Company Attributes and the Timeliness of Interim Financial Reporting In Jordan

Saqer Sulaiman Yousef AL-Tahat
Jerash University, 26150 Jerash, Jerash, Jordan

ABSTRACT

This study examines the timeliness of half-yearly financial reports published by companies listed on the Amman Stock Exchange (ASE). In addition, this study determining the association between timeliness and attributes of companies (namely size, profitability, growth, age, leverage, audit firm size, and market listing status). An analysis of 193 half-yearly financial reports ended on 30 June 2013 reveals that all, except seven companies reported within an allowable reporting lag of one month. However, a large number of companies were making the most of the time given to announce their half-yearly reports. The study also provides evidence that there is a significant association between profitability, growth, age, and market listing status and timeliness. No significant association was evidenced between size, leverage, and audit firm size and timeliness. Plausible explanations for these findings are provided. The findings may provide some implications for research regarding the timeliness of financial reporting in Jordan.

Keywords: Timeliness, reporting lag, interim financial reports, half-yearly financial reporting.

1. INTRODUCTION

The accounting disclosure is defined as efforts to provide accounting information, and this professional job is normally performed by accountants. The accounting disclosure is very important for all stakeholders as it provides them with the necessary information to reduce the uncertainty and helps them to make suitability economic and financial decisions. Informed data of corporate report for example is vital for economic stability and the promotion of sustained levels of high quality investment by corporation. This is achieved through the preparation of financial reports.

The annual financial reports published by companies are considered one of the most important sources of information due to the diversity of information contained in these reports. Though, the financial reports are generally able to provide important information, sometimes the data provided may not be useful enough to meet the needs of some beneficiaries like investors and creditors who need continually updated information regarding activities of companies at the appropriate time of the fiscal financial year.

As a result of various developments taking place within the economic activities, and the increasing importance of relevance as being a major characteristic of accounting information, the demand for developing methods of preparing and displaying financial reports that are relevant are on the rise (Turkey, 1993). Namely, the examples of these methods are: segment financial reports, multi-purpose financial reports, interim financial reports, and employee financial reports.

In order for financial statements to be relevant, they should have a number of characteristics. One of the most important characteristics is timeliness. In a dynamic business environment, financial information must be available on a timely basis so that sound and effective investment decisions can be made (Jeter & Chaney, 2004). The need for timeliness in financial reporting is recognized by both the accounting profession and the Securities and Exchange Commission (SEC) statement NO. 4 of the Accounting Principles Board 1970 which specifies timeliness as one of the objectives of accounting (Givoly & Palmon, 1982).

To satisfy the need for timely financial information, and to improve the timeliness of financial information, interim financial reports (IFRs) are normally issued. Interim financial reports are prepared for periods less than a year: for example this could be on a semi-annual (half-yearly), quarterly, or a monthly. In some countries like the United States of America (USA), Canada, Brazil, Mexico, China, Malaysia, Taiwan, Thailand, and Saudi Arabia, companies prepare interim financial reports quarterly. Meanwhile in countries like the UK, Japan, and Australia companies are required to prepare interim financial reports half-yearly (Ku Ismail, 2003).

Disclosure of information from the interim financial reports (IFRs) has been mentioned briefly above is an important source of information to investors and creditors. IFR provides them with updated information on the well-being of the respective companies continuously. Therefore, evidently today, various stock exchanges around the world require companies to prepare interim financial reports, with the objective to providing important stakeholders (employees, shareholders, investors, the public, etc.) with timely and high quality financial information to help them in making informed financing and investing decisions (Ku Ismail, 2003).

Since Oct 2004, companies listed on the Amman Stock Exchange (ASE) in Jordan are required to prepare interim reports. However, the frequency of reporting is different between the listed companies on the First-market, and those on
the Second-market. The First-market companies are required to prepare interim financial reports quarterly, and the second-market companies are required to prepare interim financial reports semiannually, or half-yearly. This study will examine interim reporting (half-yearly) of Jordanian companies listed on both markets.

2. **Historical Development of Interim Financial Reports in Jordan**

In Jordan, the requirement for interim financial reporting was contained in the Securities law No. 23 of the year 1997. The application of this law began on 15 May 1997, which required every issuer company to provide reports that should include the balance sheet, the profit and loss account, the cash flow statement, and the required explanatory notes. Details regarding the interim reports came in the "Disclosure Instructions for Issuing Companies, Accounting Standards and Auditing Standards No. (1) of the year 1998," issued by the Jordan Securities Commission Paragraph (A) of this article states that the companies should prepare interim reports on a semi-annual base. Applied as of 1 September 1998. This report includes:

- the balance sheet;
- the profit and loss account;
- changes in shareholders’ equity;
- the cash flow statement;
- the required explanatory notes;
- the Company auditor’s report which shall include an affirmation that the records and financial statements have been audited consistently with the audit standards adopted by these Instructions; and
- a brief summary comparison of the results of the Company’s activities for the period with earlier set plans.

In 2002, Jordan Securities Commission issued the Securities Law No. 76 of 2002 which did not include any change to the previous law with respect to the interim financial reports No. 23 of the year 1997. In 2002 the “Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the year 2004”, was also issued by virtue of article (12/Q) of the Securities Law No.76 for the year 2002, which is currently applied and contained the same provisions with respect to the interim reports.

In 2004 the Amman Stock Exchange issued the "Directives for Listing Securities on the Amman Stock Exchange for the year 2004" regulations, issued by virtue of the provisions of Article 72 of the Securities Law No. 76 of 2002. In paragraph 15 of these regulations, it specified the type of information that the companies listed in the ASE must provide, the periods of providing this information, and the deadlines for providing it. A notable change that these regulation states is the requirement for the First Market companies to provide a quarterly reports in addition to the annual and bi-annual reports required for all companies. These regulations were applied since 1 July 2004. Article (15)

A.Companies listed on the ASE shall undertake to provide the ASE with the reports, statements and information stated hereunder:

1) The Company's annual report which includes the board report, the financial statements and the auditors' report, within three months at the most of the end of its fiscal year.

2) Half-yearly report with a comparison with the same period of the previous fiscal year, including the financial statements reviewed by the Company auditors, within one month of the end of its bi-annual fiscal year.

B. A Company listed on the First Market must provide the ASE with a quarterly report reviewed by its auditors and compared with the same period of the previous fiscal year, within one month of the end of the relevant quarter.

The preparation of interim financial reports is mandatory for Jordanian listed companies. Companies that do not issue IFRs would face the penalty imposed on violators of the Securities Law No.76 of 2002. Article (110) states that; Any person who violates the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto shall be subject to a fine of not more than one hundred thousand (100,000) Dinars, in addition to a fine of not less than twice the amount, and not more than five times the amount, of profit made or loss avoided by the person committing the violation.

3. **Literature Review**

One of the earliest studies in the US was undertaken by Zeghal (1984). The researcher conducted a study in the US to determine the effect of timeliness on the informational content of interim and annual financial reports. The analysis
was chiefly motivated by the characteristics of the two types of information and the differences in the regulations, and the rules which govern their disclosure.

According to the study results, accounting reports with shorter delay have a higher informational content than those with longer delay. At the time of release to the capital market, the effect of delay on the information content seems to be more significant in the case of the interim rather than the annual financial reports. This may be explained by the major characteristics which differentiate the information contained in the interim financial reports from that contained in the annual financial reports, and the differences in their role in the investor's decision process.

Bowen, Johnson, Shevlin, and Shores (1992) documented that US firms with bad news announced earnings later than expected while firms with good news announced earnings earlier than expected. They argued that managers have an incentive to minimize the adverse reaction of stakeholders to bad news, thus delaying the announcement of bad news. The ‘unexpected’ time lag was measured as the time lag of the same quarter of last year minus time lag of this year's quarter. As far as the content is concerned, the news is considered bad when the unexpected return is negative and good when the unexpected return is positive.

Butler et al. (2007) examined how the frequency of interim financial reporting affects earnings timeliness, the speed with which accounting information is impounded into price based on a sample of 28,824 reporting-frequency observations from 1950 to 1973. They found little evidence of a difference in either intra period, or long-horizon timeliness, between firms reporting quarterly and those reporting semiannually, even after controlling for self-selection. They found that the increase in reporting frequency had no statistically significant effect on long-horizon timeliness for mandatory increases. Results indicate that, after the switch, voluntary increasers tend to recognize bad news more quickly, but experience no change in the timeliness of good-news recognition.

In the UK, Hussey and Woolfe (1998) compared various features of the interim financial reports of the companies prepared between the years of 1992 and 1997. By examining the changes in the content and timing of issue of the interim financial report, the study elicited that more companies in the UK were issuing their interim financial reports within 90 days in 1997 than in 1992. The average time lag improved from 68.7 days in 1992 to 62.4 days in 1997. The average financial reporting lags are however longer than that reported by the working committee of Coopers and Lybrand (1992). The difference in results is due to the different samples used in the studies. However, the average number of days reported by Hussey and Woolfe is close enough to the 60 days as recommended by the ASB guidelines issued in 1997.

In Malaysia Ku Ismail and Chandler (2004) examined the timeliness of quarterly financial reports published by companies listed on the Kuala Lumpur Stock Exchange (KLSE). This study also extended prior research by determining the association between timeliness and each of the following company attributes – size, profitability, growth, and capital structure. An analysis of 117 quarterly financial reports ended on 30 September 2001 was run. Of the 117 companies, they found only one company (0.9%) reported after the due date, and the financial reporting lag being 64 days. This means that the overall compliance rate was very high (99.1%). Evidently, the financial reporting lag of companies in this study was between 32 and 64 days with a mean and median of 55.7 days and 58 days, respectively. This implies that, on average, companies reported about 5 days before the due date. The study also provides evidence that there is a significant association between timeliness and each of the four company attributes, and the association supported the hypothesis of the study.

Ibrahim, Ayoub, and Che Ahmad (2004) examined the issue of timeliness of interim financial reporting. The objectives of this research are to examine the timeliness of interim financial reports and to analyze the level of compliance as required by KLSE Listing Requirements. In addition, this research also investigated whether listed companies voluntarily purchase audit services for the interim financial reports as they might add value to the information. Other factors, such as, the industry and ownership structure are also examined. Finally, this study investigated the enforcement actions by KLSE for late submission of quarterly financial reports and provides evidence on the practice of interim financial reporting among listed companies in Malaysia.

The sample was selected from the KLSE main board companies with financial year end in 2002. Only companies with four interim financial reports during the accounting period were included in the sample. An analysis of 217 interim financial reports was run.

The result of this research shows that majority of the companies comply with the two month requirement by KLSE. Most of the companies submitted their interim financial reports within 54 to 57 days. However there are a small number of companies (only 0.96%) which did not comply with this requirement. The results also show that there are interim financial reports that have been audited even though it is not required and most of them are from quarter four reports. The study shows that companies with Big Five auditors seem to be more efficient in term of timeliness of their interim financial reports. Companies which have their interim financial reports audited are companies with Big Five auditors and they also submit their interim financial report earlier. This shows that international reputable auditors have a positive effect on the timeliness of interim financial reporting. Further, more comparisons between submission lag and ethnic majority of companies' board of directors expose that there are difference between foreign controlled
companies and local companies. Similarly, different industries may also affect the timeliness of interim financial reporting. This could be due to the complex nature of certain industries over the others. Boritz and Liu (2006) examined the determinants of the timeliness of quarterly financial reporting in Canada. They hypothesized that interim financial statements were released more promptly by companies with a high transparency of information environment than firms with a low transparency of information environment. They also hypothesized that firms with significant agency problems were more likely to delay the disclosure of their interim financial statements than firms with less agency problems. The sample consisted of 400 randomly selected Canadian companies that publicly released their 2005 Q1 financial statements on SEDAR. They then merged the original sample of 400 companies with the electronic database, Canadian portion of Compustat North American, and generate the final sample of 266 companies after deleting companies which have missing data in Compustat for the calculation of variables used in the analysis. The study provided evidence that firms’ information environment and agency problems were related to the timeliness of quarterly financial reporting. More interestingly, they found that firms that do not have their interim financial statements reviewed by their auditors are less timely in releasing their interim financial statements than firms having their interim financial statements reviewed. The findings suggest that firms may perceive the disclosure of no audit review as a negative signal to market participants and thus intentionally delay that disclosure. IKA and REGINA (2011) the researchers analyzed timeliness of financial reporting in Indonesia. In this study timelines of financial reporting are measured by audit lag and reporting lag. This study utilized an unbalanced panel of 700 firm-years of companies listed on the Indonesia Stock Exchange during the period 2007-2009. The mean of audit lag is 74 days and the mean of reporting lag is 94 days. It is found that corporate governance and audit opinion negatively affect both audit lag and reporting lag, whereas firm size positively affects audit lag and reporting lag. Debt ratio only negatively affects reporting lag. Auditor’s firm, profitability, price earnings ratio and dividend payout ratio do not significantly affect either audit lag or reporting lag. Inter-industry analysis of audit lag and reporting lag reported that the financial industry has the shortest audit lag and reporting lag. The trade, service and investment industries have the longest audit lag whereas the property, real estate and building construction industries have the longest reporting lag. Iyoha (2012) examined the impact of company attributes on the timeliness of financial reports in Nigeria based on a sample of 61 companies’ annual reports for the years 1999-2008. The data were analyzed and results estimated using Ordinary Least Square (OLS) Regression which was complimented with the panel data estimation technique. The findings reveal that the age of company is the major company attribute that influences the overall quality of timeliness of financial reports in Nigeria. It was also observed that there is a significant difference in the timeliness of financial reporting among industrial sectors in Nigeria. The banking sector is found to be timelier in financial reporting. Though the results suggest that regulations are not enough to ensure that the quality of financial reports are timely in Nigeria, reporting lag may however be reduced by the existence and strict enforcement of rules and regulations of regulatory bodies.

4. HYPOTHESIS DEVELOPMENT

This section discusses the association between timeliness and company attributes; size, profitability, growth, age, leverage, audit firm size and market listing status. Some of the researchers studied the relationship between timeliness of a financial report and specific attributes of a company. The majority of studies concentrated on annual financial reports, and a few of them on interim financial reports. By reviewing previous studies, the most frequently examined characteristics have been company size, profitability, growth, capital structure, and age of company. This study hypothesizes that timeliness is associated with size, profitability, growth, age, leverage, audit firm size, and market listing status. Following is the discussion on each of the independent variables that are hypothesized to be associated with the timeliness.

Size of Company

One of the characteristics that are often associated with the financial reporting lag of a financial report (annual or interim report) is the size of a company. Ku Ismail & Chandler (2004, p.8) assert that: Large companies are often argued to be early reporters for several reasons. First, large companies are often associated with having more resources, more accounting staff, and more advanced accounting information systems compared to their smaller counterparts. All of these attributes should aid companies in faster reporting. Secondly, larger companies are more in the eyes of the public. Specifically, large companies are likely to be followed by a large number of analysts who usually expect timely information to confirm and revise their expectations. Large companies are thus under greater pressure to announce their reports on a timely basis to avoid speculative trading of their shares. Size has been found to be, in most studies, a very significant variable, with an inverse relationship between size of company and timeliness in annual financial reports (Al-Ajmi, 2008; Al Jabr, 2006; Davies & Whittred, 1980; Dogan, Coskun, & 'elik, 2007; Dyer & McHugh, 1975; Iyoha, F.O 2012; IKA Merdekawati & Regina 2011; Karim, Ahmed, &
Islam, 2006; Mahajan & Chander, 2008; Owusu-Ansah, 2000) and in interim financial reports (Ku Ismail & Chandler, 2004).

Based on the above findings, this study hypothesizes that:

**H1:** Larger companies take shorter time to publish their half-yearly financial reports compared with smaller companies.

**Company Profitability**

Profitability is expected to influence a company's timely reporting behavior. Companies with successful results will report more quickly than those with failing operations or that has sustained losses. This is because profitability measures a company's efficiency of operations (Owusu-Ansah, 2000). Therefore, the profitability of a company has been hypothesized to be a significant associated with time lag.

Based on signaling theory, by delaying the bad news, management is giving its shareholders a “silent signal” and the opportunity to divest themselves of the firm's shares before the information reaches the market. Similarly, announcing good news early will ensure that it is not pre-empted by other sources. The stakeholder theory also suggests that in the absence of an opportunity to hide bad news because of mandatory disclosure requirements, managers have the incentive to delay its release (Ku Ismail & Chandler, 2004).

A majority of studies have shown a negative and significant association between profitability of company and financial reporting lag in annual financial reports (Abdullah, 2006; Al-Ajni, 2008; Al Jabr, 2006; Bowen et al., 1992; Conover, Miller, & Szakmary; 2008; Dogan et al., 2007; Haw, Qi, & Wu, 2000; Iyoha, F.O 2012; Owusu-Ansah, 2000), and in interim financial reports (Ku Ismail & Chandler, 2004). On the other hand, only a few studies have documented insignificant association between profitability of company and timeliness in annual financial reports. (e.g. Davies & Whittred, 1980; Dyer & McHugh, 1975; IKA MerdekaWati & Regina 2011; Mahajan & Chander, 2008).

Based on the above theoretical and empirical argument, this study hypothesizes that:

**H2:** Higher profitability companies take shorter time to publish their half-yearly financial than lower profitability companies.

**Company Growth**

Growth of company, like profitability is expected to influence a company's timely reporting behavior. In this case, the theoretical arguments to suggest that company profitability is able to help companies publish their financial reports in a timely manner are compatible here (see for example, Ku Ismail & Chandler, 2004). Indeed, previous studies have shown a significant relationship between growth of company and time lag in interim financial reports (Ku Ismail & Chandler, 2004). Hence, this study offers the following hypothesis:

**H3:** Higher growth companies take shorter time to publish their half-yearly financial reports than lower growth companies.

**Age of Company**

Owusu-Ansah (2000) proposed that promptness in financial reporting by a company is influenced by its age (i.e. its development and growth). This proposition is based on the learning curve theory. The theory suggests that a reduction in reporting time would occur as the number of annual financial reports produced is increased. As a company continues and its accountants learn more, the 'teething problems' which would cause unusual delays are minimized. As a result, an older, well-established company is likely to be more proficient in gathering, processing and releasing information when needed because of learning experience gained over many years of existence. In short, older firms might have improved their financial reporting practices over time. Consequently, Owusu-Ansah (2000) managed to document a significant negative relationship between age of company and time lag (financial report lag).

However, a few other studies (e.g. Al Jabr, 2006; Mahajan & Chander, 2008) found no association between age of company and timeliness in annual financial reports.

But despite some evidence that company age did not influence timeliness, the present study however argues that the contrary is true, based on the theoretical arguments posed above. Hence, based on this argument the hypothesis is formulated:

**H4:** Older companies take shorter time to publish their half-yearly financial reports than younger companies. Leverage of Company

The leverage of a company is also expected to have an influence on timeliness as iterated by Ku Ismail and Chandler (2004), who noted that:

there are two competing views in the literature concerning the association. One view suggests that highly leveraged firms report faster than the lowly leveraged firms. Based on agency theory, this view contends that higher monitoring costs would be incurred by firms that are highly leveraged. Because high-leveraged firms have the incentive to invest sub-optimally, debt holders normally include clauses in debt contracts to constrain the activities of management (Jensen and Meckling, 1976). Another view holds that highly leveraged firms report more slowly than the lowly leveraged firms (p. 11).

The majority of previous studies have shown a negative and significant association relationship between leverage of company and timeliness in annual financial reports (Al-Ajni, 2008; Al Jabr, 2006), and in interim financial reports (Ku Ismail & Chandler, 2004). Abdullah (2006) found a positive association between timeliness of reporting and
leverage, in annual financial reports. Mahajan and Chander (2008), however, found that leverage did not significantly influence the financial reporting lag.

Based on the theoretical argument and the majority of previous research, this study hypothesizes that:

**H5:** Lower leverage companies take shorter time to publish their half-yearly financial reports than higher leverage companies.

**Audit Firm Size**

In general, audit firm rotation is expected to reduce the timeliness of audit completion as the successive audit firms are forced to build up client-specific knowledge from scratch. Therefore, those audit firms are bounded to incur significant start-up time and costs to become adequately acquainted themselves with clients’ businesses and operations (Lai & Cheuk, 2005). Bamber, Bamber, & Schoderbek (1993) investigated the determinants of the length of time auditors require to complete the audit or audit report lag (ARL). They found that regarding audit structure, the results showed that greater structure generally led to longer audit report lags, but that accounting firms with greater structure also reacted more quickly to unanticipated events. Some of studies (IKA Merdekawati & Regina 2011; Iyoha, F.O 2012; Mahajan and Chander 2008) found audit firm size to show negative and significant relationship to financial reporting lag in annual financial reports. Being audited by big six audit firms, companies would take less time in releasing information. Turel, Asli (2010) found a positive association between timeliness of reporting and leverage, in annual financial reports. On the other hand, Al-Ajmi (2008) found no evidence to support the effect of accounting complexity or auditor type (Big Four or non-Big Four) on timeliness.

Hence based on the above theoretical and empirical evidence, this study hypothesizes that:

**H6:** Larger audit firms take shorter time to publish their half-yearly financial reports than smaller audit firms.

**Market Listing Status**

As explain earlier, the Amman Stock Exchange has two separate tiers of stocks that are traded. They are the first market and the second market. However, the frequency of financial reporting is different between companies listed on the first-market, and those on the second-market. The first-market companies are required to prepare interim financial reports quarterly and the second-market companies are required to prepare interim financial reports half-yearly.

Because first market firms are required to prepare quarterly financial reporting, the reporting of a half-yearly financial report is expected to be faster. This is because a lesser information is to be gathered since the preparation of the first quarterly financial report. Further, since the first market is required to prepare quarterly financial reporting, the preparation of the interim financial reporting (quarterly or half-yearly) is a routine to them. Thus the first market companies are expected to publish the reports faster.

Furthermore, since shares of the First Market firms are more likely to be actively traded than those of the Second Market, it is expected that the first market firms will issue the interim financial reports faster. Based on ASE listed requirements, first market companies are bigger in size, more profitable, and have a larger number of shareholders. Hence, they are expected take a shorter time to issue the half-yearly financial reports.

As cited by Owusu-Ansah (2000) found a statistically significant difference in timely reporting between companies listed on either the New York Stock Exchange or the Over-the-Counter market, and those listed on the American Stock Exchange. Ashton, Willingham, and Elliott (1987) examined the association between audit delay and fourteen client specific variables. They found that listing status is one of the variables that are significantly associated with audit report lag.

Based on the above discussion and the findings of previous studies, this study hypothesized the following:

**H7:** First market companies take shorter time to publish their half-yearly financial reports than the second market companies.

**The Model**

Based on the above discussion, the following model is developed to predict timeliness:

\[ \text{TIML} = \alpha + \beta_1 \text{LNSIZE} + \beta_2 \text{PROF} + \beta_3 \text{GRO} + \beta_4 \text{AGE} + \beta_5 \text{LGLEVE} + \beta_6 \text{AFSIZE} + \beta_7 \text{MLS} + \epsilon \]

Where:

- **TIML** = timeliness, measured by financial reporting lag; the time interval between the end of the reporting period and the date the financial statements are issued;
- **LNSIZE** = company size, measured by natural log of total assets;
- **PROF** = company profitability, measured by return on equity (i.e. net income to owners' equity);
- **GRO** = company growth, measured by the percentage change in net sales;
- **AGE** = age of a company;
- **LGLEVE** = leverage of a company, measured by log of ratio of debt to total assets;
AFSIZE = audit firm size, classified as big firm (big 4 or local firms with international affiliations) and small firms (local firms without international affiliations), where "1" big firm, "0" small firm;

MLS = Market listing status, measured by company listed in the first market or second market, where "1" first market, "0" second market;

α and β = constant; and

ε = disturbance term.

5. RESEARCH METHODOLOGY

5.1 Sampling of Quarterly Reports

The companies are divided into three sectors: industrial, services, and financial sector. The number of listed companies are 235 Companies where industrial sector companies comprise of 69 companies with the percentage of (29%), 124 services sector companies (including diversified financial services and real estate) which represent 53% from the entire companies participated in the study., and 42 companies represented the financial sector (banks and insurance companies) with the percentage of 18%.

This study will be applied on these two of sectors, namely, the industrial and services sectors. Together, these two sectors make 82% of the Jordan listed companies which represent the largest share in the financial investment, and achieve the largest contribution to the economic development. In addition to, the financial sector has special regulations.

5.2 Measuring Timeliness

There are two aspects of timeliness where interim financial reporting is concerned: the frequency of the reports and the financial reporting lag (time lag). In this study, timeliness was measured by the financial reporting lag, that is the time interval between the end of the reporting period and the date the financial statements are issued. This study determined the actual number of days a company takes to announce the half-yearly financial report; relatively, the higher the number of days a company takes to make the announcement, the lower the quality of reporting is deemed to be. The announcement date for each company's half-yearly financial report is available from the half-yearly financial reports or on the JSC website.

5.3 Data Analysis

5.3.1 The Timeliness in the Half-Yearly Financial Reports

In this study, timeliness of a half-yearly report refers to the reporting lag; the time interval between the end of the reporting period and the date the financial statements are issued. The maximum allowable reporting lag for companies in Jordan is one month. This study determines whether companies adhered to the reporting lag requirement. Out of the 193 companies, twenty companies (10.4 percent) reported after the due date. This means that the compliance rate was high, where 89.6 percent of the companies complied with the regulation. Where, the financial year end on 31/12, the half-yearly period ends on 30/6 for all companies.

The reporting lags of companies in this study lie between 17 and 120 days with a mean and median of 30 days and 29 days respectively. This implies that on average companies reported about one day before the due date. The distribution of the reporting lags of companies can be observed in Table 1.

| Table 1: Distribution of reporting lags |
|-----------------|-------------|
| Frequency        | percentage  |
| Within 3 weeks (21 days) | 5 | 2.6 |
| 22 – 28 days     | 74 | 38.3 |
| 29 - 30 days     | 62 | 32.1 |
| One month or 31 days (due date) | 32 | 16.6 |
| More than one month | 20 | 10.4 |
| Total            | 193 | 100 |

Although most companies reported by the due date, quite a large number of companies took as long as they are allowed to submit their reports. Whether these companies could have published the reports earlier but tend to delay them, or they really need such time interval to issue the reports is unknown. As shown in Table 1, 32 companies (16.6 percent)
reported exactly on the due date (31 July 2013) where the other 20 (10.4 percent) had a reporting lag more than one month. Majority of the companies (73 percent) reported within last ten days of the due date. Only about 2.6 percent of the companies reported within first 3 weeks of allowable period. Comparing the mean reporting lag of half-yearly reporting in this study (30 days or 4 weeks) to others such as in UK, same maximum allowable period reporting lag is one month (62.4 days) (Hussey & Weiss 1998), it is concluded that the lag is better for companies in Jordan.

5.3.2 Association between Timeliness and the Independent Variables
The findings on the association between timeliness and company attributes; size, profitability, growth, age, leverage of a company, audit firm size and market listing status.
In this study, timeliness is measured by the reporting lag that is the time interval between the end of the reporting period and the date the financial statements are issued. This study determines the actual number of days a company takes to announce the half-yearly report (used ordinary least squares regression analysis).

5.3.3 Ordinary Least Squares Regression Analysis
Results of the ordinary least squares regression analysis, using the ENTER method are depicted in Table 2. The adjusted R² of 0.376 and F value of 15.929 (Sig. = 0.000) shows that the model describes 37.6 percent of the variation in timeliness and it is significant at the 1 percent level. There is not sufficient evidence to support the hypotheses that the timeliness is directly related to size, leverage and audit firm size. Thus, the alternative hypotheses (H1, H5 and H6) are rejected at a 5 percent significance level and at a 10 percent significance level.
Company age, profitability, growth and market listing status are the variables that are significantly associated with timeliness of half-yearly financial reporting. The β and p values suggest that the relationships between company age and growth are positive, and are significant at the 5 percent level and 10 percent level respectively. The β and p values suggest that the relationships between profitability and market listing status are negative and are significant at the 5 percent level and 10 percent level respectively.
Results were consistent with previous studies; (Al Jabr, 2006; Bowen et al., 1992; Conover, Miller, & Szakmary; 2008; Dogan et al., 2007; Haw, Qi, & Wu, 2000; Iyoha, F.O 2012; Owusu-Ansah, 2000) found a significant association relationship between profitability of company and timeliness in annual reports, and in interim financial reports (Ku Ismail, 2003; Ku Ismail & Chandler, 2004) found that. (Iyoha, 2012; Owusu-Ansah, 2000) showed a significant association relationship between age of company and timeliness. (Ku Ismail & Chandler, 2004) found a significant association relationship between growth of company and timeliness in interim financial reports. (Owusu-Ansah, 2000) found a statistically significant difference in timely reporting between companies listed on either the New York Stock Exchange or the Over-the-Counter market, and those listed on the American Stock Exchange. (Ashton, Willingham, and Elliott, 1987) found that listing status is one of the variables that are significantly associated with audit report lag.
This implies that companies with higher company profitability and first market companies take shorter time to publish their half-yearly financial reports. The findings support the hypotheses that the amount of timeliness of interim financial report is directly related to the higher company profitability higher company profitability and first market companies. The alternative hypotheses (H2) the higher profitability companies take shorter times to publish their half-yearly financial reports (H7) First market companies take shorter time to publish their half-yearly financial reports than the second market companies are accepted at a 5 percent significance level. As discussed before, the companies with successful results will report more quickly than those with failing operations or that has sustained losses. This is because profitability measures a company’s efficiency of operations (Owusu-Ansah, 2000). Therefore, the profitability of a company has been hypothesized to be a significant associated with time lag.
Listing status is one of the variables that are significantly associated with audit report lag. Because in Jordan, first market firms are required to prepare quarterly financial reporting, the reporting of a half-yearly financial report is expected to be faster. This is because a lesser information is to be gathered since the preparation of the first quarterly financial report. Further, since the first market is required to prepare quarterly financial reporting, the preparation of the interim financial reporting (quarterly or half-yearly) is a routine to them. Thus the first market companies are expected to publish the reports faster.
Also, about company age and growth found apposite relationship between company age and growth of company and time lag in interim financial reports, results were inconsistent with Ku Ismail & Chandler (2004) and Owusu-Ansah (2000), they found a significant negative relationship between growth of company and time lag. However, a few other studies (e.g. Al Jabr, 2006; Mahajan & Chander, 2008) found no association between age of company and timeliness in annual financial reports.
This implies that companies with higher company growth and older companies take longer time to publish their half-yearly financial reports. The findings provide evidence that there is a significant association between timeliness and company growth and age, and the association is not in the hypothesized direction. The alternative hypotheses (H3) the higher company growth take longer times to publish their half-yearly financial reports (H4) the older companies take longer times to publish their half-yearly financial reports are accepted at a 5 percent significance level.
Table 2: Regression results of timeliness against independent variables

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>32.239</td>
<td>12.730</td>
<td>0.000</td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.000</td>
<td>-0.140</td>
<td>0.889</td>
</tr>
<tr>
<td>PROF</td>
<td>-0.483</td>
<td>-9.955</td>
<td>0.000</td>
</tr>
<tr>
<td>GRO</td>
<td>0.217</td>
<td>2.249</td>
<td>0.026</td>
</tr>
<tr>
<td>AGE</td>
<td>0.092</td>
<td>2.008</td>
<td>0.046</td>
</tr>
<tr>
<td>LEVE</td>
<td>0.009</td>
<td>0.642</td>
<td>0.522</td>
</tr>
<tr>
<td>AFSIZE</td>
<td>-1.077</td>
<td>-0.761</td>
<td>0.447</td>
</tr>
<tr>
<td>MLS</td>
<td>-2.367</td>
<td>-1.912</td>
<td>0.057</td>
</tr>
</tbody>
</table>

* Significant at 0.05
** Significant at 0.10

Where:

TIML = THE TIMELINESS, MEASURED BY REPORTING LAG; THE ACTUAL NUMBER OF DAYS A COMPANY TAKES TO ANNOUNCE THE HALF-YEARLY REPORT.

SIZE = COMPANY SIZE, MEASURED BY TOTAL ASSETS;

PROF = COMPANY PROFITABILITY, MEASURED BY PROFIT MARGIN (I.E. NET PROFIT TO NET SALES);

GRO = COMPANY GROWTH, MEASURED BY THE PERCENTAGE CHANGE IN NET SALES;

AGE = AGE OF A COMPANY;

LEVE = LEVERAGE OF A COMPANY, MEASURED BY RATIO OF DEBT TO TOTAL ASSETS;

AFSIZE = AUDIT FIRM SIZE, CLASSIFIED BIG FIRM (BIG 4 OR LOCAL FIRMS WITH INTERNATIONAL AFFILIATIONS) AND SMALL FIRMS (LOCAL FIRMS WITHOUT INTERNATIONAL AFFILIATIONS).

MLS = MARKET LISTING STATUS, MEASURED BY COMPANY LISTED IN THE FIRST MARKET OR SECOND MARKET, WHERE "1" FIRST MARKET, "0" SECOND MARKET;

6. CONCLUSION

In this study, timeliness of a half-yearly financial report refers to the financial reporting lag, that is the time interval between the end of the reporting period and the date the financial statements are issued. The maximum allowable financial reporting lag for companies in Jordan is one month. Out of the 193 companies, 20 companies (10.4%) reported after the due date. This means that the compliance rate was high, where 89.6 percent of the companies complied with the regulation. The financial reporting lags of companies in this study lie between 17 and 120 days with a mean and median of 30.95 days and 29 days, respectively. This implies that on average companies reported about one day before the due date.

Although most companies reported by the due date, quite a large number of companies took as long as they are allowed to submit their reports. Whether these companies could have published the reports earlier but tend to delay them, or they really need such time interval to issue the reports is unknown. A majority of the companies (87%) reported within the last ten days of the due date.

Consistent with the literature, based on the results of ordinary least squares regression analysis, this study provides evidence that profitability of a company, growth of a company, age of a company, and market listing status of company influence the timeliness of interim financial reporting. Companies with higher company profitability and the first market companies take shorter time to publish their half-yearly financial reports. Companies with higher company
growth and older companies take longer time to publish their half-yearly financial reports. However, there appears to be no evidence that timeliness is influenced by size of company, leverage of company and audit firm size.

REFERENCES


AUTHOR

Saqer Al-Tihat received the B.S. and M.S. degrees in Accounting from Al al-Bayt University- Jordan in 1999 and 2005, respectively. He obtained his PhD in Financial Accounting from University Utara Malaysia – Malaysia in 2010. He got twelve years of work experience out of which; seven years he worked an Auditor at Jordanian Audit Bureau, and five years an Assistance .Prof in Fahad Bin Sultan University and Jerash University.