The Impact of Corporate Governance Characteristics on Earnings Quality and Earnings Management: Evidence from Jordan

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ABSTRACT
This study empirically examines the impact of corporate governance characteristics on earnings quality and earnings management. The sample of this study consists of all financial companies listed on the ASE; the total number of companies was 73 companies. Which are listed on an ASE from year 2007 to 2012. This study mainly investigated the main corporate governance characteristics that affect the earnings quality and also affect the earnings management for the Jordanian firms. The board size, CEO duality, board composition, audit committee size, audit committee composition and audit committee activity are used to measure the corporate governance characteristics. The absolute and signed value of discretionary accruals, which is calculated by the modified Jones model, are used to estimate earnings quality and earnings management, respectively. The results provided that the audit committee size and audit committee activity has a relation with each of earnings quality and earnings management. The researcher recommends the financial Jordanian companies to reduce the number of board of directors members, to adjust the proportion of the external directors and non-executive in each of the board of director and the audit committee.

Keywords: Corporate Governance, Earnings Quality, Earnings Management.

INTRODUCTION
Corporate governance is the system by which we could direct and control the corporations. The governance structure is mainly tasked with the process of distribution of rights and responsibilities among different participants in the corporation such as; the board of directors, stakeholders, manager, creditors, auditors and regulators. It is likewise requested to lay down the rules and procedures for making decisions in their affairs (OECD Principles of Corporate Governance, 2004).

Corporate governance characteristics considered as an ideal tool that used to protect and guarantee the investors’ rights and their money. In addition, there are many common features between earnings management, which is one of the expressions of earnings quality, and earnings quality like; earnings predictability, earnings smoothness, accruals quality, and earnings persistence (Lo, 2008).

La Porta, et al. (2000) supposed basic analysis of the relationship between earnings management and investor protection. However, they demonstrated that the investor protection can be considered as a good approach to illustrate the main differences in corporate governance among countries. Also, they concluded that there is a positive relationship between the strong investor protection and corporate governance, which is displayed in each of financial market, efficient allocation of capital among companies and dispersed ownership of shares.
Corporate governance also assists companies to raise the quality of their published financial information. One way to achieve this by monitoring earnings management in companies.

Earnings are a great and important issue for companies, because it summarizes their performance to huge diverse uses. In scientific literature, the quality of the accounting information is always inspected by the quality of the recognized earnings. Therefore, the researchers have made the quality of accounting information realistically operational by improving different characteristics to detect earnings quality (Francis, et al., 2004).

Earnings management has become a critical issue in the financial markets, because it was working with certain accounting strategies to show income declared in a natural look and in a target income, which makes the quality of earnings play an important role in the economic decisions. The purpose of earnings management is to demonstrate reasonable earnings quality that meets either the shareholders’ expectation, or the requirement of obtaining relevant authorization from regulators (Francis et al., 2008). Thus, earnings management has a lot in common with earnings quality. For instance, high earnings management can produce low quality earnings (Lo, 2008), manipulate information may direct to an incorrect decision. However, the absence of earnings management is not enough to guarantee high quality of earnings, because other factors such as capital market and management compensation contribute to the earnings quality (Lo, 2008). Therefore, measuring the earnings quality and specifying the factors affecting them are important to stakeholders, which have addressed the correlation between the strength of corporate governance and the awareness of the higher earnings management (El-Sayed Ebaid, 2013).

As a result of the bankruptcy of Petra Bank in 1991 and the sound of the sequence of failures in global companies, judicial institutions in Jordan issued many laws and legislations to enhance corporate governance, including Corporate Governance Guide issued by the Central Bank of Jordan of 2007 and the Code of Corporate Governance issued by the Securities Commission in 2008. Such legislations show us the importance of corporate governance in restoring the users' confidence in financial reports.

In recent years, there are several studies like (Hamdan, et al., 2013; El-Sayed Ebaid, 2013) have investigated the relationship between corporate governance and earnings quality. Furthermore, Abed et al. (2012) have investigated the relationship between corporate governance and earnings management in Jordanian firms. However, according to the researcher’s knowledge, no research has addressed the impact of corporate governance on earnings quality and earnings management in Jordan, what lead us to raise the following questions:

- Do corporate governance characteristics affect earnings quality?
- Do corporate governance characteristics affect earnings management?
- Which is/are the main corporate governance characteristics that affect the earnings quality and also affect the earnings management for the Jordanian firms.

However, the importance of the current study is expected to raise awareness to the corporate governance characteristics, and to assist regulators, including the Amman Stock Exchange to clarify the most important of corporate governance characteristics, which give(s) them a more significant role in controlling the work of the listed Jordanian companies. Furthermore, it attempts to contribute in adjusting corporate governance practices to be in line with the policies adopted in Jordan in order to
cope with any future crises.

The Objectives of the Study

This study aims to achieve several objectives in relation to the companies listed in ASE, including the following:

To investigate the relationship between corporate governance characteristics and earnings quality, and investigate the relationship between corporate governance characteristics and earnings management in the Jordanian firms. Furthermore, to examine if corporate governance characteristics that affect earnings quality also affect earnings management, and examine if corporate governance characteristics that affect earnings management also affect earnings quality.

This next section attempts to give an overview of some previous studies that focus on the research’s main variables; corporate governance characteristics, earnings quality and earnings management, and illustrate the definitions, equations, and relationships which may give a general outlook to our research. So, this section will consist of two parts, the first exhibits the related literature review, and the second demonstrates the research’s main variables; corporate governance, earnings quality, earnings management.

Literature Review and Theoretical Framework

In the first part, the researcher highlights the previous research carried out on the main subject, which are the relationship between corporate governance and earnings management and the relationship between corporate governance and earnings quality.

Concerning the relationship between corporate governance and earnings management, Waweru and Riro (2013) investigated the effect of corporate governance and firm characteristics on earnings management. The results of this study showed a positive relationship between companies' ownership structure and earnings management, and also showed a negative relationship between earnings management on one hand and constitution of the council and the board's independence on the other hand. The results also showed that there was no relationship between earnings management from one hand and audit committee, the size of the company and the performance of companies on the other hand.

In a study carried out by Alkdai and Hanefah (2012), the researchers investigated the issue of audit committee characteristics such as the audit committee size, the number of independent non-executive directors, the number of accounting experts, and the number of Muslim directors at the audit committee on earnings management practice. The results of this study showed a positive relationship between the size of the audit committee and the number of the Muslim directors in the earning management. The results also showed a negative relationship between the size of the board of directors, the number of independent non-executive directors and the number of accounting experts at the audit committee.

Uadiale (2012) investigated the role of the board of directors and audit committee in inhibiting earnings management in Nigeria. The study found that board dominated by outside directors had positive relation to monitor and control managers, and audit committee whose members have a certain degree of financial competencies would reduce earnings management.

In a study by Abed et al. (2012), the researchers inspected the association between earnings management and characteristics of corporate governance mechanisms in non-financial Jordanian firm. The characteristics of corporate governance, such as the existence of independence members within the board of directors, the size of the board of directors, the role duality (CEO/chairman), the fraction of insider ownership were specified as independent variables while the size of the
company and financial leverage were specified as a control variable. The study showed a positive relationship with little effect between earnings management and the proportion of outside board and negative significant relation between earnings management and board size. The results of this study also showed that there was no relationship between earnings management and role duality, no relation between insider ownership and earnings management and also for company’s size and leverage attributed to earnings management.

Abdel Razeg (2012) has examined the relationship between earning management and corporate governance in Egypt. The study examined the board size, number of board of directors meetings, board of director's duality, internal auditor experience, internal auditing certificate, internal auditing training, external auditors size, audit committee and ownership construction as characteristics of corporate governance. The study showed a negative relationship between board size, number of board of directors meeting, board of director's duality, internal auditor experience, internal auditing certificate, internal auditing training, and external auditor size, and the presence of the audit committee and ownership construction related to earning management.

Gulzar and Wang (2011) have examined the efficiency of corporate governance characteristics in decreasing earnings management in the listed firms of Shanghai and Shenzhen stock exchange, China. The study showed that the CEO duality, board size, number of board meetings and gender based differences in the board have a significant positive relationship related to discretionary accruals, while the presence of an audit committee in a firm, directors' shareholdings and proportion of independent directors had no relation related to discretionary accruals. As for control variables, they found that only cash flow and ROA are significantly correlated to discretionary accruals.

A study by Ghosh et al. (2010) through which the researchers have examined a comprehensive list of board and audit committee characteristics and their influence on earnings management. The board's characteristics (composition, size, and structure) and audit committee characteristics (composition, size, activity, expertise, ownership, and tenure) were used in this study as the independent variables, while earnings management was the dependent variable. The researchers found that board's independency was associated with leverage and size of assets, and this was expected, because earnings management varies depending on the leverage and size of assets. As for the relationship between the percentage of outside directors on the board and audit committee characteristics related to absolute discretionary accruals it was a negative relationship. They also found a relationship between the characteristics of the board and audit committee on one hand and leverage and size of the board on the other hand.

Regarding the relation between corporate governance and earnings quality, El-Sayed Ebaid (2013) examined the corporate governance mechanisms promoted by an Egyptian’s code of corporate governance and found it effective in enhancing investors' perceptions of the quality of earnings. The corporate governance mechanisms considered in this study were the board of directors and the audit committee. The study revealed that the decisions of investors relied too much on the earning quality when the board of directors were strong and / or when the audit committee was strong, and the adoption of corporate governance in Egypt enhances the quality of the financial reporting process, and therefore, the decisions of investors are affected. This study empathized the importance of corporate governance mechanisms in improving the quality of the financial reporting process.
Reyad (2013) studied the association between exterior auditing quality as an instrument of corporate governance and the level of earnings quality in Egypt. He also examined auditing quality characteristics as independent variable and found negative impact of the client's retention period on earnings quality and statistically significant impact of the specialty in client's industry, international audit firms and the auditors’ qualifications.

Hamdan, et al. (2013) has investigated the relationship between audit committee characteristics and earnings quality in industrial firms registered in ASE by using two models to measure earnings quality, earnings persistence and the reduction of discretionary accruals of quality. This study has dedicated the size of the audit committee, degree of independence of the audit committee, the financial experience of members of the audit committee, number of meetings of the audit committee, ownership of stocks by members of the audit committee and the function of the overall characteristics of audit committees on earnings quality as independent variables, while the size of audit firms, firm size, financial leverage, the ratio of the stocks owned by the board of directors, external auditor’s turnover and specialization of the auditor in the customer’s industry were control variables. The results of this study showed that the collective characteristics of audit committees affect earnings quality.

Baxter and Cotter (2009) carried out a study in order to identify the relation between the audit committee's practices and the improved earnings quality for a sample of Australian listed firms prior to the introduction of mandatory audit committee requirements. The researchers have measured earnings quality by two methods and found a relation between audit committee accounting experience, and reduction of earnings management.

Pergola, et al. (2009) examined the relations between corporate governance and the equity ownership (independent and insider board members) related to earning quality and found that the earnings quality is negatively affected by board insider ownership, as well as a positive relationship with earnings quality when examining the effects of governance by governance index.

**Earnings Quality**

The quality of earnings can be considered as an expression of the power of forecasting the earnings, as a consequence, earnings have good quality when the past earnings are highly related to the future earnings (Mikhail et al., 2003).

The earnings quality has documented as “the presence of earnings, which reflect current performance, are useful for predicting future performance and correctly discount intrinsic firm value” (Black, 1980, p19).

In accounting literature, earnings quality considered as one of the main attributes of accounting quality. While, earnings management considered as one of the main feature of earnings quality. Earnings management and earnings quality are kind of the two sides of the same coin, when earnings quality is high earnings management is low and vice versa. However, earnings management can’t be easy to detect, because of its propensity to be hidden in the financial statement (Francis, et al., 2004).

Bartov et al. (2001) documented the ability of the Cross-sectional Jones Model and Cross-sectional Modified Jones Model to discover earnings management and vice versa, their time-series counterparts by inspecting the relationship between discretionary accruals and audit experiences. Their underlying assumption is that companies given qualified audit opinions are more likely to have manipulated earnings.
Diverse results are set up on discretionary accrual models’ abilities to discover the manipulation in earnings. Dechow et al. (2002) suggested the Forward-looking Modified Jones model to discover earnings management and found that both total accrual and the discretionary accruals resulting from the Forward-looking Modified Jones model are high significantly for companies recording small profits than for companies recording small losses. As a sequence earnings management will be discussed in details as follows:

**Earnings Management**

A general and the most extensive definition has been given by (Healy and Wahlen 1999, p368): “Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers.”

Fields, et al. (2001) demonstrated that earnings management arises when managers practice their decision through accounting figures, to maximize the value of the company. Therefore, Managers manage earnings in order to affect company worth. So, the reasons of managing earnings can be divided into three groups as follows:

1. Managers are expected to manage quarterly or annual earnings to smooth the income stream between periods or to meet analysts’ prospects.
2. Managers use earnings management in an effort to manipulate the stock price to benefit from insider trading or to raise their stock based pay.
3. The manipulation in financial transactions (window dressing).

After displaying earnings quality and earnings management in the above sections. Earnings quality and earnings management measurements will be illustrated in the below. So this study will focus on the absolute value of discretionary accruals as a measurement of earnings quality and on the signal value of discretionary accruals as a measurement of earnings management.

Rankin, et al., (2012) explained the earnings quality standards and methods of earnings management for more details. The concept of discretionary accruals will be discussed in details as follows:

**Accrual Accounting**

The accruals concept is a fundamental standard in the presentation and preparation of financial reports. The main objective of accrual accounting is to allow managers to select accounting techniques, which show the performance and accurate financial situation of the firm. IAS 1 has described the accruals concept as follows:

“Under the accruals basis of accounting, transactions and events are being recognized when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statement in the periods to which they related. Expenses are recognized in the income statement on the basis of a direct association between costs incurred and the earnings specific item of income.”

The important characteristic of the accrual basis of accounting is the supple that it add into the financial reporting procedures. The excellent of recording and reporting transactions and the exercise of decision over accounting approximations and policies integrate a component of partiality into the reporting processes. The accrual accounting was invented to help managers in demonstrating the fundamental performance of the company into the financial reports. However, managers have perceived that their decision over accruals can be used to reveal their requirements in the financial reports. Subsequently, managers incline to exercise choice over
accruals rather than cash flows because of the suppleness in accrual accounting.

**Discretionary Accruals as a Tool to Manage Earnings**

Accrual-based earnings management is by far the most commonly used tools to manipulate earnings. A main controversy is the fact that accruals are hard to display immediately since they are uncertain. On the opposing, transactions such as sales of asset are more observable and can be barely inverted (Young 1998).

More than a few researchers have discovered discretionary accruals as a dominant tool by which attract managers to manage earnings. Previous researcher absorbed on the discretionary part of total accruals. For instance, (Bartov and Mohanram, 2004) documented frequently the discretionary accruals to be high before the manager application their employee warrants.

Jones (1991) discussed that the total accruals arrest earnings management more exactly. However, the direction has lifted towards the study of managerial freedom of choice in conjunction with special accruals. For example, researches based on managerial trending over provision for uncertain debt and deferred expense of tax (DeAngelo, 1988).

**Total Accruals**

In the light of the above, managers tend to exercise decision over the accrual part rather than on the cash flow part of earnings. This accrual amount of earnings is characterized as the total accruals. Total accruals (TA) can discriminate into discretionary accruals (DA) and non-discretionary (NDA) accruals. This is displayed in the following:

\[ TA = DA + NDA \]

Expected accruals or non-discretionary accruals emerge because of the economic situations which are subject to variation and upon which managers do not have any freedom of choice in their accounting action. The normal or expected accruals are generally in the form of obligatory expenses, which are yet to be recognized, but are displayed in the statements of financial, for example, upcoming notices. While, the non-obligatory expenses, which are considered as an example of the unexpected accruals or a discretionary accruals, inclined to be manipulated by top managers. It can be that the awareness of the management in the amount and timing of a forthcoming obligation at present, for instance, the compensation management. Hence, managers can use discretion in reducing whether to document it as accruals or not. In this respect, managers are induced to use discretion over abnormal and unexpected accruals. Certainly discretionary accruals indication the earnings management practice and are as a proxy for evaluating earnings management (Jones 1991).

Hribar and Collins (2002) developed the cash flow method to calculate total accruals. This method calculates total accruals with a minimum measurement error. The possibility of consolidation and takeovers, exclude of assets and foreign exchange transaction effort great bias in the calculation of total accruals through balance sheet method. The cash flow approach calculates total accruals as net income less cash flow from operations.

\[ \text{Total Net Accruals} = \text{Net Income} - \text{Cash Flow from Operations} \]

**The Modified Jones Model (1995)**

Dechow et al. (1995) critiqued the Jones (1991) model in the logic that it could not disregard the managerial decision on credit sales. Consequently, the researchers made a little modification over the Jones model by accounting for the variation in receivables during the event period. Actually, the modified Jones model reduces the hypothesis that managers do not have
any decision in reporting revenues in the estimation and in the event period. Indeed, managers resort to manipulate earnings over credit sales instead of cash sales. For instance, the recognition of substantial amounts of credit sales in the previous month for an accounting period would lead to doubts about an early recording of sales by managers in order to increase earnings. Therefore, the modified Jones model proposed that all variations in credit sales in the event period are a result of earnings management.

**Corporate Governance**

Recently, in the accounting literature, the corporate governance took a great attention by researchers for the following reasons: most firms in these days have tended to the privatization which in turn specified how the new firms should be controlled and owned. Also, corporate governance affected by active investors due to the growing proportion of household savings through pension funds. Further, the importance of corporate governance, increased for companies that merged or separated. In addition, the integration and growth in capital market considered as the main issues in corporate governance. Moreover, corporate governance plays an important role in reducing the business nasty and problems (Becht, et al., 2003). Accordingly, the definition of corporate governance emerges as follows:

The Organization of Economic Cooperation and Development (OECD) defined corporate governance as “The system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance” (OECD, April 1999). The appropriate application of corporate governance resulting in improving the company's performance

**Corporate Governance, Earnings Quality and Earnings Management**

Accounting studies have found a relation between earning manipulation, the fraud in financial statements, weaker internal controls and poor financial reporting quality and the disablement in corporate governance. For example, Beasley (1996) found a negative relationship between the likelihood of financial statement fraud and the ownership outside directors. Klein (2002 a&b) concludes that when the independence of the audit committee is high the earning manipulation is low. Lo, et al. (2010) pointed to the importance of corporate governance in preventing the manipulation in prices that transferred in the sales transaction with related parties.

**Board Independence**

The board is one of the main mechanisms in corporate governance that make the financial reporting system and firms, accounting characterized by integrity when the composition of the board is balanced (Hutchinson, et. Al., 2008). However, the composition of the boards includes members who are independent from the shareholders and management. Also, the board should not be controlled by board members with executive power. Therefore, the board of directors should include independent members which are external directors and non-executive (Hutchinson, et. al., 2008).

- **H1:** The Board Independence has no significant effect on the earnings quality
- **H2:** The Board Independence has no significant effect on the earnings management

**CEO Duality**

Usually, the role of chairman should be dissociated from the CEO role. However, when the CEO makes the
tasks of the chairman of the company then the duality will be a rise. The CEO can get direct access to the financial reports and manipulate the financial data if he has much more power in the company. (Finkelstein and D’Aveni, 1994). Accordingly, the separation between the chairperson and CEO is recommended in order to create an effective monitoring system in the company. More importantly, Saleh et al, (2005) found out that there is a positive relationship between CEO duality and earnings management.

\[ H_3: \text{The CEO Duality has no significant effect on the earnings quality} \]

\[ H_4: \text{The CEO Duality has no significant effect on the earnings management} \]

**Board Size**

The size of the board is also considered as a crucial factor in board features that might affect earnings management (Abdul Rahman and Ali, 2006). Jordanian Code supposed that the number of the board members must be confined between five and thirteen in order to perform the function of the company. Even more, Abdul Rahman and Ali (2006) studied how the board of director, concentrated ownership and audit committee functions can mitigate earnings management.

\[ H_5: \text{The Board Size has no significant effect on the earnings quality} \]

\[ H_6: \text{The Board Size has no significant effect on the earnings management} \]

**Audit Committee Size**

Abbott et al. (2004) demonstrate that the audit committee must consist of three directors at least in order to provide a better quality in controlling and monitoring. Yermack (1996), conclude that the higher quality of monitoring is positively related to the smaller board, he also found that firms with smaller board of directors have the ability to shape the CEO to give executives a lower level of total compensation. Xie, et al., (2003) shows that the amount of the number of audit committee specifies the size of the audit committee. While, (Anderson et al, 2004,) conclude that the larger size of the audit committee has the ability to control the financial reporting and the internal control system. In addition, Archambeault and DeZoort (2001), demonstrate that firms with the larger size of the audit committee are more likely to have lower costs of debt.

\[ H_7: \text{The Audit committee size has no significant effect on the earnings quality} \]

\[ H_8: \text{The Audit committee size has no significant effect on the earnings management} \]

**Audit Committee Independence**

The definition of the audit committee independence is the non-executive director must have no relation with the company, these definitions are consistent with (Vafeas, 2000). Moreover, Carcello and Neal (2000) concluded that the independence of the audit committee can assist the external auditor to preserve the tasks entrusted to him without influence from any directors. Conyon and He (2004) find out even if the executive committee members attempt to form an alliance with management, the coalition will have a weak impact because the executive committee members have the responsibility to serve the shareholders’ interests.

\[ H_9: \text{The Audit Committee Independence has no significant effect on the earnings quality} \]

\[ H_{10}: \text{The Audit Committee Independence has no significant effect on the earnings management} \]

**Audit Committee Activity**

The audit committee must be more functional or active in order to obtain more effective mechanism in the company because the level of activity represent the highest level of government through promoting the reliability of the financial reporting. While, the accounting literature supposed that the number of board
meetings depend on operating complexity. Further, they also assumed that the increasing in the number of board meeting lead to reduce the cost of debt, which in turn improve the performance of the company (Anderson et al. 2004). Moreover, the more frequency meeting of the audit committee lead to reduce the levels of discretionary accruals. (Xie et al. 2003).

**H11:** The Audit Committee Activity has no significant effect on the earnings quality

**H12:** The Audit Committee Activity has no significant effect on the earnings management

### Population and Sample
The study population consists of financial companies (Banks, Insurance, Diversified financial services and Real estate) listed in the Amman Stock Exchange during the period 2007-2012. While, various data obtained from the year 2006 to compute each of the changes in account receivable, change in total revenue and total assets. The study sample consists of all financial companies that have available data which is related to corporate governance, earnings quality and earnings management. Table (1) illustrates the process sampling and data collection.

#### Table 1. Sampling and Data Collection

<table>
<thead>
<tr>
<th></th>
<th>Banks</th>
<th>Insurance</th>
<th>Diversified Financial Services</th>
<th>Real Estate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms listed in 2012.</td>
<td>15</td>
<td>25</td>
<td>33</td>
<td>33</td>
<td>106</td>
</tr>
<tr>
<td>Firms listed in 2007.</td>
<td>15</td>
<td>27</td>
<td>29</td>
<td>32</td>
<td>104</td>
</tr>
<tr>
<td>Firms which lasted from 2007-2012.</td>
<td>15</td>
<td>24</td>
<td>26</td>
<td>28</td>
<td>93</td>
</tr>
<tr>
<td>(-) Not exist from 2006.</td>
<td>-</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Firms which lasted from 2007 to 2012 and exist from 2006</td>
<td>15</td>
<td>22</td>
<td>20</td>
<td>23</td>
<td>80</td>
</tr>
<tr>
<td>(-) Unavailable data (annual reports)</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Total number of firms that included in the sample.</td>
<td>15</td>
<td>22</td>
<td>15</td>
<td>21</td>
<td>73</td>
</tr>
<tr>
<td>Total number of firms- years observations that included in the sample = Total number of firms × 6</td>
<td>90</td>
<td>132</td>
<td>90</td>
<td>126</td>
<td>438</td>
</tr>
</tbody>
</table>

### The Independent Variables:

The measurements of board of directors that used by (Abed, et al., 2012) and the measurements of audit committee that used by (Hamdan, et al., 2013) shown below:

- **CEO duality:** is a dummy variable equal to one if the roles of chairman and CEO are combined and zero otherwise.
- **Board Size:** is the total number of board members.
- **Board Composition:** is the percent of independent outside directors on the board.
- **Audit Committee Size:** is the total number of committee members elected by the board of directors.
- **Audit Committee Composition (Independence):** is a dummy variable coded (1) for firms that compose of all independent directors during the year and (0) otherwise.
- **Audit Committee Activity:** is a dummy variable coded (1) for firms which meets at least four
times during the year and (0) otherwise.

**The Control Variables:**

The following studies (Waweru and Riro, 2013; Abed, et al., 2012; and Hamdan, et al., 2013) pointed out that the company size negatively related with earnings management. This reveal that the smaller firms are subject to less governor from managers and so, administrators tend to involve in earnings management practices. Accordingly, the company size will be used as a control variable in this study. Furthermore, they demonstrated that the effect of the company performance should be controlled if the investigations associated with the accounting discretion. Therefore, the measurements of the control variables shown below:

- **Firm Size** is the natural logarithm of total assets for the firm in year t.
  - Firm size = LOG (Total Assets).
- **Company Performance** is return on equity (ROE).
  - Firm performance (ROE) = (Net income pertaining to shareholders) / (Total shareholders’ equity).

**The Dependent Variables.**

The dependent variables of this study are earnings quality and earnings management. Accordingly, the measurement of these two dependent variables is presented as below:

Earning quality (EQ) is measured by absolute discretionary accruals and earnings management (EM) by the signed value of discretionary accruals. A common method that are used to measure discretionary accruals is modified-Jones model (Dechow et al., 1995) cross sectional types regression, in order to avert survivorship bias problem, which that arises with firm-specific time-series regressions, and to maximize the size of the sample:

\[
DA_{i,t} = \left(\frac{TA_{i,t}}{Ai_{i,t-1}}\right) - \left[\alpha_1 \left(\frac{1}{Ai_{i,t-1}}\right) + \alpha_2 (\frac{\Delta REV_{t}}{Ai_{i,t-1}}) + \alpha_3 (\frac{\Delta REC_{i,t}}{Ai_{i,t-1}}) + \alpha_4 (\frac{PPE_{i,t}}{Ai_{i,t-1}})\right]
\]

Where:

- \(DA_{i,t}\) is discretionary accruals for firm(i) in period (t),
- \(TA_{i,t}\) is total accruals for the firm (i) in period (t),
- \(Ai_{i,t-1}\) is total assets for the firm (i) in period (t-1),
- \(\Delta REV_{t}\) is the change in revenues of the firm (i) between years(t) and (t-1),
- \(\Delta REC_{i,t}\) is the change in receivables of firm (i) between years(t) and (t-1),
- \(PPE_{i,t}\) is total of property, plant, and equipment of the firm(i) in the year (t) and the estimates of \(\alpha_1, \alpha_2, \alpha_3\) are the same obtained from the original Jones model during the estimation period.

**Models of the study**

In order to achieve the main purposes of this study, each of the following models will be examined to attain the goal of the hypotheses:

- The first model is used to examine the relationship between earnings quality and corporate governance characteristic.
  \[
  EQ_i = a_0 + a_1 CEO duality_i + a_2 Board Size_i + a_3 Board Composition_i + a_4 Audit Committee Size_i + a_5 Audit Committee Composition_i + a_6 Audit Committee Activity_i + a_7 (FIRM SIZE)_i + a_8 (ROE)_i + \varepsilon_i.
  \]

- The second model is used to examine the relationship between earnings management and corporate governance characteristic.
  \[
  EM_i = a_0 + a_1 CEO duality_i + a_2 Board Size_i + a_3 Board Composition_i + a_4 Audit Committee Size_i + a_5 Audit Committee Composition_i + a_6 Audit Committee Activity_i + a_7 (FIRM SIZE)_i + a_8 (ROE)_i + \varepsilon_i.
  \]

**Empirical Studies**

In this section, the results of the data analysis are illustrated and discussed. The analysis takes place through four stages:

The first stage illustrates the descriptive analysis that is used to describe the characteristics of the study variables by calculating means, medians, standard deviation, minimum and maximum for the variables of the study. The second stage illustrates the relationship between the corporate
The impact of corporate governance characteristic and earnings quality, and also, the relationship between the corporate governance characteristic and earnings management are examined by using Pearson correlation. In the third stage shows the results of testing the multicollinearity problem between independent variable. The fourth and the final stage is the regression analysis. The regression analysis is used to examine the impact of corporate governance characteristics on earnings quality, and the corporate governance characteristics on earnings management, as corporate governance characteristics are the independent and the earnings quality and earnings management are dependent variables.

Descriptive Statistics for the Study Variables

The descriptive statistics of the earnings quality, earnings management and the continuous independent variables used in the sample are shown in Tables (2) panel A and the dichotomous variable used in the sample are shown in Tables (2) panel B.

As shown in Table (2) panel A, the magnitude of earnings quality of the companies in the sample has a mean value of (0.1015). Whereas, the minimum value is very much closer to (0.00003179) these findings are consistent with Klein (2002) where a minimum value of absolute discretionary accruals among large US firms was (0.00002). And, the average absolute discretionary accruals among US companies are (0.11). As in Table (2) panel A, the mean value of the board composition was (0.3092) which indicate that the financial Jordanian companies in the study meet the Amman stock exchanging requirement of having at least one third of the members was independent. Also, The range between the maximum value for the Board Size was (13) and the minimum value was (5), This shows that the financial Jordanian companies committed to the general rules of corporate governance that issued by the Amman Stock Exchange, which supposed that the number of the board members must be confined between five and thirteen in order to perform the function of the company.

Table 2. Descriptive Statistics for the Study Variables

<table>
<thead>
<tr>
<th>Panel A: Continuous Variables</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ</td>
<td>0.1015</td>
<td>0.0628</td>
<td>0.135</td>
<td>0.000032</td>
<td>1.214</td>
</tr>
<tr>
<td>EM</td>
<td>-0.0139</td>
<td>-0.0211</td>
<td>0.1684</td>
<td>-1.2139</td>
<td>1.1948</td>
</tr>
<tr>
<td>BOD Size</td>
<td>8.658</td>
<td>9</td>
<td>1.999</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>BOD Composition</td>
<td>0.3092</td>
<td>0.3140</td>
<td>0.07497</td>
<td>0.083</td>
<td>0.429</td>
</tr>
<tr>
<td>AC Size</td>
<td>3.452</td>
<td>3</td>
<td>0.498</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>ROE</td>
<td>0.0343</td>
<td>0.0294</td>
<td>0.525</td>
<td>-3.1996</td>
<td>6.272</td>
</tr>
<tr>
<td>Log Assets</td>
<td>7.67</td>
<td>7.3542</td>
<td>0.877</td>
<td>5.9206</td>
<td>10.379</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B: Dichotomous Variables</th>
<th>Frequency of 1's</th>
<th>Frequency of 0's</th>
<th>#.Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Duality</td>
<td>66 (15.1%)</td>
<td>372 (84.9%)</td>
<td>438</td>
</tr>
<tr>
<td>AC Composition</td>
<td>235 (53.7%)</td>
<td>203 (46.3%)</td>
<td>438</td>
</tr>
<tr>
<td>AC Activity</td>
<td>331 (75.6%)</td>
<td>107 (24.4%)</td>
<td>439</td>
</tr>
</tbody>
</table>
Panel A shows that the mean value of the audit committee size was (3.452) which indicates that the financial Jordanian companies in the study have less than four directors on the audit committee.

As shown in Table (2) panel B, that 84.9% of the financial Jordanian companies in the study separate between the position of chairman of the board and chief executive officer as opposed to only 15.1% of the firms don't meet the requirement of Amman Stock Exchange, which recommends, in order to reduce the duality, the CEO should not have any power to demonstrate his credibility to make the daily business with efficient way.

In addition, the audit committee activity was 75.6% of the sample firms, which recommends, the audit committee to conduct their meeting three times per year at least, in order to avoid the problems early and to coincide with the annual report and the audit cycle, which indicate that the audit committee meet more than three times during the year.

**Correlation Analyses**

Table (3) illustrates the correlation matrix between earnings quality, which is measured by absolute discretionary accruals, corporate governance and control variables. The results reveal that there is a negative correlation between absolute discretionary accruals and each of board size, audit committee size, audit committee composition, audit committee activity and the logarithm of total assets.

<table>
<thead>
<tr>
<th>Variables</th>
<th>EQ</th>
<th>BOD Size</th>
<th>CEO Duality</th>
<th>BOD Composition</th>
<th>AC Size</th>
<th>AC Composition</th>
<th>AC Activity</th>
<th>ROE</th>
<th>Log Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOD Size</td>
<td>-.128**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>.047</td>
<td>-.062</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOD Composition</td>
<td>.044</td>
<td>-.433**</td>
<td>.008</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Size</td>
<td>-.323**</td>
<td>.039</td>
<td>-.062</td>
<td>.090</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Composition</td>
<td>-.293**</td>
<td>.189**</td>
<td>-.108*</td>
<td>-.167**</td>
<td>.320**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Activity</td>
<td>-.212**</td>
<td>.185**</td>
<td>-.191**</td>
<td>-.070</td>
<td>.228**</td>
<td>.271**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>.042</td>
<td>.084</td>
<td>.016</td>
<td>-.099*</td>
<td>.010</td>
<td>.085</td>
<td>.043</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Log Assets</td>
<td>-.201**</td>
<td>.553**</td>
<td>.012</td>
<td>-.136**</td>
<td>.353**</td>
<td>.090</td>
<td>.056</td>
<td>.059</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Whereas, the highest correlation is between absolute discretionary accruals, and audit committee size (r = -0.323). This indicates that the big size of the audit committee enhances in decreasing the level of absolute discretionary accrual, which reflects a high level of earnings quality. This result is consistent with (Hamdan, et al., 2013) who found that the absolute discretionary accrual of Jordanian companies has a negative relation to
the audit committee size.

Table (4) illustrates the correlation matrix between earnings management, which is measured by signed discretionary accruals, corporate governance and control variables. The results reveal that there is a negative correlation between earnings management and audit committee activity.

<table>
<thead>
<tr>
<th>Variables</th>
<th>EM</th>
<th>BOD Size</th>
<th>CEO Duality</th>
<th>BOD Composition</th>
<th>AC Size</th>
<th>AC Composition</th>
<th>AC Activity</th>
<th>ROE</th>
<th>Log Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOD Size</td>
<td>-.028</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>.024</td>
<td>-.062</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOD Composition</td>
<td>.034</td>
<td>-.433**</td>
<td>.008</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Size</td>
<td>.058</td>
<td>.039</td>
<td>-.062</td>
<td>.090</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Composition</td>
<td>-.063</td>
<td>.189**</td>
<td>-.108*</td>
<td>-.167**</td>
<td>.320**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Activity</td>
<td>-.126**</td>
<td>.185**</td>
<td>-.191**</td>
<td>-.070</td>
<td>.228**</td>
<td>.271**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>.002</td>
<td>.084</td>
<td>.016</td>
<td>-.099*</td>
<td>.010</td>
<td>.085</td>
<td>.043</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Log Assets</td>
<td>.021</td>
<td>.553**</td>
<td>.012</td>
<td>-.136**</td>
<td>.353**</td>
<td>.090</td>
<td>.056</td>
<td>.059</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The correlation between earnings management and audit committee activity is \( r = -0.126 \). This result provides that the meeting of the audit committee is effective in the discussion between members and in discovering potential errors in the financial reporting, which in turn is reflected in detecting earnings management. This result is consistent with the study of (Abdul Rahman and Ali, 2006) which documented that the earnings management has a negative relationship to the audit committee activity.

The Multicollinearity between Independent Variables

The multicollinearity test between the independent variables examined. It can be seen from the table (5) that the VIF values are near to (1) and does not exceed (10) which indicates the collinearity problem is not a problem in this research’s regression model (Gujarati and Porter, 2010; and Abdul Rahman and Ali, 2006).
The results of the multiple regression analysis for the corporate governance, earnings quality and earnings management shows as below:

**Regression Analysis**

The multiple regression analysis was conducted in order to examine the impact of corporate governance on earnings quality. Table (6) shows the summary of multiple regression results. The results reveal that the adjusted $R^2$ is equal to (0.155). This indicates that the combination of the corporate governance explain (0.155) of variation of the earnings quality.

### Table 5. Multicollinearity between Independent Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Collinearity Statistics</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
<td></td>
</tr>
<tr>
<td>Board Size</td>
<td>.512</td>
<td>1.952</td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>.955</td>
<td>1.047</td>
<td></td>
</tr>
<tr>
<td>Board Composition</td>
<td>.776</td>
<td>1.289</td>
<td></td>
</tr>
<tr>
<td>Audit Committee Size</td>
<td>.696</td>
<td>1.437</td>
<td></td>
</tr>
<tr>
<td>Audit Committee Composition</td>
<td>.801</td>
<td>1.249</td>
<td></td>
</tr>
<tr>
<td>Audit Committee Activity</td>
<td>.847</td>
<td>1.180</td>
<td></td>
</tr>
<tr>
<td>Return On Equity %</td>
<td>.982</td>
<td>1.018</td>
<td></td>
</tr>
<tr>
<td>Log Assets</td>
<td>.533</td>
<td>1.878</td>
<td></td>
</tr>
</tbody>
</table>

### Table 6. The Result of Multiple Regression between EQ and CG

<table>
<thead>
<tr>
<th>Variable</th>
<th>$\beta$ Coefficients</th>
<th>t-statistics</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td>Standardized</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.465</td>
<td>7.013</td>
<td>0.000</td>
</tr>
<tr>
<td>BOD Size</td>
<td>0.000</td>
<td>-0.006</td>
<td>-0.101</td>
</tr>
<tr>
<td>CEO Duality</td>
<td>-0.003</td>
<td>-0.008</td>
<td>-0.168</td>
</tr>
<tr>
<td>BOD Composition</td>
<td>0.023</td>
<td>0.013</td>
<td>0.254</td>
</tr>
<tr>
<td>AC Size</td>
<td>-0.055</td>
<td>-0.201</td>
<td>-3.817</td>
</tr>
<tr>
<td>AC Composition</td>
<td>-0.052</td>
<td>-0.193</td>
<td>-3.931</td>
</tr>
<tr>
<td>AC Activity</td>
<td>-0.035</td>
<td>-0.111</td>
<td>-2.320</td>
</tr>
<tr>
<td>ROE</td>
<td>0.019</td>
<td>0.073</td>
<td>1.647</td>
</tr>
<tr>
<td>Log Assets</td>
<td>-0.016</td>
<td>-0.105</td>
<td>-1.775</td>
</tr>
<tr>
<td>R</td>
<td>0.413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>.170</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-square</td>
<td>.155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>11.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-significance</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Further, the result shows that the F-value equal (11.012) and it’s significant at (0.05). This indicates that there is a significant effect between earnings quality and corporate governance. As seen from Table (6), that there is a negative statistical relationship between earnings quality, which is measured by absolute discretionary accruals, and audit committee size. This result is consistent with (Hamdan, et al., 2013) who found that the absolute discretionary accruals, of Jordanian companies has a negative relation to the audit committee size. Further, Table (6) shows that there is a negative statistical relationship between audit committee composition and absolute discretionary accruals. This result is consistent with the study of (Abdul Rahman and Ali, 2006) which documented that the absolute discretionary accrual has a negative relationship to the audit committee composition. Furthermore, there is a negative relationship between absolute discretionary accruals and audit committee activity. This result is consistent with the study of (Abdul Rahman and Ali, 2006) which documented that the absolute discretionary accrual has a negative relationship to the audit committee activity. These results indicate that the companies, which have large size of the audit committee and have independent members with a high level of activity, have a low level of absolute discretionary accrual, which reflects a high level of earnings quality.

The multiple regression analysis was conducted in order to examine the impact of the corporate governance on earnings management, which is measured by signed discretionary accruals. Table (7) represents the results summary of the relationship between the corporate governance and earnings management. It can be seen from the table (7) that the F-value is (1.503) and it’s not significant at (0.05), which provide that there is no significant effect between corporate governance and earnings management.

<table>
<thead>
<tr>
<th>Variable</th>
<th>β Coefficients</th>
<th>t-statistics</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.091</td>
<td>-.1016</td>
<td>.310</td>
</tr>
<tr>
<td>Board Size</td>
<td>.001</td>
<td>.015</td>
<td>.227</td>
</tr>
<tr>
<td>CEO Duality</td>
<td>-.001</td>
<td>-.001</td>
<td>-.029</td>
</tr>
<tr>
<td>BOD Composition</td>
<td>.021</td>
<td>.009</td>
<td>.174</td>
</tr>
<tr>
<td>AC Size</td>
<td>.038</td>
<td>.112</td>
<td>1.970</td>
</tr>
<tr>
<td>AC Composition</td>
<td>-.021</td>
<td>-.063</td>
<td>-.190</td>
</tr>
<tr>
<td>AC Activity</td>
<td>-.053</td>
<td>-.136</td>
<td>-2.637</td>
</tr>
<tr>
<td>ROE</td>
<td>.004</td>
<td>.013</td>
<td>.272</td>
</tr>
<tr>
<td>Log Assets</td>
<td>-.003</td>
<td>-.014</td>
<td>-.211</td>
</tr>
<tr>
<td>R</td>
<td>0.165</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>.027</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-square</td>
<td>.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>1.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-significance</td>
<td>0.154</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table (7) also shows the results of multiple regressions. It can be seen from the table (7) that there is a negative statistical relationship between audit committee activity and earnings management. Whereas, the audit committee size has a positive relation with earnings management. This result indicates that the companies, which have a small size of the audit committee and more frequency meeting during the year, aren’t engaged in manipulating the earnings. These results are consistent with studies of (Klein, 2002; and Xie, et al., 2003) which reported the size and the meeting of the audit committee is significantly related to earnings management.

Conclusions and Recommendation

This research examined empirically the impact of corporate governance characteristic on earnings quality, which is measured by absolute discretionary accruals, and earnings management, which is measured by signed discretionary accruals for the Jordanian financial sectors during the period 2007-2012. The analysis results demonstrated that the financial Jordanian companies in the study, have less than four members of the audit committee. Further, the results indicated that the audit committee size has a negative relation with absolute discretionary accruals. Whereas, the relation between audit committee size and earnings management was positive, which indicates that the number of the directors on the audit committee is a complex issue in raising the level of the earnings quality and in detecting earnings management.

Moreover, the results demonstrated that the financial Jordanian companies in the study, have held more than four regular audit committee meetings during the year. In addition, the results indicated that the audit committee activity has a negative relation with each of absolute and signed discretionary accruals. These results illustrated that the meeting of the audit committee is effective in the discussion between members and in discovering potential errors in the financial reporting, which in turn is reflected in the level of earnings quality and discovering earnings management.

Based on the study results, the researcher recommends the financial Jordanian companies, which have a big board size, to reduce the number of board of directors members in order to increase the function of monitoring and to assess the company performance which in turns increase the quality of earnings and capability in discovering earnings management (Yermack’s, 1996). Further, the researcher recommends adjusting the proportion of the external directors and non-executive in each of the board of director and the audit committee to reduce the agency conflict over the board process (Craven & Wallace, 2001; Hutchinson, et. al., 2008).

Further, this study recommends the policy makers and regulators in Jordan to introduce a binding policies to apply the corporate governance principles and impose penalties on companies that do not comply with corporate governance principles.

The researcher suggests the future research to take into account the industrial and service sectors and to include more mechanisms of corporate governance like ownership structure and board compensation committee. Also, the researcher recommends future studies examining modern periods because the application of corporate governance principles is just started in recent years.
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http://www.oecd.org/corporate/oecdpinciplesofcorporategovernance.htm
أثر خصائص حوكمة الشركات على جودة الأرباح وإدارة الأرباح: دليل من الأردن

عبداالرزاق عبد المنصف عزوز 1 وشير أحمد خميس 2

ملخص

تبحث هذه الدراسة تجريبياً أثر خصائص حوكمة الشركات على جودة الأرباح وإدارة الأرباح. عينة الدراسة ضمت جميع الشركات المالكية المدرجة في بورصة عمان. وقد بلغ عدد الشركات 73 شركة، وهي التي كانت مدرجة في بورصة عمان من عام 2007 إلى عام 2012. هذه الدراسة أساساً تبحث عن خصائص حوكمة الشركات الرئيسية التي تؤثر على جودة الأرباح وتؤثر أيضاً على إدارة الأرباح للشركات الأردنية. تم استخدام عدد أعضاء مجلس الإدارة، الأداء الإداري للرئيس التنفيذي، مكونات مجلس الإدارة، عدد أعضاء لجنة التدقيق، مكونات لجنة التدقيق ونشاط لجنة التدقيق لقياس الخصائص حوكمة الشركات. القائمة المطلقة وإشارة الاستجابات التقديرية، والتي تم حسابها من خلال نموذج جونز المعدل، استخدمت لتقدير جودة الأرباح وإدارة الأرباح. النتائج أظهرت أن عدد أعضاء لجنة التدقيق ونشاط لجنة التدقيق لديه علاقة مع كل من جودة الأرباح وإدارة الأرباح. أوصى الباحث الشركات المالكية الأردنية بتقليل عدد أعضاء مجلس الإدارة، وتعديل نسبة المديرين الخارجيين وغير تنفيذي في كل من مجلس الإدارة ولجنة التدقيق.

الكلمات الدالة: الحوكمة المؤسسية، جودة الأرباح، إدارة الأرباح.

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