firms with unfavorable earnings increase their reported income through earnings management. In one case earnings management necessitates a reporting delay, while in the other a delay is caused by the manager's desire to first observe other firms' earnings. Both cases lead to market reactions consistent with the empirical findings.

Ashton et al., (1989) examined the determinants of "audit delay," the number of calendar days from fiscal year-end to the audit report date. The study sample consists 465 companies listed on the Toronto stock exchange for the period 1977-1982. Several variables included in a descriptive model of audit-delay were statistically significant but did not explain much of the variation in audit delay. However, the variables consistently associated with audit delay over the 6-years period were: Auditor size, industry classification, existence of extraordinary items, and sign of net income.

Givoly and Palmon (1982) examined several aspects of the timeliness of earnings announcements, which have implications for regulatory actions and research design. The results show a considerable shortening of the reporting lag over the years. This implies that the assumption conveniently made in many "event studies" that the announcement week or month is fixed over the years is inappropriate and tends to weaken the power of the tests. The reporting lags of individual firms appear to be more related to inter-industry patterns and tradition than the company attributes. The ability of most companies to report well ahead of the filling deadlines coupled with the finding that bad news tends to be delayed might be considered in assessing the adequacy of the length of company filing period. The price reaction to the disclosure of early earning announcements was significantly more pronounced than the reaction to the late announcement, suggesting a decrease in the information content as the reporting lag increase.

## 5. METHODOLOGY

This study is descriptive in nature aiming to identify the company's characteristics associated with being late in releasing its annual reports in 2012. The appropriate statistical test is the one sample T-test which has been used in the SPSS program.

### 5.1. Population and Sample

The population of the study consists of all 35 Jordanian listed companies who violated JSC disclosure requirements by either not issuing their 2012 annual reports within the time limits or ignored certain required items in their published reports (e.g., not disclosing details of securities owned by members of the board of directors, or not disclosing compensation and benefits enjoyed by them, or not signing acknowledgment that financial data in the report is accurate and complete). The names of these companies were published on the sight of the commission and given a warning of further penalties if missing disclosure is not provided within a stated period.

The sample size consists of 26 companies whose data is most complete consisting of 8 manufacturing, 7 service and 11 financial. Appendix A at the end of the paper lists the names of these companies.

Study data was obtained, mainly, from the public shareholding companies' guide, which includes brief audited companies' annual financial highlights published annually by the JSC. If certain data item was not provided in the guide an attempt is made to obtain it from the company's annual report filed electronically with JSC and ASE.

### 5.2. Hypotheses Development

#### *5.2.1. Corporate size*

Several studies were performed on the relationship between corporate size and timing of annual report issuance. Some of these studies found that big companies tend to avoid delaying their annual reports issuance (Courtis, 1976; Abu-Nassar and Al-Thnaibat, 2005; Tabner and Urquhart, 2011), while other researchers have not found significant relationship between corporate size and annual report timing (Gharaibeh and Azhari, 1988; Nour and Al Fadel, 2006). Therefore, this study will reexamine the effect of corporate size on annual report timing via the following first hypothesis:

HO1: Firms violating timely disclosure of annual reports are smaller in size than average industry-wide firm.

#### *5.2.2. Corporate profitability*

Many past studies arrived at the conclusion that company with bad news (reporting low income or losses) tend to delay annual report issuance (Dyer and Mchugh, 1975; Davis and Whittred, 1980; Chen and Mohan, 1994; Kirch et al., 2012; Al-Daoud et al., 2014). de Haan et al., 2014 used a different approach to test the timing of bad news release. They found that companies tend to report bad news when market attention is low rather than when it is high. However, other researchers did not find a solid relationship between bad news and timing of annual report release (Ashton et al., 1989; Al-Khouri and Belqasim, 2006 and Huang and Zhou 2006, therefore, this study will test the following second hypothesis:

HO2: Firms violating annual report disclosure timing have lower profitability than average industry-wide firm.

Several sub hypotheses are made out of this main hypothesis as follows:

HO21: Firms violating annual report disclosure timing have lower net operating income than average industry-wide firm.

HO22: Firms violating annual report disclosure timing have lower earnings per share than average industry-wide firm.

HO23: Firms violating annual report disclosure timing have lower return on assets than average industry-wide firm.

HO24: Firms violating annual report disclosure timing have lower return on equity than average industry-wide firm.

### 5.3. Operational Performance

Low profitability does not occur by itself; rather it is the result of week operational performance, which leads to week financial performance and lower profitability. Therefore, the next hypothesis will examine corporate operating performance as indicated by total assets turnover:

HO3: Firms violating annual report disclosure timing have lower total assets turnover than average industry-wide firm.

### 5.4. Cash Dividends

Lower profitability negatively influences cash flows available to the firm as net income is the main source of cash inflows. This in turn is expected to reduce firm's cash dividends-paying ability. Since many studies concluded that late disclosing firms tend to have bad new (low income or losses) the following hypothesis examines that.

HO4: Firms violating annual report disclosure timing pay lower cash dividends than average industry-wide firm.

### 5.5. Share Market/Book Value

It is not expected that financial market will look favorably to the stock of a company violating disclosure timing because such a violation can't be a signal of strength or hopeful future, therefore, the following hypothesis will test the market response to corporate disclosure timing violation:

HO4: Firms violating annual report disclosure timing pay lower cash dividends than average industry-wide firm.

## 6. FINDINGS AND DISCUSSION

Table 1 reports the results of manufacturing companies sub-sample. The table indicates that manufacturing firms who violated annual disclosure timing for 2012 have significantly lower profitability (as measured by ROA or average net operating income) than average industry-wide firm in the market, pay less cash dividends per share and have lower share Market/book ratio. However, sample manufacturing firm's size is not smaller than average industry-wide company size whether measured in total market value or total assets.

Table 2 reports the results of service companies' sub-sample. The table indicates that sample service firms who violated annual disclosure timing for 2102 paid less cash dividends per share, but not their profitability nor size is significantly smaller than average industry-wide firm in the market.

Table 3 reports the results of financial companies sub-sample. The Table 3 shows that sample financial firms who violated annual disclosure timing for 2102 have less EPS and paid less cash dividend per share than average industry-wide firm in the market.

## 7. SUMMARY AND CONCLUSION

Corporate annual disclosure is a key factor in disseminating financial information about public entities to the investment society and general public at large. Therefore, many countries in the world, including Jordan, have developed companies' laws, created securities commissions and mandated disclosure requirements, to help create market efficiency and protect investors from inside trading. Despite that certain companies take lightly the timing requirements of disclosure, probably in an attempt to hide information or postpone disclosure of bad results. Therefore, it is an interesting question to find out first the characteristics of such firms in order to make the results available to any regulatory body concerned with revaluing/improving disclosures requirements, and to research the matter further in the further. The objective of this study was to identify the characteristics of firms violating the timing of annual financial disclosure set by JSC. Sample firms average size, profitability indicators, total assets turnover, cash dividend per share and share market to book value were compared to industry-wide averages.

The study sample consists of all companies disclosed on the JSC sight as not providing their 2012 annual reports on time or provided reports with missing significant disclosure items and warned from further penalties by the commission. The study data on twenty six companies (divided into three sub-samples: 8 manufacturing, 7 service and 11 financial) who violated disclosure requirement was obtained, mostly, from the official audited Jordanian public shareholding companies guide for 2013. The sample company 2012 variables were subject to the one sample T-tests to find out if there are significant mean differences from industry-wide averages

**Table 1: Results of manufacturing sub-sample (n=8)**

| Variable | Sub-sample mean | Sub-sample standard | Manufacturing industry mean | Mean difference | T-test | Significant t |
|---|---|---|---|---|---|---|
| MV (000) | 142542.8 | 367110.68 | 88147.344 | 54425.45 | 0.392 | 0.709 |
| TA (000) | 148432.89 | 373442.037 | 59771.858 | 88652.032 | 0.567 | 0.588 |
| NOP (000) | −428039 | 270513.4 | 5727718 | −6155757 | −60.2 | 0.000*** |
| EPS | 0.1657 | 0.652 | 0.29 | −0.124 | −0.539 | 0.606 |
| CDivPS | 0.0517 | 0.10 | 0.25 | −0.189 | −4.845 | 0.005*** |
| M/B | 1.224 | 0.883 | 2.17 | −0.946 | −2.834 | 0.03** |
| ROA | −1.54 | 10.834 | 8.66 | −10.2 | −2.663 | 0.032** |
| ROE | −7.526 | 38.19 | 11.32 | −18.846 | −1.396 | 0.206 |
| TATO | 0.3817 | 0.2996 | 0.6 | −0.218 | −1.785 | 0.134 |

MV (000): Market value in thousands, TA (000): Total assets in thousands, NOP (000): Net operating profit in thousands, EPS: Earnings per share, CDivPS: Cash dividends per share, M/b: Market to book value per share, ROA: Return on assets, ROE: Return on equities, TATO: Total assets turnover, ***.**significant at 0.01 and 0.05 respectively

**Table 2: Results of service sub-sample (n=7)**

| Variable | Sub-sample mean | Sub-sample standard | Service industry mean | Mean difference | T-test | Significant t |
|---|---|---|---|---|---|---|
| MV (000) | 60661.01 | 94088.64 | 60958.085 | 297.075 | −0.007 | 0.995 |
| TA (000) | 194513.116 | 1584967.4 | 111350.978 | 83162.138 | 0.965 | 0.389 |
| NOP (000) | 1811.794 | 5631.577 | 5348.972 | −3537.178 | −1.256 | 0.298 |
| EPS | 0.084 | 0.391 | 0.12 | −0.036 | −0.206 | 0.847 |
| CDivPS | 0.02 | 0.053 | 0.10 | −0.08 | −4.333 | 0.003*** |
| M/B | 1.017 | 0.649 | 1.64 | −0.623 | −2.267 | 0.108 |
| ROA | 4.434 | 11.17 | 5.31 | −0.876 | −0.175 | 0.869 |
| ROE | 2.932 | 23.98 | 9.13 | −6.198 | −0.578 | 0.594 |
| TATO | 1.435 | 1.096 | 1.32 | 0.115 | 0.21 | 0.887 |

MV (000): Market value in thousands, TA (000): Total assets in thousands, NOP (000): Net operating profit in thousands, EPS: Earnings per share, CDivPS: Cash dividends per share, M/b: Market to book value per share, ROA: Return on assets, ROE: Return on equities, TATO: Total assets turnover. ***significant at 0.01

**Table 3: Results of financial sub-sample (n=11)**

| Variable | Sub-sample mean | Sub-sample standard | Finance industry mean | Mean difference | T-test | Significant t |
|---|---|---|---|---|---|---|
| MV (000) | 53668.164 | 96713.89 | 89725.57 | −36057.406 | -0.969 | 0.365. |
| TA (000) | 27513.40 | 44637.65 | 55043.86 | −27535.5 | 0.992 | 0.237 |
| NOP (000) | Na | Na | Na | Na | Na | |
| EPS | 0.032 | 0.182 | 0.418 | 0.386 | −6.345 | 0.000*** |
| CDivPS | 0.02 | 0.06 | 0.2561 | −0.236 | −13.09 | 0.000*** |
| M/B | 0.832 | 0.474 | 1.0543 | −02223 | −1.295 | 0.236 |
| ROA | −2.273 | 13.407 | 0.011 | −2.284 | 0.511 | 0.623 |
| ROE | −3.196 | 19.297 | 0.061 | −3.257 | −0.507 | 0.626 |
| TATO | 1.412 | 1.938 | 0.0155 | 1.257 | 1.612 | 0.182 |

MV (000): Market value in thousands, TA (000): Total assets in thousands, NOP (000): Net operating profit in thousands, EPS: Earnings per share, CDivPS: Cash dividends per share, M/b: Market to book value per share, ROA: Return on assets, ROE: Return on equities, TATO: Total assets turnover, Na: Not available

for the same year. Results of the manufacturing firms sub-sample indicate less profitability (based on return on assets and average net operating income), less cash dividend per share and lower share market to book value. However, the averages of firm size, total assets turnover, earnings per share, and return on equity are all lower than the manufacturing industry-wide averages in 2012, but not in a significant way. Results of service firms' sub-sample, show only significant lower average cash dividend per share compared to average industry-wide service firm in 2012. Results of financial firms sub-sample show significant lower earnings per share and cash dividend per share than average industry-wide financial firm in 2012. The overall conclusion is that Jordanian industrial and financial firms who file their annual reports late or miss file certain important disclosure items tend to underperform average company's profitability and cash dividend per share relative to their respective industry-wide averages.

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# APPENDIX

**Appendix A: Company names**

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| Afia International Company - Jordan |
| Al-Januob Filters Manufacturing |
| Amana for Agriculture and Industrial Investments |
| Century Investment Group |
| First National Vegetable Oil Industrial |
| International Ceramic Industries |
| Jordan Phosphate Mines |
| National Steel Industry |
| Jordan Wood Industries/JWICO |
| Al-Tajamouat for Catering and Housing |
| Amwaj Properties |
| Arab Life and Accident Insurance |
| Darkom Investment |
| International Brokerage and Financial |
| International Cards Company |
| Jordan Dubai Islamic Bank |
| Jordan Kuwait Bank |
| Real Estate Development |
| The Arab Assurers Insurance Company |
| the Investors and Eastern Arab for industrial and real estate investments |
| Alia- The Royal Jordanian Airlines |
| Beit Al-Mal for Saving and Investments |
| Jordan Petroleum Refinery |
| Jordan Press and Publishing/(Ad-Dustour) |
| Trust International Transport |
| United Integrated For Multiple Industries |