The Value Relevance of the Financial Statements' Information: The Moderating Role of the Board of Directors

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ABSTRACT

This study aims to examine the direct relationship between a firm's financial statements' information and its share price and test the moderating role of the board of directors in this relationship. The sample of this study includes the Jordanian firms listed in the Amman Stock Exchange in the services and manufacturing sectors (non-financial firms) over the period 2012–2016. The data was hand-collected from the companies' annual reports. Quantitative methodology based on Ohlson's (1995) valuation model was used for empirical analysis. The results of this examination indicate that investors consider accounting information when making investment decisions. In addition, the findings show that corporate governance mechanisms as a moderator (e.g., board size) can enhance the value relevance of accounting information. Moreover, the findings show that accounting measures can explain variations in a firms' market value over time. The current study provides some policy implications for various stakeholders, including Jordanian investors and regulators, firms' boards of directors and accounting regulators (e.g., IASB). Finally, some suggestions for future research have been provided based on the limitations of this study.

Keywords: Financial statements, Value relevance, Corporate governance, Jordan.

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ملاءمة البيانات المالية: اختبار الدور الملطف لحجم مجلس الإدارة

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ملخص

هدفت هذه الدراسة إلى اختبار العلاقة المباشرة بين معلومات القوائم المالية وسعر السهم للشركة، وكذلك اختبرت أثر حجم مجلس الإدارة كعامل ملطف على العلاقة المباشرة المذكورة أعلاه. احتوت عينة هذه الدراسة على الشركات الخدمية والصناعية المدرجة في بورصة عمان خلال الفترة 2012–2016، وتم تجميع البيانات من التقارير السنوية المنشورة. تم استخدام أسلوب البحث الكمي بالاعتماد على نموذج أولسُن (1995) لتحليل البيانات. وأظهرت نتائج هذه الدراسة أن هنالك علاقة إيجابية بين معلومات القوائم المالية وسعر السهر للشركة من وجهة نظر المستثمرين. وأكدت نتائج هذه الدراسة أثر حجم مجلس الإدارة في تحسين قيمة المعلومات المحاسبية في القوائم المالية.

الكلمات الدالة: القوائم المالية، ملاءمة البيانات المالية، الحاكمية المؤسسية، الأردن.

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1. INTRODUCTION

The value relevance concept is one of the fundamental attributes of accounting quality (Francis et al., 2004). Collins et al. (1997) and Francis and Schipper (1999) documented increasing trends in the value relevance of financial reporting measures. The extant literature pointed out that the value relevance of financial information can be measured by testing the association between accounting information and a firm's market value (Francis & Schipper, 1999; Francis and Schipper, 1999; Beisland, 2009; Amir et al., 1993; Barth et al., 2001; Biesland, 2008). Barth et al., (2001) argued that the value relevance research gained its importance from the ability of accounting information to condense the information power on a firm's share price. Indeed, Biesland (2008) argued that accounting information can interpret differences in stock prices over time. Prior studies on value relevance are extensive and diverse in terms of their sample firms, time framework, research methodology and theoretical framework. Takacs (2012) defined value relevance as a confirmation of the quality standards, where it could be explained as the usefulness of accounting information to enable investors to make informed decisions. The extant research pointed out that relevance and reliability are specific criteria to consider whether financial statements are value-relevant. Moreover, the influence of earnings management on the reliability and relevance of earnings can affect firms' value. Hence, earnings and book value are considered as the foundation of firm value assessment. According to IFRS's conceptual framework, the decision usefulness provides the ability for investors to make capital investment decisions. Hence, firms should remain concerned about both fundamental qualities of financial statement information (Abdel-Khalik et al., 1999).

There are four different standpoints that contribute to fully understanding value relevance in different aspects (Francis and Schipper, 1991). Firstly, the fundamental view of the value relevance; this perspective focuses on the usefulness of accounting information in equity valuation. Nilsson (2003) indicated that this approach involves finding a firm's value without using its share price on the stock market. Secondly, the prediction view of the value relevance; this perspective emphasizes relevant variables that need to be used for valuation purposes and focuses on how to predict relevant variables. Thirdly, the stock market is deemed to be efficient when statistical correlations are used to determine whether investors depend on the accounting information when making investment decisions. The accounting information is hypothesized to be valuable if it conveys information that modifies investor expectations of firms' future cash flows and ultimately causes the stock price to change (Scott, 2003). Finally, the measurement view of the value relevance; the basic role of accounting metrics is to summarize accounting transaction and other economic events. Under this view, accounting measures are considered to be of relevance if they encapsulate information that has an influence on the share price of a firm. The measurement perspective is mainly based on a theoretical framework of equity valuation models (Ohlson, 1995; Bisland, 2009).

The current paper examines the value relevance of the financial statements' information for a sample of Jordanian listed non-financial companies over the period between 2012 and 2016. Prior research in this area has focused on developed countries, while developing countries have been relatively overlooked. In addition, the extant literature has emphasized the financial industry and little attention has been paid to non-financial firms. Hence, the current paper extends the extant literature on the value relevance of accounting information and fills this gap by

examining this issue in an emerging capital market like Jordan.

This paper is structured as follows. Section 2 outlines the institutional settings of Jordan. Section 3 outlines the literature review, theoretical framework and development of research hypotheses. The research design and methodology are discussed in Section 4. Section 5 provides the results and the discussion of the current investigation. Finally, the conclusion and the research implications are presented in Section 6.

2. The Financial Reporting Framework in Jordan

The legal framework for corporate disclosure in Jordan is represented by various Company and Security Acts. In particular, the 1964 Company Act was the first piece of legislation which included guidelines for the preparation of financial statements. This was followed by the 1989 Company Act which reaffirmed the requirements of the 1964 Company Act and expanded the corporate disclosures which companies had to supply. Although both Acts required companies to prepare a profit and loss account and a balance sheet according to Generally Accepted Accounting Principles (GAAPs), neither of them defined or specified the GAAP to be used. In 1989, the Jordanian Association of Certified Public Accountants (JACPA) was established as a local professional accounting body. Indeed, JACPA played an important role in facilitating the adoption of International Accounting Standards/ International Financial Reporting Standards (IASs/ IFRSs) within Jordan; by 1990 it recommended that all Jordanian companies should adopt IASs. The absence of any legal or professional requirement to implement IASs allowed firms to choose whichever GAAP they wanted to adopt. In 1997, the Company Act No. 22 was introduced. The new Act covered a wide range of issues relating to corporate disclosure requirements. In particular, it stated that Jordanian listed companies' financial statements should be prepared in accordance with IASs/ IFRSs. The Securities Act No. 23 of 1997 reaffirmed that Jordanian listed companies should apply IASs/ IFRSs in the preparation of their financial statements with penalties (including fines and delisting) for non-compliance. The introduction of such business laws put further pressure on Jordanian listed firms to prepare their financial statements in accordance with IASs/ IFRSs. Although public agencies in Jordan are pushing towards full adoption and compliance with IASs/ IFRSs, Jordanian firms still have a long way to go for several reasons. For example, like many developing countries, enforcement mechanisms in Jordan are underdeveloped and cannot be compared to their counterparts in the developed world. Hence, many instances of non-compliance have been documented in the extant literature with no real reaction from regulatory bodies; the maximum sanction a company typically receives for non-compliance currently tends not to exceed the receipt of a warning letter. This, in turn, explains the small proportion of cross-listed firms in the ASE (less than 10% of sample firms). As a result, the implications of the current study about the value relevance of firm industry (FI) disclosure might be more relevant for countries at similar stages of development.

The Company Act No. 22 of 1997 was a watershed moment for corporate disclosure in Jordan, since it provided Directives for Disclosure, Auditing and Accounting Standards. Furthermore, this Act provided for the establishment of: (i) the Jordan Securities Commission (ASE, 2010); (ii) the Securities Depository Centre; and (iii) the ASE. The Act also provided the first guidelines on the corporate governance structure of Jordanian listed companies; it sought to protect the rights of shareholders and highlight the responsibilities of the Board of

Directors. The Act mandated that all public shareholding firms should have an audit committee comprised of three non-executive directors (ROSC, 2004).

Jordan has traditionally been classified as a code law country (ROSC, 2005), where the financing of companies has largely involved bank debt (Abu-Nassar, 1993), the basic rights of shareholders to participate in company decisions and vote at the annual general meeting were not strong and the security associated with the registration of ownership was weak. However, the country's legal system has developed as a result of the wide-ranging economic reforms that have been undertaken. Al-Akra et al. (2010) concluded that following these reforms, the Jordanian legal system has shifted towards a common law system, investor protection has improved, the capital market represents the main source of corporate financing and users are provided with more timely public information. The major changes that have taken place in the Jordanian business environment over the last two decades provide a motivation for undertaking the current investigation. Further, the importance of FIs in Jordan in general and derivatives in particular, has increased over the last few years (Al-Rai, 2004), providing another rationale for undertaking the current study[1]. In particular, the growing reliance of the Jordanian economy on external exports has forced domestic companies to increase their usage of FI products (mainly derivatives) in order to maintain the stability of their cash flows and smooth revenues (Al-Shbiel & Tahat, 2014; Al-Zwaylif & Hajjaj, 2018).

[1] In addition, the misuse and the abuse of FIs represented a key factor that led to the collapse of one of the largest Jordanian banks in 1990, the Petra Bank (*The Judicial View*, 2008). The audits carried out by Arthur Andersen revealed that the bank's assets had been overstated by $200 million as a result of trading in derivative contracts, such as foreign exchange and equity instruments (*The Guardian*, 2003).

3. Literature Review and Development of Hypotheses

3.1. The Value Relevance of the Financial Statements

The fundamental objective of the financial statements is to supply information that is useful to interested parties. Therefore, previous studies focused on the usefulness of accounting information provided, which could be assessed following the measurement perspective based on theoretical frameworks of equity valuation models (Ohlson, 1995; Beisland, 2009). Ohlson (1995) indicated that a firm's value could be stated as a linear association of book value, earnings and other accounting information of interest. Two primary perspectives can be used for this purpose; signalling or measurement perspective. The signalling perspective investigates whether there is a reaction to the announcement of accounting information including financial statements information. Amir et al. (1993) used this methodology to examine the value relevance of US GAAP *vs*. non-US GAAP. The measurement view examines the explicit relationship between the market measures of the firm value and some accounting measures (Harris et al., 1994; Dumontier and Labelle, 1998; Ali and Hwang, 2000).

A large body of accounting research has tried to examine the value relevance of accounting information in both developed and developing countries. Hellström, Katerina (2005) examined the relevance of financial information in the Czech Republic and Sweden using Ohlson (1995) model. The findings indicated that the accounting-related information is relevant. However, the level of relevance in the Czech Republic was lower than in Sweden. In addition, the results revealed that the advancements in the value relevance over the research period could be justified due to the adoption of new accounting regulations. The results also showed that the

degree of relevance is a function of the development of the economy and accounting regulation alongside an industrial restructuring. Ragab and Omran (2006) studied the value relevance of the content of financial statements from 1998 to 2002 using a sample firm from Egypt. Empirical investigation research was provided to determine whether both national and international stockholders, who are investing in the Egyptian stock market, evaluate the accounting information based on the Egyptian accounting standard in terms of stock valuation. The empirical finding showed that stock returns and prices are significantly connected to the accounting information. It was also found that both the current earnings level and earning changes were not easily exchanged. The authors discussed that the accounting information had higher relevance in Egypt firm's because financial reporting is of higher quality. They also tested the investors' behaviour and found that accounting information in Egypt is more useful in relation to a firms' future value. Abayadeera (2010) studied the relevance of corporate information (including both financial and non-financial information) for a sample of 91 Australian firms (from various sectors including: pharmaceutical, biotechnology and life sciences, technology hardware and equipment) in terms of recognition and quantification of intangible assets disclosures, using Ohlson's (1995) model. The results of this study illustrated that the book value is the most significant factor that has influence over earnings when determining the share price of firms in high-tech industries in Australia.

Using accounting information provided under IFRS, Alali and Footem (2011) supplied empirical evidence about the relevance of accounting information using a sample from a developing country, the United Arab Emirates. The study supplied strong evidence on the relationship between financial information and market value. Ghayomi et al. (2011) empirically tested the relevance of accounting information using a sample firm from Iran from 1999 to 2006. The outcomes of Ghayomi et al. (2011) study showed that accounting information is value-relevant. However, they found that income statement information was credited with more value relevance than the statement of financial position. Oluseye (2013) explored the impact of corporate reporting on pricing decisions for manufacturing firms operating in Nigeria. The study aimed to investigate the adoption of creative accounting by the manufacturing industry which, in turn, leads to an overvaluation of firms' assets value from the shareholders' perspective. The results concluded that financial reporting disclosure, corporate fraud and scandals, as well as financial reporting transparency, had significant influences on the extent of effective management decision-making related to all investments in listed manufacturing firms in Nigeria. Vijitha and Nimalathasan (2014) examined the relative value relevance of accounting numbers for a sample of listed manufacturing firms in the Stock Exchange of Colombo (CSE) from 2007 to 2011. As a distinctive contribution of this research, the quantitative approach besides Olson's (1995) Equity Valuation were explicitly employed to test the relevance of financial accounting information and share price. The study revealed the existence of a significant correlation relationship between accounting information (earnings per share (EPS) and ROE) and share price.

According to the literature discussed on the value relevance of accounting information, the current study proposes its first hypothesis as follows:

H1: There is a statistically positive relationship between a firm's financial statements' information and its share price.

3.2 Corporate Governance and the Relevance of Accounting Information

The corporate governance structure of a business

enterprise relates to formal and informal contractual agreements among corporate stakeholders. Mensah et al. (2003) stated that corporate governance is a set of arrangements firms use to account to shareholders. In general, an appropriate corporate governance framework can benefit a firm by improving performance, reducing the cost of capital and gaining greater access to financing. As observed by Klein (1998), the implementation of better corporate governance practices is expected to improve the monitoring of management and reduce information irregularity problems, which ultimately enhances a firm's value. Sanda et al. (2005) observed that the distortion of the financial arrangements and objectives of several firms can be attributed to their failure to implement corporate governance procedures. Habib and Azim (2008) examined the relationship between accounting numbers and share price, as a measure of the quality of the accounting information, using the top 500 Australian firms from 2001 to 2003, using Ohlson's (1995) model. They also considered to what extent the ASX Corporate Governance Code can drive the value relevance of accounting numbers. The results of this examination indicated that a better corporate governance structure increases the value relevance of accounting information. Jih et al. (2011) suggested that CG can play a moderating role on the value relevance of accounting information. A number of studies explained the relationship between CG and share return through an earning response model which assumes that CG has a critical role as an indicator of earning reliability between a firm's earnings and returns (Jones, 2004; Yoshikawa and Phan, 2003; Salva, 2003; Suk-Yee Lee et al., 2005; Bauer et al., 2003; Lemmon and Lins, 2001; Nguyen and Aman, 2006). Therefore, corporate governance may have a positive influence on the relationship between earnings and market value (Ball et al., 2000; Kormendi ,1987; Dina and Abdulatia, 2006; Donnelly ,2002; Ohlson, 1983, 1995; Ohlson 1999). Board size is crucial when implementing centralized corporate governance. The board of directors can assist in reducing a firm's unstable matters and conflicts of interests among stakeholders. The board holds responsibility for policy setting, controlling business activities, directing strategic planning and preserving the balance between shareholders to maintain a firm's value for all stakeholders. Tai (2015) concluded that a larger board size could lead to an increase in salaries and expenses of board members; these expenses have a negative impact on the return on investment. Jensen (1993) concluded that a larger board size negatively affects the efficiency and effectiveness of a firm's performance. Therefore, a smaller board supports the effectiveness and efficiency of a firm (Vintila & Gherghina, 2012). This is supported by the findings of Reddy & Locke (2010) and Hanadi et al. (2019) who showed that firms with a smaller board tend to stimulate better contributions by the board members when working together than firms with larger boards.

Therefore, the current paper develops its second hypothesis as follows:

H2: The association between a firm's financial statements' information and its share price can be positively affected by the size of the board of directors.

4. The Research Design and Methodology

The current paper examines the value relevance of the financial statements from a sample of 96 Jordanian listed non-financial companies from 2012 to 2016. It includes 46 service and 50 manufacturing firms. The data was collected by manually reviewing all of the sample companies' annual reports. Table 1 outlines all of the variables examined in the current study, with their measurement terms. The basic

valuation model of Ohlson (1995) was used to examine the value relevance of the financial statements. To examine our research hypotheses, we estimate three regression models where the dependent variable is the share price ($SP_{,t}$). The set of dependent variables consists of book value per share (BVPS), EPS, return on assets (ROA), P/E, D/A, current cash debt coverage (CCDC), PD and operating cash flows per share (OCFPS). We also include prior research (e.g., Akbar et al., 2011; Bepari et al., 2013) by adding a set of control variables. Specifically, we control for the size effect (FZ), FI and audit firm (AF).

First, we examine the Ohlson (1995) model as follows:

$SP_{it} = \beta_0 + \beta_1 BVPS_{it} + \beta_2 EPS + e_{it}$ (Model 1)

where **SP =** the share price of firm i, three months after the end of the financial year March 31st for each year. $\mathbf{BVPS_{it}}$ = the book value per share of firm i at the end of year t. $\mathbf{EPS_{it}}$ represents the Earning per Share available to firm i's common shareholder for year t.

To achieve the primary objective of the paper, we extended the basic model of Ohlson (1995) to examine the value relevance of the financial statements as follows:

$$MVPS_{it} = \beta_0 + \beta_1 BVPS_{it} + \beta_2 EPS + \beta_3 ROA_{it} + \beta_4 P/E_{it} + \beta_5 D/A_{it} + \beta_6 CCDC_{it} + \beta_7 PD_{it} + \beta_8 OCFPS_{it} + \beta_9 FZ_{it} + \beta_{10} FI_{it} + \beta_{11} FA_{it} + e_{it}$$

(Model 2)

where $\mathbf{ROA_{it}}$ = Return on assets of firm i at end of year t, $\mathbf{D/A_{it}}$ = Debt to Assets ratio of firm i for the year t, $\mathbf{P/E_{it}}$ = Price to Earnings Ratio of firm i at end of year t, $\mathbf{CCDC_{it}}$ = Current cash debt coverage ratio of firm i at end of year t, $\mathbf{PD_{it}}$ = Pay-out Dividends of firm i for the year t, **OCFPS** = Operating Cash Flow per share of firm i at end of year t, $\boldsymbol{\beta_0}$= error term (constant).

Finally, a third model was designed to examine the moderating role of the board size in

$$MVPS_{it} = \beta_0 + \beta_1 BVPS_{it}(BZ) + \beta_2 EPS_{it}(BZ) + \beta_3 ROA_{it}(BZ) + \beta_4 P/E_{it}(BZ) + \beta_5 D/A_{it}(BZ) + \beta_6 CCDC_{it}(BZ) + \beta_7 PD_{it}(BZ) + \beta_8 OCFPS_{it}(BZ) + + \beta_9 FZ_{it}(BZ) + \beta_{10} FI_{it}(BZ) + \beta_{11} FA_{it}(BZ) + e_{it}$$

(Model 3)

where **BZ** is the board Size (the number of members of the board of director).

Table 1. Variables' measurement

Variables	Symbol	Formula of Measurement
Market value per share	MVBS	Share price, three months following the end of the financial year
Earnings per share	EPS	Net income – preference dividends / weighted-average ordinary shares outstanding
Book value per share	BVPS	(Total shareholder equity-preferred equity) / Weighted-average ordinary shares outstanding
Return on assets	ROA	Net income / average total assets
Debt to assets	D/A	Total debt/total assets
Price to earnings	P/E	Market price per share/EPS
Current cash debt coverage	CCDC	Net cash provided by operating activities / average current liabilities
Pay-out dividends	PD	Cash dividends /net income
Operating cash flow per share	OCFPS	The balance of cash the firm has from its operating activities, its calculated operating cash flow per share
Board size	BZ	BZ is measured as the actual number of board members

Firm size	FZ	The firm size is measured by using a log of total assets at the end of fiscal year
Firm industry	FI	Means the sector to which the firm belongs; manufacturing or service sector
Firm auditor	FA	This indicates where the firm audit its financial statements and reports. This is a dummy variable that takes the value of one when the firm audits its financial statements by one of the big four accountancy firms; otherwise, it takes the value of zero. The big four accountancy firms are: Deloitte, EY, KPMG and PwC.

5. Results and Discussion

5.1 Descriptive Analysis and Correlation

This section provides descriptive analysis and the correlation tests for the variables examined in the study. An analysis of Table 2 reveals that SP had a mean of 2.22 with a standard deviation of 3.27, indicating high differences among companies in this variable, with a minimum value of 0.80 and a maximum value of 28.05. An inspection of Table 2 shows that the BVPS had a mean of 1.60 with a standard deviation of 1.45. Other independent variables illustrate similar behaviour of that of BVPS (See Table 2). In terms of the moderating variable, Table 2 shows that the board size (BZ) has a mean of 7.75 members with a standard deviation of 2.3; it also showed a maximum value of 13 members and a minimum value of four members. Finally, Table 2 outlines a summary statistic about control variables (firm size, AF and FI) used in the current study. It highlights that the firm size had a mean of 17.09. Table 3 shows the results of the Pearson correlation test. Table 3 reveals that most of the variables examined in the current study had low correlation coefficients, indicating that a multicollinearity problem is potentially not present. The only exception to this generalization relates to the correlation between ROA and EPS with a significant coefficient of 0.725 and between dividend pay-outs (DP) and EPS with a significant coefficient of 0.847.

Table 2. Descriptive analysis

Variable	Minimum	Maximum	Mean	Sd. Deviation
Dependent variable				
SP	0.80	28.05	2.22	3.27
Independent variables				
BVPS (BVBS)	-3.92	10.76	1.60	1.45
EPS	-1.08	2.35	0.126	0.34
ROA	-0.45	0.40	0.037	0.09
Debt to assets ratio (D/A)	0.10	0.9	0.32	0.21
Price to earnings ratio (P/E)	0.12	130	23	22
Current cash debt coverage ratio (CCDC)	-12.0	9.8	0.38	1.12
Dividends pay-out ratio (DP)	0	2	0.10	0.25
OCFPS	-205.20	911.25	23.43	88.76

Moderator variables				
Board of directors' size (BZ)	4	13	7.75	2.3
% of Board size	0.31	1.00	0.59	0.18
Control variables				
Firm size	12.89	21.82	17.09	1.49
AF	Dummy variable that takes the value of (1) when the firm audits its financial statements by one of the big 4 accountancy firms; otherwise, it takes the value of (0).			
Firm sector	Dummy variable that refers to which sector the firm belongs; service =1 or industrial=0.			

Note: The table displays the descriptive statistics for the variables examined in the current analysis.

Table 3. Correlation of independent variables

Variables	BVBS	EPS	ROA	D/A	P/E	CCDC	PD	OCF	BZ	BZ%
BVBS	**1**									
EPS	0.570**	**1**								
ROA	0.318**	0.725**	1							
D/A	0.318**	-0.92*	-0.123**	1						
P/E	-0.035	-0.027	0.083	0.05	1					
CCDC	0.135**	0.133**	0.109*	-0.057	0.083	1				
DP	0.580**	0.847**	0.536**	-0.083	-0.091	0.132**	**1**			
OCFPS	0.101*	0.097*	0.108*	0.011	0.104*	0.327**	0.068	**1**		
BZ	0.297**	0.144**	0.060	-0.107*	0.059	0.059	0.039	0.183**	**1**	
BZ%	0.297**	0.144**	0.060	-0.107*	0.059	0.059	0.039	0.183**	1.00**	**1**
**** Correlation is significant at the 0.01 level (1-tailed). *Correlation is significant at the 0.05 level (1-tailed).**										

5.2 Regression Results

This sub-section presents the results of investigating the value relevance of financial statements for a sample of Jordanian listed non-financial companies. Table 4 shows the results of testing Ohlson's (1995) model by examining the association between the SP and BVPS and EPS (before adding the rest of the variables to the model) to reflect the contribution of the variables examined in the current study beyond Ohlson's (1995) model. An analysis of Table 4 reveals significant associations between SP variable (dependent variable) and BVPS and EPS (independent variables) with coefficients of 0.904 and 2.85 with p-values of less than 1%, respectively. In addition, Table 4 outlines an F-value of ANOVA

analysis of 149.136 and a p-value of less than 1%, rejecting the null hypotheses about the model fit. Finally, Table 4 highlights that the model is quite informative in relation to BVPS and EPS and can explain variations in the SP with an Adjusted-R^2 of 38.7%. This result is consistent with the existing literature in this field, Naimah (2012) indicated that accounting information can affect a firm's value and explain its variations over time.

Table 4. Ohlson model regression analysis

Variables	Coefficient	T-value	P-value	VIF
Constant	0.417	2.33	0.02	
BVPS	0.904	9.55	0.00	1.43
EPS	2.85	6.82	0.00	1.43
Adjusted-R^2	38.7%			
F-value of ANOVA[a] analysis	149.136 with P-value = 0.000			

Ohlson's (1995) model states that variations in a firm's market value can be explained by accounting information other than BVPS and EPS (Ohlson, 1995). Maintaining this line of reasoning, the current study aims to examine the value of other accounting measures that may be of interest and affect and explain a firm's market value. We extended Ohlson's (1995) model by adding some variables; namely: ROA, price to earnings ratio (P/E), debt to assets (D/A), CCDC, DP and OCFPS. Panel A of Table 5 shows the regression results of this study. In general, the results indicate that accounting measures examined in the current study have had a significantly positive impact on a firm's market value (SP), indicating that variables employed can explain variations in a firm's market value. It is worth mentioning that such results are consistent with the existing accounting research in this field (e.g., Green et al., 1996; Rees, 1997; Collins et al., 1997: Stark & Thomas, 1998; Chen, Chen & Su, 2001; El-Shamy & Al-Qenae, 2005; Bettman et al., 2006; Bettman, 2007; Alfaraih & Alanezi,2011). For example, Vijitha and Nimalathasan (2014) indicated that the value relevance of accounting information had a significant effect on firms' SPs.

The results reported in Panel A of Table 5 vary among variables in terms of their effect on SP. For instance, Panel A of Table 5 illustrates that BVPS and EPS have kept their association with SP as reported in Table 4; they have had a significantly positive effect on firms' share price. In addition, Panel A of Table 5 shows that ROA has had an insignificantly negative association, with a coefficient of -1.57 and a p-value of 0.407. This result is in line with Kabajeh et al., (2012) who concluded a weak relationship between ROA and SP. An analysis of Panel A of Table 5 also reveals that price to earnings (P/E) has had a statistically positive relationship with SP with a coefficient of 0.021 and a p-value of less than 1%. This result suggests that investors are concerned about a firm's ability to generate profit (earnings) which reflected positively to increase P/E. With respect to debt to assets variable, Panel A of Table 5 points out that this variable has had a significant and positive association with SP with a coefficient of 3.48 and a p-value of less than 1%. Similarly, CCDC and DP reported a statistically positive association with SP with coefficients of 0.461 and 3.59 and p-values of less than 1%. Unexpectedly, OCFPS has shown an insignificant association with SP.

Table 5. Multiple regression analysis results

Model	**Panel (A) Regression without the Moderator**				**Panel (B) Regression with the Moderator**			
Variables	Coefficient	T-value	P-value	VIF	Coefficient	T-value	P-value	VIF
(Constant)	-1.18	-0.803	0.422		1.68	1.52	0.250	
BVPS	0.872	2.05	0.000	2.01	0.821	6.65	0.000	2.33
EPS	1.677	0.817	0.041	6.08	2.57	2.59	0.010	5.52
Return on assets (ROA)	-1.57	-0.831	0.407	2.53	-0.502	-0.326	0.745	1.66
Price to earnings ratio (P/E)	.021	3.79	0.000	1.06	0.014	2.29	0.022	1.10
Debt to assets ratio (D/A)	3.48	5.78	0.000	1.20	0.060	6.97	0.000	1.19
Current cash debt coverage ratio (CCDC)	0.461	4.28	0.000	1.17	0.866	5.23	0.000	1.17
Dividends pay-out ratio (DP)	3.59	4.02	0.000	3.85	4.39	3.58	0.000	4.91
OCFPS	0.002	2.18	0.154	1.14	0.006	2.85	0.005	1.13
Firm sector	0.272	1.48	0.259	1.6	-0.027	-0.120	0.905	1.10
Firm size	-0.028	-0.068	0.770	1.68	-0.128	-1.37	0.17	1.70
AF	-0.158	-0.732	0.540	1.21	-0.192	-0.785	0.43	1.23
Adjusted-R^2	51.4%				57.0%			
F value of ANOVA[a] analysis	42.612with P- value = 0.000				54.69 with P-value = 0.000			

The F-statistics results confirm that the model is significant and explains variations in the SP variable with an F-value of 42.612 and a p-value of less than 1%. This outcome clearly suggests that together the explanatory variables (independent variables) are significantly associated with the dependent variable (SP). In other words, the F-statistics prove the validity of the estimated models. In terms of the explanatory power of this regression model, Panel A of Table 5 illustrates that the variables examined can explain the variations in the SP, with an Adjusted-R^2 of 0.514, meaning that the model explains 51.4% of the variance in a firm's market value (dependent variable).

In order to examine the moderating effect variable (board size) on the association, the value relevance of financial statements' variables is examined in the current study. We re-estimated model two by considering the effect of the board size on the independent variables. Panel B of Table 5 shows the results of the moderating effect of board size on the association between accounting measures and SP. In particular, Panel B of Table 5 reveals statistically positive associations between SP (dependent variable) and BVPS, EPS, P/E, D/A, CCDC, DP and OCFPS. These results are consistent with what is reported in Panel A of this table. However, there are some exceptions. For example, the OCFPS variable had a significantly positive relationship in Panel B with a coefficient of 0.006 and a p-value of 0.005 when compared to an insignificant association with SP in Panel A of Table 5. In addition, the result of Panel B of Table 5 shows that board size can moderate the relationship between financial statements' information and SP by positively enhancing the determination of the

adjusted-R^2. In particular, the adjusting-R^2 of the moderating model has been enhanced to 57% when compared to 51.4% in Panel A of Table 5 (without the moderator) suggesting that the board size effect led to raising the adjusted-R^2 from 51.4% to 57%, indicating that internal mechanisms of corporate governance (e.g., board size) can enhance the explanatory power of accounting measures to explain variations in a firm's market value. These results are consistent with Erik Meyer (2013) who revealed that the number of directors serving on a corporate board had a significant and positive effect on a firm's performance as measured by EPS.

6. Conclusions and Implications

This study examines the value relevance of the financial statements for a sample of Jordanian listed non-financial firms from 2012 to 2016. The data was collected manually from companies' annual reports. The valuation model of Ohlson (1995) was used for empirical analysis. The results of this examination indicate that investors consider accounting information when making investment decisions. In particular, the results revealed that BVPS, EPS, P/E, D/A, CCDC and D/P had statistically positive associations with a firm's market value (SP). In addition, the results show that corporate governance mechanisms (e.g., board size) can enhance the value relevance of accounting information. Finally, the results show that accounting measures can help explain the variations in a firm's market value over time.

The current study provides some policy implications for both users and regulators. First, the results of this study provide insight, for both Jordanian investors and regulators, into the importance of accounting information when making investment decisions. In addition, the results of this paper are of interest to firms' boards of directors about the effect of good practice governance in affecting the value of accounting information. Finally, the results of this paper can help accounting regulators (e.g., IASB) assess the effect of related accounting standards on the usefulness of accounting information for information users as the primary objective of the conceptual framework of financial reporting system. The paper has some limitations that will lead to future research. First, this study examines the impact of a corporate governance mechanism (board of directors size) on the relationship between financial statements' information and SP. Future studies should use different measures of corporate governance, such as the audit committee and ownership structure. The current study used a relatively small sample size; therefore, future research should use larger sample sizes and different industrial sectors. This research was conducted for a single country, which may limit its findings' generalization, hence, a cross-country evidence is of interest.

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