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Forecast Disclosures among Jordanian Companies: Financial Analysts' Perception

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Abstract

To improve the reliability of accounting information disclosed beyond conventional one, the study came to investigate some controversial issues in respect to forecast disclosures in Jordan. The results gave an indicator that Jordanian companies were careful in respect to forecast horizon; the proper forecast horizon was less than 6 months; there was no correlation between the actual level of forecast disclosures and the importance of forecasts from financial analysts' viewpoints; the commitment of Jordanian companies toward adopting IAS/IFRS affected the forecasts reliability positively and Jordanian companies issued forecasts on more frequent basis.

Keywords: ASE, forecast disclosure, forecast horizon, accuracy, Jordan

1. Introduction

It has been argued that the collapse of some important companies such as Enron and WorldCom due to financial crisis form a turning point in disclosure regimes in terms of quality and quantity of disclosed information (e.g. Ripken, 2005; Hermalin & Weisbach, 2012; Velavan, 2012). In his valuable book "*Accounting Theory*", Belkaoui (2004) identified six examples of new directions in accounting disclosure including; "*value added reporting, employee reporting, human resource accounting, social accounting reporting, budgetary information disclosure and cash-flow accounting reporting"(p. 268).* According to Belkaoui (2004, p.264), Jenkins Committee[1] issued its report entitled "*the information needs of investors and creditors*" in November 1995, which focused mainly on the improvement of different issues surrounding accounting information disclosure in order to meet the needs of different users.

However, improving the quality and quantity of accounting information disclosed beyond conventional one is urgent. Thus, FASB (1984, para. 9, p. CON5-7) has differentiated disclosure about recognition in that, "*disclosure of information about the items in financial statements and their measures that may be provided by notes or parenthetically on the face of financial statements, by supplementary information, or by other means of financial reporting is not a substitute for recognition in financial statements for items that meet recognition criteria".* However, disclosed information can be arranged in several ways including parenthetical explanations, notes, cross reference and supplementary schedules (Kieso, Weygandt & Warfield, 2007).

Disclosure of forecasts is very urgent for users to choose the relevant action or decision in order to reduce uncertainty (Gray, 1973; walker, 1985). Thus, it is necessary for any company to disclose its positive and negative forecasts (Miller, 2009). According to Pope (2003), previous literature in the field focused on three main aspects in respect to forecasts quality; including accuracy, bias and efficiency. These three aspects are important in reducing the problem of information asymmetry and offering timely information for users. Early, Poole (1989) called for mandatory disclosure of forecasts for many reasons including the importance of such

[1] A special committee on financial reporting establishes by AICPA in 1991, with Edmond L. Jenkins as a chairman (Belkaoui, 2004, p.264).

forecasts to investors, who also can identify the degree of their reliability, and the possibility of improving market efficiency.

However, some aspects of forecasts are controversial. For example, longer forecast horizon can provide users with timely information, while shorter horizon is likely to provide users with more accurate information (Rogers, 2008). Thus, it is the responsibility of management to trade off between the time horizons and the accuracy of forecasts disclosed. That is, users are looking for accurate information in appropriate time (Janakiraman, Radhakrishnan & Szwejkowski, 2007; Son & Crabtree, 2011).

Another confusion example is the disclosure of expected increase in the demand for a company production. Here the management of a company is pretty sure that their sales will increase in the next year based on some market research. According to Walker (1985) the disclosure of such optimistic information has also two-edged sword including informing the shareholders of the company about the ability of managements in guiding the company which is appreciated and the risk of influencing the profitability of the company as disclosure means informing the competitors about the expected change in the sales pattern of the company.

2. Disclosure of Forecasts in Jordan and the Study Motivations

In Western context, disclosure of forecasts was improved significantly after Sarbanes-Oxley Act of 2002 (Nowland, 2008; Stunda, 2008; Wang, 2010) and the huge change in statistics and accounting tools which enhance the accuracy and reliability of company forecasts (Poole, 1989), but this is not the case in developing Middle East countries. Taking Jordan as an example, Jordan Securities Commission (JSC) has issued a brief instructions governing disclosure entitled *"Instructions of issuing Companies Disclosure, Accounting and Auditing Standards for the year 2004".* These instructions give a small weight to the forecasts disclosure especially in Article 4 and Article 8 which include (JSC, 2004):

1. The board of directors' report included in the annual report shall include :
    a. A description for any future expansions and projects (JSC, 2004, article 4, para. b, point.15, p. 4).
    b. The proposed plan for at least one year (JSC, 2004, article 4, para. b, point.15, p. 4).
    c. The board of directors' forecasts for the outcomes (results) of the company (JSC, 2004, article 4, para. b, point.15, p. 4).
2. A declaration from the board of directors that there are no substantial events that might affect the company's ability to continue its activities during the next financial year (JSC, 2004, article 4, para. e, point.1, p.5).
3. The material finished or canceled transactions and their future effect on the profitability and financial position of the company (JSC, 2004, article 8, para. b, p.7).
4. Non-recurrent transactions and their future effect on the profitability and financial position of the company (JSC, 2004, article 8, para. c, p.7).
5. The extraordinary events such as disasters, fires or accidents and their expected effect on the financial position of the company (JSC, 2004, article 8, para. d, p.7).
6. The material legal actions against the company and their future effect on the profitability and financial position of the company (JSC, 2004, article 8, para. k, p. 8).

In addition, Jordanian Companies Law No. (22) for the year 1997 gives no weight to disclosure of forecasts, only in Article (81) which focuses on disclosing any expected risks and taxes that may result from investment in companies' shares (Jordanian Companies Law, 1997, article 81, para. e, point. 2). However, the Securities Law No. (76) for the year 2002 offers some details on the disclosure in general (Al-Akra, Eddie & Ali, 2010) with some emphasis on the rights of investors in case of issuing misleading or wrong information (Securities Law, 2002, article. 111, point. b and c).

In the same context, it has been found that the reliability and accuracy of forecasts are improved as a result of using IAS/IFRS (Cotter, Tarca & Wee, 2012) which are adopted by Jordanian companies. In addition, a considerable part of forecasts is voluntary and depends mainly on the ability of management to decide which events are material and need to be disclosed (Brennan, 2000).

It is obvious that Jordanian regulation body gives no weight to the disclosure of forecasts. Thus, comprehensive amendments to these legislations could be required. Notably, there is no comprehensive or in-depth study that investigated the current voluntary and involuntary disclosure of forecast practices in Jordan. In addition, most of the previous studies conducted in this field (e.g. Patell, 1976; Jaggi, 1978; Abdel-Khalik & Ajinkya, 1982; Waymire, 1985; Hassell & Jennings, 1986; Ruland, Tung & George,1990; Pownall, Wasley & Waymire 1993; Kwag & Small, 2007; Baik, Farber & LEE, 2011; Cairney & Pantzalis, 2002; Pope, 2003; Choi et al., 2010; Cotter et al., 2012; Frankel, McNichols & Wilson, 1995; Herrmann & Thomas, 2000; Hope, 2003a; Miller, 2009) have focused on earnings forecasts.

The current study investigated the forecasts system as a whole in Jordan. In addition, most of the previous studies have investigated the disclosure of forecasts as a part of their comprehensive voluntary disclosure investigation. Moreover, it has been found by Al-Shattarat, Haddad & Al-Hares (2010) that the forecast items are the less disclosed information in the voluntary disclosure index in Jordan. This result gives a warning signal about the disclosure of forecasts process in Jordan. Thus, it is very necessary to enhance our understanding about disclosure of forecast practices in Jordan. Moreover, there is huge ambiguity about the accuracy of forecasts, and how Jordanian companies deal with the potential risk that may be associated with their misleading forecasts (Ripken, 2005). Accordingly, the current study aims to achieve the following objectives:

1. To identify the main forecast items being disclosed by Jordanian companies and the actual disclosure level of these items.

2. To identify the effect of adopting accounting standards and local accounting legislations on the accuracy and reliability of forecasts disclosed.

3. To analyze the correlation between the actual level of forecast disclosures and the relative importance of these forecasts from financial analysts' viewpoints.

4. To identify how economic fluctuation circumstances affect the frequency of forecasts disclosed.

3. Literature Review and Hypotheses Development

The current study is comprehensive as it investigates all possible issues surrounding the disclosure of forecasts. Thus, this section investigates those studies interested in different types of forecasts that need to be disclosed, accuracy of forecasts, forecast horizon and economic fluctuation in Jordan.

3.1. Disclosure of Forecast Information

Few studies have focused indirectly on forecasts disclosure. For example, Al-Shattarat et al. (2010) listed six items in forecasts information category in their study about the voluntary disclosure in Jordan. These included the potential factors that may affect the future business of companies, future cash flows, future research and development, quantitative and qualitative forecast of sales and expected next year's profit. In another developing country, Kolsi (2012) investigated the forecasted data as a part of his study about the determinants of corporate voluntary disclosure in Tunis. Kolsi (2012) disclosure index has eight categories including forecast data. The selected information included forecast data on income figures, forecast financing information, forecast investing information and forecast future perspectives and strategic orientation.

In Western context, a study conducted in Australia by Lim, Matolcsy and Chow (2007) investigated the relationship between board composition and voluntary disclosure. The authors developed a disclosure index of 67 items. Of these are the impact of different company's strategies on future results, forecast of research and development activities and their expected expenses, quantitative and qualitative forecast of sales, quantitative and qualitative forecast of profits, quantitative and qualitative forecast of cash flows, the effect of surrounding factors (e.g. economic, political, technological and social) on the future of company's business and the future trend of business. In the same context, using USA disclosure index as a benchmark, Khanna, Palepu and Srinivasan (2004) investigated the disclosure practices of twenty four countries in Asian-Pacific and Europe.

Authors' list has 98 items including corporate strategy, any planned investments and their details, any output forecasts and industry trend.

In East Asian countries, Akhtaruddin et al. (2009) conducted a study in Malaysia to assess the relationship between some aspects of corporate governance and voluntary disclosure. Of the nine categories used, authors listed four forecast items in projected information category including expected profits, expected sales, forecast of cash flow and expected capital expenditures. In Southeast countries, Binh (2012) investigated the level of voluntary disclosure in Vietnam based on the perception of both financial analysts and financial managers for the year of 2009. The author developed an index including 6 categories. The forward-looking information category has 12 items including factors that may affect future performance, new products or services development, marketing and distribution plan, sales expanding plan, effect of business strategy on the future results, planned research and development expenditures, forecast of cash flows, planned advertising expenditures, forecast of earning per share, forecast of future sales, plan of capital expenditure and forecast of future profit. However, Binh (2012) findings indicated that the forward-looking information category came second in its importance among other categories.

In Pacific Island countries, Khan, Chand & Patel (2012) listed one comprehensive item named future prospects within strategic information category. The authors' findings indicated that only few companies where interested in disclosing future prospects.

In general, the above mentioned studies indicated that there is some agreement among different companies from different countries to disclose some important forecasts data. For example, the potential future cash flow is a common item in most of prior studies in the field.

3.2. Forecast Reliability and Accuracy

It has been argued that "*reliability is a function of the estimation process, and can be measured by the precision of an estimate*" (Kirschenheiter, 1997, p.50). Thus, it is reasonable to argue that the reliability is an indicator of accuracy and vice versa. This is clear in the definition of reliability by FASB (1980, p. Con2-6) which states that the reliability is, "*the quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to represent*". Hence, for accounting information to be reliable, it should be free of error, which means accurate (see, for example, Maines & Wahlen, 2006; Gheorghe, 2012; Pornpandejwittaya, 2012). Based on the above brief discussion, the connection of forecast accuracy and forecast reliability is based on the following two facts:

1. Reliability is clearly founded in the estimation (forecasting) process.

2. Reliability means -to a considerable extent- that accounting information should be free of error and bias, which means that accounting information should be accurate.

Accordingly, the measure of the accuracy of forecast for the purpose of the current study is the reliability of such forecasts (see, for example, Kulp, 2002). However, three features should be available in accounting information to be reliable. These include verifiability, representational faithfulness and neutrality.

According to Kieso et al. (2007, p.33) verifiability means getting the same result regardless of independence measurers. That is, "*the ability through consensus among measurers to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias*" (FASB, 1980, p. CON2-6). Kieso et al. (2007, p.33) also defined representational faithfulness as "*that the numbers and description match what really existed or happened*". That is, "*correspondence or agreement between a measure or description and the phenomenon that it purports to represent (sometimes called validity)*" (FASB, 1980, p. CON2-6). In the same context, Kieso et al. (2007, p.33) defined neutrality in "*that a company cannot select information to favor one set of interested parties over another*". This definition is outlined clearly by FASB (1980, p. CON2-6) in that neutrality means "*absence in reported information of bias intended to attain a predetermined result or to induce a particular mode of behavior*".

The above discussion reveals that the components of reliability are a prerequisite to the accuracy of accounting information.

Forecast accuracy means to have your forecasted events almost matching the actual ones (Hope, 2003a; Ripken, 2005). Thus, the accuracy of forecasts is the key demand of users (Gray, 1973) as the future of business is, in general, characterized by uncertainty. So, for a firm to get its forecasts accurate is not an easy task. This is because many factors in place are out of the scope of firm's control. Therefore, it is very necessary for any firm to depend on reliable data and facts before issuing its forecasts in order not to mislead users, who may need to take critical decisions based on such forecasts (Ripken, 2005).

Very few studies have investigated the accuracy of forecasts and the determinants of it. In this respect, Hope (2003a) firstly argued that the accuracy of forecasts is positively related to adoption of accounting standards. Notably that Hope (2003a) focused on earnings forecasts only. The author tested empirically the relationship between the accuracy of forecasts and enforcement and found a positive relationship, which means that following the accounting standards in place by managers reduces users' uncertainty. The author`s findings also indicated that the usefulness of enforcement in supporting the accuracy of forecasts is supported more in those environments that offer a broad set of accounting methods for firms to follow. Hope's (2003a) result is supported by that of (Herrmann & Thomas, 2000) who found that the using of segment disclosure as outlined in SFAS No.131 contributed significantly toward forecast accuracy. The same result has been found by Bailey et al. (2003) as a result of adopting Regulations Fair Disclosure (RFD) in 2000. In Germany, Ernstberger, Krotter & Stadler (2008) investigated the effect of adopting IAS/IFRS and US GAAP on the analyst's forecast accuracy. The authors' findings indicated that the accuracy of forecasts based on IAS/IFRS and US GAAP is higher than that of German GAAP. The possible justification of such finding according to Ernstberger, Krotter& Stadler (2008) is that the German GAAP is different from IAS/IFRS and US GAAP.

Horton, Serafeim and Serafeim (2013) findings indicated that the forecast accuracy is improved after adoption IFRS. Tan, Wang & Welker (2011) also found that the adoption of IFRS improves the forecast accuracy of foreign analysts, while that of local analysts is not affected by the adoption of IFRS. Recently, Cotter, Tarca and Wee (2012) found that the adoption of IFRS enhanced the accuracy of forecast in Australia. Cotter, Tarca & Wee (2012) result supported that of Cheong and Al Masum (2010) again in Australia. In addition to the above findings, Bhat, Hope and Kang (2006) used enforcement as a measure for the level of legal enforcement in 21 countries and found that forecast accuracy is positively correlated with enforcement level. Thus, it can be argued that accounting standards adoption (e.g. IAS/IFRS, GAAP) and the enforcement of local legislative bodies are expected to reduce uncertainty and increase the reliability of forecasts.

3.3. Forecast Horizon and Economic Fluctuations

According to Miller (2009) the forecast horizon ranges from a few days to several years (see also Gray, 1973). Early, Gray (1973, p.66) argued that the accuracy of forecasts decreases as their horizon increases as the forecasts beyond 18 months include a wide margin of error, while these for the next quarter have small margin of error, but have little benefit to users (see also Waymire, 1985). In addition, Gray (1973) argued that the forecast horizon depends on the nature of the fluctuation in the economy and the stability of financial position of the company. Thus, the appropriate forecast horizon according to Gray (1973) is from 6 to 18 months up to 3 years. In this context, Janakiraman et al., (2007) argued that the changes in economic conditions make forecasting difficult and accordingly adversely affect the forecast horizon.

Similarly, Waymire (1985) found a reasonable relationship between earnings volatility and the frequency and timing of the disclosure of forecasts. That is, those firms with less earnings volatility used to issue their forecasts more frequently. In addition, Waymire (1985) argued that in earnings volatility circumstances, firms tend to decrease the time horizon of forecasts. This is because the associated costs of such forecasts will be low.

In Jordan, most of economic studies revealed that Jordan is suffering from economic fluctuations, for example, El-Nader & Al-Raimony (2007) argued that Jordanian economy has been marked by instability for a long time due to several internal and external events that have been reflected into a high fluctuation in economic growth and consequently in GNP of the country. Another study by El-Nader & Al-Raimony (2008) reviewed the theoretical and empirical literature on export earnings instability in both developed and developing countries and found that Jordan has witnessed fluctuation in the economic growth during the period between 1970 and 2004. According to AL-Raimony (2011) Jordan suffers scarcity in natural resources which forces it to depend on foreign markets, which consequently make Jordanian economy affected quickly by any events in such markets.

4. Research Methodology

4.1. Hypotheses

Based on the above discussion, the following hypotheses were developed:

H1: There is a commitment by Jordanian companies in adopting accounting standards.

H2: There is a commitment by Jordanian companies in adopting local accounting legislations.

H3 (based on H1&H2): The adoption of accounting standards and local accounting legislations contribute significantly toward forecasted information reliability, which means such information is accurate as reliability is the function of accuracy.

H4: There is a positive correlation between the actual level of forecast disclosures and the relative importance of these forecasts from financial analysts' viewpoints.

H5: The fluctuation in the economic circumstances affects the frequency of forecasts negatively, which means a company issues its forecasts in a less frequent basis.

4.2. Forecast Disclosures Index Development

Due to the small number of forecast items that a company may disclose, a checklist of all possible forecast items was developed for the purpose of the current study. To ensure the relevance of such checklist to different sectors in Jordan, the following procedures were followed:

1. Using the website of Amman Stock Exchange (ASE), a sample of annual reports of 43 Jordanian companies listed at ASE at the end of 2012 was investigated to identify the main voluntary disclosed forecasts[2]. Consistent with previous research in the field (e.g. Hassell & Jennings, 1986; Menicucci, 2013), content analysis was used to identify the quantity of disclosed forecasts.[3] No material difference was found in the used items from those listed in previous studies. So, the checklist of forecasts used in this study was derived from previous studies in the field (Binh, 2012; Lim et al, 2007; Khanna et al, 2004).

2. Extant previous studies were reviewed in both developed and developing countries to add additional items to the current study checklist in order for Jordanian decision makers to think about the importance of such items that Jordanian companies should include in their annual reports.

3. All Jordanian legislations in place were investigated to determine those items that should be mandatory disclosed. Then, the identified mandatory items were deleted from the list developed based on points 1 and 2 above (see Binh, 2012).

4. To determine the actual level of disclosure for the 43 companies, the checklist used in the study includes a third choice named not applicable (N/A) (2), in addition to the two other choices which are; disclosed (1) and not disclosed (0) (see, for example, Mutawaa & Hewaidy, 2010). Notably, the investigation of the actual disclosure of each item is based on the quantitative or qualitative disclosure of an item.

5. Consistent with previous research in the field (e.g. Mutawaa & Hewaidy, 2010), the actual forecast disclosure level (ACFDL) of each company was computed by summing the items scored 1, which gives the actual forecast disclosure items (ACFD) of a company. The ACFD then divided by the applicable forecast disclosure items (APFD) of a company which equals the total of 1 and 0, as 0 means applicable but not disclosed. Thus ACFDL can be computed using the following equation:

ACFDL= ACFD /APFD

Where: ACFDL= the actual forecast disclosures level

[2] The financial firms were excluded from the sample due to their special disclosure requirements (Hope, 2003a, 2003b; Beretta & Bozzolan, 2008; Al-Shattarat, 2010; Mutawaa & Hewaidy, 2010; Binh, 2012).

[3] According to Menicucci (2013, p.34) "*content analysis needs the selection of recording units, such as a word, or a group of words, or a sentence, or a paragraph or an entire document*".

ACFD= the actual forecast disclosure items

APFD= the applicable forecast disclosure items

Consistent with Binh (2012), the importance of each item in the checklist was also identified using the five-point likert scale ranging from 1= least important to 5= most important in the main instrument of the study. That is, a quantitative approach through the questionnaire was also used to collect the relevant data for the current study in addition to the archival one.

4.3. Data Collection and Variables Measurements

The study main instrument includes five sections. Section one includes ten close-end questions. This section focuses mainly on the demographic characteristics of respondents. It also includes one question asking respondents about the fluctuation in Jordanian economy. This section also includes two questions about the forecast horizon and the time frequency of disclosure.

Section two includes the forecast disclosure checklist as explained above. The checklist includes 15 potential forecasts developed based on previous research in the field (Binh, 2012; Lim et al, 2007; Khanna et al, 2004). As explained above, the checklist includes all forecast items that a company may disclose. The respondents were asked to rate them according to their importance. Section three focuses on the adoption level of international accounting standards (IAS/IFRS). This is consistent with previous research in the field (e.g. Herrmann & Thomas, 2000; Hope, 2003a; Ernstberger et al., 2008; Tan et al., 2011) who found a reasonable relationship between the accuracy of forecasts and the adoption of different accounting standards. Section four focuses on the adoption level of the local accounting legislations. These include Instructions of issuing Companies Disclosure, Accounting and Auditing Standards for the year 2004 which was issued by Jordan Securities Commission (JSC), Companies Law No (22) for the year 1997, Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange and Securities Law No. (76) for the year 2002. Section five listed three questions forming the main features of reliability components (verifiability, representational faithfulness and neutrality) and asked the respondents to express their opinion towards the availability of such features on the disclosed forecasts.

The questionnaire was developed based on previous research in the field with considerable efforts to select the relevant and reliable scales to achieve the study objectives. The questionnaire was developed firstly in English language and then translated into Arabic language which is the official language of respondents. The translation process was performed by the researchers and the accuracy of it was ensured (Zikmund, 2003). The Arabic version of the questionnaire was then tested by some academics and practitioners to ensure its reliability and validity.

The final version of the questionnaire was distributed to the study sample. 42 questionnaires were distributed, 35 questionnaires were collected reflecting a response rate of 83%. The collected questionnaires included 34 usable questionnaires. Table (2) shows the demographic characteristics of the respondents.

4.4. Sample Selection and Descriptive Statistics

Contrary to previous research in the field (e.g. Ertimur, Sunder & Sunder, 2007; Lim et al, 2007; Nowland, 2008; Mansi, Maxwell & Miller, 2011; Ismail & Ibrahim, 2012) which depended only on annual reports in investigating the potential relationship between some of the disclosure aspects (e.g. timing, accuracy, dispersion) and organizational factors (e.g. company size, profitability level, compliance with local legislations, leverage, industry), the current study uses both financial reports and quantitative approach to offer valuable information about the reality of the disclosure of forecast in Jordan. Thus, after computing the actual forecast disclosure level (ACFDL) based on the financial reports of 43 non-financial companies listed in ASE (see Table 1), the study's questionnaire was directed to the financial analysts in Jordan, who considered giving reliable information on forecast reality as the most important part (see, for example, Healy & Palepu, 2001; Ho & Wong, 2001; Myring & Shortridge, 2010). However, the financial analysts were ignored as potential respondents especially in developing countries. This is because their market is not active as in developed countries which have active capital markets and most of the investors need financial analysts services.

Table 1: Study sample used for developing the ACFDL classified by sector

Sector	***No.***	***%***
Services	12	27.9%
Construction	9	20.9%
Investment	6	14.0%
Properties	6	14.0%
Manufacturing	7	16.2%
Trading	3	7.0%
Total	43	100%

As shown in Table (2), 73.5% of the respondents were males and the rest were females, 52.9% of them were between 30-40 years old, 29.4% were between 21-23 years old, and 17.7% were over 41 years old. On the other hand, 91.2% of the respondents had a master degree or higher. In the same context 44.1% of the respondents had accounting major, 20.6% finance major, 17.6% business administration major. Concerning experience, 47.1% of the respondents had experiences between 5-9 years, 23.5% had less than five years` experience. On the other hand, 55.9% of the respondents had no professional certificate, while 23.5% of them had CFA certificate, and 11.8% had CMA certificate. Finally, the sector served by the respondents was the service one by 47.1%, followed by trading sector by 29.4%, then by manufacturing sector by 5.9%. While 17.6% of the respondents served all sectors.

In respect to the economic fluctuation in Jordan, the respondents agreed that Jordanian economy suffers fluctuations. As shown in Table (3), 91.2% of the respondents agreed that there was a fluctuation in Jordanian economy. This result is consistent with prior studies' findings and arguments (see, for example, El-Nader & Al-Raimony, 2007; El-Nader & Al-Raimony, 2008; AL-Raimony, 2011). This result means that respondents will be more conservative toward forecast horizon as shown in Table (4).

Table 2: Demographic characteristics of respondents

Characteristic	***Frequency***	***%***	***Characteristic***	***Frequency***	***%***
Gender			*Experience*		
Male	25	73.5%	Less than 5 years	8	23.5%
Female	9	26.5%	5-9	16	47.1%
Total	34	100%	10-15	6	17.6%
Age			16-20	3	8.8%
Less than 30	10	29.4%	Over 21 years	1	3%
30-40	18	52.9%	Total	34	100%
41-50	5	14.7%	*Professional certificate*		
More than 50	1	3%	CFA	8	23.5%
Total	34	100%	CIPM	2	5.9%
Qualification			CPA	1	2.9%
Bachelor	3	8.8%	CMA	4	11.8%
Master	30	88.2%	None	19	55.9%
PhD	1	3%	Total	34	100%

Total	34	100%	*Most sectors served*		
Specialization			Manufacturing	2	5.9%
Accounting	15	44.1%	Trading	10	29.4%
Business Administration	6	17.6%	Services	16	47.1%
Economic	4	11.8%	All sectors	6	17.6%
Finance	7	20.6%	Total	34	100%
Others	2	5.9%			
Total	34	100%			

Table 3: financial analysts' opinion about economic fluctuation

Respondents opinion about fluctuations in economy	***Frequency***	***%***
There are fluctuations in economy	31	91.2%
There are no fluctuations in economy	3	8.8%
Total	34	100%

Concerning the proper forecast horizon (see Table 4), 41.2% of respondents considered that the proper forecast horizon was less than three months (quarter 4), while 20.6% of respondents considered it to be between three months and six months, 11.8% between six months and nine months, 14.7% between nine months and one year. This means that 88.3% of the respondents considered the proper forecast horizon to be less than one year. In this context, Gray (1973) argued that the forecast horizon depends on the nature of the fluctuation in the economy and the appropriate forecast horizon is from 6 to 18 months up to 3 years. Janakiraman (2007, p.376) also argued that the changes in economic conditions make forecasting difficult and accordingly adversely affect the forecast horizon. This, however, supports the study result which revealed that most of the respondents considered a short forecast horizon. This result gave an indicator that most respondents were careful in respect to forecast horizon due to the volatile nature of Jordanian economy. This also supports the above mentioned result which indicates that most of the respondents (91.2%) agreed that there was an economic fluctuation in Jordan.

Table 4: financial analysts' opinion about forecast horizon

Proper forecast horizon	***Frequency***	***%***
Less than 3 months	14	41.2%
3 months until less than 6 months	7	20.6%
6 months until less than 9 months	4	11.8%
9 months until less than 12 months	5	14.7%
12 months until less than 18 months	2	5.9%
18 months until less than 24 months	1	2.9%
24 months until less than 36 months	1	2.9%
Total	34	100%

5. Results and Discussion

5.1. Actual Forecast Disclosures Level Based on Annual Corporate Reports

Table (5) shows the descriptive statistics for the actual forecast disclosure level based on the corporate financial reports of 43 non-financial companies. The actual average score was 45.4% with a minimum of 7% and a maximum of 80%. This result indicates that the level of disclosure of forecasts by Jordanian companies was moderate (see Binh, 2012). This level is less than that of Binh (2012), who found that the actual disclosure level for forward-looking information was 61.64% in Vietnam. On the other hand, the current study level was higher than that of Lim et al. (2007), who found that the actual disclosure level for forward looking information was about 20.3%. In addition, a comparison with similar items that were outlined in Ho and Wong (2001), indicates that the level of disclosure is higher than that of Hong Kong. Notably, the comparison may not be fair between the two studies due to the time gap.

Table 5: Descriptive statistics for the actual forecast disclosure level (N=43)

No. of items	***Mean***	***SD***	***Min***	***Max***
15	45.4%	0.17755	7.0%	80.0%

Table (6) reports the descriptive statistics for the 15 forecast disclosure items. It seems that about 39 of 43 companies (90.7%) were interested in disclosing the future corporate strategy in their annual corporate reports. Three items (i.e. marketing plan, sales expanding plan and factors that may affect future performance) came second as they were disclosed by 36 of 43 companies (83.7%). Two items (new products or services development and any plans for investment) came third as they were disclosed by 81.4% of the study sample. About half of the study sample (51.2%) disclosed the impact of firm's strategy on the future results. 17 of 43 companies (39.5%) outlined some information about the trend of their industry. Both the planned research and development expenditure and capital expenditures were disclosed by 20.9% of the study sample. Earnings forecast of any kind were disclosed by 18.6% of the study sample. 6 companies (14.6%) of the study sample disclosed the future sales. Only 2 companies (4.6%) disclosed their forecasts about the future cash flows. Also, only 2 companies disclosed their forecasts about the future profits. Finally, only 1 of 43 companies (2.3%) disclosed forecasted earning per shares (EPS).

Table 6: The actual disclosure level of forecasted items

Item	***Rank***	***No. of companies***	***% of companies***
Future corporate strategy	**1**	**39**	**90.7%**
Marketing plan	**2**	**36**	**83.7%**
Sales expanding plan	**2**	**36**	**83.7%**
Factors that may affect future performance	**2**	**36**	**83.7%**
New products or services development	**5**	**35**	**81.4%**
Any plans for investment	**5**	**35**	**81.4%**
Impact of strategy on future results	**7**	**22**	**51.2%**
An overview of trends in its industry	**8**	**17**	**39.5%**
Plan of research and development expenditure	**9**	**9**	**20.9%**
Planned capital expenditures	**9**	**9**	**20.9%**
Earnings forecast of any kind	**11**	**8**	**18.6%**
Future sales forecast	**12**	**6**	**14.6%**
Future cash flows forecast	**13**	**2**	**4.6%**
Future profit forecast	**14**	**2**	**4.6%**
Earnings per share forecast	**15**	**1**	**2.3%**
Mean			**45.4%**

Unfortunately, the results above indicated that Jordanian companies gave no emphasis to the disclosure of critical accounting information that is considered very important to current and potential users. This is clear as five important items (i.e. earnings forecast, sales forecast, cash flow forecast, future profit and EPS) were only disclosed by few companies. The possible justification for such behavior is that they wanted to hide such information from their competitors. Hiding such information may keep these companies away from the risk of competitors, but it also prohibited current and expected users from important information, which may increase uncertainty in the prices of shares and the future results of such companies. Hiding such information may also justify partially the recession of capital markets in Jordan and other developing countries.

JSC and other related parties must reconsider the current regulations and instructions that govern the disclosure by imposing companies to mandatory disclose more than by forecasted information.

5.2. Financial analysts' perceptions toward forecasted items importance

As mentioned previously in the second section of the questionnaire, the financial analysts were asked to rate the 15 potential forecast items that companies may disclose (see Table 6) according to their importance. First of all (see Table 7), the financial analysts considered all the 15 items to be important (note that all of these items have a means greater than 3 which are significant at 0.05 level). In terms of ranking these items according to their importance, earnings per share forecast came first with a mean of (4.118), followed by factors that may affect future performance with a mean of (3.971). The impact of strategy on future results came third. While two items came in the fourth rank which are earnings forecast of any kind and future profit forecast. Future cash flows forecast came sixth.

Table 7: Financial analysts' opinion about forecast items importance

Item	***Rank***	***Mean***	***Calculated t***	***Sig.***
Earnings per share forecast	**1**	**4.118**	**31.211**	**0.000**
Factors that may affect future performance	**2**	**3.971**	**30.536**	**0.000**
Impact of strategy on future results	**3**	**3.765**	**26.814**	**0.000**
Earnings forecast of any kind	**4**	**3.706**	**31.988**	**0.000**
Future profit forecast	**4**	**3.706**	**23.863**	**0.000**
Future cash flows forecast	**6**	**3.677**	**20.126**	**0.000**
Planned capital expenditures	**7**	**3.618**	**30.267**	**0.000**
An overview of trends in its industry	**7**	**3.618**	**28.539**	**0.000**
Future corporate strategy	**9**	**3.588**	**22.619**	**0.000**
Marketing plan	**9**	**3.588**	**21.858**	**0.000**
Any plans for future investment	**11**	**3.559**	**24.142**	**0.000**
Sales expanding plan	**12**	**3.500**	**18.422**	**0.000**
New products or services development	**13**	**3.471**	**16.698**	**0.000**
Future sales forecast	**14**	**3.441**	**17.302**	**0.000**
Plan of research and development expenditure	**15**	**3.059**	**19.404**	**0.000**

5.3. Hypotheses testing

Tables (8) and (9) show the statistical results for the first and second hypotheses concerning the commitment by Jordanian companies in adopting accounting standards (IAS and IFRS) and local accounting legislations.

As shown in Table (8), the result of One sample T-test indicated that the commitment of Jordanian companies toward adopting accounting standards was significant with an average mean of 3.367 (t = 19.740; p=0.000). So, the results supported the first hypothesis which states that there is a commitment by Jordanian companies in adopting accounting standards. This result is expected as the adoption of IAS/IFRS is required in Jordan by law.

Table 8: Commitment of Jordanian companies toward adopting accounting standards.

Accounting Standard	***Mean***	***Std. Dev.***	***t-value***	***Sig.***
Adoption of International Accounting Standards (IAS)	3.294	1.000	19.191	0.000
Adoption of International Financial Reporting Standards (IFRS)	3.441	1.106	18.139	0.000
Total	3.367	0.994	19.740	0.000

Table (9) shows the statistical results for the second hypothesis. The result of One sample T-test indicated that the commitment of Jordanian companies toward adopting local accounting legislations was significant with an average mean of 3.691 (t = 23.902; p=0.000). So, the results supported the second hypothesis which states that there is a commitment by Jordanian companies in adopting local accounting legislations.

Results indicate that Jordanian companies give more emphasis to the rules of Securities Law No. (76) for the year 2002 with a mean of 3.852. This followed by instructions of issuing companies' disclosure, accounting and auditing standards which were controlled by Jordanian Securities Law with a mean of 3.794. Companies Law No (22) for the year 1997 came third. However, it seems that Jordanian companies gave some commitment to the corporate governance code for shareholding companies listed on the Amman Stock Exchange as it came at the end of the list. The possible justification for such result is built on the notion that corporate governance principles were new in Jordan and contained many details which needed more time and practice for such companies to understand.

Table 9: Commitment of Jordanian companies toward adopting local accounting legislations

Local Accounting legislation	***Mean***	***Std. Dev.***	***t-value***	***Sig.***
Instructions of issuing Companies Disclosure, Accounting and Auditing Standards.	3.794	0.977	22.623	0.000
Jordanian Companies Law.	3.676	0.944	22.696	0.000
Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange.	3.441	1.159	17.302	0.000
Securities Law.	3.852	1.048	21.431	0.000
Total	3.691	0.900	23.902	0.000

After testing the first and second hypotheses, it is obvious that statistical results indicated that Jordanian companies were committed in adopting accounting standards (IAS and IFRS) and local accounting legislations. So, the third hypothesis (which is based on the first and second hypotheses) could be tested. The third hypothesis states that: "the adoption of accounting standards and local accounting legislations contribute significantly toward forecast reliability, which means that such information is accurate as reliability is the function of accuracy". Table (10) shows the statistical results for this hypothesis.

Table (10) shows that the overall *F* statistic is statistically significant at the 0.000 level. R^2 indicated that the regression model explained 44.8% of the forecast reliability with adjusted R^2 of 41.2%. The result of multiple regression as shown in Table (10) indicated that the relationship between Commitment to IAS/IFRS and forecast reliability was significant (Beta= 0.559, t-value= 3.566, p = 0.001). On the other hand, the relationship between Commitment to local accounting regulations and forecast reliability was not significant (Beta= 0.177, t-value= 1.132, p = 0.266). Accordingly H3 is partially accepted as only the commitment of Jordanian companies toward adopting international standards affected the forecasts reliability positively. While it seems that there was no effect for the commitment of Jordanian companies toward adopting local accounting legislations on forecasts reliability. These results are rational as one can find more details about the disclosure requirements in different accounting standards; while, except for Instructions of issuing Companies Disclosure, Accounting and Auditing Standards, other legislations included very few details about disclosure. In addition, more technical details about the accounting practices were found in different accounting standards which affected the future expectations of an entity and accordingly needed some disclosure in the corporate reports.

This result is consistent with that of Horton, et. al., (2013) study, who found that the forecast accuracy is enhanced after mandatory adoption of IFRS. In addition this result is also consistent with that of Cotter, et. al., (2012) and Cheong and Al Masum (2010) who found that the adoption of IFRS significantly improves the accuracy of forecast in Australia.

Table 10: Result of regression analysis: effect of commitment to IAS/IFRS and accounting legislations on forecasts reliability.

Independent variables	*Unstandarized coefficients*		*Standarized coefficients*	*t- value*	*Sig.*		
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
(Constant)	.498	.562		.886	.383		
Commitment to IAS/IFRS	.530	.149	.559	3.566	.001	.726	1.378
Commitment to local accounting legislations	.186	.164	.177	1.132	.266	.726	1.378
R^2	44.8%						
Adjusted R^2	41.2%						
F	12.564						
Sig.	.000						

The fourth hypothesis states that: "there is a positive correlation between the actual level of forecast disclosures and the relative importance of these forecasts from financial analysts' viewpoints ". To test this hypothesis, two steps were followed; first, a checklist of 15 possible forecast items was developed, then the actual forecast disclosure level of each item was computed depending on 43 listed Jordanian companies in different sectors (see Table 6). Second, the same 15 possible forecast items in the checklist were sent to financial analysts to rate them according to their importance (see Table 7). The purpose of this hypothesis is to find if there is a positive correlation between the actual level of disclosure for each forecasted item and the importance of each item from the financial analysts' viewpoints. In other words, do the companies disclose more frequently the items that financial analysts consider more important?

Table (11) shows the Spearman correlation coefficient between the actual level of disclosure for each forecasted item and the importance of each item from financial analysts' viewpoints. The result indicated that there was a weak negative correlation between them (rs = - 0.287), which was statistically insignificant (p = 0.299). So, the fourth hypothesis is rejected. This means that Jordanian companies did not take into account the viewpoints of financial analysts when disclosing forecast information. This result concurs to some extent to the result of Binh (2012), who found a positive but low correlation between financial analysts information requirement and the actual disclosure level provided by Vietnamese non- financial listed companies. The explanation for this result

by Binh (2012) could be generalized to explain our result that companies may not able to follow up the renewable and rapid needs of users for information. This result also gave an indicator that Jordanian companies did not have the necessary cooperation mechanisms with financial analysts.

Table 11: Spearman's rank correlation between ACFDL and the relative importance of these forecasts from financial analysts' viewpoints.

			Disclosure Level	***Importance***
Spearman's rho (r_s)	***disclosure Level***	Correlation	1.000	- 0.287
	Sig. (2-tailed)	Coefficient		0.299
	N		15	15

Table (12) shows the statistical results for the fifth hypothesis. This hypothesis stated that "the fluctuation in the economic circumstances affects the frequency of forecasts negatively, which means a company issues its forecasts on a less frequent basis". The result of One sample T-test shows that the mean for forecast disclosure frequency is (3.294) and it's significant at 0.05 level, which means rejecting the fifth hypothesis. Although this result indicated that Jordanian companies issued forecast information on a more frequent basis in the presence of economic fluctuation, the result also indicated that the level of this frequency was low. However, this result is inconsistent with prior theoretical arguments (e.g. Waymire, 1985) but it supports the results reported in Table (4) above, where 61.8% of the respondents considered forecast horizon of less than 6 months. That is, Jordanian companies used to issue their forecasts more frequently as the forecast horizon was short. This was emphasized by Janakiraman (2007) who argued that the changes in economic conditions make forecasting difficult and accordingly adversely affect the forecast horizon. One possible justification for this result is that Jordanian companies tended to issue their forecasts more frequently to avoid any mistakes in their forecasts (Rogers, 2008). One implication of such result is that Jordanian companies gave no attention to the cost of disclosure and that they issued their forecasts on a more frequent basis although there was fluctuation in the economy. Another important implication was that Jordanian companies tried to avoid the uncertainty in the market by focusing more on repeating the disclosure (Gray, 1973; walker, 1985).

Table 12: Forecast disclosure frequency

Item	***Mean***	***Std. Dev.***	***t-value***	***Sig.***
Forecast disclosure frequency	3.294	0.938	20.469	0.000

6. Conclusion

The current study tried to shed some light on the forecast disclosure system in Jordan due to the limitations in the studies that addressed this topic. So, the general purpose of this study is to enhance the general understanding about forecasts practices. Moreover, the study aimed to assess the effect of adoption IAS/IFRS and local accounting legislations on reliability of forecasted information disclosed. In addition, the study aimed to measure the actual level of forecasts disclosure in companies' annual reports and to explore the gap between the level of actual forecasts disclosed and financial analysts' needs. Moreover, the study aimed to assess the effect of economic fluctuation on the frequency of forecast disclosures and to identify what is the appropriate forecast horizon.

To achieve these purposes, the study used both archival and quantitative approach. A checklist of all possible forecast items was prepared based on the prior disclosure studies. Then a sample of annual reports of 43 Jordanian companies listed at ASE was investigated to compute the actual forecast disclosure level. In addition, a well-developed questionnaire was designed and directed to the financial analysts to complete the data required for these purposes.

Findings of the study can be summarized as follows: First, the results indicated that Jordanian economy was suffering from fluctuation, which gave an initial indicator that the forecasting process was not an easy task for such companies (e.g Janakiraman, 2007).

Second, 62.8% of financial analysts considered the proper forecast horizon to be less than 6 months. Thus most of the respondents considered a short forecast horizon. This result gave an indicator that Jordanian companies were careful in respect of forecast horizon due to the volatile nature of Jordanian economy.

Third, , there was no correlation between the actual level of disclosure for forecast items and the importance of these items from financial analysts' viewpoints, which means that there was a gap between the information needed by financial analysts and the actual forecast disclosure as identified by annual corporate reports. In particular, the result indicated that the actual level of disclosure of forecasts by Jordanian companies was moderate. The most frequent disclosed forecast items were future corporate strategyThree items (i.e. marketing plan, sales expanding plan and factors that may affect future performance) came second. Two items (new products or services development and any plans for investment) came third. About half of the study sample (51.2%) disclosed the impact of firm's strategy on the future results respectively. Unfortunately; these results indicated that Jordanian companies gave no emphasis to the disclosure of the critical accounting information that is considered very important to current and potential users. This is clear as five important items (i.e. earnings forecast, sales forecast, cash flow forecast, future profit and EPS) only were disclosed by few companies. On the other hand, the most important forecast items required by financial analysts were earnings per share forecast, factors that may affect future performance and the impact of strategy on future results. While two items came fourth which were earnings forecast of any kind and future profit forecast. Future cash flows forecast came sixth.

Fourth, the results indicated that Jordanian companies had the commitment to adopt accounting standards and local accounting legislations. However, the results indicated that only the commitment of Jordanian companies toward adopting of international standards affected the forecasts reliability positively (e.g. Cheong & Al Masum, 2010 ; Cotter, et. al., 2012; Horton, et. al., 2013), while it seems that local accounting legislations have not any effect on the reliability of forecasts.

Fifth, the results indicated that Jordanian companies did not take into account the viewpoints of financial analysts when disclosing forecast information as explained in the third above.

Sixth, despite the fact that Jordanian economy suffered from fluctuation, the results indicated that Jordanian companies issued forecast information on a more frequent basis, notably the level of this frequency was low. One possible justification for this result is that Jordanian companies tended to issue their forecasts more frequently to avoid any mistakes in their forecasts as shown from the short duration of forecast horizon.

One important implication of the current study was that Jordanian companies should put more emphasis on the experience of financial analysts in selecting the forecast items that should be disclosed. In addition, decision-makers should perform the necessary amendments to the current local accounting legislations to serve accounting profession in an effective way. Moreover, Jordanian companies should give more emphasis to cost-benefit relationship (e.g. Waymire, 1985) when selecting forecast items, forecast horizon and frequency of disclosure.

The current study is one of the few studies that investigate forecast disclosure. This, however, gives it exceptional importance as it added new reference to knowledge and investigated almost complicated topics on accounting. Despite that, the current study came from an emerging market which lacked the elements of an active one. This is clear in the small sample of financial analysts of the current study who have not their own active market in Jordan. Nevertheless, the current study created fruitful opportunities for future research in the field, including for example, an investigation of the factors that may affect the accuracy and forecast horizon of forecast disclosure in Jordan and other developing countries. In addition, a future study may use the qualitative approach to identify the challenges that face companies in Jordan in issuing the relevant forecasts.

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