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**Transparency of Annual Corporate Reports’ Contents in Jordan: Is it Questionable?**

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**Abstract**

Based on the perceptions of 94 individual investors at Amman Stock Exchange (ASE) toward the limitations and adequacy of annual reports, this paper seeks to investigate the extent of transparency of annual corporate reports’ contents. In line with a broad set of prior research in the field, the results of the study revealed that income statement, balance sheet and statement of retained earnings are the most important sections in annual corporate report. This means that individual investors put much emphasis on those sections that give short-term information, while those sections interested in long-term strategies were ignored. The result indicated that the standard annual corporate report in Jordan is not transparent enough, as it has many limitations and needs more information to be included in. For example, individual investors are lack of trust in information system, delay in publishing annual reports and lack of adequate information. In addition, individual investors are in need for further information to be disclosed in annual reports. The study recommends that new amended legislations should be achieved to overcome the limitations surrounding the reporting process in Jordanian as a whole.

**Keywords:** Transparency, Annual Corporate Report, Individual Investors, Amman Stock Exchange, Jordan

**Introduction**

An annual corporate report was perceived to be a vital and a rich source for financial information necessary to take different rational investment decisions (e.g. Abu-Nassar & Rutherford, 1996; Firth, 1979, Al-Bogami, 1996; Botosan, 1997; Abdulla, 1992; Mirshekary & Saudagaran, 2005; Al-Attar & Al-Khater, 2007; Joshi & Abdulla, 1994). Despite this importance, the respondents of some previous research (e.g. Abu-Nassar & Rutherford, 1996; Mirshekary & Saudagaran 2005; Al-Attar & Al-Khater, 2007) revealed that annual corporate reports suffer many limitations. However, the transparency of financial information is the main concern of investors (Ho, Aripin & Tower, 2012). The transparency of financial reporting is the responsibility of the board of directors, who must stay independent as the time and quantity of disclosed information are influenced by them (Norwani, Mohamad & Chek, 2011).

Uncertainty surrounding the current investment markets needs full and clear financial information, which is the responsibility of accounting to report and communicate (Al-Ajmi, 2009). This information “must be relevant, reliable, comparable and consistent” (Al-Ajmi, 2009, p. 267). Jordan has a broad range of companies distributed over many sectors. These companies should provide the different users by useful, helpful and full information to make rational decisions.

In average, Abu-Nassar and Rutherford (1996) found that about 81% of the respondents in Jordan not satisfy in the adequacy of information presented in annual corporate report. This result indicated that annual reports in Jordan were not comprehensive enough to depend on. The data reported in this study comes after a bout twenty years from that of Abu-Nassar and Rutherford (1996) to investigate some important issues related to financial reporting in Jordan. It is rational to argue that perceived changes have been taken place during this period in the usage and content of annual report as happened in that of Epstein and Pava (1993) and Epstein (1975) in USA (see also Bartlett & Chandler,1997). In addition, most of the previous research in the field has been centered in Western countries. Therefore, previous researchers (e.g. Al-Razeen & Karbhari, 2004a, 2007) called for more research in different financial reporting issues, especially in developing countries.

Consequently, this study comes to achieve the following objectives:

* To review the previous literature interested in the financial accounting reporting.
* To identify the importance of the different sections of annual corporate report for the investors’ decisions in ASE.
* To identify the main limitations of annual corporate report.
* To identify the additional items that investors need to be included in the annual corporate reports.

Based on the above mentioned objectives, the current study will test the following hypothesis:

*Annual corporate report is not transparent enough as it has many limitations and needs additional information to be included in.*

The reminder of this paper is organized as follows. Section two reviews the relevant literature in the subject. Section three describes the research methods used in the study. Section four discusses the results of study. Section five concludes the study.

**Literature Review**

This study investigates the relevant literature related to three main issues including the usage and importance of different sections of annual reports, the main limitations of annual reports and the need for additional information.

Accuracy and transparency of annual reports are the main concern to investors and markets (Subramanian, Insley & Blackwell, 1993). A stream of previous studies investigated the extent of usage and importance of annual corporate reports and its different sections. The results of these studies are mixed and different from country to country and from time to time. In Jordan, Abu-Nassar and Rutherford (1996) surveyed five groups (i.e. individual shareholders, institutional shareholders, stockbrokers, bank loan officers and academics) to discuss the various issues surrounding the financial reporting process. The authors listed eight main sections of an annual report and asked the respondents to indicate the most readable sections. The results indicated that the traditional sections (i.e. income statement and balance sheet) were given more emphasis from all five groups with a means of 4.24 and 4.17 respectively. These followed by the accounts’ notes, auditors’ report, funds statement and accounting policies respectively with statistical summary and directors’ report as the least readable sections. Similar to Abu-Nassar and Rutherford (1996), Al-Razeen and Karbhari (2004a, 2007) found that among seven sections of annual report (i.e. directors’ report, auditors’ report, balance sheet, income statement, retained earnings statement, cash flow statement and the notes to the financial statements) the balance sheet and the income statement were ranked the most important by the individual investors in Saudi Arabia, with the directors’ report ranked the least. Al-Razeen and Karbhari (2004a, 2007) results also revealed that individual investors gave no weight to the cash flow statement in comparison with other two traditional statements.

In Saudi Arabia again, Abdelsalam (1990) found that the income statement was the most popular section in annual report. Al-Abdulqader, Hannah and Power (2007) result is not far from the above mentioned results. In particular, Al-Abdulqader et al. (2007) found that the most important section of annual report for all study respondents in Saudi Arabia were the income statement and the balance sheet respectively. These followed by notes to accounts, financial ratios, a report of past operations, government ownership percentage, internal auditor report, accounting methods, directors’ report and chairman’s statement respectively. This result is almost similar to that of Al-Ajmi (2009) in Bahrain who found that the income statement and the balance sheet were the two most important sections. Compared with income statement and balance sheet, authors’ findings indicated that auditor’s reports and board of directors’ reports were less important. In Iran, Mirshekary and Saudagaran (2005) asked respondents to identify the perceived importance of eight sections of annual corporate report (i.e. profit and loss account, auditors’ report, balance sheet, notes to the accounts, statement of cash flow, accounting policies, directors’ report and summary and historical information). The authors’ findings showed that profit and loss account, auditor’s report, and balance sheet were the most important sections. These followed by accounts’ notes, statement of cash flow, accounting policies, directors’ report and summary and historical information respectively. Dissimilar to the above mentioned studies in respect to the importance of income statement, Al-Attar and Al-Khater (2007) findings indicated that income statement was ranked fourth in Qatar. Al-Attar and Al-Khater (2007) other findings indicated that the balance sheet was the most popular section in the annual report followed by auditors’ report, cash flow statement, income statement, executives’ report, notes to the accounts, directors’ report and accounting polices respectively. Unlike the above mentioned studies, Keyur (2012) findings indicated that statement of cash flows came third after the two traditional financial statements in its importance to Indian investors.

In general, the above mentioned studies which came from Middle East and Asian countries showed some consistent in their results as most of the respondents see the income statement, balance sheet and auditors’ reports as the most important sections in the annual corporate report. However, most the previous studies findings indicated that statement of cash flow was not important enough for most of users like other financial statements. Anderson (1998, p. 532) refer this to the fact that cash flow statement was new and not easy enough for most of investors to understand.

In respect to Western environment, In USA, Epstein and Pava (1993) found that individual investors prefer to depend on income statement and balance sheet to take their investment decisions. In UK Bartlett and Chandler (1997) found that chairman’s report was the most popular section of annual corporate report, whereas auditors’ report was the least popular. In Australia, Anderson (1998) found that income statement, balance sheet and chairman’s address were the most useful sections in annual corporate report.

The limitation of annual corporate report and its adequacy are important aspects ignored in previous studies. The limited evidences revealed that financial reporting suffers from many limitations. In Jordan, two main weaknesses were identified by Abu-Nassar and Rutherford (1996). Firstly, lack of consistency in using the different accounting method even in a single industry, which affects the comparability between Jordanian companies. Secondly, lack of neutrality and creditability of annual reports. In addition, Abu-Nassar and Rutherford (1996) found that some sections (e.g. accounting policies, fund statement and statistical summary) of annual corporate report were complicated enough for users to understand. Some other studies were also revealed that some sections of annual corporate report were difficult to understand. These include, for example, accounting policies, directors’ report and executives’ report respectively in Al-Attar and Al-Khater (2007), and board of directors’ report, auditors’ report, financial statements and notes to financial statements for individual investors in Al-Razeen and Karbhari (2007). Other limitation aspects of annual corporate report include the ambiguity of the language used in most sections as indicated by individual investors in Al-Razeen and Karbhari (2007) and the delays, adequacy and trust are the main limitations of annual reports, as indicated by Mirshekary and Saudagaran (2005). However, the information content of annual corporate report “*Should communicate the financial condition of the enterprise, and provide other information that would likely be of interest to the user*” (Anderson, 1998, p. 522).

The adequacy of disclosed information differs from company to company and even from country to country. However, Al-Ajmi (2009, p.281) argued that disclosing additional and full information to the users will reduce the uncertainty surrounding investment in the company’s common stock. However, Al-Ajmi (2009) refers the decision about disclosure or holding the information to the cost associated with the action. In this context, Hossain (2008) findings indicated that other factors such as company’s size, profitability, board composition and market structure were vital factors in identifying the level of disclosure in annual reports ( see also Barako, 2007). In Iran, Chatterjee, Mirshekary, Al Farooque and Safari (2010) used 27 items across three categories of annual report information (i.e. present information, analytical information and perspective information) and asked the financial analysts to identify their needs from the different items of annual report. The authors’ findings showed that the top three items of present information category were expected dividend, profit after interest and tax and reported cash flow respectively, while the top three items of analytical information were earning growth, return on equity and cash profit per share respectively. Finally, the authors found that projected earnings for the next fiscal year, cash flow forecast and projected sales for the next fiscal year were the top from perspective information. Camfferman and Cooke (2002) found that disclosure by UK companies exceeded that of Dutch companies and the reason was that the reporting regulations and policies in Netherlands were more flexible than those of UK. However, it is reasonable for any company to publish all the necessary information for investor to take a rational investment decision. In general, previous research (e.g. Baker and Haslem, 1973; Anderson, 1981) findings revealed that users asked for more information to be disclosed in the company’s annual report regardless of any future expectations. These additional information include, for example, any pending obligations, unconfirmed claims, budgeted income and restating statements using current values (Epstein & Pava, 1993), management audit, rotation of auditors and more explanation to the different financial statements (Anderson and Epstein, 1995), the future trend of the company and its directors (Abdelsalam, 1990), ownership of stocks by companies’ leaders, the type and the volume of business relationships between all board members and the company, a summary in economic conditions, future performance trend, and performance statistical information (Al-Ajmi, 2009). Accordingly, each company should have its own mechanism to assess and offer the needs of different users from the financial information.

**Research Method**

This study mainly focuses on those users who interested in taking the investment decision in stock market, in this case ASE. Thus, the questionnaire was directed to individual investors (e.g. Al-Razeen and Karbhari, 2004a, 2004b, 2007; Al-Attar and Al-Khater, 2007; Abu-Nassar and Rutherford, 1996). Consistent with previous research in the field (e.g. Razeen & Karbhari, 2004a, 2007), the current study based on a comprehensive questionnaire collected by the author in ASE and used in preparing two previous papers (see Al Sawalqa, 2012a, 2012b). In addition to section A, which was used in the researcher’s two previous articles, the current paper depends on three additional sections. Firstly, section F (importance of different parts of annual report) was adapted from Al-Ajmi (2009); Razeen and Karbhari (2004a); Mirshekary and Saudagaran (2005); Abu-Nassar and Rutherford (1996). Secondly, section G (limitations of annual reports) which adapted from Mirshekary and Saudagaran (2005). Finally, section H (type of information that investors required in annual report) which adapted from Al-Ajmi (2009).

The reliability test was performed for the three sections. The Cronbach Alpha for the importance of different parts of annual report was 0.905. The Cronbach Alphas for limitations of annual reports and the required information were 0.838 and 0.913 respectively, which indicates satisfactory internal reliability for the two scales (Hair et al., 2006). Valuable efforts were made in preparing, developing, testing and distributing the questionnaire. 160 questionnaires were distributed and 94 usable questionnaires were collected yielding a response rate of 58.8 %.

Section A of the questionnaire was used to collect the relevant information about the demographic and investment characteristics of the respondents. In particular, the descriptive analysis of this information revealed that only 6.4% of the respondents were females, and the rest were males. About 74.4% were aged over 40 years which indicates that most of the respondents have a long history in dealing with the annual corporate reports which support the reliability of the collected data. Half of respondents have a bachelor degree with about 5.3% have a master degree. The result also indicated that about 59.6% of the respondents have a relevant degree (i.e. accounting, business administration, economic or finance) which also give a strong indicator about the reliability of collected data. 75.6% of the respondents have 4000 shares or more distributed along the different sectors in Jordan (i.e. banking, insurance, manufacturing, trading, service and mining).

**Results and Discussion**

***Importance of the different sections of annual corporate report***

The second objective of the study focuses on the importance of different sections of annual report. As shown in Table 1, eight sections (i.e. profit and loss account, auditor’s report, balance sheet, notes to accounts, statement of cash flow, statement of retained earnings, accounting policies and directors’ report) were listed and asked the response to rank their importance using a five-point Likert scale ranging from one (least important) to five (most important). Consistent with previous research in the field (e.g. Abu-Nassar & Rutherford, 1996; Al-Razeen & Karbhari, 2004a, 2007; Al-Ajmi, 2009; Al-Abdulqader et al. 2007; Keyur, 2012; Epstein & Pava, 1993; Anderson, 1998) the individual investors ranked the profit and loss account and the balance sheet as the most important sections in annual corporate report with very small gap between the two sections. This result provides new evidence that the two traditional financial statements still occupy the first place among the different sections of annual corporate report. A new finding was that related to statement of retained earnings which came third. The justification of this result is built on the importance of statement of retained earnings in showing the different types (i.e. cash and stock) of dividends. The statement of retained earnings is also important as it include the prior period’s adjustments for the errors in the financial statements (Kieso, Weygandt & Warfield, 2007). However, Abu-Nassar and Rutherford (1996) did not list the statement of retained earnings in their instrument. Auditor’s report was ranked fourth. This result is almost consistent with that of Abu-Nassar and Rutherford (1996) in that the auditor’s report ranked third by the individual auditors and forth by all the users. On the other hand, this result contradicts that of Al-Razeen & Karbhari (2004a) as the individual investors ranked the auditor’s report fifth. Consistent with Mirshekary and Saudagaran (2005), statement of cash flow ranked fifth. This result is almost consistent with that of most previous studies in the field. The justification for this result is built in the idea that the statement of cash flows is almost difficult to understand (see Anderson, 1998). Directors’ report ranked sixth among the eight sections. This result is almost consistent with previous research in the field (e.g. Abu-Nassar & Rutherford, 1996; Bartlett & Chandler, 1997; Mirshekary & Saudagaran, 2005; Al-Attar & Al-Khater, 2007; Al-Razeen & Karbhari, 2004a, 2007).

In line with previous research findings (e.g. Al-Ajmi, 2009; Abu-Nassar & Rutherford, 1996), directors’ report ranked sixth. Notes to accounts and accounting policies come at the bottom of the list respectively.

Depth insight on the result listed at Table 1 shows that individual investors in Jordan only interested on those section that they can give them short-term information for the purpose of investment decision-making, while these sections interested in the companies’ polices and their long-term strategies (i.e. directors’ report, notes to accounts and accounting polices) were ignored. This, however, indicates that individual investors focus mainly on achieving quick and small amount of profit from different companies in ASE.

*Table 1.* Individual investors’ ranking of the importance of different sections of annual corporate report

|  |  |  |
| --- | --- | --- |
| **S.D** | **Mean** | **Annual report’s section** |
| 1.35641 | 3.6596 | Profit and loss account |
| 1.20668 | 3.6489 | Balance sheet |
| 1.18791 | 3.5532 | Statement of retained earnings |
| 1.22400 | 3.4574 | Auditor’s report |
| 1.22885 | 3.3936 | Statement of cash flow |
| 1.32156 | 3.3191 | Directors’ report |
| 1.18795 | 3.2872 | Notes to accounts |
| 1.20815 | 3.2128 | Accounting policies |

***Limitations of Annual Corporate Report***

The third objective focuses mainly on identifying the main limitations of annual corporate reports. Eight limitations were listed and respondents were asked to rank them using a five-point Likert scale ranging from one (not at all) to five (to a very great extent). The results listed in Table 2 reveal that the main three problems face the individual investors in dealing with annual corporate report are lack of trust in information system, delay in publishing annual reports and lack of adequate information respectively. This result is almost consistent with that of Mirshekary and Saudagaran (2005) who found that all users-group surveyed in their study agreed on these three limitations. Other limitations include lack of comprehensive accounting, lack of recorded accounting standards, lack of access and lack of professional accountants respectively. Contrary to Al-Razeen & Karbhari, 2007 findings, Jordanian individual investors see the annual corporate report easy to understand. The justification of this result is that most of the Jordanian investors (88.3%) have educational certificates and are well-educated.

*Table 2.* Limitations of annual corporate report

| **S.D** | **Mean** | **limitation** |
| --- | --- | --- |
| 1.31566 | 3.5745 | Lack of trust in information system |
| 1.20630 | 3.5426 | Delay in publishing annual reports |
| 1.17998 | 3.4894 | Lack of adequate information |
| 1.17610 | 3.4043 | Lack of comprehensive accounting |
| 1.27526 | 3.2872 | Lack of recorded accounting standards |
| 1.29396 | 3.1170 | Lack of access |
| 1.32519 | 3.0851 | Lack of professional accountants |
| 1.23974 | 2.8936 | Difficult to understand |

***Required Information by Individual Users***

The fourth objective of the current study seeks to identify the additional information required by the individual investors. To achieve this objective, a five-point Likert scale ranging from one (least important) to five (most important) was used to rank the importance of 13 item as listed in table 3. It has been argued that the cost associated with the disclosure process is the most important factor that may affect the decision of management to disclose any additional information (Al-Ajmi, 2009). The reporting regulations may also affect the disclosure policy in any country (Camfferman & Cooke, 2002). Despite these obstacles, there is an increasingly urgent need for disclosing additional information, especially in the current competitive business environment. Contrary to the finding of Al-Ajmi (2009), the result of current study indicates that the net profit is the main required item by Jordanian individual users. This followed by accounts payable, expected performance of the company, dividends paid, shareholders’ equity, total revenue, book value per share, total assets, names of board of directors, total expenses, financial policies of the company, shares owned by each member of the board and sales in previous years respectively. Interestingly, all the mean scores of the listed items were ranged between 3.5 and 4.5 (Al-Ajmi, 2009), which indicates the necessity of disclosing additional information to the individual investors in Jordan. These findings are in line with Abu-Nassar and Rutherford (1996) argument in that annual reports in Jordan still need a lot of information to be included in.

*Table 3.* Required information by individual investors

|  |  |  |
| --- | --- | --- |
| **S.D** | **Mean** | **Item** |
| 0.86447 | 4.5000 | Net profits |
| 0.92926 | 4.2234 | Accounts payable |
| 1.06718 | 4.1489 | Expected performance of the company |
| 1.05342 | 4.1383 | Dividends paid |
| 1.07996 | 4.1277 | Shareholders’ equity |
| 1.06616 | 4.1170 | Total revenue |
| 1.18829 | 4.0851 | Book value per share |
| 1.08567 | 4.0638 | Total assets |
| 1.24636 | 3.8723 | Names of board of directors |
| 1.26969 | 3.8191 | Total expenses |
| 1.17201 | 3.7872 | Financial policies of the company |
| 1.30470 | 3.7766 | Shares owned by each member of the board |
| 1.21537 | 3.7553 | Sales in previous years |

***Transparency of Annual Report Contents***

For the purpose of the current study the transparency of annual report means that it free of limitations and no further information is required to be included in. Thus, transparency of corporate annual report includes two aspects; efficiency and adequacy of annual report. To test the transparency of annual corporate report, the current study depends on sections G and H of the questionnaire. One sample T- test was used to support the hypothesis of the study which stated: *Annual corporate report is not transparent enough as it has many limitations and needs additional information to be included in.* the eight limitations listed in section G of the questionnaire were tested to indicate if these limitations are significant. Table 4 shows that all the limitations are significant with an average mean of 3.2992 (t = 37.320; p = 0.000), which indicate that the annual corporate report in Jordan is not efficient and has many limitations need to be overcome.Accordingly, the first aspect of transparency not achieved as all the limitations of annual report are significant.

*Table 4.* One sample T-test for the limitations of annual corporate report

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sig** | **t-value** | **S.D** | **Mean** | **Limitation** |
| 0.000 | 26.341 | 1.31566 | 3.5745 | Lack of trust in information system |
| 0.000 | 28.472 | 1.20630 | 3.5426 | Delay in publishing annual reports |
| 0.000 | 28.670 | 1.17998 | 3.4894 | Lack of adequate information |
| 0.000 | 28.064 | 1.17610 | 3.4043 | Lack of comprehensive accounting |
| 0.000 | 24.992 | 1.27526 | 3.2872 | Lack of recorded accounting standards |
| 0.000 | 23.355 | 1.29396 | 3.1170 | Lack of access |
| 0.000 | 22.571 | 1.32519 | 3.0851 | Lack of professional accountants |
| 0.000 | 22.630 | 1.23974 | 2.8936 | Difficult to understand |
| **0.000** | **37.320** | **0.85710** | **3.2992** | **Total** |

In respect to the adequacy of annual corporate report, the result of One sample T-test also indicates that all the listed additional information are highly required as all of them are significant with an average mean of 4.0319 (t = 49.629; p=0.000) as shown in Table 5.

Accordingly, the results support the hypothesis of the study which state that the annual corporate report in Jordan is not transparent enough and more efforts, therefore, need to overcome their limitations. In addition, annual corporate report needs more information to be included in. Thus; it can conclude that transparency of corporate annual report is questionable.

*Table 5.* One sample T-test for required information by individual investors

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **sig** | **t-vale** | **SD** | **Mean** | **Item** |
| 0.000 | 50.469 | .86447 | 4.5000 | Net profits |
| 0.000 | 44.064 | .92926 | 4.2234 | Accounts payable |
| 0.000 | 37.693 | 1.06718 | 4.1489 | Expected performance of the company |
| 0.000 | 38.088 | 1.05342 | 4.1383 | Dividends paid |
| 0.000 | 37.056 | 1.07996 | 4.1277 | Shareholders’ equity |
| 0.000 | 37.439 | 1.06616 | 4.1170 | Total revenue |
| 0.000 | 33.331 | 1.18829 | 4.0851 | Book value per share |
| 0.000 | 36.291 | 1.08567 | 4.0638 | Total assets |
| 0.000 | 30.123 | 1.24636 | 3.8723 | Names of board of directors |
| 0.000 | 29.163 | 1.26969 | 3.8191 | Total expenses |
| 0.000 | 31.330 | 1.17201 | 3.7872 | Financial policies of the company |
| 0.000 | 28.064 | 1.30470 | 3.7766 | Shares owned by each member of the board |
| 0.000 | 29.957 | 1.21537 | 3.7553 | Sales in previous years |
| **0.000** | **49.629** | **0.78765** | **4.0319** | **Total** |

**Summary and Conclusions**

The current study follows the analytical perspective to identify the transparency of the contents of annual corporate report. Based on analyzing of 94 usable questionnaires, the study was designed to achieve for main objectives. Firstly, to review the main prior studies in financial accounting reporting. Secondly, to identify the importance of different sections included in annual report. Thirdly, to assess the main limitations of annual corporate report. Finally, to identify the additional items required by individual investors to be included in corporate report.

The current study yields the following findings. Firstly, reviewing the prior research in the field (especially in Middle East countries) shows some consistent in their results as most of the respondents see the traditional financial statements (i.e. income statement, balance sheet) as the most important sections in annual corporate report. Secondly, the current study reveals that income statement, balance sheet and statement of retained earnings are the most important sections in annual corporate report. Thirdly, the results show that individual investors focus only on those sections that give short-term information, while those sections interested in long-term strategies were ignored. Fourthly, the results reveal that the main three problems face the individual investors in dealing with annual corporate report are lack of trust in information system, delay in publishing annual reports and lack of adequate information respectively, notably that Jordanian individual investors are well-educated and so they can easily understand the different contents of annual reports. Fifthly, the results show that individual investors in Jordan are in need for further information to be disclosed in annual reports, such as net profit, accounts payable, expected performance of the company, dividends paid, shareholders’ equity, total revenue, book value per share, total assets, names of board of directors, total expenses, financial policies of the company, shares owned by each member of the board and sales in previous years. Sixthly, the result of analysis indicates that the annual corporate report in Jordan is not transparent enough as it has many limitations and needs more information to be included in.

Accordingly, ASE should work with other interested parties to issue new amended reporting legislations. New amended legislations should overcome the limitations surrounding the reporting process in Jordanian market and should also force the companies to disclose additional information. In addition, issuance of accounting information frequently (e.g. quarterly reporting) enhances and strength the transparency of annual corporate reports (Rao, 2006). Decision makers in Jordan should also support the adoption of corporate governance principles in different sectors.

The main limitation of the current study is that it focuses only on the responses from individual investors and ignored the other user-groups. However, the current study opens many future research avenues and provides the academics and other interested parties with new findings about the state of financial reporting in Jordan. One important future project in Jordan should investigate the effect of the working legislations, company’s size, profitability, board composition and associated costs on the adequacy of disclosure (see Hossain, 2008; Bartlett & Chandler, 1997). Future research also may collect data from different user-groups to investigate the different issues of financial accounting reporting in various sectors. Another valuable future research opportunity will be to conduct a series of interviews with the individual investors in ASE to assess the obstacles they face in their daily stock trading.

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