

**Impairment Analysis of Non-current Assets Under DCF-based test.
in the Industrial Jordanian Shareholding Companies**

ABSTRACT

Aims: Is there an indicator for the operating cash flows compared to non-current assets on the impairment loss under (Discounted Cash Flows) DCF-based test? to analyze impairment of non-current assets in the financial reports of industrial companies , and to determine the percentage of companies which has increasing , decreasing or fluctuated impairment classes of non –current assets in their annual report for the years 2005-2008.

Study Design: Data representing the period of 2005 to 2008 were extracted from the companies' Annual reports for the analysis based on availability of annual reports from Amman Stock Exchange ASE in Jordan .*For this study, 30 industrial companies were selected out of the 73 during the study period ,*descriptive design that entails the use of percentages.

Results:

- 1- Any impairment loss of non-current assets should be recognized,measured, and reflected in the financial statements on the light of events or changes in economic circumstances.
- 2- Impairment loss can be affected by the discounted rate , cash inflow and cash outflow .
- 3- Cash flows on noncurrent assets indicator gas certain impact on impairment loss.

Keywords :Impairment , Non-current Assets, Discounted Cash Flows , Jordan

INTRODUCTION

When non-current assets are impaired, the resources of a company have changed in value. Thus, it is considered important to inform stakeholders, of the change in financial information and to provide them with relevant information. The recent financial crisis has led to a major debate about fair-value accounting. Fair-value accounting involves reporting assets and liabilities on the financial statements at fair value and recognizing changes in fair value as gains and losses

in the income statement. Critics argue that fair-value accounting has exacerbated the severity of the 2008 financial crisis. International Accounting Standards no.36 (IAS 36), impairment of assets, effective in 1998, is the first such regulation adopted by many countries. *The implementation of the International financial reporting standard in Jordan commenced in the year 1999 which insisted on the implementation of impairment of assets (IAS 36) and how the impairment loss should be recognized*. The objective of the standard is to ensure that assets are carried at no more than their recoverable amount and to define how the recoverable amount is calculated. Adoption of IAS no.36 on large basis and future directions of Jordan public share holding companies can deeply modify the way companies actually use to account for noncurrent assets, IAS 36 seems to adopt a Discounted Cash Flow (DCF) approach, since it states that value-in-use must be calculated estimating the future cash inflows and outflows deriving from the asset, applying the appropriate discount rate to these future flows, adopting of IAS no.36 should represent a sort of accounting revolution for most companies. In particular, IAS related to noncurrent assets, and the concepts of value-in use, fair value and impairment test are due to attract relevant attention because of the growing interest towards this concept. The objective of this study is to prescribe procedures that the company should apply to ensure that its assets are carried at no more than their recoverable amount. Such an asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognize an impairment loss.

The main accounting questions that need to be addressed in the current study are:

- 1- What procedures should the accountants follow to test the impairment of non-current assets in accordance to IAS 136?
- 2- How should the recoverable amount of an asset be determined under DCF option?
- 3- Is there an indicator for the operating cash flows compared to non-current assets on the impairment loss under DCF-based test?
- 4- To analyze impairment of non-current assets in the financial reports of industrial companies, and to determine the percentage of companies which has increasing, decreasing or fluctuated impairment classes of non-current assets in their annual report for the years 2005-2008.

The significance of this study is of interest to investors, auditors, and standard setters. Investors benefit from the ability to determine the non-current impairment loss. If an impairment loss signals a decrease in firm efficiency, it will help investors to be aware of a decline in the value of their investment in an impairment firm. Auditors are responsible for expressing an opinion on the fairness of financial statements in material respects. Therefore, auditors will be able to assess whether the impaired assets should be kept in financial statements or should be written down as impairment. Finally, to standard setters, results from this study provide empirical

evidence on the implication of IASNo. 36 after its adoption. For impaired assets, IAS36 provides that the original effective interest rate of the asset should be used to calculate the present value of the expected future cash flows of the asset through the proposed discount rate for calculating the recoverable amount of an impaired asset. *In other words, the initial objective of this study is to use financial statements and the market information enabling of predicting impairment loss.*

2. LITERATURE REVIEW

2.1 Key Terms :

(1) **Book value (carrying amount) of the asset:** represents the amount that is recognized for the non-current asset in the financial position statement after the exclusion of accumulated depreciation and the loss of its value.
 (2) **Fair value of the asset (Fair Value):** represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in an active market.

(3) **Recoverable amount of an asset:** Is the higher of its fair value less costs of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

(4) **Decrease in asset value (impairment loss):** if, the recoverable amount of an asset is less than its carrying amount (book value), the carrying amount of the asset shall be reduced to its recoverable amount.

(5) **Value in Use:** The present value of discounted cash flows within the expected consequences of the use of such an asset

2.2 Legal Framework of impairment According (IAS 36):

2.2.1 Measuring asset's value in use:

The following elements shall be reflected in the calculation of an asset's value in use according to IAS 36 :

- (a) An estimate of the future cash flows the entity expects to derive from the asset;
- (b) Expectations about possible variations in the amount or timing of those future cash flows;
- (c) The time value of money, represented by the current market risk-free rate of interest;
- (d) The price for bearing the uncertainty inherent in the asset; and
- (e) Estimates of future cash flows shall include:
 - (a) Projections of cash inflows from the continuing use of the asset;
 - (b) Projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and

(c) Net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life. Future cash flows shall be estimated for the asset in its current condition.

2.2.2 Recognizing and measuring an impairment loss

An impairment loss shall be recognized immediately in profit or loss. An impairment loss shall be recognized for a cash-generating unit (the smallest group of cash-generating units to which a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order according to IAS 36:

The entity shall not reduce the carrying amount of an asset below the highest of:

- (a) its fair value less costs to sell (if determinable);
- (b) its value in use (if determinable); and
- (c) zero.

IAS (36) requires measuring the value of non-current assets, and reporting in financial statements value of not less than the recoverable amount for these assets, to identify how to access this value, this standard would be applied on the basis of cost of the acquisition, these non-current assets should be recorded in the books on the basis of the amounts re-evaluated in accordance with the requirements of IAS No. (16) and (38). Companies at the date of the financial statements should examine all of its assets to find any circumstances which indicate the lack of inventory value that may exceed the recoverable amount, where, recoverable amount represents the highest net value of fair (market) of the asset or its value in use.

2.2.3 Discount Rate : The discount rate is the rate that can be paid by the company in a deal market are under way to borrow money to buy this or group of assets, If the discount rate is not available in the market, we must use the rate of replacement reflects the time value of money over the life of the original, taking into account the cost of capital weighted to the company, and the rate of borrowing Additional to the company, and any other rates for borrowing (IAS 36.57), and must recognize the loss of the lack of value of the asset when the book value is higher than its recoverable amount (IAS 36.59) .

2.3 Previous Studies

From the survey for literature review, it appears that: First, most studies concentrate on three pivotal aspects relating to impairment; the first considers applying impairment as a tool to provide accurate information and increase transparency by increasing the representational faithfulness of reported information (Fitzsimons and McCarthy 2002; Chambers 2007; Giannini 2007; Barth et al. 2008). The second pivot considers the impairment concept as a tool for manipulation (McNichols and Wilson 1988; Zucca and Campbell 1992; Adams 2002; Chen et al. 2004; Jordan and

Clark 2004; Riedl 2004). The third pivot examines the association between impairment loss and market reaction, or stock prices reaction, and performance (Smith 1994; Francis et al. 1996). Literature on impairment of assets in Jordan is so scanty and insufficient that it is difficult to determine value relevance of accounting information ,Most of researches worldwide concentrated on the usefulness of the new standards as compared to the previouspractices. (Olugbenga1 , et al ,2014) in their study entitled Financial Reporting and Complianceof Impairmentof Non-current Assetsin the Nigerian , The purpose of their study was to analyze financial reporting and implementation of impairment of non-current assets in the financial reports of Nigerian banks. The specific objectives of the study were: (i) To determine the percentage of banks which disclose scope and method of impairment of assets in their annual reports for 2012.

(ii) To determine the percentage of Nigerian banks which disclose impairment of classes of assets in their 2012 annual report , one of its results is Disclosing of information on significant impairment of Assets are set out under the IFRS ,companies should disclose additional information for each significant impairment, In the results 100% of banks disclosed the accounting policy for asset impairment. Also 100% of banks recognized impairment losses in the income statement, cash flow and financial position .While 91% of banks disclosed the measurement method. . Prior researchers got the evidence that impairments disclose private information to reduce uncertainty about firm value in the period prior to the global financial crisis (GFC). During the global financial crisis (GFC) a significant number of firms, confronted by unprecedented market volatility, substantial declines in profitability and sustained falls in stock prices, needed to recognize asset impairments (Amir Vanza and et al, 2011). In view of the economic value concept, independently of any legal aspect ,companies should periodically assess their assets' impairment .(**Reistem ;Lander, 2004**). **Hitz and Kuhner** (2002) analyzed the usefulness of impairment charge in decision making through comparing the net income prior and after goodwill writeoffs to the economic income,they favored the goodwill impairment method over the amortization method. **Chen et al. (2004)** proved that the new rules of goodwill accounting outperform the previous enactments. On the other hand ,**Wiese (2005)** favored the amortization approach. **Chambers (2006)** concluded that that goodwill accounting under SFAS 142 does not improve financial reporting compared to amortization-based accounting.**Carlin et al. (2007)** discussed the adoption of IFRS 3, which seemed to be complex and of great risk according to their conclusion. **Zhang and Zhang (2006)** predicted that management is motivated to allocate more purchase price to goodwill. The exposure draft of SFAS 142 includes some indicators of goodwill overpayment. First, the existence of more than one bidder may cause the value allocated to goodwill to be overstated (**Ruback, 1983**). Second, the means of payment is an important indicator when evaluating goodwill overpayment. When the payment is made in form of stock-for-stock acquisitions rather than cash payment, then the existence of goodwill overpayment becomes evident (**Loughran and Vijh, 1997**).(**Xiang , 2009**) , examined the

relationship between the accounting treatment for loss decrease in the value of long-term assets , and planning deals to get rid of these assets, and found that the Chinese companies registered in the financial market is ready for a custom configuration for the loss of the lack of value of long-term assets in the current period , and if the planned to get rid of this long-term assets in the following years, they will custom any losses stemming from the lack of value of these assets, if the company is suffering from losses in subsequent periods , it can convert the loss associated with the assets of long-term discharges into profits, the study recommends that the authorities strengthen control over the behavior of collection losses lack of long-term value of the assets and the development of new accounting rules to address them., but **(Shang & Jun 2009)**, which aims to identify the factors affecting the value of the lack of long-term assets, where they studied the listed companies in the financial market in China during the period (2001-2006), and found that the main factor affecting the lack of value of long-term assets is the lack of impact on the internal factors of the company, and control of the events causing this shortage, both within the company or the industry in which they operate or in economic environment influenced by motivated management , in addition to above , **(Qi-Feng et al , 2007)** study which aims to identify the impact of Chinese companies registered in the financial market during the period (2001-2004) to an impairment loss of long-term assets, found that half of these companies are contrary to the loss of shortage in the value of assets, long-term, and the profits of all companies decreased by (40%) , and (17%) of the profits of these companies turn to losses if not reflecting the loss of these deficiencies in subsequent years, firms with low profits, which recognized a loss of the lack of value of assets long-term losses turned into profits, and prompted the departments of these companies to increase earnings by reversing the current decline in the value of the loss of long-term assets , on the Arabian side , (Rishani ,2007) study , which aims to identify the concepts of accountability lack of value of long-term assets in the accounting standards of U.S. and international one , with their application in Syria, this study included a sample of (60) persons whom the practitioners of the auditing profession, and practitioners of the profession of accounting firms in both public and private sectors in Syria, and found that there are differences between American standard and international accounting standard , also found that the public and private sectors do not apply any of these criteria, the study therefore recommends the application of international accounting standards in Syria , another study is **(Ming et al, 2005)**, which aims to identify the behavior of an ad hoc loss of the lack of value of long-term assets in small-sized enterprises, where he studied factors causing the loss of the lack of value of long-term assets and their impact on corporate earnings of listed companies in the financial market in China during the period (2001-2003), and found that the economic factors such as inadequate conditions facing the industry and corporate influence in the loss of the lack of value of the assets of these companies , **(Yuetang et al, 2005)**, which aims to study the effect of the devaluation of the long-term assets of listed companies in the financial market in China on the profitability of these

companies in the future, and found that the application of this standard reflect the real value of these assets in these companies. what distinguishes the current study is to focus on the empirical projections extracted from the companies' annual reports for the years 2005 -2008 , and to address , if there is relationship between net operating cash flows on non- current assets with the impairment of these assets or not , and to what extent ? . I do not include either a measure of the firm's history for taking prior write-offs, or a market-based measure such as the firm's stock returns , using agency theory as a framework to explain how asset impairment is used through earnings management is an appropriate approach for this study. The effect of agency theory on asset impairment studies can be observed in prior studies such as (Francis et al. 1996) which provide conflicting results in the assessment of the relationship between corporate impairment mechanisms and earnings management on the one hand, and quality of accounting information on the other hand. Therefore, using agency theory as a framework to explain how asset impairment is used through earnings management is an appropriate approach for this study.

3. RESEARCH METHODOLOGY

3.1 Sample Size and Data Collection

In order to meet the objectives of the study, the secondary data were collected from Annual reports of the manufacturing companies listed in Amman Stock Exchange (ASE). The data representing the period of 2005 to 2008 were extracted from the companies' Annual reports for the analysis based on availability of annual reports from ASE. *For this study, 30 industrial companies were selected out of the 73 during the study period.*

3.2 Research design

We adopted descriptive design that entails the use of percentages.

3.3 Data Analysis and Hypothesis Testing

Descriptive statistics of final sample that includes 30 public shares - holding companies are drawn in appendices (1) and (2) in addition to table no. (2), this table draws the discounted net cash flows for each company throughout the period from 2005 to 2008.

3.4 Hypothesis Development

General Proposition:

There are no events or changes in circumstances: economical (discounted cash flow of non-current assets), accounting indicators: (operating cash flow on non-current assets) that the carrying amount of the non-current assets may not be recoverable in the Jordanian Industrial Companies.

In order, therefore, for the proposition above to be investigated, the following three specific hypotheses are effectively tested in this study:

H01: There are no statistical differences for both economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets) as an evidence indicate no impairment of non-current assets for 2005 compared to 2006 .

H02: There are no statistical differences for both economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets) as an evidence indicate no impairment of non-current assets for 2006 compared to 2007 .

H03: There are no statistical differences for both economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets) as an evidence indicate no impairment of non-current assets for 2007 compared to 2007 .

3.5 Data presentation and analysis

It is necessary to compare non-current assets book value with value in use, if the book value of such assets is lower than value in use , the impairment loss will not occur , if the book value of such assets is higher than value in use , the impairment loss will occur , for calculating value in use , the discounted cash flows for non - current assets can be computed as follows:(1) Cash flows for non -current assets = {Operating Cash Flows} {Non-current Assets ÷ Total Assets} , and , (2) Discounted Cash Flows={ Annual Operating Cash Flows for Non-current Assets } {Discount Rate }.Capital Assets Pricing Model (CAPM) based on the weighted average for cost of capital has been estimated at 5% for the industrial companies as a whole according to (AL-shiab ,2005) study , the following table represents the discount rates for the years covered in this study :

Table no. (1)

Discount rate from (2005) to (2008)

year	2005	2006	2007	2008
Discount rate	–	0.95238	0.90702	0.86383

By comparing carrying amount(book value) with value in use (Total Discounted

cash flows), the following table no.(2) has been addressed, to test if there are differences or not by comparing the discounted cash flows amount in total for all proposed periods with book value, we conclude, the recoverable amount of an asset as one group is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount, this difference is an impairment loss. Table (2) provides descriptive statistics relating to the reported write-offs. This data is collected to provide additional insights into the properties of the write-offs used in the sample.

Table (2)

Impairment loss among the Classes of Assets in the manufacturing companies for the Periods 2005–2008

N.	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2,005</u>	Total Discounted cash flows	Book values	Differences	effect
1	503,163	1,750,773	2,303,287	42,778	4,600,001	82,093,819	77,493,818	yes
2	1,116,858	1,503,015	1,069,267	783,924	4,473,063	140,579,393	136,106,330	yes
3	(257,130)	(624,785)	141,044	105,042	(635,828)	25,427,943	26,063,771	yes
4	(92,644)	(80,210)	59,902-	39,751	(193,005)	4,097,181	4,290,186	yes
5	22.00	41,578	48,315	19,024	108,939	2,624,334	2,515,395	yes
6	(53,390)	(4,004)	10,676-	64,169	(3,902)	3,215,025	3,218,927	yes
7	(99,254)	35,292	43,773	213,793	193,605	6,508,835	6,315,230	yes
8	459,096	1,961,669	2,095,680	1,387,150	5,903,595	75,552,098	69,648,503	yes
9	286,514	353,092	77,751	-495,603	221,754	24,856,772	24,635,018	yes
10	140,953	(19,641)	37,085-	-70,336	13,892	13,944,752	13,930,860	yes
11	(80,693)	(33,086)	395,656	55,301	337,178	9,633,661	9,296,483	yes
12	55,790	419,769	573,677	859,528	1,908,765	29,641,490	27,732,725	yes
13	(99,254)	35,300	43,773	210,074	189,894	6,479,903	6,290,009	yes
14	286,277	625,241	905,086-	-138,855	(132,423)	61,079,369	61,211,792	yes
15	(169,233)	(534,504)	901,506	277,999	475,769	26,083,157	25,607,388	yes
16	(5,118,827)	668,289	1,100,468	-855,891	(4,205,961)	82,139,761	86,345,722	yes
17	(14,010)	(136,825)	204,286-	131,075	(224,047)	4,407,272	4,631,319	yes
18	67,777,404	17,610,114	13,255,916	16,777,823	115,421,258	706,987,000	591,565,742	yes
19	23,503,184	38,689,281	35,234,312	35,328,663	132,755,439	560,915,533	428,160,094	yes

20	27,337,941	13,683,012	9,008,305	3,930,705	53,959,963	346,844,485	292,884,522	yes
21	233,537	362,567	279,850-	1,406,439	1,722,693	28,432,933	26,710,240	yes
22	22,513	(12,209)	57,408	63,328	131,040	2,090,378	1,959,338	yes
23	149,383	171,333	67,252-	141,133	394,597	15,793,118	15,398,521	yes
24	99,619	(350,652)	189,284-	-70,647	(510,964)	31452642	31,963,606	yes
25	152,243	45,713	884-	-83,445	113,627	3,858,613	3,744,986	yes
26	(70,587)	393,686	123,205-	-175,997	23,897	15,077,926	15,054,029	yes
27	(257,455)	146,498	200,411	-174,087	(84,633)	7,770,315	7,854,948	yes
28	20,031	(34,893)	41,687-	189,809	133,259	5,565,691	5,432,432	yes
29	(4,649,762)	(80,341)	1,574,062-	-543,530	(6,847,696)	64,929,389	71,777,085	yes
30	(119,682)	458,096	31,946	295,718	666,078	28,203,017	27,536,939	yes
T	<u>119,826,837</u>	<u>64,750,581</u>	<u>50,188,646</u>	<u>48,507,205</u>	<u>283,273,269</u>	<u>2,416,285,805</u>	<u>2,133,012,536</u>	yes

The above table reveals that all companies have book values more than their value in use for non-current assets; it means ,there is an impairment loss for these assets , we can say ,these companies suffer from the decline in market value of their non-current assets, and / or may due to some indicators i.e , changes in the technological level, or in the law, the increase in market rates of interest , or obsolescence, and poor economic performance larger than expected.The next table no. (3) has been drawn to indicate the ratio of cash flows compared with non –current assets .

Table no. (3)

Cash flows compared with non–current assets

2005–2008

company	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1	8.64%	30.32%	42.57%	0.96%
2	4.34%	3.87%	2.61%	1.82%

3	-15.40%	-32.93%	6.54%	4.81%
4	-21.26%	-18.03%	-19.09%	16.35%
5	0.39%	807.84%	967.08%	1113.72%
6	-69.92%	-7.59%	-17.67%	88.08%
7	-11.99%	3.64%	4.18%	17.68%
8	28.24%	20.28%	27.85%	23.48%
9	11.35%	13.41%	2.55%	-13.70%
10	2.78%	-100.30%	-293.18%	-411.44%
11	-14.81%	-5.11%	52.72%	7.70%
12	6.90%	54.23%	70.66%	104.14%
13	-11.99%	3.64%	4.18%	17.99%
14	24.77%	41.70%	-42.65%	-5.70%
15	-10.35%	-27.40%	35.64%	10.19%
16	-21.40%	34.38%	41.31%	-25.43%
17	-3.79%	-30.41%	-49.41%	35.28%
18	93.03%	30.60%	30.79%	52.23%
19	26.02%	50.02%	58.14%	69.45%
20	217.09%	76.40%	42.64%	14.26%
21	11.61%	16.50%	-11.24%	41.72%
22	28.82%	-13.32%	55.98%	72.51%
23	21.70%	20.43%	-6.73%	12.55%
24	3.10%	-6.29%	-3.00%	-78.25%
25	100.00%	25.27%	-0.39%	-57.45%
26	-6.10%	26.82%	-7.42%	-9.69%
27	-99.01%	46.46%	52.94%	-39.10%
28	5.20%	-6.49%	-5.96%	20.60%
29	-95.42%	-2.88%	-65.98%	-35.13%
30	-3.62%	13.62%	0.91%	7.23%

The relative comparison requires an appropriate specification to attribute inferences to changes brought by the above table, we observe some fluctuations whether in case of increasing or decreasing trends in relation to percentage of cash flow from

operating activities on non –current assets during the years 2006, 2007, 2008 compared with 2005 , as a base year , other indicators can be presented as follows in a nutshell based on table no.(3) :

First: The declining trends in form of percentages have occurred in a cash flow items compared with non-current assets for the periods 2006, 2007, 2008 compared with 2005 as a comparison year , (9) companies or (30%) of the sample size have constituted a decreasing trend for this ratio , as shown in tables nos.(3) and (4).

Table no. (4)

Decreasing percentages of cash flows on non–current assets

2005–2008

company	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
4	-21.26%	-18.03%	-19.09%	16.35%
5	0.39%	807.84%	967.08%	1113.72%
6	-69.92%	-7.59%	-17.67%	88.08%
7	-11.99%	3.64%	4.18%	17.68%
12	6.90%	54.23%	70.66%	104.14%
13	-11.99%	3.64%	4.18%	17.99%
17	-3.79%	-30.41%	-49.41%	35.28%
19	26.02%	50.02%	58.14%	69.45%
22	28.82%	-13.32%	55.98%	72.51%

Second: The increasing trends in form of ratios have occurred for cash flow items if compared with non-current assets for the periods 2006, 2007, 2008 taking into account 2005 as a comparison year , we can see, that there was an increase in the number of manufacturing companies which showed an impairment loss during the period 2005-2008 approximated (30%) or (9) companies , as shown in tables nos.(3) and (5).

Table no. (5)

Increasing percentages of cash flows on non–current assets

company	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
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1	8.64%	30.32%	42.57%	0.96%
2	4.34%	3.87%	2.61%	1.82%
9	11.35%	13.41%	2.55%	-13.70%
10	2.78%	-100.30%	-293.18%	-411.44%
16	-21.40%	34.38%	41.31%	-25.43%
20	217.09%	76.40%	42.64%	14.26%
24	3.10%	-6.29%	-3.00%	-78.25%
25	100.00%	25.27%	-0.39%	-57.45%
26	-6.10%	26.82%	-7.42%	-9.69%

Third: The following fluctuated trends in form of percentages have occurred in a ratio of cash flow items if compared with non-current assets for the periods 2006, 2007, 2008 with 2005 as a base year, (12) companies or (43.33%) of the sample size have fluctuated trends (whether increasing, decreasing, or constant), as shown in tables nos.(3) and (6)

Table no. (6)

Fluctuated percentages of cash flows on non-current assets

2005–2008

company	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3	-15.40%	-32.93%	6.54%	4.81%
8	28.24%	20.28%	27.85%	23.48%
11	-14.81%	-5.11%	52.72%	7.70%
14	24.77%	41.70%	-42.65%	-5.70%
15	-10.35%	-27.40%	35.64%	10.19%
18	93.03%	30.60%	30.79%	52.23%
21	11.61%	16.50%	-11.24%	41.72%
23	21.70%	20.43%	-6.73%	12.55%
24	3.10%	-6.29%	-3.00%	-78.25%
27	-99.01%	46.46%	52.94%	-39.10%
28	5.20%	-6.49%	-5.96%	20.60%
29	-95.42%	-2.88%	-65.98%	-35.13%

30	-3.62%	13.62%	0.91%	7.23%
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Table no. (7) Displays a descriptive summary for the tables' nos. (4) ,(5), (6) , in which this table reveals a ratio of cash flows on non-current assets (increasing , decreasing , constant) for the years 2006 , 2007, 2008 as compared with 2005 as a base year :

Table no. (7)

**Descriptive summary of percentages of cash flows
on non-current assets for 2005–2008**

Analyses with 2005 as a base year			%	no. of companies
2008	2007	2006		
decrease	decrease	decrease	30.00	9
increase	increase	increase	30.00	9
decrease	decrease	increase	10.00	3
increase	decrease	increase	3.33	1
increase	increase	decrease	10.00	3
increase	decrease	decrease	6.67	2
decrease	increase	increase	3.33	1
decrease	increase	decrease	6.67	2
Total of companies			100.00	30

As per table no. (7) , we observe , most of cases are within a decreasing classfor the years 2006, 2007, 2008 compared with 2005 , it means there is an impairment for the selected companies' non- current assets understudy .To test the main proposition and other sub-hypotheses,a Wilcoxon test is used whether the distribution of two paired variables in two related samples is the same. This test takes into account the magnitude of the differences between two paired variables. The output includes a Ranks table, showing, for each pair, the number of valid cases, positive and negative differences, their respective mean and sum of ranks, and the number of ties. The output also includes a test Statistics table, showing Z and probability of Z

(siegel ,1988).Since the computed probability value at 5% level of significance is more than .05 , the alternative hypothesis is accepted that “Economic and accounting indicators have statistically significant on impairment of non-current assets in Jordanian industrial public shareholding companies”,otherwise , null hypothesis is rejected,based on the data given inthis study , we will use year-by-year data in addition to those found in the main analyses using pooled data , the following scenarios would be taken for the years 2005-2006 ,2006-2007, 2007-2008 as follows :

Ha1:Economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets)have statistically significant onimpairment of non-current assets for 2005-2006.

Table no. (8) / Test of Hypothesis Ha1 for 2005 to 2006

Ranks				
		N	Mean Rank	Sum of Ranks
var2006 - var2005	Negative Ranks	15 ^a	16.47	247.00
	Positive Ranks	15 ^b	14.53	218.00
	Ties	0 ^c		
	Total	30		
a. var2006 < var2005				
b. var2006 > var2005				
c. var2006 = var2005				

Test Statistics ^a	
	var2006 - var2005
Z	-.298 ^b
Asymp. Sig. (2-tailed)	.766
a. Wilcoxon Signed Ranks Test	
b. Based on positive ranks.	

Table (8) above, measured as the discounted operating cash flows value divided by book value of non-current assets for 2006 as compared with 2005 . The statistic of $Z=(-.298)$, alongside its p-value ($p=0.766>0.05$) indicates that the data do not satisfy normality ,table (8) , suggests that the null hypothesis is strongly rejected at 5%, it means “ there is statistical significance for operating cash flows on non-current assets will indicatean impairment of non-current assets of Jordanian public share- holding industrial companies listed at ASE for the years 2005 , 2006 , we conclude the improvement in operating cash flows on non-current assets and theevents or changes in circumstances (economical and accounting indicators) indicate that the carryingamount of the non-current assets may not be recoverable in the Jordanian Industrial Companies.

Ha2: Economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets) have statistically significant on impairment of non-current assets for 2006- 2007.

Table (9) below, measured as the discounted operating cash flows value divided by book value of non-current assets for 2006- 2007 . The statistic of $Z = (-.298)$ alongside, its p-value ($p=0.766>0.05$) indicates that the data do not satisfy normality , table (9)suggests that the null hypothesis is strongly rejected at 5% , it means “there is statistical significance for operating cash flows on non-current assets will indicate an impairment of non-current assets of Jordanian public share- holding industrial companies listed at ASE for the years 2006 , 2007.

Table no. (9) / Test of Hypothesis Ha2 for 2006-2007

Ranks				
		N	Mean Rank	Sum of Ranks
var2007 - var2006	Negative Ranks	16 ^a	13.63	218.00
	Positive Ranks	14 ^b	17.64	247.00
	Ties	0 ^c		
	Total	30		
a. var2007 < var2006				
b. var2007 > var2006				
c. var2007 = var2006				

Test Statistics ^a	
	var2007 - var2006
Z	-.298 ^b
Asymp. Sig. (2-tailed)	.766
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

Ha3: Economic (discount cash flow of non-current assets) and accounting indicators (operating cash flow on non-current assets) have statistically significant on impairment of non-current assets for 2007 - 2008.

Table no. (10) / Test of Hypothesis Ha3 for 2007-2008

Ranks				
		N	Mean Rank	Sum of Ranks
var2008 - var2007	Negative Ranks	19 ^a	14.79	281.00
	Positive Ranks	11 ^b	16.73	184.00
	Ties	0 ^c		
	Total	30		
a. var2008 < var2007				
b. var2008 > var2007				
c. var2008 = var2007				

Test Statistics ^a	
	var2008 - var2007
Z	-.998 ^b
Asymp. Sig. (2-tailed)	.318
a. Wilcoxon Signed Ranks Test	
b. Based on positive ranks.	

Table (10) above, measured as the discounted operating cash flows value divided by book value of non-current assets for 2007 as compared with 2008. The statistic of $Z = (-.998)$ alongside its p-value ($p = 0.318 > 0.05$) indicates that the data do not satisfy normality, table (10) suggests that the null hypothesis is strongly rejected at 5%, it means “there is statistical significance for operating cash flows on non-current assets will indicate an impairment of non-current assets of Jordanian public shareholding industrial companies listed at ASE for the years 2007- 2008.

Ha :Economic and accounting indicators have statistically significant on impairment of non-current assets throughout the study period for 2005-2008.

Table no. (11) / Wilcoxon Test and Test of Hypothesis H_a for 2005-2008

Ranks				
		N	Mean Rank	Sum of Ranks
var2008 - var2005	Negative Ranks	18 ^a	17.17	309.00
	Positive Ranks	12 ^b	13.00	156.00
	Ties	0 ^c		
	Total	30		
a. var2008 < var2005				
b. var2008 > var2005				
c. var2008 = var2005				

Test Statistics ^a	
	var2008 - var2005
Z	-1.574 ^b
Asymp. Sig. (2-tailed)	.116
a. Wilcoxon Signed Ranks Test	
b. Based on positive ranks.	

Table (11) above, measured as the discounted operating cash flows value divided by book value of non-current assets for 2005 - 2008. The statistic value of $Z = (-1.574)$, alongside its p-value ($p = 0.116 > 0.05$) indicates that the data do not satisfy normality, table (11) suggests that the null hypothesis is strongly rejected at 5%, it means “Economic and accounting indicators have statistically significant on impairment of non-current assets throughout the study period in public shareholding industrial companies listed at ASE for the years 2005 - 2008. To judge impairment or not, it is necessary to rely on some indicators like, the economic indicator (discount cash flow of non-current asset) and accounting indicator (operating cash flow on non-current assets), we can infer that there is an evidence for such indicators on the impairment of non-current assets, in other words,

Impairment of non- current assets can be affected by some indicators as mentioned earlier , the impairment loss also can be affected by the shortage of cash inflows through the period from 2005 to 2008 in addition to the effect that can be arrived in due to the rate of discounted present value .

4. Conclusion and Recommendations

The following conclusions are reached through testing the study proposition:

- 4- Any impairment loss of non-current assets should be recognized, measured, and reflected in the financial statements on the light of events or changes in economic circumstances.
- 5- Impairment loss can be affected by the discounted rate, cash inflow and cash outflow.
- 6- Cash flows on noncurrent assets indicator has certain impact on impairment loss.

Based on the results above, we recommend the following:

- 1- It is necessary for all regulatory bodies in Jordan (Ministry of Industry and Trade, The Jordanian Certified Public Accountants, Amman Stock Exchange., etc.) to identify the companies with the requirements relating to recognition, measurement and disclosure of IAS no.36.
- 2- Giving the economic and financial indicators (Present value, cash flow to non-current assets carrying amount), more adhere and attention to impairment loss accounting.
- 3- From the stakeholders' perspective, the impairment accounting should be taken as an indicator for company' evaluation for decision-making.

Suggested researches:

- 1- Tax and the effect of impairment accounting on financial reporting
- 2- The extent of disclosure of impairment loss.

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