



**The Moderating Role of Audit Quality on the
Relationship between the Value Relevance of
Accounting Information, Ownership Structures and
Share Prices in the Amman Stock Exchange**

by

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LIST OF ABBREVIATIONS

AFM	Amman Financial Market
ASE	Amman Stock Exchange
JSC	Jordan Securities Commission
SDC	The Securities Depository Center
SP	Share Price
VR	Value Relevance
FS	Financial Statements
AQ	Audit Quality
AFS	Audit Firm Size
EPS	Earnings Per Share
AT	Audit Tenure
BV	Book Value
DPS	Dividend Per Share
FORE	Foreign Ownership
GOV	Government Ownership
INST	Institutional Ownership
ERC	Earning Response Coefficient
JACA	Jordanian Certified Public Accountants Association
EUROS	The European Supreme Audit Institution
OECD	Organization for Economic Cooperation and Development
IFRS	International Financial Reporting Standards
FASB	The Financial Accounting Standard Board
CONC	Concentration of Ownership
GDP	Gross Domestic Product
IASB	The International Accounting Standards Board
IAASB	International Auditing and Assurance Standards Board
RIVM	Residual Income Valuation Model
GAAP	generally accepted accounting principles
IFRS	International Financial Reporting Standards
P/E	Price to Earnings Ratio

Peranan Moderasi Kualiti Audit pada Hubungan antara Relevansi Nilai Maklumat Perakaunan, Struktur Pemilikan dan Harga Saham di Bursa Saham Amman

ABSTRAK

Terlalu sedikit pengetahuan yang diketahui mengenai peranan maklumat perakaunan dari segi kemampuannya menjelaskan perubahan harga keselamatan syarikat yang tersenarai di Bursa Saham Amman (ASE). Hampir semua bukti di kawasan ini diperoleh dari Amerika Syarikat atau negara-negara Eropah Barat yang mempunyai pasaran yang canggih berbanding dengan kebanyakan negara membangun. Oleh itu, kajian ini dijalankan bagi menyumbang lebih banyak pengetahuan mengenainya dengan menyelidiki hubungan tersebut di Jordan, sebuah negara membangun. Secara khusus, kajian ini menyiasat peranan moderasi kualiti audit terhadap hubungan antara relevansi nilai maklumat perakaunan, struktur pemilikan dan harga saham di ASE di Jordan untuk tahun 2010 hingga 2018. Model kajian ini secara teori berasaskan pada kedua-dua agensi dan teori isyarat. Bagi mengkaji model yang dikembangkan, data yang diperlukan telah dikumpulkan melalui laporan tahunan dari 195 syarikat yang tersenarai di dalam Bursa Saham Amman. Bagi menganalisis data, kajian ini menggunakan metodologi data panel pada 95 syarikat dengan 855 pemerhatian. Berdasarkan hasil data panel, model kesan tetap dan model kesan rawak telah digunakan untuk meneliti pengaruh relevansi nilai maklumat perakaunan, struktur pemilikan dan kualiti audit terhadap harga saham. Penemuan kajian menunjukkan bahawa perkaitan nilai maklumat perakaunan mempunyai pengaruh yang signifikan terhadap harga saham syarikat Jordan yang tersenarai di ASE dan bahawa pendapatan sesaham mempunyai kesan positif tetapi tidak signifikan terhadap harga saham, nilai buku mempunyai kesan negatif dan signifikan terhadap harga saham, dividen sesaham mempunyai kesan negatif walaupun tidak signifikan terhadap harga saham dan aliran tunai mempunyai kesan negatif walaupun tidak signifikan terhadap harga saham. Di samping itu, struktur pemilikan mempunyai pengaruh yang signifikan terhadap harga saham syarikat Jordan yang tersenarai di ASE dan bahawa pemilikan asing mempunyai kesan positif tetapi tidak signifikan terhadap harga saham, pemilikan institusi mempunyai kesan positif dan signifikan terhadap harga saham dan penumpuan pemilikan mempunyai kesan negatif dan signifikan terhadap harga saham. Selain itu, kualiti audit, sama ada ukuran firma audit, kepemilikan audit dan yuran audit mempunyai kesan moderasi yang signifikan terhadap persatuan harga saham dengan relevansi nilai maklumat perakaunan dan struktur pemilikan. Selain dari memberikan cadangan bagi kerja penyelidikan masa depan, kajian ini memberikan pemerhatian mendalam mengenai kegunaan relatif relevansi nilai maklumat perakaunan, struktur pemilikan dan kualiti audit dan membantu para pelabur, pengawal selia, penganalisis, dan pihak berkepentingan lain dalam menilai harga saham syarikat Jordan yang disenaraikan di ASE, yang dapat menghasilkan peruntukan sumber ekonomi yang lebih baik dengan membenarkan para pelabur mengambil keputusan pelaburan yang tepat, sehingga dapat mempromosikan pasar modal Jordan yang lebih efisien.

The Moderating Role of Audit Quality on the Relationship between the Value Relevance of Accounting Information, Ownership Structures and Share Prices in the Amman Stock Exchange

ABSTRACT

There is little known about the role of accounting information in terms of its ability to explain changes to the security prices of listed companies on the Amman Stock Exchange (ASE). Almost all evidence in this area is obtained from the United States or Western European countries which have sophisticated markets compared to most developing countries. Hence, this study attempts to contribute to literature by investigating such relationship in Jordan, a developing country. Specifically, this study investigates the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE in Jordan for the year 2010 to 2018. The model of this study was theoretically founded on both the Agency and the Signaling Theories. To examine the developed model, the required data were gathered from the annual reports of 195 listed firms in the ASE. In analyzing the data, this study utilized the panel data methodology on 95 companies with 855 observations. Based on the panel data results, the fixed effects model and the random effects model were used to examine the effect of the value relevance of accounting information, ownership structure and audit quality on the share prices. The findings of the study indicate that the value relevance of accounting information have a significant effect on the share prices of the Jordanian companies listed on the ASE and that the earnings per share has a positive though non-significant effect on share prices, the book value has a negative and significant effect on share prices, the dividend per share has a negative though non-significant effect on share prices and the cash flow has a negative though non-significant effect on share prices. In addition, the ownership structure has a significant effect on the share prices of the Jordanian companies listed on the ASE and that foreign ownership has a positive though non-significant effect on share prices, institutional ownership has a positive and significant effect on share prices and concentration of ownership has a negative and significant effect on share prices. On the one hand, audit quality, audit firm size, audit tenure and audit fees has significant moderating effects on associations of the share prices with the value relevance of accounting information and ownership structure. Besides providing suggestions for future research work, this study provides deep insights into relative usefulness of the value relevance of accounting information, ownership structure and audit quality and assists investors, regulators, analysts, and other stakeholders in evaluating the share prices of Jordanian companies listed on the ASE, which may result in better allocation of economic resources by enabling the investors to take informed investment decisions, thus promoting a more efficient Jordanian capital market.

CHAPTER 1 : INTRODUCTION

1.1 Background of the Study

Financial statements consist of various types of information such as financial information, non-financial or accounting information, and non-accounting information (Vijitha & Nimalathan, 2014). Basically, the management is responsible for preparing and presenting the financial statements of their organizations, therefore, they need to ensure that the data represent the actual financial position of their company (Bankole & Ukolobi, 2020). Financial accounting information is a product of corporate accounting and external reporting systems that measure and disclose to the public the audited quantitative data relating to the financial position and financial performance of publicly owned companies. These financial statements, in accordance with International Financial Reporting Standards (IFRS), contain four main qualitative characteristics that must be met in order for them to succeed in their purpose: reliability, relevance, understanding ability, and comparability. The International Accounting Standard Board (IASB) Framework (2011) shows that accounting information is only relevant when users are able to evaluate past, present or future events in taking economic decisions.

Assessing share price of a firm is an important element in the economic decision-making process (e.g., assessing risk and returns of probable investments; valuation of securities; evaluating short-term versus long-term investments; and capital budgeting) (Oroud, Islam, & Tunku, 2016). In this regard, the fundamental objective of the accounting information is to enable its users to assess the firm's ability to predict share price in sustainable manner, thus enhancing their own investment decision making

(Okolie & Izedonmi, 2014; Ola, 2018). Moreover, accounting information provides a fundamental basis for investment decision-making with regards to assessing share prices of a firm for stakeholders and other users. Stakeholders, especially shareholders, therefore need relevant accounting information in a timely manner to help them make informed decision/s (Elbakry, Nwachukwu, Abdou, & Elshandidy, 2017). To this end, value relevance has developed to provide empirical evidence of a statistical correlation between the accounting information and share prices. Value relevance has been a subject of interest to investors, and regulatory bodies in order to enhance market-based investment decision-making (Djalil & Tabrani, 2016).

Value relevance is characterized as the ability to justify stock market behavior by the accounts included in the financial statements and accounting data, such as earnings per share, and is termed value relevant if it is significantly related to the dependent variable, which may be expressed by price, return or abnormal return (Oyerinde, 2011). The correlation between the value relevance of the accounting information with the share price was investigated in particular and found to be important (Mirza, Malek, & Abdul-Hamid, 2019; Modi & Pathak, 2014; Musa, 2013; Omokhudu & Ibadin, 2015; Shamki & Alulis, 2016; Siyanbola, 2014).

Recent studies posit that value relevance of accounting information are driven based on the fact that listed companies make use of financial reports as part of the significant means of communicating with the public and their equity shareholders at large (Oyerinde, 2011). In Jordan, for example, the Corporate Governance Code 2009 allows the directors of all firms listed on the Amman Stock Exchange (ASE) to draw up financial reports and report them annually. In addition, the ASE requires all companies

on the first tier of the market to present their financial statements to the Stock Exchange on a quarterly, semi-annual and annual basis. It is also imperative that the second-tier companies must present their financial statements to the stock exchange annually (Shamki & Alulis, 2016). Any data obtained from the accounting system of a corporation is accounting information that can either be found in a financial statement, a special report or an oral statement (Mirza, Malek, & Hamid, 2018). For the purposes of this study, accounting information refers to the full or partial financial statement information in written form— balance sheet or profit and loss account or cash flow statement. This study examines whether these various items of accounting information affect the share prices of Jordanian companies listed on the ASE or not.

On the one hand, in recent times, the issue of corporate governance and ownership structure (which is a mechanism for corporate governance) has become the highly debated topic in business and finance due to balance sheet manipulation and the collapse of public companies such as Enron and WorldCom. Since these events, corporate governance has undergone different changes (Dakhlallah, Rashid, Abdullah, & Dakhlallah, 2019). The ownership structure refers to the “relative amount of ownership claims that are held by insiders (managers) and outsiders” (investors who have no direct relationship to the management of the firm) (Agyei & Owusu, 2014). As an ownership structure it is key in determining the nature of the Agency Theory; that is, whether the predominant conflict is between managers and shareholders, or between majority and minority shareholders (Dakhlallah et al., 2019).

Countries around the world have begun to focus on developing corporate governance laws, particularly in developing countries. Stakeholders and other interested

parties are beginning to realize the significant role of dealing with good corporate governance practices to ultimately protect their interests (Nyaguthii, Mike, & David, 2019). Aguilera & Crespi-Cladera (2016) view that ownership can be easily compared across countries, but practices of corporate governance differs widely across the concentration of ownership. Moreover, the issue of the impact of ownership structure on share prices has been a major concern in countries around the world. Therefore, a previous study on corporate governance has attempted to investigate the relationship between ownership structure and share prices. The majority of previous studies acknowledged that companies that deal with better corporate governance practices should enjoy better financial performance, and therefore their share prices are higher than those with worse corporate governance practices (Dakhlallah et al., 2019). However, little attention has been paid to ownership structure and share prices in developing countries and particularly in Jordan (Alabdullah, Yahya, Nor, & Majeed, 2016).

The relationship between ownership structure and share prices depends on which of the owners greatly influence particular types of managerial decisions on financial reports, which in turn reflects positively on the share prices (Dewata & Isnurhadi, 2012). Many studies have shown that corporate ownership structure constitutes a critical factor in corporate governance variables that help decrease incentive of income management and mechanisms in order to balance shareholder interests that increase the importance and representational credibility of accounting information and thus obtain higher quality in the accounting information, which increases the explanatory power to explain share prices (Alkurdi, Al-Nimer, & Dabaghia, 2017; Shamki & Al-Arussi, 2015; Song, 2015).

On the one hand, financial statements are the fundamental source of information in the capital markets. It is argued that high quality auditing will improve the perception of reliability for the users (investors and shareholders) of this information (Ugwunta, Ugwuanyi, & Ngwa, 2018). One of the basic functions of external auditors is to impart credibility on financial reports by assessing, independently, the accuracy and fairness of the information presented in the reports (Okolie, 2014; Oroud et al., 2019). This makes independent external audit so important since it enhances the credibility of financial reporting needed and increases the confidence of users towards the financial statements in share prices (Jusoh & Che-Ahmad, 2014; Ola, 2018). Audit is an independent function consisting of an organized and systematic set of measures, a critical review of a person or organization's statements about the economic activities they participate in and the reporting of results to users (De-Fond & Zhang, 2014).

Consequently, audit reports substantiate the information drawn from the financial statements. Audit quality is required in order to achieve greater credibility in financial statements (Khajavi & Zare, 2016). The auditor evaluating the financial reports of the company should be independent of the management of the company and should have the ability and willingness to place confidence in the audit quality. Despite the auditing of annual financial statements, investors are growing concerned about the integrity of the financial reporting of companies due to scandals involving once well-respected companies such as Enron and Harris Scarfe and WorldCom (Ola, 2018; Ugwunta et al., 2018). Consistency of auditing promotes trust in the legitimacy and honesty of financial accounts available to investors, owners, creditors and other users (Okolie & Izedonmi, 2014). Once investors and prospective investors have confidence in the financial statements of a company, such confidence will increase the demand for

the stock of that company which will increase the share prices of the company (Jusoh & Che-Ahmad, 2014; Okolie & Izedonmi, 2014; Okolie et al., 2013; Ola, 2018; Oroud et al., 2016).

Thus far, little is known in Jordan about the capability of accounting information to explain changes in the share prices of companies listed on the ASE. As it stands, reaction of the Jordanian market, especially the share prices of listed companies, to the ownership structure have not been much researched. Therefore, this work investigates value relevance of accounting information and ownership structure in the ASE, with particular emphasis on determining whether or not accounting data and ownership structures capture information that affects the share prices of Jordanian companies and investigate whether audit quality moderates these effects. In view of this and the foregoing discussion, this study therefore seeks to investigate the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE during the period between 2010 and 2018. To this end, this study employs the Agency Theory and the Signaling Theory to provide the needed theoretical basis for an exploration of the variables that explain the importance of the accounting information, ownership structure, audit quality and the relationships of its elements with the share prices of Jordanian companies. Outcomes of this study are thus expected to contribute to predictions of future performance and investment opportunities of the investigated Jordanian, and similar, firms.

1.2 Problem Statement

The main motive for examining the share prices of Jordanian companies is the weak performance of economic activity in the ASE and steep decline in the value of shares traded in the last few years. In this regard, the ASE has suffered from continuous losses; where trading value have decreased to 88% since 2008, and initial equity issues have declined to 78%. Share prices and returns fell below one dinar in 50% of the remaining listed companies, and the average trading days decreased to 139 days per year in 2017 instead of 182 days in 2008, out of 250 days of trading (Amman Stock Exchange website, 2018). Moreover, the decrease in the number of listed companies, the decrease in the total market value of shares subscribed, the decrease in the turnover rate, and the decrease in the total market value of the subscribed shares to the gross domestic product, and the decline in share price indices were observed (Amman Stock Exchange website, 2018). All of these issues call for identifying the main factors affecting the share prices of those companies because share prices have a strong propensity to change in a similar way as the overall stock market (Abdel-Aziz Ahmad Sharabati, Noor, & Saymeh, 2013). Figure 1.1 shows the decline in the stocks traded according to the ASE from 2008 to 2017.

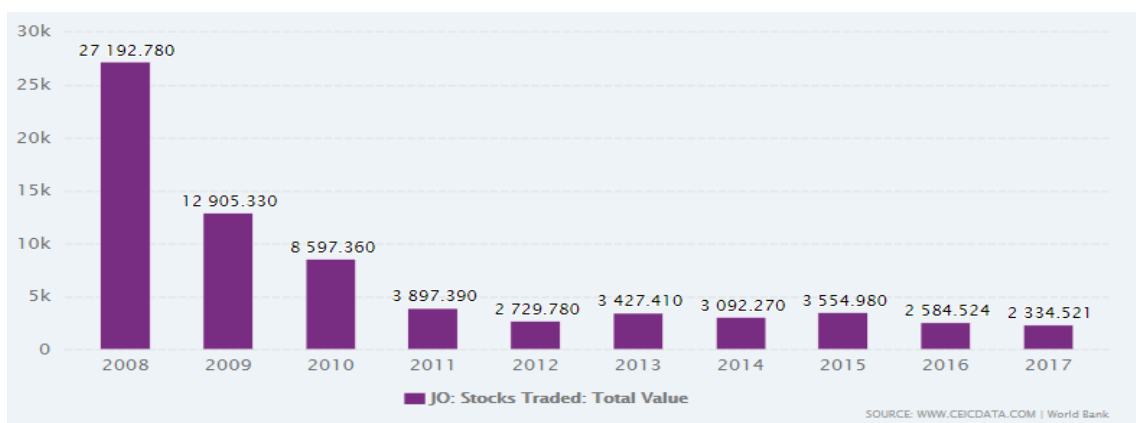


Figure 1.1: Jordan: Stocks Traded

The value and quality of accounting information are determined by its ability to meet its users' needs. Therefore, the flow of reliable accounting information is crucial to the growth of financial markets. Without that, savers would simply keep their hard-earned savings (Bankole & Ukolobi, 2020). It may not be an overstatement to say that the ASE will not function well without relevant and reliable accounting information such as book value of equity, earnings, dividends and cash flow. Deficiency in the ASE will affect the economy because capital market is the engine of economic growth (Lenee & Oki, 2017). Hence, studying whether the market prices of the shares listed on the ASE reflect that accounting information is not only important for investors but also important for economic growth in Jordan. As there is no consensus in the literature about the value relevance of accounting information over the share prices, and given the fact that specific accounting information can play an important role, one can ask about the real situation in the Jordanian capital market (Shamki, 2012). Since stocks are traded daily in the ASE, it becomes necessary to know the variables that determine the share prices and the relative importance of each variable. This is why investigating the value relevance of financial information related to share prices is important for developing countries like Jordan.

Furthermore, majority of the previous studies in the United States of America (USA) and the United Kingdom (UK) concentrated solely on earnings and book value in order to understand the behaviors of share prices (Bankole & Ukolobi, 2020; Mostafa, 2016; Oyerinde, 2011; Shamki & Rahman, 2011; Tahat & Alhadab, 2017), while a developing country like Jordan (and the Middle Eastern region) has been neglected (Shamki, 2012). Also, despite the growing importance of Jordan with respect to commerce, foreign ownership and, more importantly, portfolio investment has been

ignored in extant literature (Anandarajan & Hasan, 2010; Shamki, 2012). Only few studies have examined the value relevance of these accounting variables in Jordan (e.g., Anandarajan & Hasan (2010); Hadi (2006); Shamki (2012); Shamki & Abdul Rahman (2012); Shamki & Rahman (2011); Warrad (2017)). The limited valuation studies do not assist Jordanian companies to attain international status, attract foreign investment, and compete in global markets. Furthermore, a bulk of the previous studies refer to a certain timeframe and so, given the dynamic nature of accounting, there is a persistent need to address the gap of what is understood about the importance of accounting information. Assessing whether the results of the previous studies would be sufficient or not is important, as the firm conditions, business cultures and competitive and economic structures in each country vary considerably (Oyerinde, 2011).

In addition, previous studies have shown mixed results about the relationship between accounting information and share prices (e.g., Omokhudu & Ibadin (2015); Vijitha & Nimalathan (2014) show that accounting information, particularly earnings, has value relevance while Ayzer & Cema (2013) found that accounting information has less value relevance. However, there are contradicting opinions and conclusions about the direction of change in value relevance. Abiodun (2012) observed that an increasing trend in value relevance. On the contrary, (e.g., Miah (2012); Sharma, Kumar, & Singh (2012); Tsalavoutas, André, & Evans (2012); Vishnani & Shah (2008)) found that there was a decline in the value relevance of accounting information. This lacuna (gap) in literature coupled with the significant decline in many of the ASE performance indicators provide a basis for this study from an emerging economy such as Jordan, which is currently suffering from stagnation coupled with the continuous decline in share prices. Moreover, prior studies focused exclusively on earnings and book value to

explain share price behavior, but this present study considered book value per share, dividend per share, earnings per share, and cash flow from operations to explain the behavior of share prices, therefore establishing a gap in knowledge, which necessitated this study. In order to fill the gap in knowledge, this study investigated the relationship between value relevance of accounting information and share prices of Jordanian companies listed on the ASE from 2010-2018.

On the other hand, ownership structure is one of the main dimensions of corporate governance and is widely seen to be determined by other country-level corporate governance characteristics such as the development of the stock market and the nature of state intervention and regulation (Abdallah & Ismail, 2017; Al-Zaidyeen & AL-Rawash, 2015; Dakhlalh et al., 2019). In this regard, the Jordanian Government has enacted stringent regulations and laws, such as the 2009 Corporate Governance Code (2009) in order to encourage investment in the stock market in Jordan and maximize the degree of transparency in the financial statements (Al-Sraheen, 2014; Alkurdi et al., 2017; Buallay, Hamdan, & Zureigat, 2017). Despite measures taken by regulators, Jordanian companies have not yet reached full compliance with the Corporate Governance Act (Abbadi, Hijazi, & Al-Rahahleh, 2016). This is due to the fact that developing countries, such as Jordan, have corporate governance laws that are well documented but not well implemented (Mohammed, 2018). The main motive for investigating the ownership structure of emerging economies such as Jordan is the significant fluctuations in the number of listed companies on the ASE in recent times, where Jordan is characterized by high concentration of ownership, and this clarifies why ownership structure is the predominant mechanism of control in Jordan (Haddad, AlShattarat, AbuGhazaleh, & Nobanee, 2015).

Furthermore, little attention has been given for ownership structure and share prices in the developing countries especially in Jordan (Alabdullah, Yahya, & Ramayah, 2014). In addition, there is a lack of consensus on whether ownership structure has impact on the share prices (Ducassy & Guyot, 2017; Lee, 2011; Mohammed, 2018), for example, Amin, Rahman, & Nahar (2011) concluded that ownership structure have effect on the share prices, while the study done by Lee (2011) showed that there is no nexus between ownership structure and share prices. Therefore, the issue on whether ownership structure as one of internal governance mechanisms has impact on the share prices need further investigation, especially in Jordan, therefore establishing a gap in knowledge, which necessitated this study. In order to fill the gap in knowledge, this study investigates the relationship between ownership structure and share price of Jordanian companies listed on ASE from 2010-2018.

In other respects, the external auditor is generally involved in ensuring the reliability of the financial statements prepared by the management for shareholders (Watts & Zimmerman, 1983). In addition, the efforts made by the external auditor can reduce the consistency of information that exists between managers and shareholders (Eisenhardt, 1989; Fama, 1980). External audit is considered a controlling tool that the company uses to solve agency problems and manipulate accounting information (Jensen & Meckling, 1976). Impliedly, it is anticipated that audit quality improves the corporate governance elements and gives high quality financial reports and thus resulting in more investors relying on the company's accounting information which could eventually send good signals to the market for higher valuation of share prices (Khajavi & Zare, 2016; Ziaee, 2014). Therefore, based on the foregoing discussions and the associated literature review, the researcher underlines that studies of moderating effects of audit quality on

the contributions of the value relevance of accounting information and ownership structure to variations in share prices of companies is lacking. A dearth of studies addressing this issue identifies another knowledge gap in this field of research that the present study fills.

Hence, audit quality is another important element of the present study that endows it with added value and extra advantage because the researcher's review of the pertinent literature published since late 2010 brought to notice a multitude of related knowledge gaps as underlined in the preceding paragraph. Bearing this in mind, it is alarming that in published literature there are no studies that explore the potential for audit quality to moderate the contributions of the value relevance of accounting information and ownership structure to variations in share prices of companies, especially in Jordan. In view of this, it can be stated that the problem of the current study lies in a pressing need for identifying the impacts of value relevance of accounting information and ownership structure on share prices of Jordanian companies, identifying the impacts of audit quality on share prices of Jordanian companies, and on association of these prices with value relevance of accounting information and ownership structure in the ASE, owing to the dearth of previous studies on the subject. In light of all foregoing discussions and identified knowledge gaps, this work simultaneously investigated the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE.

1.3 Research Questions

Given the existing knowledge gaps in literature, the aim of this study was to seek answers to the following questions:

1. Does value relevance of accounting information (earnings per share, book value, cash flows and dividend per share) affect the share prices of Jordanian companies listed on the ASE?
2. Does ownership structure (foreign ownership, institutional ownership and concentration of ownership) affect the share prices of Jordanian companies listed on the ASE?
3. Does audit quality (audit firm size, audit tenure and audit fees) moderate the relationship between value relevance of accounting information and the share prices of Jordanian companies listed on the ASE?
4. Does audit quality (audit firm size, audit tenure and audit fees) moderate the relationship between ownership structures and the share prices of Jordanian companies listed on the ASE?

Answers to these questions will help in assessing the share prices in the Jordanian market as well as the response of this market and the share prices of Jordanian companies to the ownership structure, audit quality and value relevance of accounting information. Also, they will help in comparing the responses and performance of markets among countries.

1.4 Research Objectives

This study aimed to investigate the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE. As a consequence, and in line with the research problem and questions, this study was designed to achieve the following objectives:

1. To determine the effects of value relevance of accounting information (earnings per share, book value, cash flow and dividend per share) on the share prices of Jordanian companies listed on the ASE.
2. To determine the effects of ownership structure (foreign ownership, institutional ownership and concentration of ownership) on the share prices of Jordanian companies listed on the ASE.
3. To investigate whether audit quality (audit firm size, audit tenure and audit fees) moderates the relationship between value relevance of accounting information and the share prices of Jordanian companies listed on the ASE.
4. To investigate whether audit quality (audit firm size, audit tenure and audit fees) moderates the relationship between ownership structure and the share prices of Jordanian companies listed on the ASE.

1.5 Scope of the Study

This study aimed to investigate the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE. The selected research sample focused on Jordanian companies, for several reasons: first, this study is an extension of previous valuation studies in this country after the first Corporate Governance Code was established in 2009. Second, Jordan has had stable policies and practices in finance and accounting for a long time (The Central Bank of Jordan, 2018), which might also improve the credibility of the current study's findings. Third, Jordan witnessed many economic developments at the state level thanks to its remarkable economic growth (Alkurdi et al., 2017). Fourth, the thorough enforcement of the accounting regulation offers details on Jordan's capital market structure (Shamki, 2012). Fifth, the Jordanian circumstances, such as significant changes, arising from the significant decline in many performance indicators of the ASE during the period related to this study, make Jordan an ideal place to carry out the current investigation.

Moreover, Jordan ranked 62th with a score of 64.9 in economic freedom in the 2018 Index (Economic Freedom Score, 2018). Jordan ranked 5th out of 14 countries in the Middle East and North Africa region, and its overall score are above regional and world averages. The Economic Policy Council also launched a plan to boost growth through a set of economic reforms and infrastructure projects, funded by both the government and the private sector, to improve the business environment. The Jordanian government intended to continue fiscal consolidation, including measures to increase revenues and improve tax collection (Al Ismaily, Karabegović, & McMahon, 2018).

Based on the above, the scope of the present study was to investigate the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structures and share prices in the ASE. Therefore, the subject boundaries of this study were value relevance (earnings per share, book value, cash flows and dividend per share), ownership structure (foreign ownership, institutional ownership and concentration of ownership), audit quality (audit firm size, audit tenure and audit fees), and share prices, as well as their interrelationships. In terms of sector, the boundaries of the study were the companies listed on the ASE, which included the financial (banking and insurance), industrial, and service sectors. The research data were collected from the ASE, as well as from the annual reports of ninety-five (95) companies listed on the ASE making a total of 855 company year observations of the listed companies in Jordan. With respect to geographic location, the boundary of this study was Jordan, which is an Asian, Middle Eastern country. On the other hand, the temporal boundary of this study was during the period of 2010-2018.

1.6 Significance of the Study

This study is intended to provide market analysts and investors with good comprehension of the degree to which published accounting information can be reliably employed in the future prediction of company share prices within the Jordanian context. The findings of this study can allow for appreciable evaluation of company financial performance by investors and capital market analysts in Jordan, and, hence, help them in valuing and managing their capital market investments on solid scientific grounds. The study additionally sought to emphasize, or negate the associations of share prices of companies with value relevance of accounting information, ownership

structure and audit quality, in terms of significance, direction, and strength, in the Jordanian market setting, which the financial market analysts emphasize as important indicators for evaluating share price. Moreover, the study offers a profound insight into the relative usefulness of value relevance-based market measures and supports investors, regulators, analysts and other stakeholders in the assessment of Jordanian ASE-listed companies' share prices, thereby enabling investors to make informed investment decisions to adequately allocate economic capital.

This study adds to the general body of knowledge on value relevance of accounting information and most specifically on the effect of value relevance of accounting information on the share prices of firms in the context of an emerging economy like Jordan. Although the economy of Jordan has secured some very impressive growth rates within the last decade, Jordan has been neglected in the extant literature (Anandarajan & Hasan, 2010; Shamki, 2013). The current study contributes to the literature by extending the valuation studies to include Jordan as a developing country. To the researcher's best knowledge, the current study is the first in Jordan that examined the simultaneous effect of earnings per share, book value of equity per share, cash flows from operation per share, and dividends per share to explain the behavior of share prices of Jordanian companies listed on the ASE.

This study adds to the general body of knowledge on ownership structure and most specifically on the effect of ownership structure on the share prices of firms in the context of an emerging economy like Jordan. Many empirical studies were conducted on ownership structures in Jordan, with a focus on the ownership structure and its impact on the performance of Jordanian companies. Also much attention has been paid

to determinants of ownership structure with very scanty studies focusing on how the ownership structure affects the share prices in Jordan. To the researcher's best knowledge, previous studies in Jordan either (i) did not decompose the ownership structures into foreign ownership, institutional ownership and concentration of ownership or (ii) did break it into these elements but did not investigate the individual effects of all these elements on the share prices of Jordanian companies directly, thereby establishing a gap in knowledge, which necessitated this study. In order to fill the gap in knowledge, this study investigated the relationship between ownership structure (proxied by foreign ownership, institutional ownership and concentration of ownership) and share prices in Jordan from 2010-2018. To the researcher's best knowledge, this study is the first in using foreign ownership, institutional ownership and concentration of ownership on the share price directly in one study in Jordan.

Third, this study is possibly one of the pioneer researches focusing on investigating the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structure and share prices in Jordan. To the researcher's best knowledge, no previous studies in Jordan or worldwide investigated the moderating role of audit quality on the relationship between the value relevance, ownership structures, and share prices of companies. This identifies an appealing knowledge gap in the field of market research which the present study fills. Therefore, this research study is an endeavour to fill the empirical knowledge gaps and to investigate the moderating role of audit quality on the relationship between the value relevance of accounting information, ownership structure and share prices in the ASE in Jordan.

Fourth, this study is a new contribution to market research in terms of the sectors covered. Besides the financial sector, the present study extended the investigation to include the service and industrial sectors as the study population was all companies listed on the ASE during the period of 2010-2018. This enriches the contemporary literature. This study used recent financial data (information drawn from yearly reports of the ASE for a period of 9 years (2010 to 2018)). This research will contribute significantly to the financial market research in Jordan. The evidence that is provided by the current study can serve as a guideline to investors, managers and financial analysts to better evaluate share prices. Also, this evidence can serve educational institutions in their courses and regulatory bodies in monitoring the financial reporting process in Jordan. In addition, the study will draw the attention of researchers to a vital market that requires intensified efforts to improve – the financial market in Jordan - through research efforts that lead to beneficial outcomes for government and investors and dealers as the financial market is an effective tool for economic development in any country.

1.7 Definition of Terms

This section presents selected definitions for key terms in the present study.

Share Price (SP): Share price is the price of any share in the stock market and cost of its purchase (Fah & Mohamad, 2008). Kalama (2013) explained that share price refers to one or more saleable stocks of a firm. Share price is a measure of the value content of cash flows (Fah & Mohamad, 2008). Financial theories have considered the prices of shares as the current value of future cash flows (Oroud et al., 2019; Watson

and Head, 2010). On the other hand, share price can be defined as the price of a single stock of a company's saleable shares. At a particular time, the stock price depicts the true balance between sellers and buyers (Kalama, 2013; Sharma, 2011).

Value Relevance (VR): Mirza, Malek, & Abdul-Hamid (2019) defined value relevance as the capacity of financial report or accounting information to capture and summarize a firm's value or the share prices of firms listed on stock markets. Elsharif (2019) clarified that value relevance research tests whether accounting numbers do, or do not, explain cross-sectional stock price variations. The accounting figure is designated as important if it is substantially related to stock prices and indicators on the stock market.

Accounting Information: Malik (2020) defined accounting information as facts and meaningful figures that can be used in making decisions and they are all quantitative and non-quantitative information related to economic events that are processed and reported by the accounting information systems in financial statements submitted to internal and external bodies.

Earnings per Share (EPS): A common measure used to estimate profitability and to analyze company performance and analysts often make use of earnings per share in order to compare the company's profitability and performance within the same sector and over the same financial year. The earnings per share is calculated and displayed for companies whose shares are offered for subscription and public circulation in the financial market or that intend to offer shares for public subscription (Djalil & Tabrani, 2016).

Book Value (BV): The value of an asset according to its balance sheet account balance. It is the share of one share in the equity of shareholders or net assets, and it is calculated by dividing the total equity shareholders' equity by the number of issued and outstanding shares. Shareholders' equity is represented in the shareholders' share in the assets owned and invested in the company. In this way, it expresses the difference between the total book value of the invested assets and the total liabilities owed by the company to the creditors for their different types, and there is an inverse relationship between the book value of the share and the number of issued shares (Djalil & Tabrani, 2016).

Cash Flow: Net cash flow arising from operations is the difference between cash receipts and cash payments related to the firm's activities. However, EN-EU IAS (2010) defined cash flows as the inflows and the outflows of cash and cash equivalents, while Oroud et al., (2016) defined cash flow as the amount of cash received and spent by the business during a defined period of time, sometimes tied to certain projects.

Dividends per Share (DPS): The term dividend per share (DPS) refers to a 12-month cycle of cumulative dividend pay-out, divided by the total number of outstanding shares. The company shares profits with its shareholders through this account. DPS can show how profitable it is in a financial period and remind the investor of the past financial position and current financial stability of the company (Oyerinde, 2011).

Ownership Structure: Defined by the distribution of equity rights in relation to votes and capital and also by the identity of the equity holders of the company. In general, the ownership structure may include internal and external owners. Internal

owners are managers and employees, and external owners are individuals, institutions, and the state. Owners can also be distinguished as foreign, and native ones (Alkurdi et al., 2017).

Foreign Ownership (FORE): Foreign ownership or foreign investment is an investment made by individuals residing in a country outside the border of that country (natural or legal), which takes the form of creating new investment or holding shares in the assets of existing firms, as long as such ownership is associated with the right to control the management of these firms (Shamki & Al-Arussi, 2015).

Institutional Ownership (INST): A listed company issues their shares first time through an initial public offering so that individuals or institutions can subscribe to their shares - this fundraising is known as equity finance. Subscription of shares gives the individual and institutions a right of ownership along with investment. This type of shares subscription from institutions is known as institutional ownership (Ahmad, Baek, Kim, & Shah, 2019).

Concentration of Ownership (CONC): Concentration of ownership could be described as the number of shareholdings and the percentage of shareholdings owning the stock in the firm. According to Boerkamp (2016) it is the concentration of ownership as a distribution of property rights to the various parties that collectively own the firm (Prommin, Jumreornvong, Jiraporn, & Tong, 2016).

Audit Quality (AQ): The classical definition of audit quality is the market-appraised joint possibility that the nominated auditor discovers breach(es) in the

accounting system of a client and reports this/these breach(es) (DeAngelo, 1981). Thus, the audit process evaluates the probability of material misstatements or fraud in the financial statements and aims at minimizing the possibility of non-detected misstatement to a suitable assurance level (Bhattacharya, Desai, & Venkataraman, 2013; Okolie & Izedonmi, 2014).

Audit Firm Size (AFS): Clarifies whether the financial report of a firm is audited either by a small or large audit firm. Where a firm that is audited by a large audit firm that is referred to as one of the Big 4 auditors, there is this confidence that the financial statements are presenting a true and fair view (DeAngelo, 1981; Ola, 2018) and consequently, investors base their decisions on the reports by Big-4 auditors that are perceived to possess quality.

Audit Tenure (AT): The time difference between the audit firm and the customer as at the end of financial year the customer is protected by the audited financial reports. Also, the review period can be interpreted as either a short period, as where the same auditor has audited the company's financial reports for a period of two to three years only, or as a long period of up to nine years or more (Adeyemi, Okpala, & Dabor, 2012).

Audit Fees (AFE): The fees that the company pays the external auditors for performing the audit process in accordance with international accounting standards. Numerous studies have revealed that larger audit firms tend to earn a large premium fee over small firms (Ola, 2018; Ugwunta et al., 2018).

1.8 Organization of the Thesis

This thesis is structured into five chapters. Chapter one introduces the background of the study and the research problem, objectives, questions, significance, and scope. Chapter two is the theoretical framework and literature review chapter. It delineates the theoretical framework of this study and overviews previous research in the field of value relevance of accounting information of firms as well as ownership structure and auditing. Chapter three outlines the methodology and procedure of the study, including the research design and setting, study population, data sources, and the data collection and analysis methods. Chapter four, on the other hand, presents and discusses the results of data analysis and the consequent research findings. Lastly, Chapter five briefs the research findings and highlights the major conclusions drawn from the results. Additionally, it gives pertinent recommendations and pinpoints priority areas for future research.