

Effects of International Accounting Standards on Financial Reporting Quality in Jordan

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Abstract

The study examines a conceptual analysis of the influence of International Accounting Standards (IAS) on the quality of financial reporting in Jordan. As part of the global movement toward harmonized accounting practices, Jordan has adopted IAS to enhance transparency, comparability, and reliability of financial information. It critically examines the regulatory environment in Jordan, the challenges of aligning local practices with international standards, and the extent to which IAS adoption has influenced corporate reporting behavior. The study also considers institutional, cultural, and economic factors unique to Jordan that may mediate the effectiveness of IAS in improving financial reporting. Furthermore, in today's knowledge-driven economy, Goodwill, intangible assets and computer software could play a crucial role in the financial reporting quality and competitiveness of organizations, particularly in the nonfinancial sector. Therefore, the effective management of these assets is increasingly essential for sustaining growth and improving operational efficiency of the nonfinancial sector. The study adopts a quantitative research design, utilizing secondary data that obtained from the audited financial statements in Jordan stock Exchange. The findings from the study analysis aim to provide a foundation for future empirical research and to inform policymakers, regulators, and practitioners about the potential benefits and limitations of relying on IAS for financial reporting reform in developing economies, especially in Jordan. The study therefore recommends that listed firms in Jordan should ensure transparent reporting of goodwill in financial statements to provide stakeholders with a clear understanding of the value derived from intangible assets such as brand reputation, customer loyalty, and market positioning. Clear communication regarding the significance of goodwill in driving financial reporting quality can foster investor confidence and support strategic decision-making. The study contributes to the existing body of knowledge by providing empirical evidence on the role of intangible assets on the financial reporting quality of listed firms in a developing economy context. It offers practical recommendations for managers, policymakers and investors on the strategic management of intangible assets to enhance financial outcomes and sustain competitive advantage.

Keywords: Goodwill, Intangible Assets, Computer Software, Panel Analysis

Introduction

The quality of financial reporting has become a global concern, attracting significant scrutiny from regulators, investors, researchers, and accounting professionals, particularly in major economies such as China, the United States, and the United Kingdom. This attention highlights the critical role financial reporting plays in providing accurate financial information to external users, forming the basis for evaluating corporate performance and financial health (Kaawaase et al., 2021). High-quality financial reporting is crucial for investor confidence, as it influences their perception of whether financial statements truthfully reflect the performance of publicly held companies, thereby shaping investment decisions (Alwardat, 2019). In China, a rapidly growing economic powerhouse, the quality of financial reporting has undergone substantial transformations to align with international standards. The China Securities Regulatory Commission (CSRC) has been at the forefront of implementing and enforcing these standards, reflecting the nation's commitment to transparency and investor confidence (CSRC Annual Report, 2022). Researchers, such as Li and Wang (2023), have delved into the evolving landscape of financial reporting in China, examining the impact of regulatory changes and the implications for stakeholders.

The United States, with its highly developed financial markets, boasts a sophisticated financial reporting system regulated by the Securities and Exchange Commission (SEC). The adherence to Generally Accepted Accounting Principles (GAAP) is a cornerstone of U.S. financial reporting. Recent studies, like those by Smith and Jones (2023), delve into the complexities of financial reporting in the U.S., addressing emerging challenges and proposing strategies for maintaining the integrity of financial information. Similarly, in the United Kingdom, financial reporting is overseen by the Financial Reporting Council (FRC), ensuring compliance with either the UK Generally Accepted Accounting Practice (UK GAAP) or International Financial Reporting Standards (IFRS). Research by Brown and Taylor (2022) highlights the ongoing efforts to enhance financial reporting quality in the UK, focusing on the regulatory landscape and its impact on corporate reporting practices.

The collective interest in the quality of financial reporting, as acknowledged by scholars such as Kaawaase et al. (2021), underscores a widespread recognition of its crucial significance. The references included in this study offer a glimpse into the contemporary research environment in China, the United States, and the United Kingdom, enriching the ongoing discourse on the quality and efficacy of financial reporting within these advanced economic systems. Financial reporting achieves high quality and utility when it is unbiased and accurately represents the entity's economic substance in terms of relevance, reliability, and comparability (Paul Olojede, Francis Iyoha & Ben-Caleb Egbide 2020). Thus, the objective of financial reporting quality is to enhance transparency and produce high-quality annual reports with comprehensive disclosures. The quality of financial reporting is crucial for the effective functioning of listed companies and is influenced by the separation between ownership and management, leading to information asymmetry among stakeholders. This underscores the need for a high-quality financial reporting framework to address agency conflicts and reduce information asymmetry. (Adekola, 2023). An effective accounting regulatory environment plays a vital role in establishing systems and procedures for producing quality financial reports, particularly for listed entities. Regulations serve as

external control mechanisms to ensure that financial information provides a fair view of the company's performance and financial position, free of unethical practices and suitable for all stakeholders' needs.

Literature Review

According to the International Accounting Standards Board (2008), the primary goal of financial statement information is to give sufficient information about the reporting entity that is helpful to the shareholders, potential investors, lenders, tax authority, as well as the government and financial analysts, in order for them to make informed decisions. Therefore, for a financial statement to provide quality information, it must possess some qualitative attributes as stated by the International Financial Reporting Standards (2012). These attributes include relevance, reliability, comparability, timeliness, faithful representation and understandability. It is understood that investors seek to obtain information of credibility and high accuracy. This represents a great pressure on public shareholding companies with regard to increasing their level of disclosure. Therefore, based on the importance of disclosure and the fact that the investors' investment decisions depend on data and information, the most important of which are financial reports and their apparent impact on their future plans, the Jordan Securities Commission obligated public shareholding companies in Jordan to disclose their financial reports (Amman Stock Exchange, 2013).

Since the cash flows from the two components (the quality of the earnings, the cash flows) that make up the earnings figure are already finalized figures, determining the quality of the accruals also means determining the quality of the earnings figures. Accruals are considered to be of good quality to the extent that they are converted into cash flows (Christensen et al., 2022; Mansali et al., 2019). Moreover, continuity is a desired situation for the earnings to have a permanent feature. In case the earnings are continuous, it is possible to accept that the quality of the earnings increases with the increase in the continuity, considering that the announced amount of earnings will also be available in the following periods and can provide future information. With the accrual model, accruals are classified as discretionary and non-discretionary accruals. Non-discretionary accruals are accruals that arise during the operations of the entity, without the intervention of the management. However, discretionary accruals may differ depending on the accounting policies chosen by the management. Managers can make changes in income and expense items by taking advantage of legal loopholes. For this reason, research has focused on discretionary accruals (Köse, 2019).

Another focus on quality financial reporting is on disclosure. Accounting disclosure represents the main pillar on which all stakeholders and external parties related to the company depend. As stakeholders seek to obtain sufficient information about the company, especially information related to its business results and financial position, in order for them to make rational investment decisions (Al Mallah, 2019). Aswar et al. (2021) argues that disclosure means "Submitting information in financial statements, including the financial statements themselves, notes to financial statements, and additional disclosures related to financial statements". Disclosure according to Aswar et al. (2021) is only limited to matters relating to financial reporting, not including public or private statements made to management or information submitted outside the scope of financial reporting. Disclosure is also often interpreted as providing more information than what was initiated by the FASB in its

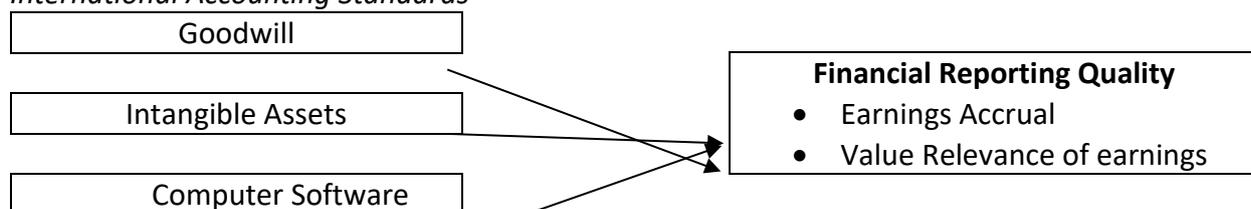
conceptual framework (Johnson, 2020). In addition, financial statements can be used to evaluate both the current and past performance of a company regarding its past performance concerning other companies operating within the same sector and throughout the entire economy. It is worth mentioning that other sources of financial information are freely available regarding manufacturing companies recorded on the (ASE).

Egbadju and Odey (2023) investigated whether the adoption of IFRS has improved the quality of accounting numbers in the financial statements of Nigerian firms. The study used secondary data from the Nigerian Exchange Group on 27 selected manufacturing firms over the periods 2006-2011 for pre-IFRS and from 2012-2017 for post-IFRS. Findings indicated a higher quality of accounting information after the adoption of IFRS, signaling to investors that post-IFRS information holds higher value relevance than pre-IFRS. The study recommended, among other things, that manufacturing firms continue to adopt IFRS to maximize its influence on their stock prices. Abdul-Baki (2018) examined the effects of IFRS adoption and enforcement of accounting standards on accounting quality in Nigerian non-financial companies. Using fixed-effect regressions, binary logistic regression, and a system dynamic panel model, the study found that IFRS adoption significantly increased earnings management and reduced earnings persistence. Institutional reform through the Financial Reporting Council of Nigeria (FRCN) was effective in reducing earnings management.

Olowe and Shehu (2021) investigated the influence of IFRS adoption on the value relevance of accounting information in Nigeria. Using secondary data from seven deposit money banks listed on the Nigerian Exchange Group for the period 2008 to 2015, the study found that earnings per share (EPS) had a positively significant value in the pre-IFRS periods compared to the post-IFRS periods. However, book value per share (BVPS) and change in earnings per share (CEPS) were not significant for both periods. Abdul-Baki and Haniffa (2019) examined the impact of accounting reform on accounting quality in Nigeria from 2009 to 2014, covering three years before and after the adoption of IFRS.

Conceptual Model

International Accounting Standards



Source: Researchers' Conceptualization

Concept of Goodwill

According to IFRS 3, Goodwill is measured as the difference between: the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest (NCI), and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquire, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3). However, Goodwill can simply be defined as the excess cost of business combination over the acquirer's interest in the net fair value of the deniable assets, liabilities and contingent liabilities of the acquires. According to Chukwu and Salifu

(2018) defined goodwill as the excess of purchase consideration over the net value of business assets when it changes hand or a going concern basis. It is the value of the commercial advantages which a business organization enjoys over its competitors. Therefore, the goodwill possessed by a firm may be due to the quality of firm's products, services, personal reputation of the partners and complete or partial monopoly power enjoyed by a firm etc. Goodwill on acquisition of subsidiaries is included in intangible assets.

Concept of Intangible Assets

The Conceptual Framework of the International Accounting Standard Board (IASB) defines an asset as a resource controlled by an enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise. On the other hand, International Accounting Standards (IAS) 38 defines intangible assets as identifiable non-monetary assets without physical substance. However, not all assets that lack physical substance are considered intangible assets, such as: Accounts Receivable or Short-Term Prepayment (Awa et al., 2020). Intangible assets are recognized in the financial statements only if the cost of the asset can be reliably measured and it is probable that the entity will derive economic benefit from future use of the asset (Drisu & Chukwu, 2018).

IAS 38 identified and classified computer software, trademarks, trade names, publisher titles and imprints, franchises and licenses, goodwill, patents and copyrights, rights of service, rights of operation, models and recipes as intangible assets. IAS 38 also identifies a common characteristic of intangible assets as their ability to provide benefits to the bank beyond the current business cycle. Some intangible assets such as patents and copyrights are related to creating demand for products. On the other hand, factors such as brands and product names reflect ongoing demand for products, but goodwill can relate either of both.

Furthermore, according to IASB (2018), intangible assets are non-monetary assets that have no physical substance but have value and provide potential future economic benefits to an organization. These assets cannot be touched or seen, but are critical to creating value, competitive advantage and generating revenue. Intangible assets include intellectual property, brand assets, customer relationships, proprietary technology, patents, copyrights, trademarks, trade secrets and software.

Intangible assets are special because they are knowledge-based and can give a bank its uniqueness. These are the bank's competitive advantages that are difficult to imitate. As production factors, they play an important role in the value-adding process in order for banks to be competitive. These reflect the competitiveness at the core of corporate activities. It also impacts agility and business performance, reflecting the core competitiveness of banks (Appelbaum et al., 2017; Nijun, 2017). Unlike tangible assets (where ownership is definite), most intangible assets intensive banks do not share in the development costs of the intangible assets, but rather share the profits from investing in the intangible assets of other banks. A bank (i.e., a competitor) cannot be completely ruled out. Lack of effective management control often cited as a reason for not recognizing intangible assets as assets in financial statements. This therefore has a significant potential impact on the level of information asymmetry and agency costs associated with this type of asset. High levels of risk and uncertainty are perhaps the most important characteristics of intangible assets as they impede the performance of market mechanisms. Uncertainty comes in two distinct forms:

technical success (technical feasibility) and economic value (market acceptance) (Assaf, Josiassenb, Mattilac & Cvelbard, 2015). According to Nnado and Ozouli (2016), intangible assets possess high risks and uncertainties, entity idiosyncrasies, human capital intensity, etc. that distinguish them from other types of assets and have many features. The five key economic characteristics that distinguish intangible assets from other types of assets are the lack of competition between users, the presence of network effects, the lack of full appropriation of profits by the entity, and a high level of inherent risk and uncertainty, and finally - the tradability of most intangibles. Non-competitiveness and non-scalability mean that the use of the intangible assets in one activity does not prevent its use in another activity. Intangible assets are also characterized by the presence of important network effects, as the value of the asset increases with the number of users (Safitri, 2024).

Concept of Computer Software

Computer software refers to a set of instructions, programs, and data that enable computers to perform specific tasks or execute particular operations. It contrasts with hardware, which represents the physical components of a computer system. Software encompasses a broad range of applications, including operating systems that manage hardware resources, utility programs, and various applications like word processors and games (Al-Qudah, 2019; Eomate & Audu, 2021). According to Okechukwu, Oliver and Eneh (2022), software consists of programs that instruct a computer on how to carry out tasks, from basic functions to complex computations. It plays a crucial role in facilitating user interactions with computers and ensuring the proper functioning of hardware components. Software can be categorized into application software, system software, middleware, and more, each serving distinct purposes in the overall operation of a computer system (Loukis et al., 2019). It is widely accepted that computer resources, programs and software improve customer service, reduce operating costs and give banks a competitive advantage. In fact, the past decade has seen a dramatic increase in the number of banks that have realized the benefits of using computer software and have adopted information technology. Computer software enables a computer to perform specific tasks, as opposed to the physical components of system hardware more efficiency, with better performance (Zhang & Guan 2016).

According to Almeida and Jordao (2017), software acquired by a company is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the group is able to demonstrate its intention and ability to complete the development. The capitalized cost of internally developed software includes all costs directly attributable to developing the software and capitalized borrowing cost and is amortized over its useful life. On the other hand, according to Chukwu, Ohaka and Nwanyanwu (2017) stated that internally developed software is stated at capitalized cost less accumulated amortization and impairment. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred (Haruna, Okwo & Nwagu, 2022). Amortization is recognized in profit and loss on a straight-line bases over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefit embodied in the asset (Haruna et al., 2022).

Underpinning Theory

Agency Theory

Agency theory is a fundamental principle utilized to elucidate and address issues pertaining to the relationship between business objectives and agents Phapho (2020). It is based on the framework proposed by Jensen & Meckling (1976), this theory posits that the foundation of the agency relationship lies in the shareholders' ability not only to oversee the business operations but also to necessitate the presence of a representative within the management structure. Consequently, the dynamic between a shareholder acting as a principal and a manager assuming the role of an agent entails tasks related to management, the provision of operational reports, and the obligation to generate returns for the shareholder. Concurrently, the principal endeavors to regulate the agency's operations, while the management component of this theory may manifest in the agent instigating conflicts of interest or agency dilemmas Phapho (2020). According to the representative theory, all individuals within the organization possess the intrinsic motivation to act in pursuit of personal advantages. Consequently, a conflict of interests emerges between shareholders and managers. Put differently, managers exhibit a tendency to prioritize their own interests over those of the shareholders. Managers will strive to generate optimal value for the company exclusively when such actions are perceived to be advantageous for them. For instance, managers might overlook the potential returns and prospects associated with the firm's long-term growth due to concerns that the associated expenses could impact their remuneration.

This assertion is substantiated by contemporary research findings that explore the link between management compensation and the manipulation of financial data (Rani, Hussain, & Chand, 2013). Such a scenario is deemed as indicative of ineffective management practices and leads to the imposition of agency costs on the firm. In the realm of agency relationships, the foundation lies in the concept of delineating ownership (pertaining to the principal) from the realm of management (pertaining to the agent). It is commonly postulated that a condition of information asymmetry exists, wherein the agent is inclined towards advancing interests that may be detrimental to the principal. This implies that both parties involved in the contractual agreement strive to optimize their individual self-interests, and that all involved entities possess the liberty to engage in a contract or seek alternatives elsewhere. Therefore, it would cost the principal to ensure ample monitoring of opportunistic behavior by managers which would eventually reflect on the company earnings. Thus, the opportunity created by management to manage the company's reported earnings is due to the need to ensure they meet or beat earnings targets, and the need to boost the company stock price. Also, managers want to receive bonuses/managerial rewards that may be tied to the firm's earnings. With this object in mind, managers use their discretionary power on accruals to manage earnings. Thus, improving the reliability of reported earnings and the entire financial statements (Kibiya, 2016).

Research Methodology

This study used ex-post-facto research design. The research design was employed because the information to be gathered already existed with the respondents and, therefore, not under the control of the researcher. According to Johnson and Smith (2024), the ex-post-facto research design leads to evaluation and identification of behavioural phenomena. The ex-post-facto research design is therefore, considered appropriate for this study.

This study employed a correlation research design. Correlation design describes a statistical relationship between two or more variables and this relationship can be tested statistically. Hence, this design enabled the study to statistically test the relationship between intangible assets and financial reporting quality of listed companies. The study population consists of the 75 listed firms on the Jordan Stock Exchange as of 31st December 2020 to 2024. The study adopted census sampling by studying the entire population (all the 75 listed firms in Jordan). However, to be included in the sample, the following filtering criteria are imposed, as used by Orshi, Barde and Muhammad (2023). The firms must have been listed on or before January 1st 2020 and must remained listed throughout the study period. The firms must have complete annual reports for all the years of the study either on the Amman Stock exchange's website. The firms must specify the monetary value of the different components of its intangible assets. Consequently, the study sample consists of 75 listed of nonfinancial firms on the Jordan Stock Exchange between 2020 to 2024. Furthermore, the study used secondary data which was extracted from published annual reports of the sampled listed companies for the period (2020-2024). The reason secondary data was used is because of the nature of the variables under investigation: All the information needed to measure them can be found on the sampled of non-financial firms' financial statements.

Data Presentation and Interpretation

Table 4.1

Descriptive Statistics of the Study

Variables	Obs.	Mean	Std. Dev.	Min	Max
ERQ	375	0.0183	0.0133	0.0032	0.0615
VRE	375	0.1615	0.0834	0.0393	0.475
GDW	375	3.4914	4.8427	9.5765	10.8604
CSW	375	9.6863	0.5779	8.5318	10.787
IAS	375	0.0056	0.0087	0.0002	0.0402

Source: Author's Computation (2025)

The descriptive statistics in Table 4.1 above shows that average value of earnings Accruals as 0.0183 (2%), with minimum and maximum values of 0.0032 and 0.0615 respectively. This shows that there is little variation in earnings Accruals of sampled as portrayed by the standard deviation of 0.0133 which is means that there is no much wide value. Similarly, Table 4.1 also indicates an average value of value relevance of earnings as 0.1615 with minimum and maximum values of 0.0393 and 0.475 respectively. This shows that there is no high variation in VRE of listed firms as portrayed by the standard deviation of 0.0834 Goodwill (GDW) has a mean value of 3.4914, a standard deviation of 4.8427, with minimum and maximum values of 9.5765 and 10.8604 respectively as also shown in Table 4.1. Also based on Table 4.1, Computer Software (CSW) has an average value of 9.6863 with a standard deviation value of 0.5779 and a minimum value of 8.5318 and a maximum value of 10.787. This shows that there is high variation in computer software of listed firms as portrayed by the standard deviation of 0.5779 which is below the mean value of 9.6863. The Intangible Assets (IAS) of the sampled in Jordan stands at an average of 0.056 with standard deviation of 0.0087 which implies that the firm which constitute the sample has no high variation in their IAs as portrayed by the standard deviation of 0.087. Also, the minimum and maximum value of IAs is 0.0002 and 0.0402 respectively

Hausman Specification Test

The Hausman test was conducted to decide between the random and fixed effect approach. The results of the Hausman test are presented Table 4.2 as follows:

Table 4.2

Results of Hausman Specification

	Model 1 (EA)	Model 2 (VRE)
Chi2	9.80	25.16
P-values	0.1331	0.0003

Source: Author's Computation (2025)

The results of the Hausman test in Table 4.2 reveals that the random effect model is better than the fixed effect result in model 1 with a Chi and p-value of 9.80 and 0.1331 respectively. On the other hand, Table 4.2 shows that the fixed effect result is better than the random effect result in model 2 with a Chi and p-value of 25.16 and 0.0003 respectively.

Table 4.3

Correlation Matrix

Variables	EA	VRE	GDW	CSW	IAS
EA	1.0000				
VRE	-	1.0000			
GDW	-0.2097	-0.1953	1.0000		
CSW	0.1710	0.2075	0.5918	1.0000	
IAS	-0.1720	-0.2617	0.3251	-0.0834	1.0000

Source: (Author's Computation, 2025).

Table 4.3 shows the correlation matrix between the variables of the study. The values of the correlation coefficient vary from -1 to 1. The sign of the correlation coefficient indicates the bearing of the relationship whether positive or negative, the complete values of the correlation coefficient indicate the strength, with larger values indicating stronger relationships. The correlation coefficients on the main diagonal are 1.0000, because each variable has an absolute positive linear relationship with itself. The correlation coefficient of all the independent variables and dependent variable (Earnings Accruals) are positive correlated as shown in Table 4.3, CSW (0.1710) and CSW (0.2165) for EA as a measurement for financial reporting quality and CSW (0.2075) and CSW (0.3465) for VRE as a measurement for financial reporting Quality with exception of GDW (-0.2097), IAs (-0.1720), GDW (-0.1336) and IAS (-0.2961) have negative coefficients far from zero for EA and GDW (-0.1953), IAs (-0.2617), GDW (-0.1617) and IAs (-0.2452) have negative coefficients far from zero for VRE which indicates that, decrease/increase in those variables lead to increase/decrease in the financial reporting quality (EA and VRE) of listed firms in Jordan.

Table 4.4

Regression Results (Dependent variable = Earnings and Value Relevance Earnings)

		EA				VRE			
		Coef.	Std. Err.	T	P>/t/	Coef.	Std. Err.	T	P>/t/
GDW		0.0013	0.0003	-3.94	0.000	-0.0065	0.0026	-2.56	0.010
CSW		-0.0047	0.0037	-1.26	0.208	-0.0408	0.0316	-1.29	0.197
IAs		0.0863	0.2465	0.35	0.726	-0.5357	0.8458	-0.63	0.527
CONS.		-0.1284	0.0452	-2.84	0.004	-0.9244	0.2340	-3.95	0.000
R²	Within	0.2474				R-Squared	0.3928		
	Between	0.2627				Number of Obs.	375		
	Overall	0.2553				Prob.> F	0.0000		
Number of Obs.		375				Hottest	0.0003		
Prob>F.		0.0003				Hausman Test (Prob>chi2)	0.0000		
Hettest		0.0001							
Hausman Test	Prob>chi2 =	0.1331							
Breusch and Pagan Lagrangian multiplier test for random effects 0.0000									

Source: (Author's Computation, 2025)

From Table 4.4, panel data regressions equation becomes

$$EA_{it} = -0.1284 + 0.0013GDW_{it} - 0.0047CSW_{it} + 0.0863IAs_{it} + e_{it}$$

$$VRE_{it} = -0.9244 - 0.0065GDW_{it} - 0.0408CSW_{it} - 0.5357IAs_{it} + e_{it}$$

Drawing from Table 4.4, the following subsection discusses the regression model fitness as well as analyses of the regression result.

Model

The F-statistics was used to determine the fitness and reliability of the model in respect of the relationship between explanatory and dependent variables. The results in Table 4.4 show that the F-statistics is significant at 1% level in both model 1 and 2. This provides evidence regarding the fitness of both models. In addition, the cumulative R² is 25% (0.2474) in model 1 and 39% (0.3928) in model 2 respectively, which gives the cumulative joint effect of the explanatory variables on the dependent variable. This means that 25% and 39% of the total variation in financial reporting quality proxied by earnings accruals and value relevance earnings of listed firms in Jordan is caused by goodwill, computer software and intangible Assets while the remaining 75% and 25% of the total variation in the financial reporting quality is caused by other variables not included in the model. Table 4.4 also shows the regression result of the dependent variable (EA and VRE) and independent variables (goodwill, computer software and IAs).

Test of Hypotheses and Discussion of Results

Goodwill and Financial Reporting Quality

The regression result in Table 4.4 shows that goodwill has significant impact on financial reporting quality (EA and VRE) of listed companies in Jordan with a coefficient value of 0.0013 and P-value of 0.000 for EA and a coefficient value of -0.0065 and p-value of 0.010 for VRE respectively. Hence, the study rejects hypothesis one, which states that Goodwill has no significant effect on financial reporting quality of listed firms in Jordan. This finding is consistent with Satt and Youssef (2017), Tahat et al. (2017), Chukwu and Salifu (2018), Awa et al (2020), Akpeekon (2021), Pechlivanidis et al. (2022) and Cletus et al. (2023) who

established that goodwill has significant impact on financial reporting quality but contradicting the findings by Chukwu et al. (2017).

Computer Software and Financial Quality

Computer software (CSW) was found to exhibit an insignificant relationship with the financial reporting quality (EA and VRE) of listed companies in Jordan during the period under review. This is based on the coefficient value of -0.0047 and P-value of 0.208 for EA and coefficient value of -0.0408 and P-value of 0.197 for VRE. Thus, the study failed to reject the hypothesis two of the study, which state that computer software has no significant effect on financial reporting quality of listed companies in Jordan. This finding is in line with the studies conducted by Chukwu et al. (2017) and Haruna et al. (2022) but inconsistent with the results documented by Vekya (2017), Jean (2017), Al-Dmour (2018), Babatunde (2018), Mahboub (2018), Chukwukaelo et al. (2018), Awa et al. (2020), Nwala et al. (2020), Okechukwu et al. (2022) and Saeed and Ahmed (2023) who documented that computer software has significant impact on financial reporting quality.

Intangible Assets and Financial Reporting Quality

The Intangible Assets (IAs) was also found to have an insignificant influence on the financial reporting quality (EA and VRE) of listed companies in Jordan, from a coefficient value of 0.0863 and P-value of 0.726 for EA and coefficient value of -0.5357 and P-value of 0.527 for VRE. Therefore, the study has no justification to reject hypothesis three of the study, which state that IAs has no significant effect on financial reporting quality of listed companies in Jordan. This finding is in line with the studies conducted by Charles (2016), John and Cajetan (2022) and Okoye et al (2019) but inconsistent with the results documented by Daikwo (2015), Uzoamaka and Nweze (2015), Vladimir et al. (2016), Mohammad et al. (2017), Ndum and Oranefo (2021), Akinsulire (2022), Haruna et al. (2022), Onoriode (2022) and Ame et al. (2023) who documented that Intangible Assets has significant effect on financial reporting quality.

Conclusion

The study reveals that the goodwill has significant impact on financial reporting quality of listed firms in Jordan. This implies that the intangible asset of goodwill plays a crucial role in influencing the financial reporting quality results and overall performance of the firms. Goodwill represents the premium that a company pays for acquiring another entity above its tangible assets' fair market value. Therefore, the study concludes that the reputation, customer relationships, brand value, and other intangible factors associated with goodwill contribute significantly to the firms' reporting quality, market position, and overall success. Understanding and managing goodwill effectively can be essential for enhancing the financial reporting quality and competitiveness of listed firms in Jordan. Furthermore, computer software has insignificant impact on financial reporting quality of listed firms in Jordan. Thus, the study concludes that investments or expenditures related to computer software do not directly contribute to the financial reporting quality results of the firms. This implies that the presence or absence of computer software does not have a notable effect on the financial reporting quality's outcomes of listed firms in Jordan.

Finally, the Intangible assets has insignificant impact on financial reporting quality of listed firms in Jordan. This suggests that, based on the available analysis, the allocation of resources towards developing the skills and knowledge of employees within the firms does not have a

significant influence on their financial reporting quality results. The finding indicates that, in the context of listed firms in Jordan, investments in intangible assets may not directly lead to substantial improvements in financial reporting quality.

Recommendations

The management of listed firms in Jordan should prioritize the strategic management of goodwill as a valuable intangible asset that contributes to the firms' financial reporting quality. This includes nurturing positive brand reputation, enhancing customer relationships, and maintaining a strong market presence to leverage the impact of goodwill on profitability and competitiveness. Given the finding that computer software has an insignificant impact on the financial reporting quality of listed firms in Jordan, management of listed firms should conduct a thorough evaluation of software investments to assess their effectiveness in contributing to financial reporting quality. This evaluation may include reviewing the alignment of software solutions with business objectives, evaluating the return on investment from software implementations, and identifying areas where software usage can be optimized to enhance operational efficiency and cost-effectiveness. Based on the finding that the intangible assets has an insignificant impact on the financial reporting quality of listed firms in Jordan, the management of the companies should shift the focus of intangible assets towards outcome-oriented initiatives that directly contribute to financial reporting quality metrics. This may involve aligning training programs, skill development, and talent management strategies with specific financial goals to ensure that human capital investments generate tangible returns for the company.

Suggestions for Further Research

The study examined intangible assets and financial reporting quality of listed firms in Jordan. The study considered three (3) proxies, namely goodwill, computer software and intangible assets. Therefore, there is need for future research in the area to incorporate other proxies of intangible assets and their relationship with more proxies of financial reporting quality. Furthermore, the study was for period of seven (5) years (2020-2024), future research may cover a longer period, to have analysis that is more robust and improve in the same area of study.

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