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Development of accounting regulation in Jordan[☆]

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Abstract

This study examines the development of accounting regulation in Jordan with emphasis on the dominant environmental factors that influence it. In order to have a better understanding of Jordan's present accounting practices, and its future development tendencies, we examine the path of accounting in Jordan since the early days of the nineteenth century, and analyze how Jordan's accounting environment — political, economic, legal and cultural — influenced the development of accounting in Jordan. We also examine Jordan's recent move towards full adoption of International Financial Reporting Standards (IFRS) and find that Jordan's colonial past has exerted a strong influence. In addition, we conclude that political and economic factors, through privatization and the resulting accounting reforms, contributed more to the development of accounting practices than other environmental factors. Privatization led to reforming Jordan's disclosure regulation and laying down of the corporate-governance policy framework. Our conclusions could be of interest to other countries, particularly developing countries, who want to improve the quality of their accounting disclosures and practices.

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Keywords: Accounting regulation; International Financial Reporting Standards; Corporate governance; Accounting practices; Jordan

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1. Introduction

Prior international accounting research analyzes and categorizes the reasons for accounting differences between countries (see Ali & Ahmed, 2007; Choi & Mueller, 1984; Doupnik & Salter, 1995; Da Costa, Bourgeois, & Larson, 1978; Frank, 1979; Gray, 1988; Mueller, 1967; Nobes, 1984; Nair & Frank, 1980; Nobes & Parker, 1995; Radebaugh, 1975). These authors identify several factors, such as political and economic influences, legal systems, taxation, culture, religion, international factors, business ownership and organization, and the educational system of a country, that seem to contribute to the differences in accounting systems (patterns). And, the conclusion of this research is that factors that influence a country's accounting patterns are unique to its specific environment.

Previous international accounting research has focused on developed countries particularly Europe and northern America, while Jordan (and the Middle Eastern region) has been neglected despite recent changes in its economic and accounting regulatory environments. Understanding the environmental factors that helped shape Jordan's accounting practices and disclosures and documenting their impact takes on a particular importance at this time of change and growth. This paper, therefore, fills a gap in international accounting research. It explores key environmental factors and links them to the development of accounting regulation in Jordan. Further, it discusses the recent economic and accounting reforms in detail, with specific reference to privatization, which resulted from political and economic developments in Jordan. Privatization, in turn, led to significant accounting regulatory reforms which in turn produced the recent governance and disclosure regulations. Our study examines how these reforms influenced accounting practices in Jordan. The paper also discusses Jordan's adoption of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) and the different factors that contributed to this step. It sheds light on the recent enforcement mechanisms and their effectiveness in improving mandatory disclosure compliance.

The remainder of this paper is structured as follows. The next section provides background information about Jordan, followed by a historical overview of the development of accounting in Jordan (Section 3). Section 4 offers a discussion of the environmental factors influencing disclosure practices in Jordan. Section 5 presents recent development and the role of the International Financial Reporting Standards and Section 6 outlines the accounting standards due process in Jordan. The final section concludes the paper.

2. The Hashemite Kingdom of Jordan — a brief sketch

A gateway to the Middle East, Jordan is situated in southwest Asia, at the meeting point of Asia, Africa, and Europe with a total area of 88,778 km² (DOS, 2007). Jordan is bounded on the north by Syria, Iraq on the north east, Saudi Arabia on the east and south, and on the west by Israel. It has a very short coast line on the south west at the Gulf of Aqaba.

Ancient civilizations settled around the Jordan River including the Assyrians, the Babylonians, Persians, Seleucids, and Nabataeans. The region became a Roman province around A.D. 100, but was later occupied by Arabs. An Islamic state was established in 622 B.C. Several Islamic states ruled Jordan and the surrounding region: the Ommiad, the Abbasid and the Ottoman Empires. At the end of World War I, the United Nations awarded Jordan (known as Transjordan at that time) and Palestine (now known as Israel, the West

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