The auditing quality and accounting conservatism
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Abstract:

This study aims at verifying that there is accounting conservatism in the financial reports issued by the industrial corporations listed on the Amman Stock Exchange (ASE) and testing the impact of auditing quality characteristics (the auditing firm size, contacts with other global auditing firms, client retention period, auditing fees and the specialty in client's industry) on the enhancement of the level of accounting conservatism. Towards realizing the objectives of the study, the relationship was estimated and examined through the Binomial Test to test the first hypothesis a One-Sample T-Test to test the second hypothesis, and multiple regressions of (Ordinary Least Squares OLS). Data of 39 companies of the industrial sector for the period 2001-2006 were arranged in a way that made it possible to apply the Pooled Data Regression. The study found significant results indicating a low level of accounting conservatism in the financial statements issued by the Jordanian industrial corporations. The results indicated that some of the characteristics of auditing quality are good, and some of audit quality characteristics have an impact on improving the level of accounting conservatism. Based on these results, we have provided recommendations to the interested parties.

Keywords: auditing quality; accounting conservatism; Amman stock exchange (ASE); Jordanian company