

# **Voluntary Disclosure and Its Effect on the Quality of Accounting Information According to Users' Perspective in Jordan**

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## **Abstract**

The purpose of this paper is to examine the impact of voluntary disclosure on the quality of accounting information according to users' perspective in Jordan. The paper finds out that all accounting information users agree about the important role of voluntary disclosure and how help them in making economic decision, also one of the vital result indicate a strong effect of voluntary disclosure on the quality of accounting information which in turn affect on users' decisions, such as investors. The findings of the study have important implications regarding the users of financial statements. In particular, the study shows that the importance of voluntary disclosure and the major role of voluntary disclosure in decision making process and detect the natural relation between voluntary disclosure and economic decisions process plus the how voluntary disclosure enhance the users awareness. It is believed that there is no Jordanian study to date examining the relationship of the voluntary disclosure and the quality of accounting information according to users' perspective. Also this considers the first study that used the qualitative method for data collection semi-structure interview. Therefore, this study significantly contributes to the limited literature on the perceived the effect of voluntary disclosure and quality accounting information according to users' attitude. Design/methodology/approach is based on the qualitative method semi-structure interview to extract the users perception about how voluntary disclosure effect on the quality of accounting information. The researcher identified several criteria to understand the concept of "voluntary disclosure" independent variables, and used the qualitative characteristics to measure and understands the quality of accounting information the dependent variable.

## **Keywords**

Voluntary Disclosure; Quality of Accounting Information, Qualitative Characteristics, Decision Making Process, Accounting Information Users, Jordan

## **1. Introduction**

As it's known, the primary language between companies and users is the accounting information. according to [61] accounting information consider the fundamental communication instrument between companies and all user groups (stakeholders) which means that every financial statement should be clear, complete, fair, understandable and presented in a way that enables different users to achieve their aims [49]. Which consider a significant ingredient to the decision-making process (availability in financial reports), and require to be high quality, fairly presented and in

conformity with accounting standards; in addition, accounting information must be comprehensible, able to analyzed, and disclosed in a comprehensive and suitable method [6]. The main objective of accounting disclosure is to inform all users, basically current and potential users (internal or external), about the firms position, so the full disclosure principle informed any operation or/and information that might have an influence on the financial statements should be disclosed [49]. In other words, every piece of information that might make a difference to the decision-making should be disclosed [3]. [1] mention that the users of financial information consider financial reports as one of the major sources of financial information, these

reports must be created in a way that enable users to making economic decisions and prediction.

## 2. The Concept of Disclosure, Disclosure Quality and Voluntary Disclosure

Firstly we want to know what disclosure term mean, in general, is consider the mechanism of providing information. Also [7] define disclosure that includes financial reports in addition management analysis and discussion, descriptive notes attached with financial statements, and complementary financial statements, while [26] detect that information disclosure release any information that may affect on investors or any users' decisions, while [52] discern that financial information about a Company's activity should be sufficient and at a suitable time (quantitative or qualitative) other related forms of company financial performance whether mandatory and voluntary information includes financial statements and accompanying notes, such as management analysis and discussion, management analysis, management prospects, disclosed financial statements plus related notes that contain any economic information which is adequately important to affect user decisions and forecast. [39] define disclosure as any information released for its environment, which possibly could be qualitative or quantitative; financial or non-financial; compulsory or voluntary information; that published with formal method or informal.

But disclosure quality (DQ) is the higher quality and accuracy of information disclosed which are better for decision makings and predictions, besides, high quality of information disclosure and information asymmetry causes more coordination between managers and owners [67]. whereas disclosure quality defined according to [51] as multifaceted and cannot be identified, but [70] describe disclosure quality as "completeness, accuracy and reliability", and [15] used the expression adequate for defining the disclosure quality, which mean as more extensive disclosures are likely to be more informative than brief disclosures, and provide greater transparency also [19] define the disclosure quality as the ability of investors to determine accurate expectations of the stock prices before the disclosure process. [62] using changes in market liquidity as a proxy for disclosure quality. In addition [31] state that disclosure quality with high financial transparency provided are presented in a useful way to protect shareholder's wealth against conflicts of interest, they used adequacy, While the Voluntary disclosures related to information published willingly made by firms outside of their legal and regulatory requirements comprehensiveness, informativeness, and timeliness as a proxy for disclosure quality [74]; [29] Voluntary disclosure is disclosing amount and detail of non-mandatory accounting and non-accounting information that is contained in the management discussion and analysis [21] discern "The voluntary disclosure theory is a particular case

of game theory with the following assumptions: any firm think to disclose information that is favourable to the firm, and will not disclose information unfavourable to the firm." While the Voluntary disclosures related to information published willingly made by firms, the impact of voluntary disclosure became clear on share prices, currently the quality of voluntary disclosure contained in the annual reports consider important issue regarding financial modern problems and is essential to the proper functioning of equity markets, firms use voluntary information, such as management forecasts, analysts' presentations and conference calls and other corporate reports in order to increase the confidence degree [33]. Also according to [11] investors and financial analysts rely upon voluntary information in forming investment strategies and choosing profitable projects. So, according to the conflicts arises between managers and investors (agency theory), the need for high quality financial reporting and sufficient disclosure place information asymmetry.

However, the voluntary information published effect on financial prices may differ significantly because it depending on the 'informativeness' of disclosed information and the methods used [36], [35] from other hand, information might affect negatively on the firm value, [30] and, massive information published could create uncertainty about the future prospects of a company and places bad situation relative to its competitor. Consequently, the effect of voluntary disclosure on the firm value is still vague and unclear issue. So its consider an essential issue, because in Jordanian Market, the accounting information is the primary source of public information, and the Jordanian government always encourage companies to disseminate information that serve users, with a high degree of transparency which in turn increase the usefulness of decision making process.

This study aims to examine the effect of voluntary disclosure in quality of accounting information. We hypothesised that voluntary disclosure has economic influence, which it can effect investors' perceptions toward companies and consequently it can influence corporate market value. To examine the nature of such effect, we used qualitative method to understand users' perceptions concerning the importance of corporate voluntary disclosure,

## 3. Literature Review on Voluntary Disclosure

In developing countries a significant number of qualified accounting bodies have adopted the International Accounting Standards [2]; [49]. The academics and accountants ask question is this standards relevance for such countries, [66]; [37]; [58]; [45]; [76]; [4]; [73]; [72]. As a result of adopted these standards the financial reports will be enhanced which reflected on the quality of financial reports, consistent with [8] result which detect a significant evidence of improving the disclosure quality under IFRS in three European countries (Austria, Germany and Switzerland). But still there is a

misbelieve think that the accounting information users did not obtain what they expected to have. [1] Present three important concepts regarding disclosure (adequate disclosure, fair disclosure, and full disclosure). These concepts could be defined as follows: adequate disclosure: means that the disclosure must be small and non-misleading [50]. While the Fair Disclosure indicates that the disclosure must be equal for all users and potential users of financial statements, which known as ethical side [50], in other words considers all categories of users equally [68]. But Full disclosure along with transparency in financial reporting to secure trust and confidence for stakeholders [56], also they emphasize voluntary disclosure which is more desirable than mandatory disclosure.

[48] Present and interpret the disclosure of Accounting that aims to provide necessary information about the issued firms, which is expected to be important for the user in decisions making process. Also there are some factors and determinants that affect accounting disclosure which are the content or timing of issuance that can be classified in two groups first: relate to the user of financial statements, and the second is concerned with "display of information". It is important to present accounting information with a variety of characteristics such as relevance, credibility, reliability, faithful representation, timeliness, consistency, variability and comparability, Appropriate timing that make them valuable and useful, clear, and understandability therefore make it easier for users to understand and take advantage of them and help users to make the right decisions and achieve desired goals.

[41] examine the reason for studying disclosure to assess the financial characteristics of firms that provide more or less extensive disclosures, he finds important variable effect significantly on disclosure quality and quantity such as size, growth and leverage,

Disclosure quality defined as appropriateness, comprehensiveness, informative and timeliness that considered important criteria for the disclosure quality, disclosure quality reflects the overall informativeness of a firm's disclosures and depends on the amount, timeliness, and precision of the disclosed information, through literature survey for disclosure quality studies, and how disclosure quality effect on the users decisions, further [7] define disclosure quality as the precision, timeliness, and quantity of information that provided and how such information affects or altering the users decisions, and quality refers to the completeness, accuracy or precision, and reliability features. In general, quality is the limits financial reports reveal the main economic activities of a business unit so that it is easily conceivable for the users of those reports.

[69] examine the impact of ownership structure and disclosure quality on the information asymmetry phenomenon among the listed companies on the Tehran Stock Exchange (102 listed companies on the TSE during 2007–2014), find a positive impact of ownership structure and negative impact of disclosure quality on information asymmetry, also according to [25]; [42] declare more

detailed disclosure provide users specifically investors and lenders more information for valuation and a higher level of disaggregation enhances the credibility of firms' financial reports [20]; [71] developing a unique disclosure quality to measure firms voluntary disclosure, management behaviour, earnings forecasts, conference calls or self-constructed measures based on researchers' or analysts' evaluation of selected items in the financial statement also [67] investigates the relationship between ownership structure and disclosure quality, using panel data procedure for a sample of 80 Iranian listed companies on the Tehran Stock exchange during 2010-2014.

Their result revealed that managerial ownership has a negative and significant effect on disclosure quality, but no significant relationship was observed between governmental ownership and disclosure quality. [27] found that internal controls increase financial reporting quality through providing assurances that the accounting amounts do not contain material misstatements, credible financial statements being best sources for stakeholders, Managers also play an active role in determining the information environment through voluntary disclosures.

[40] Reveal important result that firms with difficult financial statements published extra voluntary information, in the form of management forecasts, to relieve negative effects on the information environment. The prior theoretical and practical literature presents significant evidence that manager will address additional disclosure relates information environment problems. [14] study how disclosure quality affects on information asymmetry, their findings indicate that information asymmetry is negatively associated with the quality of the annual report, these findings consistent with [19]; [32]; [34]; [67]. Identify that more disclosure deduct the opportunity of information asymmetries between the company and its shareholders or among potential investors [49]. [33] detect to reduce the information asymmetry between firms and users, need to provide extra information, furthermore [53] examined the importance of the disclosure quality for stock market participants of UK firms they examined the relation between disclosure quality and stock returns during the period 1997 to June 2004 their findings indicate that high disclosure quality have lower costs of capital, and improve stock returns.

Also [44] realize a positive relation between the (Accounting Management and Research) AIMR scores and firm performance, firm size and security issues, they find a negative relation between the AIMR scores and the correlation between earnings and returns, moreover [44] stated three variables associated with disclosure quality: first Size; measured as the firm's market value at the end of the year compared with the value in the beginning of the year; bigger firms are expected to have higher disclosure quality because the benefits are expected to be higher while the costs are expected to be lower the second is return on performance; measured through ROA, ROE within that year and the last Surprise; measured as the difference between actual value and the agreement amongst analyst forecast for stock

earning.

[70] discern that the quality of corporate disclosure in annual report significantly influences the extent and quality of investment decisions made by users, [78] find firms that have higher AIMR scores have minor information asymmetry, while [13] observe a negative association between disclosure quality and the cost of capital by using AIMR index as a proxy to measure disclosure quality, in addition [38] found that disclosure quality helps users' to improve their expectations about future earnings for long period, [19]; [24] discovered greater disclosure increase stock liquidity and decrease its risk either by decreasing transaction costs or increasing the demand on stock, accordingly decreasing the expected returns of the stock.

Most of previous research, focus on three dimensions the first highlight on examining the relation between voluntary disclosure levels and stock liquidity such as [47]; [28]; [23] while the second test the relation between voluntary-disclosure levels and cost of equity capital such as [13]; [59], and the last investigate the determinants of voluntary disclosure such as [76]. but, A limited number of studies has been devoted to the inspect of the value-relevance of voluntary disclosure particularly in emerging market such as Jordan, see [76]; [30]; [18] find That there is no impact of the corporate information disclosure on the firm's value nor on financing cost, in accounting the informational asymmetry, Encourage companies to publish more information specially private information to get general gains in economic efficiency. [77] detect there is positive association between information disclosed and firm value also the majority of previous empirical research regarding voluntary disclosure used quantitative methods it's result become clear that the evidence achieved has mixed and limited, which encourage to used the qualitative characteristics and perspective of accounting information users, to measure the effect of voluntary disclosure on decision making process. Voluntary disclosure can enhance or reduce firm value depending on the complex interplay of a number of possibly conflicting factors.

The assessment influence of VD will be conducted throughout two dimensions. First dimension is to investigate the perceptions of Jordanian users toward the importance of VD for their decisions. Accounting researches' suggests that the presentation format of financial disclosures can influence decision-making [9]; [63]; [64] the impact on investors is an interesting and important region for study.

#### 4. Hypotheses Development

This study adopted a qualitative approach, which is inductive, exploratory and interpretive in nature, therefore the researcher applied a semi-structured interview to collect the data, according to many studies such as [16]; [81] they emphasized that the financial reports hasn't provided sufficient information to the users, they find the information in annual reports is still poor and doesn't satisfy users need. [15] Discovered that various items were inadequately

disclosed and there is a gap between the users' needs of accounting information and the real information published by companies' annual reports. [65] Stated that voluntary disclosure information in annual reports has increased the users' confidence. In other word most of annual statement publish imperfect amount of information. So users or/and stakeholders believe that many voluntary items that doesn't release in actual annual reports will be important to their' decisions. Hence, there is an opportunity for increasing the extent and improving the quality of voluntary disclosure information in annual reports to increase its impact on users' decisions. Depending on that the researcher developed the first hypothesis

H0: The voluntary disclosure doesn't effect on the Quality of accounting information according to users' perspective in Jordan (when they making investment decisions).

H1: The voluntary disclosure doesn't effect on the Quality of accounting information according to users' perspective in Jordan (when they making investment decisions), which can express statistically as follows:

H0:  $\beta = 0$  vs H1:  $\beta \neq 0$

H0:  $\rho = 0$  vs H1:  $\rho \neq 0$

#### 5. Research Methodology

The FASB considers the "qualitative characteristics" as a proxy to measure the quality of accounting information [57]. Accounting regulators always seek to make financial statements more relevant and reliable, This study aims to test the influence of corporate voluntary disclosure on the quality of accounting information in Jordanian listed companies according to users perspective, We hypothesised that corporate voluntary disclosure has impact, which it can influence users' perceptions toward companies, consequently it can influence corporate market value. To examine VD impact on quality of accounting information (qualitative characteristics), we applied qualitative method to gather users' perceptions toward the importance of corporate voluntary disclosure on the quality of accounting information, depending on accounting literature [17], there is no specific criteria to measure the disclosure quality, but there is no actual explanation or clear guide for the selected items to measure the extent of voluntary disclosure.

So the researcher measured the independent variable "voluntary disclosure" in both annual reports and corporate web sites using disclosure index (six categories; general corporate information, audit committee, financial information, forward-looking information, employee information, social responsibility and environmental policy, board structure disclosure [12] see in appendix 1), according to study aims the researcher eliminate all the information that is mandated, All these disclosure items will be questioned and checked in the interview, and the quality of accounting information (dependent variable) will measured by using the qualitative characteristics as a proxy, it is imperative to recognize the characteristics of good information which is known for its qualitative characteristics. The qualitative

characteristics that make accounting information useful for decision-making purposes are as follows: measurement instrument to comprehensively measure the quality of accounting information is the fundamental qualitative characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness), Consistency and Feedback value. According to SFAC No.2 (1980), relevance and reliability are described as the two most important qualities that make accounting information useful for decision-making [44].

The assessment of VD will be conducted throughout two dimensions. First dimension investigate the perceptions of Jordanian users toward the importance of VD for their decisions. Accounting literature finds that the financial report format effect on the decision making process [64]. Which consider important issue to discover relation between and users' decisions which consider attractive and important area to study?

As we mentioned previous most prior studies use the quantitative method for data collection, but in current study, the researcher will use semi-structured interview, like [55] who used this method (interviews) in his study, interviews is an interaction between two persons face to face to collect data; it is a technique of data gathering from humans by asking them questions and getting the answers and noticed the react verbally (face to face). The benefits of testing voluntary disclosure in Jordanian environment need to be examined carefully due to its effect in users' decisions which

will enrich the accounting literature by discovering benefits of increased voluntary disclosure to be observed and empirically tested. And how revealing more information voluntarily to the capital market which may enhance the company competitive disadvantage, assuming that this information is relevant to competitors.

Therefore investors might think or misinterpret the intentions of the company information when it provides more information to the capital market without any obligation to do so. In addition, because shareholders need more information to help them regarding their investments, Companies are facing a threat of declining their share price and how users' specifically investors improve their opportunities usefulness decisions, consequently firms need to discover ways to warranty their shareholders to still worth to invest in it, so the asymmetry information influence the investors' decisions; consequently understanding the value content of voluntary disclosure is becoming important, And that lead to detect the levels of voluntary disclosure on users decisions. The semi-structured checklist were used via researcher for 12 respondents (gave them code R1-R12 see appendix 4), two from each group 6 groups of accounting information users (financial managers, financial analysts, auditors, academics, creditors and investors)to rate the importance level. The researcher identified several criteria to understand the concept of "voluntary disclosure" independent variable see appendix no.2, and used the qualitative characteristic to measure and understand the quality of accounting information.

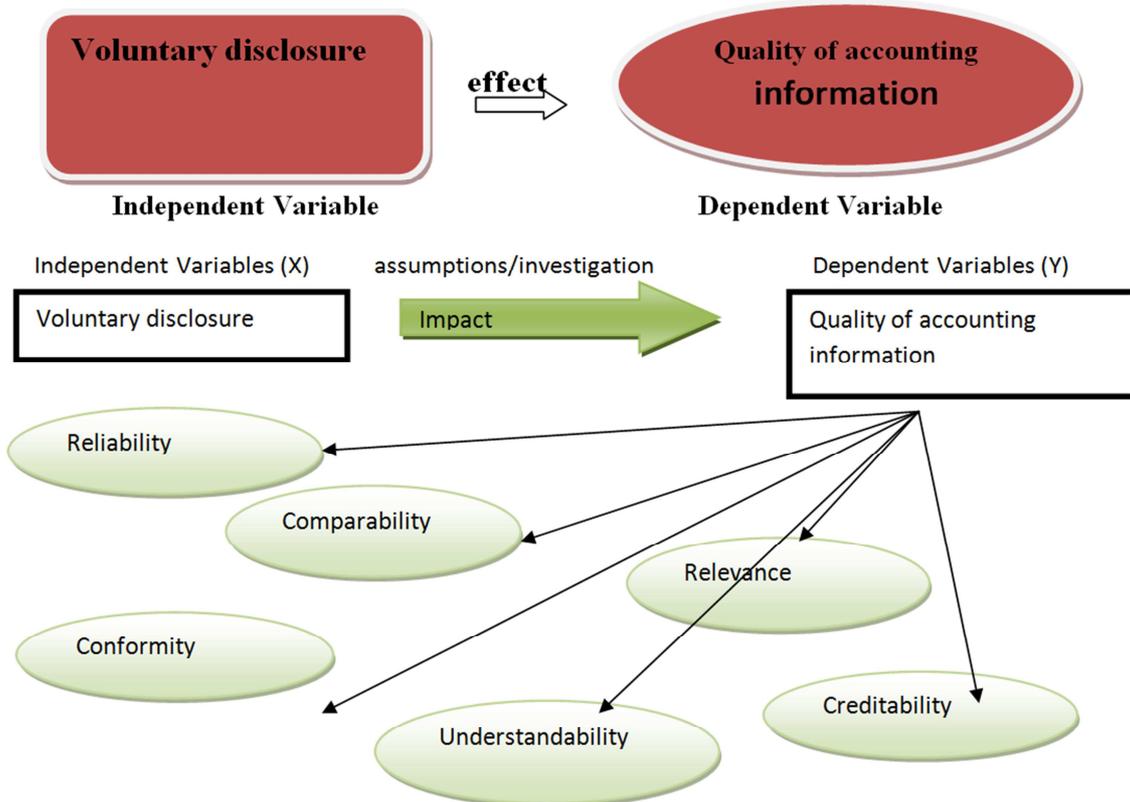


Figure 1. Overview of the Nature of the study.

## 6. Results and Discussion

This section is concerned with qualitative analysis in which twelve respondents were selected, two from each group because each group have different needs and wants (heterogeneous groups) which mean different opinions, in order to measure stakeholders' perceptions regarding VD effect on the quality of accounting information, and the main differences between these groups. Also show the results underlining the main issues emerging from the twelve interviews, which were conducted in Jordan between January 2016 and June 2016. The researcher organized interview questions (see appendix no.3) as a guide - with preset neutral questions and queries - to reduce his interference, and to make sure that all questions are designed completely and consistently with the major themes under investigation. The checklist questions and theoretical framework will diminish researcher bias. There are different types of qualitative data analysis available software, such as NUD\*IST, ATLAS and NVIVO.

NVIVO was trialed and compared with manual qualitative data analysis. Manual qualitative data analysis was found to be more valuable as the researcher was more concerned in it and got 'closer' to the data, becoming used to the participants' words and using the analysis to collect thoughts and themes. The researcher used the manual method to analyze the interviews and justified why this method chosen; Qualitative data analysis software was more time-consuming as the researcher had to draw tree nodes with different themes and sub-nodes with related themes on paper before putting them on NVIVO. This consumed more time than using colour codes (using highlighter pens) to connect between different themes of the same issues in a transcription methods table. The second reason is discrepancies between Word and NVIVO document pages. Some features were missing in NVIVO and the software sometimes suddenly shut down after more than six hours of work [49], causing a loss of analysis. The third reason the number of interviewees, twelve, which didn't need analysis by software, in order that the researcher preferred to use manual data analysis; the researcher started the analysis process by reading the interview transcripts [22]; [43]; [49], Before describing the Qualitative Data Analysis (QDA), the researcher will highlight the various types of QDA and define qualitative data: unlike other data, they consist of words and observation rather than numbers, and analysis and interpretation are essential to becoming more meaningful and understanding. This requires creativity, discipline and a systematic approach. There is no best method of applying analysis; the process will depend on the questions wishes to answer, the needs of information that collected, and the resources that are available [75]; [54]; [49].

According to qualitative data analysis (QDA), there is a variety of procedures whereby researchers move from the qualitative data that have been collected to explanation, understanding and interpretation of the interviews. QDA is usually based on an interpretative philosophy. To ensure that important data were not lost the analysis process start quickly

after finished interviews, the first step started through read and re-read the interviews transcripts three times to guarantee that the data recorded were correctly classified, with similar ideas grouped in and significance meaningful units, within the second step, the researcher aims to understand, recognize the data carefully, because good analysis stemmed from understanding the data.

Then, the researcher begins to write down any impressions, notes or markers in order to facilitate the analysis process, because this will be useful, then the researcher review the purpose of the study, regarding the key questions that the thesis study aims to answer. Great efforts are made to gain impressions/opinions extracted from the interviews, to find the best answers to the study problem. The last step is categorizing the information, also known as data coding.

The first step in analysis stage is to consider the quality of the data and focus at the same time on research questions, huge efforts applied to extracted impressions/opinions through the interviews; to helping the researcher to identify the best solution to the study problem. Also, the researcher look for to perceive and recognize how all the respondents reply to each question, is there are similarity or differences, which will help in the phase of classifying the data, to discover the relations and associations between the answers and the issues or themes [49].

The second step is categorizing the responses, coding the data (developing codes ) categorizing does not mean assigning numerical codes such as in qualitative analysis, but basically labeling variables and respondents that are similar with any codes or values may used (plus +, minus – and very bright (.)).

The first question put to the interviewees to explore their views about the nature of the voluntary disclosure (definition, importance and purposes). The respondents' answers towards this question may help to explore how they see voluntary disclosure. The analysis based on the answers given to this question is presented as follow.

**Table 1.** Focused Coding for Question 1, 4 (Views on the nature of voluntary disclosure, purpose and the importance).

<b>Question 1: To what extent you informed on the voluntary disclosure concept, (definition, and the purpose of the application and the importance of voluntary disclosure)?</b>	
<b>Question 4: Could you please state your opinion on the aims and importance of voluntary disclosure? What's your opinion</b>	
<b>Focused Coding</b>	
1	Any information published by the company and its not mandatory
2	Better financial reports disclosure
3	May be affects negatively or positively the reputation of the company and considered indicator to bankruptcy.
4	Protect the company and its consider a competitive advantage
5	voluntary disclosure used by managers in order to protect the company from undervaluation and when performance is weak
Theme	All of the respondents have a good knowledge regarding voluntary disclosure concept. Then, voluntary disclosure is responsible by management. They are determine what, when and how much to publish. (100%)

The results as presented in Table 1 above relating to question 1 and 4, show that, All groups (100%) confirmed that voluntary disclosure (VD) will improve the level of information disclosure and increases the credibility and transparency of the information provided. The majority of interviewees (80%) from all groups of respondents agreed that VD improves the accuracy of information presented through financial reports. Moreover, there was a consensus among respondents about the effectiveness of VD on the quality of accounting information and they agreed that it plays a significant role in enhancing financial reporting. so, voluntary disclosure different if compared with mandatory disclosure, through VD depend completely in managements, they are the only part who decide what, when and how much to disseminate, They are responsible for what will be known to the public and have to choose what would be the best alternative for their firm.

**Table 2.** Focused Coding for Question 2, (Views on the effect of voluntary disclosure, on the relevance characteristics).

<b>Question 2: In your opinion how do you see the effect of voluntary disclosure in the accounting information in Jordan companies? Is it improve the qualitative relevance characteristics</b>	
<b>Focused Coding</b>	
1	voluntary disclosure make accounting information more relevance
2	Better financial reports disclosure
3	May be affects negatively or positively the reputation of the company and considered indicator to transparency.
4	Protect the company and its consider a competitive advantage
5	voluntary disclosure maybe used for manipulation
Theme 1	Voluntary disclosure improve the relevance of accounting information(83% of interviewee)
Theme 2	Voluntary disclosure it is possible publish information in order to achieve the purposes concerning administration (17% of interviewee)

The results as presented in Table 2 above relating to question 2, we get two important theme the first one is *Voluntary disclosure improve the relevance of accounting information* this view sported with ratio 83% of interviewee interviewer R4 his opinion "*Voluntary disclosure of business data, Sales, Products and Operations usually disseminate about internal operating data and performance measurements that used by the management to handle the business and that will make the voluntary disclosure more suitable for users decision in other word more relevance*" also R7 comment on this issue by: "*the voluntary disclosure will improve how users understand its operation , financial position ...etc which will protect the company and its consider a competitive advantage for the firms*".

The second theme is *Voluntary disclosure it is possible publish information in order to achieve the purposes concerning administration* this view sported with ratio 17% of interviewee, interviewer R5 his opinion "*voluntary disclosure of information about any aspect of firms activities and making a difference in the decisions, even positively or*

*negatively but sometimes the company may published some information in order to achieve private purposes such improve the management performance, so may used VD as a tool for manipulation"*

**Table 3.** Focused Coding for Question 3, 9 (Views on the effect of voluntary disclosure, on decision).

<b>Question 3: According to your knowledge Is there companies applied voluntary disclosure, and do you think its effect or modified your or plain?</b>	
<b>Question 9: Do you think VD information that isn't containing in financial statement is more useful for decision making process?</b>	
<b>Focused Coding</b>	
1	Any more information often will improve or enhance the knowledge of the users
2	Better decisions resulted from voluntary disclosure
3	Corporate disclosure in annual report considerably influences the degree and the quality of investment decisions made by users.
4	company managements provide accounting and other information deemed relevant to the decision needs of users of their annual reports
Theme 1	Voluntary disclosure improve the decision making process (100%)

The results as presented in Table 3 above relating to questions 3 and 9, show that respondents (100%), agree that voluntary disclosure improve the decision making process. Two axes for this issue (effect of voluntary disclosure, on decision) resulted from interviewee respond one theme which discern that all the responded emphasize that voluntary disclosure enhance the level of knowledge: *Voluntary disclosure improve the decision making process* this perspective supported from the all groups for example: R12 comment "*Voluntary disclosure communicates company's value to its current investor and potential investors, through providing valuable information, which enable investors to easier recognize the value and predict future performance lowering the risk of the investment*".

**Table 4.** Focused Coding for Question 5, (Views on the effect of voluntary disclosure, on the faithful representation characteristics).

<b>Question 5: What is the impact of using voluntary disclosure on the faithful representation characteristics and your decisions? Explain</b>	
<b>Focused Coding</b>	
1	Accounting information will more reliability
2	Faithful representation characteristics will be superior
3	More relevance and less Faithful representation
Theme 1	Voluntary disclosure improve the decision making process through improving the relevancy more than Faithful representation (100%)

The results as presented in Table 4 above relating to questions 5, show that all respondents (100%), agree about one important positively theme were raised regarding the impact of VD on the faithful representation characteristics the theme is: *Voluntary disclosure improves the decision making process through improving the relevancy more than*

Faithful representation this theme suggested from R6: comment "the information which is voluntary differentiated more relevance and less Faithful representation". Also R9 comment: "voluntary disclosure making accounting information more reliability even the truth annual report can never be completely free from bias, and this information described objectivity" while the second theme is: "Voluntary disclosure improve Faithful representation characteristics through increase the objectivity, decrease the biased, because the firms more information which will make the picture to be more clear, really this will help users to take the best decision".

**Table 5.** Focused Coding for Question 6, (Views on the effect of voluntary disclosure, on the company reputation).

Question 6: What is the impact of using voluntary disclosure on the reputation of the company?	
Focused Coding	
1	reputation concerns offer less aggressive recommendations and more precise predictions, VD will improve the reputation but that depend on the content of the information disclosed
2	Users may understand the high levels of voluntary disclosures as an unfavourable signal about the future value of the company based on insider information known by management.
3	Voluntary disclosure affects companies' investment and financing decisions, which voluntary disclosure reduce information asymmetry and cost of capital.
4	Companies with higher reputations are more likely to issue earnings forecasts, and forecast earnings more frequently, and motivate companies to provide higher quality voluntary disclosures for several reasons. First, companies with high reputations protect stakeholder, second litigation securities litigation can harm company reputation, voluntary disclosures can be used to signal that a company is reputable and well-managed
Theme 1	Voluntary disclosure improve the reputation rankings that reflected the respondents' beliefs about the company's commitment to generate sustainable value for stakeholders, find that higher reputation companies produce higher quality financial reports(the ratio 75%)
Theme 2	Voluntary disclosure may diminish the reputation of the firms if the voluntary disclosure published bad news (25%)

The results as presented in Table 5 above relating to questions 6, show that respondents have two important theme raised from this question the first theme is Voluntary disclosure improve the reputation rankings of firms this theme supported with high ratio (75%) see R6 believe that the "Companies with higher reputations are more likely to issue earnings forecasts, and forecast earnings more frequently, and motivate companies to provide higher quality voluntary disclosures for several reasons. First, companies with high reputations protect stakeholder, second litigation securities litigation can harm company reputation, and voluntary disclosures can be used to signal that a company is reputable and well-managed" also three participants who believe that the voluntary disclosure will enhance the reputation see R8 comment that: "Voluntary disclosure affects companies' investment and financing decisions, which voluntary

disclosure reduce information asymmetry and cost of capital". The second theme detect that voluntary disclosure may diminish the reputation of the firms if the voluntary disclosure published bad news this theme supported with ratio (25%) see R1 who reveal that disclosure provide less aggressive recommendations and more precise predictions, VD will improve the reputation but that depend on the content of the information disclosed because sometimes these information will effect negatively on the firm reputation, and this opinion deal with what R12 said to be honest with you users may understand the high levels of voluntary disclosures as an unfavorable signal about the future value of the company based on insider, (content ) information known by management.

**Table 6.** Focused Coding for Question 7, (Views on the effect of voluntary disclosure, on the qualitative characteristics of accounting information).

Question 7: The application voluntary disclosure impact on the qualitative characteristics? If yes explain how	
Focused Coding	
1	voluntary disclosure effect positively on Relevance characteristics by modify as the capability "of making a difference in the decisions made by users in their capacity as capital providers"
2	Voluntary disclosure makes the accounting information more complete, neutral, and which in turn improve the ability of users for prediction and taking economic decisions.
3	voluntary disclosure information, adds valuable value to the balance sheet and income statement, and enlarge explaining and providing more insight into earnings figures
4	voluntary disclosure in a narrative explanations shape, help to increase the understandability of information (increase the understandability of the information)
Theme 1	Voluntary disclosure enhance fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial reporting information. The enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are established.(100%)

The results as presented in Table 6 above relating to questions 7, show that respondents have one theme (100%), in details we discovered one theme which emphasize that voluntary disclosure improve the fundamental qualitative characteristics, and enhancing qualitative characteristics see opinion R7 "voluntary disclosure information, adds valuable value to the balance sheet and income statement, and enlarge explaining and providing more insight into earnings figures" the same think mentioned by R10 "voluntary disclosure in a narrative explanations shape, help to increase the understandability of information (increase the understandability of the information)also R5 support the prior perspective who comment that "voluntary disclosure information, adds valuable value to the balance sheet and income statement, and enlarge explaining and providing more insight into earnings figures "and that indicate VD improve the qualitative characteristics.

**Table 7.** Focused Coding for Question 8, (Views on methods used to measure voluntary disclosure are suitable for comparability among companies).

Question 8: According to your experience do you think that the methods used to measure voluntary disclosure reliability which are consider suitable for comparability among companies	
Focused Coding	
1	voluntary disclosure enables users to identify similarities in and differences between two sets of economic information
2	Voluntary disclosure improves comparability between different companies When assessing the comparability of financial and non- financial information for different companies, such as policies used, the explanation of transactions and other actions that consider importance
Theme 1	Voluntary disclosure improve the reliability of information which will make the information more easy to compare the company with its competitors

The results as presented in Table 7 above relating to questions 8, show that all respondents have approximately one theme that extracted from the interviewee opinions which is voluntary disclosure increase the ability to making comparability with historical data "Voluntary disclosure improve the reliability of information which will make the information more easy to compare the company with its competitors and competitors" this is clear from R3opinion "Voluntary disclosure improves comparability between different companies When assessing the comparability of financial and non- financial information for different companies, such as policies used, the explanation of transactions and other actions that consider importance "also the interviewee R6 declare" voluntary disclosure enables users to identify similarities in and differences between two sets of economic information".

According to analysis phase we arrived to the following facts:

1- 100% of respondents believed that voluntary disclosure important for companies and for users at the same time.

2- 83% of respondents assumed that voluntary disclosure will enhance the relevancy of accounting information, while 17% percent thought that voluntary disclosure applied by companies for private goals.

3- All respondents confirmed with ratio 100 percent , that they believe voluntary disclosure for new information does not available in financial reports will improve the decision making process for themselves. Also this information will improve the faithful representation characteristic of accounting information with 100 percent ratio, this clear from their opinion regarding question number five (5).

4- 75 percent of respondents opinions believed that voluntary disclosure improve the company reputation positively while 25 percent have opposite view, that voluntary disclosures affect on reputations companies' negatively.

5- One of the important facts discovered that all the different groups' consensus about the importance of voluntary disclosure in improving qualitative characteristics which in turn improve the comparative characteristics among firms.

So according to the previous facts, conclude significant

result, to reject the nil hypothesis, and acceptance of alternative hypothesis, which states that the voluntary disclosures improve the quality of accounting information.

## 7. Conclusion and Recommendation

It is considered that the first studies aims to examine the effect of voluntary disclosure on the quality of accounting information in Jordan, to illustrates the viewpoints of different users and measures the actual voluntary disclosure level in Jordanian corporations, by using the qualitative method(semi-structure interview). From the analysis for previous interviewee transcript the researcher revealed the following findings:

*Firstly*, one of the important result that voluntary disclosure used by managers in order to protect the company from undervaluation and when performance is weak, they favor to disseminate the bad news by themselves in order to avoid a quick drop in stock prices. They are willing to better communicate with stakeholders because they fear of job loss; managers apply voluntary disclosure to explain poor stock and earnings performance (Healy and Palepu 2001), using higher level of voluntary disclosure will improve the analyst usefulness. More information available will lead to higher levels of prediction

*Secondly*, the most important finding is all accounting information users have high agreement about the important of voluntary disclosure items; in addition, there are significant gaps between users' requirements and Financial Managers' viewpoints of information disclosure. That firms need to disclose much more information (qualitative and quantitative) to meet the requirements of different users, (users' needs about information disclosure, and the disclosure should meet the requirements).

*Thirdly*, Voluntary disclosure enhances fundamental qualitative characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) which can improve decision usefulness.

*fourthly*, Voluntary disclosure improve the reputation rankings to generate sustainable value for stakeholders, because higher reputation companies produce higher quality financial reports, but also voluntary disclosure may diminish the reputation of the firms if the voluntary disclosure published bad news, however, the interviews show that investors and financial accountants have a different view regarding VD application, considering it bad signals; this view concurs with results achieved in other studies applied in developed countries, such as (Smith 1994; Francis et al. 1996).

*Fifthly*, the important result according to users perspective is voluntary disclosure improve quality of accounting information and this in turn will enhance the users economic decisions

Finally, the respondent in this study have suitable experience about voluntary disclosure, which lead to draw strong conclusions. The researcher believes that many users

will use these finding to assist them when making decisions and the findings will be very important for several user groups; for example, accountants could use these conclusions to detect how they can satisfy financial analysts need. Auditors could use these findings to spotlight on areas that are worth more attention. Academic may want to assess the current effectiveness of voluntary disclosure and they can improve it.

Based on the results of this study, it is recommended that all companies should disclose any information may affect or and modify the users decisions, whether this information is mandatory or optional and I think this issue need more investigate, through applying a different methods such as questionnaire.

### Appendix No. 1 The Categories Used to Measure Voluntary Disclosure

Financial Information
Forward-looking Information
General Corporate Information
Audit Committee
Board Structure Disclosure
Employee Information, Social Responsibility and Environmental Policy

Source (Binh, 2012)

### Appendix No. 2 A Detailed Explanation of the Elements Used to Measure Voluntary Disclosure (Checklist List)

General Corporate Information
Corporate mission statement 3 Brief history of the corporation (the establishment and development)
General information about the economy
Description of major goods/products 5 Analysis of enterprises' market share
Business environment (economics, politic...)
Statement disclosure relating to competitive position in the industry
Description of marketing networks for finished goods/products/ service
Information of member companies
Methods of quality control
Company's achieved awards
Corporate contribution to the national economy
Significant issues during the year
Financial Information
Summary of financial data for the last 3 years
Foreign currency fluctuation information during the year
Advertising and publicity expenditure
Bank loan(debts) new debts mortgage and their use
Supplementary inflation adjusted financial statements
Share price information
Audit Committee
The role and function of the audit committee
Names and qualifications of the members of audit committee
Number of members on audit committee
Number of committee meetings
Attendance at committee meetings
Statement of independence

Report on completed work
Forward-looking Information
Sale expanding plan, Project of cash flows
Marketing plan, distribution system expanding plan
Effect of business strategy on future performance
Projection of research and development expenditure
Planned advertising and publicity expenditure
Earnings per share forecast
Future sales forecast
Planned capital expenditure 40 Future profit forecast
Factors that may affect future performance
New product/service development
Employee Information, Social Responsibility and Environmental Policy
Total amount of employees for the last two or more years
Category of employees by sex
Amount of employee remuneration, remuneration policies and bonus
Categories of employees trained
Expenses for employee training
Policy on employee training
Reasons for change in employee number
Qualification of the accountants
Data on workplace accidents
Disclosure of welfare policy
Redundancy , Recruitment policy
Cost of safety measures 56 Company's contributions to the community
Factors of corporate culture, Environment protection programs
Information about safety policy
Board Structure Disclosure
Education and professional qualification of directors
Name, age and address of directors
Skills and experiences of directors
Directors' interests in competing businesses
Directors' shareholding in the company and other related interests
Number of meetings per year
Qualification of the company's secretary
Director's analysis of the fee and other benefits disclosure
Director's analysis of the remuneration-performance-based compensation
Director's analysis of the remuneration-non-performance-based compensation
Role and function of the remuneration committee
Directors' current accounts/loans to officers
Directors' interests in significant contracts
A statement of the interests of each director and CEO of the company in equity or debt securities of the company or any associated corporation (class and number of such securities)
Commentary on the quality of the company's key relationships with investors, employees, customers, creditors, suppliers, and other significant parties

Source (Binh, 2012)

The actual disclosure by firms' annual reports		
Description of major goods/products	Number of Index	Percentage of firms disclosure (%)
Brief history of the corporation (the establishment and development)		
Name, age and address of directors		
Education and professional qualification of directors		
Significant issues during the year		
Skills and experiences of directors		
Directors' shareholding in the company and other related interests (e.g. stock options)		
Analysis of enterprises' market share		
New product/service development		

Source (Binh, 2012)

## Appendix No. 3 The Interview Questions

Q. NO	Question
	What is your title? Mr /Mrs / Miss /Ms
	What kind of education do you have in accounting?
	For how many years have you worked with accounting issues?
Question 1	To what extent you informed on the voluntary disclosure concept, (definition, and the purpose of the application and the importance of voluntary disclosure)?
Question 2	In your opinion how you see the effect of voluntary disclosure in the accounting information in Jordan companies? Is it improve the qualitative relevance characteristics
Question 3	According to your knowledge Is there companies applied voluntary disclosure, and do you think its effect or modified your decision or plain?
Question 4	Could you please state your opinion on the aims and importance of voluntary disclosure? What's your opinion
Question 5	What is the impact of using voluntary disclosure on the faithful representation characteristics and your decisions? Explain
Question 6	What is the impact of using voluntary disclosure on the reputation of the company?
Question 7	The voluntary disclosure application and its impact on the qualitative characteristics? If yes explain how?
Question 8	According to your experience do you think that the methods used to measure voluntary disclosure reliability which are consider suitable for comparability among companies
Question 9	Do you think VD information that isn't containing in financial statement is more useful for decision making process?

## Appendix No.4 Coding Used for the Respondent in the Interviews

(Auditors, Creditors, Investors, Financial analysts, Accountants, Academics and Customers)

Financial manager	R1
Financial manager	R2
Auditor (5)	R3
Auditor (6)	R4
Financial Analyst (7)	R5
Financial Analyst (8)	R6
Academic (9)	R7
Academic (10)	R8
Creditor/ Bank (11)	R9
Creditor/ Bank (12)	R10
Investor (13)	R11
Investor (14)	R12

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