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THE IMPACT OF ADVANCED MANAGEMENT ACCOUNTING METHODS ON THE QUALITY OF FINANCIAL REPORTING: THE CASE OF THE JORDANIAN BANKING SYSTEM

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Abstract. This study aims to investigate the degree of application of advanced management accounting methods within Jordanian banks. The researcher tries also to assess the effect of the degree of application of advanced management accounting methods on the quality of financial reports issued by Jordanian banks. In order to achieve this objective data was collected through the distribution of 45 questionnaires to the financial managers and chief accountants of ten commercial banks operating in Jordan. Only 40 questionnaires have been subjected to the process of statistical analysis in order to construct the model of the study, In addition to the use of descriptive statistical techniques of analysis of variance. The results showed that the level of use of the targeted management accounting methods represented in activity based costing, target costing, total quality management respectively within the subjected banks was acceptable. The study also found that there was a significant relationship between the degree of application of our targeted management accounting methods and the quality of financial reports issued by Jordanian banks. Therefore, the paper recommended that management of the subjected banks should improve their usage of advanced management accounting methods which is presently fair but not sufficient and involve accountants and financial managers in the decision making process.

Keywords: *activity-based costing, target costing, total quality management, quality of financial reporting, Jordanian banking system.*

Rezumat. Scopul acestui studiu a fost investigarea gradului de aplicare a metodelor avansate de contabilitate de gestiune în rândul băncilor iordaniene. Cercetătorul încearcă, de asemenea, să evalueze efectul gradului de aplicare a metodelor avansate de contabilitate de gestiune asupra calității rapoartelor financiare emise de băncile iordaniene. Pentru atingerea acestui obiectiv au fost colectate date prin distribuirea a 45 de chestionare către managerii financiari și contabilii șefi ai zece bănci comerciale care își desfășoară activitatea în Iordania. Doar 40 de chestionare au fost supuse procesului de analiză statistică, folosind o analiză de regresie multiplă pentru a construi diferitele modele ale studiului, în plus față de utilizarea tehnicilor statistice descriptive de analiză a varianței. Rezultatele au arătat că nivelul de utilizare a principalelor metode reprezentate de costul bazat pe activitate și costul țintă în

procesul de luare a deciziilor la nivelul băncilor supuse a fost într-o măsură moderată. De asemenea, studiul a constatat că a existat un efect semnificativ al utilizării metodelor avansate de contabilitate de gestiune asupra relevanței și fiabilității rapoartelor financiare emise de băncile iordaniene. Prin urmare, lucrarea a recomandat ca managementul băncilor supuse să îmbunătățească utilizarea metodelor avansate de contabilitate de gestiune, care în prezent este corectă, dar nu suficientă, și să implice contabilii și managerii financiari în procesul de luare a deciziilor.

Cuvinte cheie: *costul bazat pe activitate, costul țintă, managementul calității totale, calitatea raportării financiare, sistemul bancar iordanian.*

1. Introduction

Many companies and institutions at the international and regional levels have suffered from the inability to absorb the development caused by the application of modern managerial accounting practices. This new practices in their various ways, encourages the companies' management to continuously improve their competitive position, through information provided to the management about its competitors, customers, suppliers, and any other parties that could affect the competitiveness of the company [1]. In the same context the study of [2] showed that the use of advanced management accounting methods was always related to the business environment developments, therefore the application of these new methods may help management in creating the necessary competitive advantages to outperform its competitors.

According to [3, p. 206], the use of advanced management accounting methods leads to discover new areas of improvement in accounting systems application, and to support competitive advantages. Managerial accounting can also serve us in providing information necessary for the main steps of the decision making process.

The present paper has a significant contribution to the expansion of researches in the field, related to the Importance of bank sector for national economy and due to the importance of management accounting methods in the decision making process, so the importance of this study result primarily from the contribution of these methods in making efficient managerial decisions within this financial institutions. Therefore the use of these methods provide accurate and more relevant information to banks manager and help them to make ideal decisions about managerial issues, also this techniques help the board of management in operations of financial control, measurement of activity performance and financial planning. This study stems also its importance from the fact that it examines the extent to which advanced management accounting methods are used in commercial banks operating in Jordan, particularly in light of the changes taking place in the domestic banking industry due to financial globalization, which has increased competition in various sectors. Since the banking sector is one of the important sectors that support the Jordanian economy. It is considered as one of the most important sectors on which the local economy relies in enhancing the levels of economic development, and this stems from the important role played by commercial banks in the process of collecting and directing national savings in accordance with the requirements of economic growth. In the same context several consistent studies have demonstrated the positive impact played by the application of modern management accounting methods on improving management systems at the level of commercial banks. It was therefore necessary to focus on to the use of advanced management accounting methods in this sector. based on the aforementioned the researcher try to reach

the following objectives: determining the extent to which Jordanian banks apply advanced management accounting techniques; determining the nature of relationship that exist between the respondents' demographic characteristics and the respondents' perception of the importance of the subjected management accounting methods and finally assessing the nature and degree of effect of the subjected management accounting methods represented in: activity-based costing, target costing and total quality management on the qualitative characteristics that assess good quality of financial report established by Jordanian banks represented in our study in: relevance and reliability.

1.1 conceptual clarification and Literature review

This section consists of a brief conceptual clarification on the study variables and an empirical review of the related studies.

1.1.1 Conceptual clarification

Before analyzing the effect of the advanced management accounting methods on the quality of financial reports established by Jordanian banks, it is necessary to introduce the main concepts and definitions that consist this study, in order to clarify some ambiguities related to this management accounting methods. In the same context reference [4, p. 934] defined activity-based costing as a method that identifies performance indices by activity, which are very useful for gauging the general functioning of the company, and the achievement of the objectives set. It also helps the managers to identify malfunctions and hidden costs to improve profitability and better perceive the costs consumed by each activity.

The difference between activity based costing and the traditional costing methods is that resources are assigned to resource drivers and not directly to products. In addition, these Drivers are allocated to Activities, which are in turn allocated to Activity Drivers and ultimately to Cost Objects such as Product, Market and Customer. [5, p. 180].

In the same vein, reference [6, p. 58] noted that target costing can be considered as a control instrument often centered on the company than a holistic management method, which has proven itself as a strategic decision-making tool. This method can help managers to distinguish their companies in highly competitive markets. The strength of target cost is particularly evident in the development, differentiation, and diversification of complex products and systems that are manufactured in medium-sized batches. At the contrary target cost is less effective for entirely new product designs, as well as for managing simple but mass-produced products. Target cost attempts to achieve customer orientation both in terms of price and in terms of the properties of the product required by the customer.

The last technique used in this study was total quality management, which describes the continuous activity that covers, records, inspects, organizes and controls all areas of an organization and serves to introduce quality as an objective and guaranteed system in permanence. This method was first developed in the Japanese automobile industry and eventually made a successful model [7, p. 10].

There are two major characteristics of these technique [8, p. 43]:

- Management and employee involvement and commitment.
- Total quality management a way of doing business, and not just a program.
- Customer satisfaction and expectations are the main goal of this approach.

On the other hand, the researcher in this study looks to identify the potential effect of using advanced management accounting methods on the quality of financial reports

established by Jordanian banks. In the same context reference [9, p. 40] defined the financial reports quality as the credibility of the financial information and the benefit they bring to users in the decision-making process. Whereas the study of [10, p. 106] demonstrated that low quality financial information leads to undiversifiable informational risk between informed and uninformed investors, thereby increasing the cost of capital. On the other hand, the publication of better financial information in terms of quality and quantity, would reduce this level of risk and consequently the cost of capital by the same proportion.

The fundamental characteristics of financial reports can be listed as follow [11, p. 1-2]:

- Relevance.
- Reliability.
- Faithful representation.
- Comparability.
- Timeliness.
- Verifiability.

1.1.2 Literature review

As a result of the inadequacy of the traditional methods of management accounting and the inability of organizations to compete in light of the complexity and environmental uncertainty faced by those organizations, it is imperative for managers to use effective management accounting methods characterized by providing accurate and appropriate information for decision-making that supports the competitiveness of the organization [12]. In light of the aforementioned several studies through the world were conducted to assess the degree of application of managerial accounting techniques in the strategic decision making process, so we will show in this section the most recent and most important studies that have examined this topic.

The study conducted by [13], aims to determine the degree of application of strategic management accounting techniques in Bengali industrial companies, and their relationship to several strategic parameters related to the subjected companies. In order to reach the study purposes, the researcher has conducted a survey study on a sample of 71 industrial companies. One of the main results of the study mentioned that the level of adoption of the subjected techniques within the surveyed industrial organizations ranged between the medium and low level of adoption, and that the level of application differs from one company to another depending on the difference in the strategic parameters selected by the researcher. The findings have also showed that activity based costing technique, target costing, and strategic costing has a significant impact on achieving strategic efficiency.

On the other hand [14] tried to assess the impact of application of advanced management accounting techniques on the performance of financial institutions operating in Nigeria. In order to reach this objective, a field study has been conducted by distributing 156 questionnaire to the top management employees of the subjected financial institutions. The finding of the study showed that there was a significant negative relationship between the level of use of the management accounting techniques and the financial performance of the subjected banks. However, the remaining factors of the study represented in the degree of the accountant's intervention in making administrative decisions, as well as the type of administrative strategy, had a significant positive effect on the financial performance of the banks operating in Nigeria.

The study conducted by [15], have examined the level of application of several strategic management accounting techniques within Jordanian banks. The researcher seeks

also to determine the relationship between the demographic characteristics of the respondents and the importance of applying the selected strategic management accounting techniques. The study sample consisted of 31 individuals working in Jordanian banks. The study concluded that the level of application of the strategic management accounting techniques within subjected banks was very low. The findings have also showed that the perception of the respondents about the importance of using strategic management accounting techniques was similar.

In the same vein, the study conducted by [16], tried to analyze the management accounting practice in commercial banks operating in Nepal. In order to achieve these objectives the researcher submitted the accountants and the financial managers of the six commercial banks operating in Nepal to a survey research in order to explore their views about the extent to which the subjected banks was able to apply modern management accounting systems. In this regard, the study concluded that the level of application of management accounting systems at the level of commercial banks operating in Nepal was acceptable. The study also emphasized the advantages that commercial banks were able to achieve as a result of applying these techniques, as this contributed to improving many activities in the decision making process.

In the same context the study performed by [17], examined the extent of using strategic management techniques among Jordanian industrial companies, the study also aimed to assess the trends in their adoption to show the benefits obtained from adopting this tools. Data were collected from 52 Jordanian main manufacturing companies, especially those companies that faces major reforms in their management structure. The results of this study revealed that the average rate of application of strategic management tools has reached 44% and, while the most used tools utilized were Total quality management, lifecycle costing and target costing. The results indicated also that the use of this managerial tools provides some benefits and there is some barriers that hinder the application of these techniques in the subjected companies.

The study performed by [18], shed the light on the target costing system and its application within service companies operating in Jordan, in addition to identifying the obstacles that hinder using this technique within the subjected companies. In this regard, the researcher distributed a set of questionnaires to the financial manager of various companies. The results of the study showed that the subjected companies possess the basic requirements for applying the target cost method, the findings of the study have also proved the high importance that this system possesses as a basic approach in controlling costs.

The study of [19], examined the impact of using Activity Based Costing technique in the pricing of banking services within the commercial banks operating in Jordan. In this regard, the researchers conducted a survey on a sample that consist of commercial banks managers selected randomly. The results showed that the cost system established by the subjected commercial banks were inappropriate and inaccurate, the results also demonstrated that the adoption of Activity Based Costing technique helps local commercial banks in the pricing of banking services in a proper manner.

The study of [20], tried to measure the effect of utilizing management accounting techniques in the improvement of the quality of financial reports issued by commercial banks operating in Iraq. The findings of the study revealed the great importance that the subjected banks attach to the process of financial disclosure. Despite this, the results of the study concluded that the commercial banks operating in Iraq have recorded a clear delay in

applying modern methods of management accounting. Finally the study of [21], shed the light on the application of financial accounting techniques in preventing fraudulent practices within commercial banks operating in Nigeria. In order to achieve this aim the researcher utilize several techniques such as data mining, ratio analysis and trend analysis. The results of the study have proved the significant role played by the financial accounting techniques used in this study in detecting and preventing fraud cases within commercial banks operating in Nigeria.

Most of the aforementioned studies have focused on strategic management accounting methods and the extent of their application in various economic projects. The study of AL-Nawayseh assessed the degree of application of a set of strategic management accounting methods within Jordanian banks. While the study of Al-hosban et.al focused on studying the effect of using the target cost on reducing costs in services companies operating in Jordan. In the same context the study of Al-Bawab et.al dealt with the importance of using the activity based costing in the pricing process of banking services in the commercial banks operating in Jordan. Based on the aforementioned studies the researcher tried to assess the impact of application of the activity based costing, target costing and total quality management respectively on the quality of financial statements established by Jordanian commercial banks. What also distinguishes this study from the other literature is that it focuses on the national banking sector as it is a building block for any economic development in the national economy.

2. Method and materials

Several studies focused on the examination of the extent of using management accounting methods in the decision making process among production entities, but most of these studies addressed the traditional methods. So it may be logical to limit the scope of this study in advanced management accounting methods and its effect on the quality of financial reports established by Jordanian banks.

2.1. Population and sample of the study

The population of the study consists of all commercial Jordanian banks, while the sample of the study consists of ten commercial banks named (Arab bank; Cairo Amman bank; Arab Jordan investment bank; Arab banking corporation; Jordan Ahli bank; Jordan Kuwait bank; Housing bank for trade and finance; bank al Etihad; Rafidain bank, Citibank) which are selected randomly. Data were collected by a questionnaire distributed on the financial managers and chief accountants of the banks in question. The researcher distributed 45 questionnaires. Three questionnaires were unreturned and two other questionnaires were invalid for analysis purposes. In this context the table showed below summarizes the questionnaire distribution process.

Table 1

| Questionnaire distribution process | | |
|---|-----------|------------|
| | Frequency | Percentage |
| Distributed questionnaires | 45 | 100 |
| Unreturned questionnaires | 3 | 6.66 |
| Invalid questionnaires | 2 | 4.44 |
| Remaining questionnaires | 40 | 88.88 |

Source: Authors' field survey, 2022.

2.2. Measurement and scaling technique:

The questionnaire consists of three parts, organized as follow: part one is designed to measure the demographic characteristics of the respondents (age, level of study, job position, years of experience), part two consists of 21 items divided equally between the methods involved in this study (activity-based costing, target costing and total quality management), finally part three consist of 10 items divided equally between two qualitative characteristics of financial report quality (relevance, reliability). Five lickert scales has been used to determine the response of the sample members, as following: strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5) [22 p. 299-300].

The data used to assess banks financial managers' perceptions of the impact of advanced management accounting methods on the quality of financial reporting process, were presented with the aid of descriptive statistics. The weighted mean scores used for the parameters by the study were sourced from the study of [15] where the level of impact as perceived by the respondents was ranked between intervals and reflected as Less than 1.8 indicates that there is no impact of the independent variables; from 1.8 to 2.6 indicates a fair impact of the independents variable; from 2.6 to 3.4 indicates an averagely import degree of impact; from 3.4 to 4.2 this indicates a high degree of impact and finally the scores that range from 4.2 to 5 indicates a very high degree of impact of the independent variables [23]ю

2.3. Reliability of the questionnaire items:

In order to verify the internal consistency of the questionnaire, the researcher used Cronbach alpha test, for all sections of the study instrument. The results of this test can be summarized in table 2.

Table 2

| Cronbach alpha test | | |
|-------------------------------------|-----------------|------------|
| Variable | Number of items | Test value |
| All methods | 21 | 0.843 |
| Activity-based costing | 7 | 0.811 |
| Target costing | 7 | 0.741 |
| Total quality management | 7 | 0.787 |
| Quality of financial reports | 10 | 0.753 |
| Relevance | 5 | 0.718 |
| Reliability | 5 | 0.737 |
| All items | 31 | 0.889 |

Source: Authors' computation, 2022.

The results of the previous table shows that all questionnaire items have an acceptable Cronbach alpha coefficient (more than 0.600) [24]. This result indicates that the instrument measurement is reliable, and the research's internal consistency is acceptable.

2.4. Statistical tests used for data analysis

In order to analyze the data of the study, the researcher used the following statistical tests:

- Frequencies to analyze the demographic characteristics of the respondents.
- Descriptive statistics to determine the importance of the study variables.
- Shapiro-wilk test to analyze the normality of data distribution.

- t-test to verify the significance of the questionnaire items compared to the hypothetical mean.
- Anova test to determine the nature of relationship between the independent variables and the demographic characteristics of the respondents.
- Variance inflation factor (VIF) and tolerance coefficient to test the multicollinearity.
- Regression analysis to construct the main model of the study.

3. Results

This section, focus on the main results of the statistical analysis process.

3.1 Respondent's characteristics

The analysis unit for the current study consisted of all the financial managers and accountants working in the subjected Jordanian commercial banks. The members of the analysis unit were deliberately selected due to their extensive experience and knowledge in the field of finance and accounting.

The table 3 shows that 40% of respondents have a bachelor, 30% of them have a master degree while 10% of members of the analysis unit have a PhD degree, and this results confirm the high academic qualifications of the financial managers and accountants working in the Jordanian commercial banks. On the other hand, the results shows that 20% of respondents have less than 5 years of experience while 20% of them have more than 15 years of experience, which means that the financial managers and accountant of these banks have no sufficient experience.

Table 3

| Respondent's demographic characteristics | | | |
|--|-------------------------|-------------|------------|
| Description | Categories | Frequencies | Percentage |
| Age | Less than 30 years | 6 | 15 |
| | Between 30 and 40 years | 12 | 30 |
| | Between 41 and 50 years | 13 | 32.5 |
| | More than 50 years | 9 | 22.5 |
| | TOTAL | 40 | 100 |
| Level of study | Diploma | 8 | 20 |
| | Bachelor | 16 | 40 |
| | Master | 12 | 30 |
| | doctorate | 4 | 10 |
| | TOTAL | 40 | 100 |
| Job position | Financial Manager | 10 | 25 |
| | Accountant | 30 | 75 |
| | TOTAL | 40 | 100 |
| Years of experience | Less than 5 years | 8 | 20 |
| | Between 5 and 10 years | 20 | 50 |
| | Between 11 and 15 years | 4 | 10 |
| | More than 15 years | 8 | 20 |
| | TOTAL | 40 | 100 |

Source: Authors' field survey, 2022.

3.2 Normality of Data

In order to ensure the suitability of data, and to verify the objectivity of the results, the data were subjected to Shapiro-wilk test. The results of this test can be summarized in table 4.

Table 4

| Normality test | | |
|--------------------------|-----------|--------------|
| Variables | Statistic | Significance |
| Activity-based costing | 0.964 | 0.345 |
| Target costing | 0.969 | 0.104 |
| Total quality management | 0.943 | 0.321 |
| Relevance | 0.838 | 0.143 |
| Reliability | 0.912 | 0.235 |

Source: Authors' computation, 2022.

The p-value of all variables exceed the significance level (0.05), which mean that the data is normally distributed. It should be noted that the researcher relied in this study on 3 main management accounting methods represented in: activity-based costing, target costing and total quality management as independent variables. The reasons that prompted the researcher to choose these methods are mainly related to the nature of the activity of financial institutions, in addition to the specificity of the Jordanian economy. In the same context and in order to assess the dependent variable of the study, only two qualitative characteristics of financial reporting quality have been selected, represented in relevance and reliability of financial statement established by Jordanian banks. The reasons that led the author to choose these characteristics are related to the late application of the IFRS standard within the Jordanian financial institutions, consequently the target institutions faced big challenges in the implementation of the remaining qualitative characteristics of financial reports quality such as timeliness, verifiability and comparability.

3.3 Questionnaire's items analysis

This section reviews the results of the statistical analysis of the response of the members of the analysis unit, including financial managers and accountants.

Results of degree of use of advanced management accounting methods:

To test the degree of application of advanced management accounting methods within Jordanian banks, we have computed the means and standard deviation for each method (tables 5), than t-test has been conducted in order to compare the average response of each method with the whole average of all advanced management accounting methods.

Table 5

| Results of t-test for independent variables | | | | |
|--|-------|--------------------|--------------|--------------|
| Variables | Mean | Standard deviation | t-test value | Significance |
| Activity-based costing | 3.742 | 0.531 | 5.312 | 0.001 |
| Target costing | 3.684 | 0.317 | 5.124 | 0.005 |
| Total quality management | 2.457 | 1.423 | 1.342 | 0.312 |

Source: Authors' computation, 2022.

The previous table shows the results of the statistical analysis of the respondents' answers related to the level of practice of advanced management accounting methods within Jordanian commercial banks. Where the values of mean for the three techniques was 3.742, 3.684 and 2.457 respectively. This result indicates that the respondents prefer using activity-based costing then target costing comes in the second place finally total quality management has the lowest score.

Results of importance of financial report quality

In order to identify the importance of questionnaire' items that measure the quality of financial reports, the mean scores and standard deviation of each variable have been calculated, then the researcher performed one sample t test to compare these results with the hypothetical average.

Table 6

Results of one sample t test for financial report quality

| Variables | Mean | Standard deviation | t-test value | Significance |
|-------------|-------|--------------------|--------------|--------------|
| Relevance | 3.985 | 0.324 | 5.667 | 0.000 |
| Reliability | 4.123 | 0.213 | 5.931 | 0.000 |

Source: Authors' computation, 2022.

The results shown in table 6 indicates that the reliability of financial reports established by Jordanian banks has more importance than the other qualitative characteristics of financial reporting quality represented in relevance. The results of t-test comes to clarify the previous findings, where both variables have p value less than 0.05.

3.4 Results of importance of respondents' demographic characteristics

The table 7 showed that there is a significant relationship between the demographic characteristics represented in: level of study, Job position and years of experience respectively and the respondents' perception of the importance of the subjected management accounting methods within Jordanian banks, at the contrary the variable of respondent's age was irrelevant.

Table 7

Results of one way Anova test

| Variables | Degree of freedom | Mean squares | Fischer test value (F) | Significance | |
|----------------------------|-------------------|--------------|------------------------|--------------|--------------|
| Age | Between groups | 3 | 0.418 | 1.986 | 0.273 |
| | Within groups | 36 | 0.139 | | |
| | Total | 39 | - | | |
| Level of study | Between groups | 3 | 0.434 | 4.634 | 0.031 |
| | Within groups | 36 | 0.145 | | |
| | Total | 39 | - | | |
| Job position | Between groups | 1 | 0.346 | 4.437 | 0.012 |
| | Within groups | 38 | 0.115 | | |
| | Total | 39 | - | | |
| years of experience | Between groups | 3 | 0.429 | 4.274 | 0.041 |
| | Within groups | 36 | 0.143 | | |
| | Total | 39 | - | | |

Source: Authors' computation, 2022.

From the previous table, we can conclude that calculated F value for the following variables: level of study, job position and years of experience, exceeded the biggest tabulated value 4.089. While F value of Age's respondents was less than the tabulated value 2.866 which means that the age of respondents has no significant relationship with the respondents' perception of the importance of the subjected management accounting methods importance within Jordanian banks.

3.5 Multicollinearity tests results

Before proceeding with the construction of the study model, the researcher conducted some statistical tests in order to ensure the suitability of the data and this is by examining the problems of multicollinearity between the independent variables.

In order to perform the multicollinearity test, the study's data was subjected to variance inflation factor test (VIF) as well as tolerance test.

Table 8

| Results of Multicollinearity tests | | |
|------------------------------------|---------------------------|------------------------|
| Variables | Variance inflation factor | Tolerance significance |
| Activity-based costing | 2.013 | 0.841 |
| Target costing | 2.766 | 0.763 |
| Total quality management | 3.112 | 0.613 |

Source: Authors' computation, 2022.

The results of table 8 confirmed that the data of the independent variables doesn't suffer from any form of multicollinearity, and this was confirmed by the values of the variance inflation coefficient test for all independents variables: 2.013, 2.766, 3.112 respectively, which can be considered as acceptable (less than 10). It is also clear that the values of the tolerance test exceeded the values of significance 0.05.

3.6 Model construction

Based on the foregoing and after ensuring that there are no multicollinearity problems between the independents variables of the study, and that the data of the study was subjected to a normal distribution, it has become possible to construct the model of the study.

In this section the researcher seeks to examine the effect of applying advanced management accounting methods on the combined characteristics of quality of financial reports established by Jordanian banks. The results of this model can be summarized in table 9.

Table 9

| Model | R | R square | Adjusted R square | Standardized coefficients (a) Beta | t- test value | Significance |
|--------------------------|-------|----------|-------------------|---------------------------------------|---------------|--------------|
| (constant) | | | | | 11.095 | 0.000 |
| Activity-based costing | 0.711 | 0.506 | 0.496 | | 5.039 | 0.003 |
| Target costing | | | | | 5.991 | 0.000 |
| Total quality management | | | | | 1.265 | 0.542 |

a: dependent variable: quality of financial reports.

Source: Authors' computation, 2022.

The results of this table revealed that the level of significance for activity-based costing and target costing were less than 0.05, which mean that both methods have a positive significant effect on the quality of financial reports issued by Jordanian banks. While total quality management has no effect on our dependent variable.

The value of R (0.711) in our case, emphasized the good level of prediction. The coefficient of determination R² (0.506) in our model, indicates that the independent variables of the study explain 50.6 % of the variability of our dependent variable.

3.7 hypothesis testing:

It is clear from the results presented in table 9 that the calculated significance values of all management accounting methods were less than the tabulated significance value (0.05) except for the total quality management which have a significance level (0.542) above the tabulated significance. Therefore, we reject the null hypothesis (H_0), and we accept the alternative one (H_1). By implications, there is a positive effect of the independent variables of the study and the quality of financial reporting (dependent variable). Furthermore, our model has a coefficient of R square equal to 0.506 which means that the advanced management accounting methods (independent variables) were able to explain about 50.6% of the variation in the quality of financial reports established by Jordanian banks (dependent variable).

4. Discussion

The objectives of this study were to assess the degree of application of advanced management accounting methods within Jordanian banks. This study also sought to determine the effect of using a set of different management accounting methods on the financial reporting quality within Jordanian banks.

The results of table 5 showed that Jordanian banks uses activity based costing and target costing at a moderate level. In the same context the results showed that the subjected banks does not use total quality management in the decision making process. The findings are consistent with several studies that confirm the importance of management accounting methods in the decision making process [13]. The findings of the study agree again with the results of many studies about the importance of activity based costing over the remaining techniques [14,19]. The findings of the study agree also with the results of [18], in point of degree of application of advanced management accounting methods in economic companies. On the contrary the researcher disagree with the results of [15] which stated that Jordanian banks doesn't apply management accounting methods at all.

The results of table 7 demonstrate that there was a significant positive relationship between the demographic characteristics of the respondents represented in (Level of study, Job position and years of experience) and the importance of using advanced management accounting methods in Jordanian banks. The results of this table showed also that the dimension of respondents' age has no significant effect on perceiving the importance of using advanced management accounting methods in Jordanian banks. These results disagree with the findings of [15], which stated there is no significant effect of the respondents' demographic characteristics on the perceiving importance of applying modern accounting methods in Jordanian Banks.

The results of table 9, showed that there was a positive and significant effect of the activity based costing and target costing respectively on the different qualitative characteristics that consist the dependent variable represented in relevance and reliability of financial reports issued by Jordanian banks, while the results of total quality management was irrelevant (not significant). These results are consistent with the findings of various studies that confirm the effect of advanced management accounting methods on the financial reporting quality [25], in the same context the results of [26], demonstrate the source of financial information used in British industrial companies, and their importance in the decision-making process.

5. Conclusions

Through the conducted research, we achieved the study objectives, investigating the degree of application of advanced managerial accounting methods in subjected Jordanian banks. We determined as a novel element of the study the nature of relationship that exist between the application of the targeted management accounting methods represented in activity-based costing, target costing and total quality management on the quality of financial reporting in our subjected banks.

Contrary to views expressed in many of the related literature, the research provides evidence that subjected Jordanian banks apply advanced management accounting methods, represented in: activity based costing, target costing and total quality management at a moderate level, secondly the study demonstrated that there is a significant positive effect of these methods on the quality of financial reporting process within Jordanian banks. Finally, the results of the study proved that there was a significant relationship between demographic characteristics of the respondents represented in (Level of study, Job position and years of experience) and the respondents' perception of importance of using these management accounting methods in Jordanian banks, except for the respondents' age, which was irrelevant and had no significant effect on the respondents' perception of the importance of applying our accounting method. Therefore, it is highly recommended to bank and financial institutions managers to place a considerable emphasis on the modernization of management accounting system, due to its large contribution in the decision-making process.

The limitations of the study consist in assessing the impact of only three management accounting methods. Also, the study was limited only to the banking sector. Therefore the author propose to extend the scope of this research to other economic sectors, with the application of other modern management accounting methods.

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