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The Effect of Accounting Conservatism on Financial Performance Indicators in the Jordanian Insurance Companies

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Abstract

This study investigates the effect of accounting conservatism as independent variable and size of the company as a control variable on financial indicators related to the performance of Jordanian insurance Companies, represented in return on asset, earnings per share (EPS), and market value of the share, for the period (2007-2014). The researcher has collected the necessary data from annual reports issued by insurances companies listed in Jordan Securities Exchange Commission (SEC). The study sample consisted of (12) Jordanian Insurance companies. For determining whether the Jordanian insurance companies has practice accounting conservatism policies, the study used accruals based approach; in order to test the hypotheses of the study it has been used multiple regression analysis. The most important results are: The Jordanian insurance companies have practice accounting conservatism policies, and there are significant and positive effect of accounting conservatism policies on financial indicators related to the performance of the Jordanian insurance companies represented in: return on asset and earnings per share (EPS), and market value of share, for the period (2007 to 2014). According to of the above results the researcher

concluded many recommendations the most prominent is the increased oversight of the securities Exchange commission, the organizers of the accounting profession and the official supervisors of organizing the companies' work in Jordan, adopt the appropriate procedures in order to encourage companies to commitment to an acceptable accounting conservatism level.

Keywords: Accounting conservatism; Jordanian insurance companies; Return on asset; Earnings per share (EPS); Market value of share

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INTRODUCTION

The accountant uses the accounting conservatism to face the uncertainty condition which needs some conservative while preparing the financial reports so that it does not result from an increase in the income or decrease the expenses and obligations. So the large effect of the accounting conservatism on the accounting information which reflects on the investment decisions, leads to an increase in the researches that interest of the accounting conservatism obviously, especially in the last decade because it is considered one of the important accounting constrains which has a great effect on preparing the financial reports especially in the cases which the accountant faces the issue of choosing between a group of alternatives so he chooses the alternative that agree with the accounting conservatism. The phenomenon of spreading and increasing the Conservatism degree in the financial reports is considered one of the most controversial issues in the contemporary accounting thought which formed the focus of many attentions in the accounting literature. As a result, the Conservatism helps in protecting the shareholders, creditors and stakeholders in the organization. In spite of what it faces from strong criticism because of its conflict with some qualitative characteristics of the accounting information such as the neutrality, Representation faithfulness and relevance especially after the appearance of the concepts of fair value. So the effect of the accounting Conservatism on the financial performance indicators and its effect on the profits, Earnings per Share (EPS) and the market value of the shares and other financial performance indicators become an essential requirement in preparing the financial reports of the companies. This study contributes in enhancing the subject literature by clarifying the effect of the accounting Conservatism on the financial performance indicators in the Jordanian insurance companies which perform different activities and transactions that have special nature. In addition, the accounting Conservatism is one of the most important accounting constraints that have a big effect on preparing the financial reports, and many countries have a growing interest in studying it. These countries have a variety of environments such as economic, legislative and political system and other environments. So the current study presents a practical and literature addition through the application of the conservatism constrain on the financial reports issued by the Jordanian Insurance Companies.

SIGNIFICANCE OF THE STUDY

The important of this study identifies the following points:

a. Studying and analyzing the effect of the accounting conservatism helps who put the accounting standards and the accounting principles in identifying the effects of the accounting estimates and the personal judgment taken by the administration on the financial reports, to enable them to protect users of financial reports and reduce the exploitation of some administrations to the available flexibility of the acceptable accounting standards in the management of its earnings.

b. Submitting useful information to the investors about the conservatism levels to ensure the reliability, objectivity and creditability of the financial reports which is considered as a base for important information for the decision makers inside and outside the organization.

c. Knowing if there is any effects of the accounting conservatism on the financial performance indicators help the administration in improving the performance and enhancing the competitive advantage for the organization, through the assurance confidence of the published financial reports.

d. Measuring the accounting conservatism will contribute in detecting how efficient is Amman Stock Exchange. Some studies pointed out that issued financial reports that enjoy conservatism indicates the achieving of the assumption of the market efficiency which states that the price of the share reflects all the available information in the relevance time [1].

e. Studying the accounting conservatism in the insurance companies which faces types of special risks that is related to the insurance services nature leads these companies form special allowances, which are not formed in the other types of the companies, so the existence of special accounting treatment may lead to difference in the accounting conservatism level and its effect on the financial performance of the insurance companies in comparison with other companies.

f. It is expected from the study to contribute vision and addition information for all who are interested with the Amman Stock Exchange, especially securities Exchange Commission, which may get benefits from it in developments the needed regulations to support the transparency and credibility of the financial disclosure.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The Accounting conservatism considers as one constrain related to level three (recognition and measurements) of the conceptual framework underlying financial accounting issued by Financial Accounting Standard Board (FASB).The conservatism is from the most important accounting concepts effect accounting disclosure and

measurement. The effects resulting from the application of accounting concept (administration practices) while the accounting measurement reflects the values of the financial reports which includes the revenue and assets measurements less than its value (understatement), whereas the values related with the expenses and obligations measurement more than its value (overstatement).

The accounting conservatism application meets a special interest from the external auditors which is the recognition of the expected losses without the expected profits which means recognizing the expenses and delaying the revenue and the earnings. Ball [2] see that the accounting conservatism and issuing financial reports on time is the core of transparency in the financial reports. Also the accounting conservatism role appears through the administrations choices to delay the recognition of the earns and taking the possible losses into account by not announced expected earnings and the exaggerating in the expenses and the allowance and depreciation of the assets, in order to show the organization's income in a conservative way under the accepted accounting principles.

Ball [3] see that the accounting conservatism consists of applying the standards which are the most firmness to give the priority to the recognition of the bad news such as losses than the good news such as the profits, and they found Income or business results are affected by the bad news faster than its affect by the good news.

Ball [4] indicate two kinds of conservatism. Firstly, the conditional conservatism, which means accelerating the recognition of the economic losses. Secondly, the unconditional conservatism, which means reducing the values of the net assets or disclosure the least value of the owner equity.

Financial Accounting Standards Board (FASB) in the statement of financial concepts (ASB2) required that the possible measurement mistakes must be towards reducing the existing net income and assets not increasing it. Hendriksem [5] indicates that in the conservatism aspects, there is a tendency to pessimism more than optimism while the administration prepares the financial reports.

Najjar [1] his study showed that the nature of the financial sector tends to exaggerate forming the provisions and allowances then accumulating the secret provisions in this sector which increase the conservatism level. Also, conclude positive effect of the conservatism on the market shares value. Also Jomely [6] showed that the industrial companies committed to an accepted conservatism level and the commitment to the average level of the conservatism reduces the financial failure risks.

Eqbal et al. [7] showed that the Jordanian companies are practice accounting conservatism policy in preparing the financial reports, which leads to increase the credibility of financial reports, and relevance information, the researcher recommends Jordanian companies must continue practicing the accounting conservatism in preparing the financial reports especially the effects of the international financial crisis

aren't ended. And Wang [8] showed that when accounting conservatism level increase, the operational risks degree in the organization will decrease. Also, it is possible to use the conservatism as a tool to analyze the investment risks, and the accounting conservatism helps in preparing more balanced financial reports.

Hamdan [9] found that the Jordanian banks are more conservative in its accounting policy comparing with companies working in another sector, and the small size companies are more conservative in its accounting policy than the big size companies, whereas there is no impact of debt factor on the accounting conservatism level.

Charles [10] showed that the accounting conservatism may be as a mechanism of achieving the balance between the interest of managers and the shareholders, and limit the effect of asymmetric information. Also, the researchers found that there is no relationship between the accounting conservatism in china and the ownership structure that contributes in the public sector. In addition, the study didn't found the companies that are controlled by the private sector are more conservative in its reports from the companies that are controlled by the public sector.

Latridis [11] found that the commitment of the companies with the conditional and the unconditional conservatism affects positively in obtaining contract loans with less interest rate as a result of conserved financial reports. Also, the study showed that the conditional conservatism such as evaluating the inventory by using lower cost or net realizable value can be used by the administration to achieve its interests. Also, the study revealed unidentical income of the British companies as a result of the accounting conservatism.

Khair [12] showed the maturation of the Egyptian stock market in dealing with the good and bad news which leads to increase income response to market earning indicators. And the income response to bad news is the double response to good news. The use of the market value as an approach to measure the accounting conservatism almost depends on the high or the low percentage of the market value to the book value in the beginning of the period.

Lara [13] concluded that the companies which have the board of directors with strong features and controls used accounting conservatism as one of the tools of governance. Also, it showed that the companies which have weak governance issued financial reports less conservative from the companies which have strong governance. Stephenand [14] which was applied on the Colombian companies, showed that the companies practice accounting conservatism affects earnings quality and create secret or declared provision, and there is an effect to the accounting conservatism on the declared income of the Colombian companies for the period from 1996 to 2002. Moreover, there is effect to conservatism on the shareholders expectations about the stock returns. Also, the study hinted to a misunderstanding of the investors about how to prepare the financial reports according to accounting conservatism so the question posted the investors about the earning quality of the declared income remains.

Givoly [15] compared between 7 foreign countries and measure accounting conservatism by using Basu model and other measures. Also, it reached that the countries which depend on organizing the private sector for its accounting practices more conservative from the countries that depend on organizing the public sector for its accounting practices. Also, the study presented applied evidence on the increase practices of the accounting conservatism between countries for the period from (1950-1998), and it clarified that the income response to the bad news is faster than its response to the good news.

Bafghi [16] aimed to test the effect of earnings management practice depending on Jones model of Iranian companies, on the liquidity of investment portfolios and stocks with the exception of the financial sector companies. The study found the significant negative effect to earnings management practice on the liquidity of the stock and the speed of trading and increases the cost of trading.

Djerbi [17] test the effect of the earnings management practice on the performance of Initial Public Offering, (IPO) listed on the Paris Stock Exchange; the study has been measuring the performance of companies based on return on assets and market value and growth returns of shares. The study found a significant positive effect for earnings management practice on the return on assets, and the significant negative effect was found for earnings management practice on the company's Earnings per Share (EPS), and no significant effect for earnings management practice on the market value of the company.

Hejazi [18] aimed to know the effect of earnings quality and income smoothing on the performance of listed companies in Tehran Stock Exchange, during the years (1999-2003), the study concluded there is no significant effect to the income smoothing and earnings quality on corporate performance. Where the study did not find a difference between the average performance of smoothing and nonsmoothing companies as well as between the average performance of companies with high earnings quality or low.

Aflatooni [19] test whether the stock market response to the management earnings and smoothing income practice. The study used (Tucker-zarowin) Model to test income smoothing. It found there is a positive effect to incomes smoothing on earnings shares. Chan [20] aimed to investigate the effect of the earnings quality focused on accruals accounting of all listed London Stock Exchange companies, excluding financial companies, on future market returns, which is considered useful for evaluating stocks. The study found that the accounting accruals negatively affect the future stock returns, and the only discretionary component of accruals, which has no relation with sales growth is alone explains futures returns.

PROBLEM STATEMENT AND HYPOTHESES OF STUDY

There is a wide argument in the professional, literature, regional and international areas about the effect of the accounting conservatism on the organization performance. On

one hand, many of the practical, theoretical and literature studies and researches reached that the accounting conservatism restricts the opportunistic behavior of the managers and improves the organization performance. on the other hand, there are studies that criticized the accounting conservatism from the prospect of the information distortion and its negative effects on the resources allocation as well as its damaging to the organization performance, So all of these required studying the practice of accounting conservatism on the insurance companies, and its effect on financial performance indicators which associated with Return on asset, earnings per share (EPS) and the market value of share.

Based on the above, the research based on a hypothesis which states that the commitment of Jordanian Insurance companies in the acceptable level of the accounting Conservatism affects the financial performance indicators. The previous hypothesis leads to the following hypotheses:

- a. H01: The Jordanian Insurance Companies do not practice the accounting conservatism policies in preparing its published financial reports for the period from 2007 to 2014.
- b. H02: There is no effect of the accounting conservatism on return on assets, in the Jordanian insurance companies for the period from 2007 to 2014.
- c. H03: There is no effect of the accounting conservatism on earnings per share (EPS), in the Jordanian insurance companies for the period from 2007 to 2014.
- d. H04: There is no effect of the accounting conservatism on the market value of the share, in the Jordanian insurance companies for the period from 2007 to 2014.

RESEARCH METHODOLOGY

This section consists of an analytical description for the methodology of the study and view stages and followed steps to achieve the study objectives. So this part starts with mentioning a population and a sample of the study, resources of collecting the data, the information and the statistical methods used in analyzing this data.

The population and study sample

The study was carried on a population consists of the insurance companies included in Amman Stock Exchange securities which was 26 companies until; the end of 2014. 12 companies from the Jordanian insurance companies which were chosen randomly was the sample of the study and its annual financial reports and the required data relate to the study are available in Amman Stock Exchange securities [21] for the period from (2007-2014).

Statistical method

To test the hypotheses of the study different appropriate methods were used, the non-parametric T-Test is used (Binominal Test) to test the Dummy variable related to accounting conservatism because the conservatism with Dummy variables is not distributed in a normal distribution. The multiple linear regression and the ordinary least squares approach were used, the study models were drafted in the form of regression equations to link the independent variable accounting conservatism, and the control variable companies size and return on asset, earning per share (EPS) and the market value of the share as the dependent variable.

In term of using the linear regression model is the items values must follow the normal distribution, so by depending on the central limit theory which states that the condition of the normal distribution of the data which its items are more than 30 items. The study samples were 96 items, so we can consider that the data distribution followed the normal distribution [20]. And to test the absence of the autocorrelation problem between the data limits of the random error in the regression model. It has been relying on Durbin- Watson's test; it show in this study the (D-W) calculated value was greater than the maximum value (D-W) for all linear regression models, which indicates the absence of the autocorrelation problem between the limits of the random error in the linear regression models. Finally to test the random variance homogeneity error (Heteroscedasticity -Test) for applying the ordinary least squares method in the linear regression models, by using White test it showed that the significant of F-statistics value for the values of all study's hypothesis is more than 5%, it refers to the absence of data from the instability homogeneity of the sum squared residuals for all the regression models in this study [20].

Then the researcher can apply multiple linear regressions to test the hypotheses of the study.

Measurement and descriptive statistics of study variables

The study measure the variable of the study as shown in Table 1

The researcher represents descriptive statistics of the study variables sample as shown below Table 2

STATISTICAL RESULTS

This part of the study will present the hypotheses test. The first hypothesis was tested by using the Binominal Test because the time series data related to the accounting conservatism with Dummy variables are not distributed in a normal distribution so in this case the non-parametric T-Test is used.

The first null hypothesis H01: The Jordanian Insurance Companies does not practice

the accounting conservatism policies in preparing its published financial reports for the period from 2007 to 2014.

Table 1: Summary of study variables and its way of measurement.

Independent variable	Study variables	Way of measurement	The Reference
	Accounting Conservatism	(Net Income - Net Operating Cash Flow)/Net Income (Total Accruals Approach)	Givoly [15]
Control variable	Company Size	Natural logarithm of Total Asset	Gill [22]
Dependent variable	Return on Asset	Net Income/Total Asset	
	Earnings per Share (EPS)	* Net Income/Total Numbers of Common Stocks Issued and Outstanding	Kieso [23]
	Market Value of Share	Share price at the end of the year (December,31)	Hamdan [9]

* There isn't any preferred stocks issued by Jordanian insurance companies

Table 2: Descriptive statistics for variables study.

	mean	Standard deviation	Maximum value	Minimum value
Return on Asset	0.013	0.08	0.19	-0.53
Earnings per Share (EPS)	0.038	0.05	0.21	0.00
* Market Value of Share	1.46	0.97	6.27	0.30
Company Size	28593997	18757385	94036218	8199685

* Per value to common stock issued by Jordanian insurance companies 1 JD.

This hypothesis has been subjected to the Binomial Test. It was calculated the average of the conservatism level percentage for previous year's sample according to total accruals approach. When the accruals get negative values or it is less than one (fraction) through a period of time, this indicates to the continuation of the cash flows more than the income. That means there are conservative accounting policies that lowered the company's income. Whereas the cash flows still ongoing as a result of the existence of unrecognized good income. Then dividing it into conservative financial reports and giving it number 1, but if the conservatism level percentage more than one (not the fraction) that means the conservative accounting policies is low, Then dividing it into non-conservative financial reports and giving it number 0.

We can notice from the Table 3 that the financial reports of the Jordanian Insurance Companies has an accepted level of the accounting conservatism in preparing the financial reports for the period from 2007 to 2014. So the number of the Conservatism items is 82% with 79 items. While the percentage of non-Conservatism items is 18% with 17 items, and the level of significance equal (Sig=0.000), so the null hypothesis will be rejected and accepting the alternative hypothesis which states: The Jordanian Insurance Companies practice the accounting conservatism policies in preparing its published financial reports for the period from 2007 to 2014.

The results of testing the first hypothesis were as follows (Table 3)

Table 3: Binomial result for testing accounting conservatism.

Groups	Classification	Number of items	Percentage of Items	Significant Level Asymp. Sig
Conservatism items	1	79	82%	0.000
Non-conservatism items	0	17	18%	
Total		96	100%	

Table 4: The effect of the accounting conservatism on the financial performance indicators (return on assets, earnings per share (EPS), and the market value of shares).

$ROA_{i,t} = \alpha_{i,t} + \beta_1 AC_{i,t} + \beta_2 \ln SZ_{i,t} + \varepsilon_{i,t}$		
ROA _{i,t}		
R-squared	0.06	
Adj. R-squared	0.04	
F-statistic	F-Ratio	3.981
	Prob.(F)	0.046
Constant	Coefficient	-0.146
	T-test	-0.930
	Sig (t)	0.355
Ac_i: conservatism:	Coefficient (Beta)	0.025
	T-test	1.993
	Sig (t)	0.049
lnSZ_{i,t}: Logarithm of Total Asset	Coefficient (Beta)	0.009
	T-test	0.926
	Sig(t)	0.357
$EPS_{i,t} = \alpha_{i,t} + \beta_1 AC_{i,t} + \beta_2 \ln SZ_{i,t} + \varepsilon_{i,t}$		
EPS _{i,t}		
R-squared	0.098	
Adj. R-squared	0.078	
F-statistic	F-Ratio	5.037
	Prob.(F)	0.008
Constant	Coefficient	- 0.014
	T-test	-0.248
	Sig (t)	0.805
Ac_i, conservatism:	Coefficient (Beta)	0.126
	T-test	2.076
	Sig(t)	0.041
lnSZ_{i,t}: Logarithm of Total Asset	Coefficient (Beta)	0.105
	T-test	2.357
	Sig (t)	0.021
$MC_{i,t} = \alpha_{i,t} + \beta_1 AC_{i,t} + \beta_2 \ln SZ_{i,t} + \varepsilon_{i,t}$		
MC _{i,t}		
R-squared	0.113	
Adj. R-squared	0.094	
F-statistic	F-Ratio	5.951
	Prob.(F)	0.004
Constant	Coefficient	-5.678
	T-test	-1.795
	Sig (t)	0.076

Ac_{i,t}: conservatism:	Coefficient (Beta)	0.564
	T-test	2.195
	Sig (t)	0.031
lnSZ_{i,t}:Logarithm of Total Asset	Coefficient (Beta)	0.394
	T-test	2.099
	Sig (t)	0.039

Different studies agreed with this result such as: Hamdan [9], Eqbal [7], Jomely [6], Najjar [1] showed that the nature of the financial sector tends to be more conservative in its accounting policy and exaggerating forming the provisions and allowances then accumulating the secret provisions in this sector which increase the conservatism level. To test the rest hypotheses of the study related with the effect of accounting conservatism on the financial performance indicators (return on assets, earnings per share (EPS) and the market value of the share) in the insurance companies for the period from 2007 to 2014. The results of multiple linear regression testing as showed in Table 4.

The Table 4 shows a statistically significant effect for the regression model related to the independent variables accounting conservatism and the company’s size on the explanation of the depending variable return on assets in the first regression model, it show R² = 6%, indicated 6% of variance in return on assets can be explained by the variance of the accounting conservatism and the company’s size. The value of (F = 3.981) at a significant level (Sig F = 0.046), indicates the acceptance of the first regression model and the explanation factor (R²) at a significance level (α ≤ 0.05).

The regression coefficient value related to the effect of accounting conservatism on return on assets in the first regression model was (Beta = 0.025) and (t = 1.993) with the significance level (sig(t) = 0.049) at a significance level (α ≤ 0.05) which means a positive effect of the accounting conservatism on returns on assets and indicating the increase in the accounting conservatism in the Jordanian insurance companies will effect positively in the improving returns on assets. As a result, the null hypothesis is rejected and the alternative one is accepted which states:

There is an effect of the accounting conservatism on return on assets, in the Jordanian insurance companies for the period from 2007 to 2014.

This result agreed with Khair [12] concluded positive effect of the conservatism on income which reflected on return on asset, and with Djerbi [17] found a significant positive effect for earnings management practice on the return on assets.

The multiple regression equation can be reformulated so that the effect of accounting conservatism and the company’s size on the return on asset can be demonstrated as follows:

$$ROA_{i,t} = -0.146 + 0.025AC_{i,t} + 0.009 \ln SZ_{i,t} + \epsilon_{i,t}$$

The Table 4 showed a statically significant effect of the regression model related to the independent variables accounting conservatism and the company’s size on the explanation of the depending variable earnings per share in the second regression

model as the value $R^2 = 9.8\%$ indicated 9.8% the variance in the earnings per share can be explained by the variance of accounting conservatism and the company's size. The value of ($F = 5.037$) at a significant level ($\text{Sig } F = 0.008$), indicates the acceptance of the second regression model and the explanation factor (R^2) at a significance level ($\alpha \leq 0.05$).

The regression coefficient value related to the effect of accounting conservatism on earnings per share in the second regression model was ($\text{Beta} = 0.126$) and ($t = 2.076$) with the significance level ($\text{sig}(t) = 0.041$) at a significance level ($\alpha \leq 0.05$) which means there is a positive effect of the accounting conservatism on the earnings per share. Also the increase in the accounting conservatism in the Jordanian insurance companies will effect positively the improvement of the earnings per share (EPS), therefore, the null hypothesis will be rejected and accepting the alternative hypothesis which stated: There is an effect of the accounting conservatism on earnings per share (EPS), in the Jordanian insurance companies for the period from 2007 to 2014.

This result agreed with Stephenand [14] and Chan [20] showed there is a positive effect of the conservatism on the shareholders expectations about the stock returns, and disagreed with Djerbi [17] found significant negative effect for earnings management practice on the company's Earnings per Share (EPS).

The multiple regression equation can be reformulated so that the effect of accounting conservatism and the company's size on the earning per share can be demonstrated as follows:

$$EPS_{i,t} = -0.014 + 0.126AC_{i,t} + 0.105 \ln SZ_{i,t} + \varepsilon_{i,t}$$

The Table 4 showed a statically significant effect of the regression model related to the independent variables accounting conservatism and the company's size on the explanation of the depending variable the market share value in the third regression model as the value $R^2 = 11.3\%$ indicated 11.3%% the variance in the market share value can be explained by the variance of accounting conservatism and the company's size. The value of ($F = 5.951$) at a significant level ($\text{Sig } F = 0.004$), indicates the acceptance of the third regression model and the explanation factor (R^2) at a significance level ($\alpha \leq 0.05$).

The regression coefficient value related to the effect of accounting conservatism on market share value in the third regression model was ($\text{Beta} = 0.564$) and ($t = 2.195$) with the significance level ($\text{sig}(t) = 0.031$) at a significance level ($\alpha \leq 0.05$) It means there is a positive effect of the conservatism on the market share value and the increase in the accounting conservatism will effect positively the improving of the market share value in the Jordanian insurance companies. Therefore, the null hypothesis will be rejected and accepting the alternative hypothesis which stated:

There is an effect of the accounting conservatism on market share value, in the Jordanian insurance companies for the period from 2007 to 2014.

This result agreed with Najjar [1] conclude positive effect of the conservatism on the market shares value, and disagreed with Djerbi [17] found no significant effect for earnings management practice on the market value of the company.

The multiple regression equation can be reformulated so that the effect of accounting conservatism and the company's size on market share value can be demonstrated as follows:

$$MC_{i,t} = -5.678 + 0.564AC_{i,t} + 0.394 \ln SZ_{i,t} + \varepsilon_{i,t}$$

Through referring to the Table 4, it showed that the regression coefficient of the natural logarithm for the company's size (control variable) measured in the natural logarithm of the total assets had a positive significant effect at a significance level ($\alpha \leq 0.05$) on the financial performance indicators, return on asset and earnings per share (EPS) and the market share value in addition to the effect of accounting conservatism in the insurance companies for the period from 2007 to 2014.

CONCLUSIONS AND RECOMMENDATIONS

The purpose of a study is to investigate the effect of accounting conservatism as independent variable and size of the company as the control variable on financial indicators related to the performance of Jordanian insurance Companies, represented in return on asset, earnings per share (EPS), and market value of a share. The study found that there is a positive effect of the accounting conservatism practices on the financial performance indicators in the Jordanian insurance companies. Indicating that accounting conservative policies lead to the reduction of company's declared income whereas the cash flows remained continuous as a result of the existence of unrecognized good earnings. This leads to the income continuity more than the Accruals continuity in the subsequent years, and the existence of earnings quality showing the real company's income and prediction real future income. All of all have a positive effect on the financial performance indicators return on assets, earnings per share and the market share value. Reflected positively about the effectiveness of the company's performance to the investors and shareholders in the financial market that leads to high market share value and strong financial position of the companies which is considered an important factor to attract new investors, and increase the company's ability to keep the shareholders and increase their trust in its financial position.

From the most prominent recommendations of the research is the increase oversight of the securities Exchange commission, the organizers of the accounting profession and the official supervisors of organizing the companies' work in Jordan adopt the appropriate procedures in order to encourage companies to commitment to an acceptable accounting conservatism level, and the need for the external auditors to express their opinion about how sufficient conservatism level in the published financial reports, which is expected to conclude positive effects on the performance of the companies. And increase the role of the official organizers of the insurance commission in Jordan by studying and determining the appropriate estimated percentage in

calculating the provisions and allowances related to the different insurance failures to avoid the future risks and preparing high-quality financial reports. And increase the awareness of the users of the financial reports about the accounting conservatism and the basic elements and its effect on the published financial reports. Also, the researcher recommended applying different studies related with measuring the accounting conservatism level within the companies that belong to other sectors than the insurance sectors whether it is in Jordan or in other countries. Also testing the effect of accounting conservatism on the company's performance by using different model measure accounting conservatism in order to enhance the results of this study.

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