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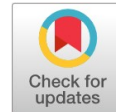


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Published online: 24 April 2016

To cite this article: Hosban, A. A. (2016). Accounting disclosure for stock goods and industrial companies IAS 2-An analytical study of industrial companies listed on the Amman Stock Exchange. *International Journal of Business and Administrative Studies*, 2(2), 24-28.

DOI: <https://dx.doi.org/10.20469/ijbas.2.10001-2>

To link to this article: <http://kkgpublications.com/wp-content/uploads/2016/2/Volume2/IJBAS-10001-2.pdf>

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ACCOUNTING DISCLOSURE FOR STOCK GOODS AND INDUSTRIAL COMPANIES IAS 2-AN ANALYTICAL STUDY OF INDUSTRIAL COMPANIES LISTED ON THE AMMAN STOCK EXCHANGE REQUIREMENT

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Keywords:

First in First Out (FIFO)
Deductive Approach
Accounting Measurement
Accounting Standard
Inventory

Received: 09 February 2016

Accepted: 10 March 2016

Published: 24 April 2016

Abstract. The study seeks to determine the extent of the application of the Jordanian industrial companies to the requirements of Accounting Measurement No. 2 on stock, to identify the accounting measuring instruments on the measurement of cost of inventories and the concept of those tools and to identify ways of accounting disclosure concerning the stock of industrial companies according to World No. 2 standards. The study is based on the inductive method (secondary sources) of books and references and previous studies related to the subject of the study to cover the theoretical framework of the study. It will also be relying on the deductive approach (primary sources) snapped of financial statements of certain industrial companies to see how the commitment of industrial companies fulfils the requirements of International Accounting Standard No. 2. Based on findings, it is recommended that there is a need to use the replacement value to evaluate some industrial companies' stock items. Also, there is a need to use the annual inventory system, especially if the prices of raw materials are volatile or unstable or exposed or affected by changes in exchange rates.

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INTRODUCTION

The inventory of items that is particularly on the various types of business organizations importance, commercial or industrial, where it is one of contemporary accounting threads started and marred by problems with the assessment of stocks, last costs in terms of methods of estimating the cost of goods, last period of the periodic inventory system and the system of perpetual inventory or with respect to ways of estimating costs Inbound first (FIFO) or mean way, and is then compared to the cost at market value and the application of the policy of cost or market, whichever is lower. Although there is the existence of an International Accounting Standard No. 2 to address the accounting problems related to inventory, but there are problems related to the accounting measurement that did not give her accounting standard radical solutions, especially after the cancellation of the way set out recently, so this study was to look at the importance or role of the application of the International Standard No. 2 in industrial companies.

The Problem of the Study

The subject of the stock of contemporary accounting discusses problems faced by accountants in various types of industrial and business organizations, and the recent adjustments made to the International Standard No. 2 of cancellation of recognition

in a way finally set out (FIFO) and focus on the way of FIFO, so the problem of the study is to answer the following question. "Do industrial companies apply the requirements of the International standard No. 2 in the treatment of stocks of goods on commodity of merchandise under the operating and raw materials and commodity stocks of fully made goods."

The problem has represented elements of the study to answer the following questions:

1. Do industrial companies apply accounting measurement methods for inventory?
2. Are the inventory costs recognized as an expense in the income statement?
3. Do the industrial companies disclose requirements according to the International Accounting Standard No. 2?

The Importance of Study

This has following importance:

1. The inventory is represented by several components in a stock inventory of raw materials and industrial goods under the operating companies and stocks of finished goods, which must address each item separately because of the different nature of each component from the other.
2. The merchandise appears in the two statements: income within cost of goods sold, and appears within the same period under the current assets in the statement of the balance sheet, as

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this dual appearing within the same period may be vulnerable to fraud or theft, which means the need for attention stock on various levels of management in industrial companies.

3. The inventory costs in industrial companies is high especially in times of inflation, when Industrial Company may be forced to buy stock in large quantities in order to sustain manufacturing or high prices of raw materials cost, which gives special importance to the company's stock.

4. Diversity of methods is there to measure the company's stock on the different methods of estimating the cost or the different roads leading to the need to apply IAS, which helps reduce personal interpretations in estimating the cost of inventories, especially market value or realizable value.

Objectives of the Study

The study seeks to achieve the following goals:

1. Determine the extent of the application of the Jordanian industrial companies to the requirements of Accounting Measurement No. 2 on stock.
2. Identify the accounting measuring instruments in the measurement of cost of inventories and the concept of those tools.
3. Identify ways of accounting disclosure concerning the stock of industrial companies according to World No. 2 standard.

PREVIOUS STUDIES

Susans (2008) study aimed to identify the factors that affect the cost of goods to determine the last time in industrial companies through the preparation of a questionnaire distributed to internal auditors and accountants in the Palestinian industrial companies. The most important findings of the study: The diversity of inventory costs have a strong impact on determining inventory costs, and the exchange rates change in the event of purchasing goods from outside Palestine that affect the inventory valuation. It is the most important recommendation of the study: The need to work illustrates the importance of scientific conferences inventory and focus interlocutor to find practical solutions to the problems of inventory valuation, and the need to adopt one method and one method to assess the cost of inventories, which facilitates the evaluation of the performance of inventory management.

Khalif (2000) study aimed to study International Accounting Standards applied to commercial companies in Egypt, and was the focus of the study on the accounting standard on stock commodity in terms of accounting measure of the stock of the company's business tools. One result of the study: That the net realizable value accounting is one of the best tools for measuring the cost of inventory, and the inventory costs applied first (FIFO) method contained. It is the most important recommendation of the study: The need to apply the style of

periodic inventory in commercial companies, and highlight the role of the application of accounting standards in the various accounting finding solutions to problems, in particular stock (Al-Akra, Eddie, & Ali, 2010; Dye, 2001).

Hosban and Hamdan (2015) study aimed to identify the extent of the application listed on the Amman Stock Exchange with the accounting standards regarding the recognition of the cost of goods sold and revenue recognition companies according to the International Standard No. 18 requirements. The study relied on a questionnaire distributed to internal auditors in the Jordanian public shareholding companies. The most important findings of the study: That the joint stock companies are committed to a fair degree of measurement requirements of accounting for revenues and are also committed to a good degree of disclosure requirements for revenue in the financial statements. It is the most important recommendation of the study: The need for attention at fair value as a basis for the recognition of revenues and the need to hold specialized seminars on the benefits of the application of International Accounting Standards in Jordan.

The Current Study Differ from Previous Studies

- 1- This study focuses on the accounting disclosure of the accounting policies used for the purpose of inventory components in the financial statement requirements.
- 2- This study focuses on accounting No. 2 of the instructions of measurement and accounting for stock items and how to be disclosed in the financial statements published by corporate Jordanian industrial standard.
- 3- This study does not depend on the distribution of the questionnaire to obtain preliminary information, as this study is based on the study of the financial statements and then determining the degree of compliance with the requirements of International Accounting Standard 2.

The Theoretical Framework of the Study

Theoretical framework of study includes inventory of goods that have been purchased for the purpose of comprehensive sales, for example, goods purchased by retailers until resale and land and other property held for resale, as well as featuring the inventory of finished or in process by the project and raw materials and supplies of goods waiting for use in the production process in the case of the service provider.

The inventory includes service costs, calendar consists of the stock of the goods that are legally owned by the facility that includes inventory of those goods which are obtained for the purpose of resale through the normal economic activity of the entity or for the purpose of consumption for the production of goods and sell them in the future and the stock is selling at a price higher than the cost price, where the difference between

the two prices is the main source of income for the facility.

Inventory Components

Inventory of industrial companies consists of the following: (Alsakni, 2008)

1. Inventory of raw materials: A basic raw material obtained by the facility for direct use in the production process such as iron ore. There are some ores assistance not directly related to the production process but necessary for the operation and are separated in a separate account called indirect expense of raw materials such as fuel.
2. Work in process: Includes products that began in the production process and have not been completed at the end of the accounting period and includes three components of the cost of basic elements: Raw materials, direct labor and indirect industrial expenses.
3. Finish goods: Includes finished products intended for sale and includes the cost of the three components with the same difference that this cost includes all the necessary ones to get the final products necessary elements.

Treatment of Inventory Components in the Financial Statements

Transparency and disclosure mean data preparation and disclosed in accordance with International Accounting Standards, and requirements of financial reporting, and audit the company's business from external auditors who are able to do so. It includes transparency disclosures of financial position of the company as a result of its work, and the objectives of the facility, and the major shareholders and the percentage of their contributions, and recruitment policies, salaries and compensation to employees, the expected contingent liabilities and the risks and potential realized (Ishhadat & Al-Jaleel, 2012, p. 4).

It also means disclosure to clarify the thing in order to be explaining to serve customers in a particular facility, and here is a disclosure of an entity for information as a protection of normal and other parties from misleading the investor, fraud or trading internal information, in addition to the reduction of investment risk (Khelfaoui, 2008, p. 9).

The importance of accounting disclosure fixed principle in the preparation of financial reports is one of the main foundations of Generally Accepted Accounting Principles (GAAP). The principles call for full disclosure of all accounting information and financial and other relevant actively industrial companies important information that is contained in financial statements for the benefit of two beneficiaries. Accounting disclosure also derives its importance from the diversity and multiplicity of the beneficiaries of this information, which include bankers, financial analysts, banks and industrial companies, investors,

lenders, accountants, government agencies and others. This is in addition to the implications of the decisions taken by these parties based on this information. Therefore, disclosure of incomplete or inaccurate information may lead to a distortion of the decisions taken by these entities which would have negative effects. The disclosure of increasing importance gained at the present time especially with regard to Ocean banking given the complexity of the used financial instruments such as derivatives and securities and the size of the large circulation and the risks related thereto and with the removal of restrictions on the deal, and competition is increasing, and the evolution of the technique used in dealing. It is expected that all this will lead to more complexity in the tools, which requires the need for comprehensive disclosure. In this regard, it is required that the departments of industrial companies are working to analyze all types of risks involved in dealing in these instruments. Therefore, disclosure of the data relating to these risks is vital with the help of millions of neutral, thus enhancing corporate governance in them (Hamid, 2007, p. 6).

International Standard No. 2: Inventory Treatment

Organizations should disclose the financial statements: (Financial Accounting Standard Board, 2014).

- A. Accounting policies adopted for measuring inventories, including the cost formula used.
 - B. Total carrying value of inventory, and the carrying amount in accordance with the appropriate classification of the facility.
 - C. The inventory phase, which carries a fair value less than the cost of sales value.
 - D. Any inverse amount of any previous downloads and is recognized as an expense for the period.
 - E. Circumstances and events that led to the recovery of the value of inventory reduction and mortgaged value of inventory as collateral for liabilities.
- The information related to the values of the stocks listed according to different classifications, and the change in these assets useful information to users of financial statements.
 - The cost of inventories, which was considered as an expense during the period on those costs that have been made in advance in the measurement of retail and industrial inventory items and costs and indirect undistributed value and extraordinary costs include the production of inventory. It may be established based on the introduction of other costs, such as distribution costs circumstances.
 - Some facilities offer to apply a different method of income leads to show different amounts for the cost of all the recognized cost as an expense during the period. And therefore discloses established for operational costs recoverable value of the load of revenue for the period, classified according to their nature.

In this case entity discloses the costs recognized as an expense for raw materials and depleting tasks, and the costs of wages and other operational costs in addition to the net value of the change in inventories for the period.

Accounting Measurement of Inventory Tools Under Accounting Standard No. 2 (Al-Qadi & Hamdan, 2004, p. 74)

1. Net Realizable Value: is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale process.
2. Fair Value: is the amount that can be an asset swap, or a liability settled, between knowledgeable, willing parties in dealing on the basis of commercial exchange.
3. Purchase Costs: Includes the purchase price and custom duties and other taxes and non-refundable expenses of transportation, loading and any other expenses related to the acquisition of inventory and must subtract discounts for commercial and refunds.

Measuring the Cost of Inventory Method

Can use the standard cost method or the retail method in the calculation of cost of inventories (Fdag, 2011, p. 68).

1. Standard Cost Method: Take into consideration the normal standard costs for materials and supplies, wages, efficiency and level of energy used. And these levels are reviewed on a regular basis and if needed, can be adjusted according to the prevailing circumstances.
2. The Retail Method: Retail method is usually used in the retail industry for measuring inventories, which contains large numbers of rapidly changing items, which have a similar profit margin, and that in cases where other methods are difficult to apply.

Practical Framework of the Study

After the completion of the theoretical framework of the study on the commodity stock, the practical framework that includes a review of financial statements for five industrial companies listed on the Amman Stock Exchange was constructed.

Practical Framework for Action

1. The financial statements published for a number of industrial companies listed on the Amman Stock Exchange Financial Exchange were brought.
2. Focus on ways of accounting disclosure and accounting measurement tools related to the international standard No. 2 was placed.
3. Find out what is applied according to the international standard of the reality of the available information in the re-

quirements for financial statements published.

METHODOLOGY

It was based on the inductive method (secondary sources) of books and references and previous studies related to the subject of the study to cover the theoretical framework of the study. Will also be relying on deductive approach (primary sources) snapped of financial statements of certain industrial companies to see how the commitment of industrial companies can fulfill the requirements of International Accounting Standard No. 2.

Society and the Study Sample

The study population included public shareholding listed on the Amman Stock Exchange of industrial companies and the 74 industrial companies by the Amman Stock Exchange Bulletin Securities for the year 2015, while for the study sample, it will be to choose a certain number of industrial companies to see how the commitment of industrial companies through the financial statements is analyzed to determine the application of those companies with the requirements of International Accounting Standard No. 2.

First, the Basis of the Accounting Measurement of the Components of Inventory in the Financial Statements of Industrial Companies:

Notes from the data contained in the financial statements that focus on the historical cost, the adoption of a basis for measuring the cost of raw materials purchased and the cost of raw materials of last term which depends on the purchase of the Raw Materials issued from suppliers bills, as the historical cost of the adoption of the notes to measure inventory costs (transport, insurance and protection). Also notes the adoption of the recoverable amount of the check to measure the cost of the goods under operating with the presence of some companies to adopt realizable value, whichever is less, also it notes most of the companies on the adoption of the value or market, whichever is less regarding the evaluation of fully-made goods. This indicates that industrial companies use accounting measurement tools in the evaluation of the cost of inventory.

Second, Considering the Cost of Inventory Recognized as an Expense in the Income Statement:

Notes of the financial statements of industrial companies are taken that the company's estimated cost of inventories is based on the way finally set out (FIFO) so is the cost of inventories as expense charged to income, as stipulated in International Accounting Standards.

Third, Accounting Standard No. 2: Disclosure Requirements: Note when the financial statements of some industrial

companies show the following:

1. There is adequate disclosure of the accounting policies used in measuring the cost of inventories in the industrial companies in terms of disclosure of the method set out first (FIFO) and follow the style of the periodic inventory system.
2. Some companies where there is no disclosure of the total value of stocks and disclosure of the carrying value from period to period.

RESULTS AND RECOMMENDATIONS

Results

1. The industrial companies where there is a commitment accounting measurement tools are adopted under the Accounting Standard No. 2.
2. The Jordanian industrial companies based on inventory costs or resource within the inclusion of expenses appear in the income statement at the end of the accounting period.
3. The Jordanian industrial companies are disclosed for periodic inventory system and use the first method set out (FIFO) in the evaluation of goods in last period.
4. The Jordanian industrial companies disclose the accounting policies used in the assessment of stock of industrial components companies.

5. The industrial companies rely on the use of historical cost as the basis for measuring the cost of purchases of raw materials at the end of the year.
6. The industrial companies are based on the fair value measurement of goods under the operating and the adoption of realizable value in measuring finished goods.

Recommendation

Based on the results of the study the researcher recommends the following:

1. The need to use the replacement value as a basis for evaluation of some components in stock items industrial companies.
2. The need to use the annual inventory system, especially if the prices of raw materials are volatile or unstable or she is exposed or affected by changes in exchange rates.
3. The need for disclosure of the mortgaged inventory of certain claims in the financial statements, which gives more credibility to the financial statements.
4. The need to comply with all accounting disclosure requirements on stock according to the International Standard No. 2.
5. Measurement accounting for inventory items so that they are tools of accounting tools and clear operations broader and disclosure in the financial statements of industrial companies.

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