

## THE USE OF COMPANIES AFTER PRIVATIZATION TO METHODS OF EVALUATION AND ACCOUNTING DISCLOSURE IN JORDAN, FROM THE POINT OF VIEW OF INTERNAL AUDITORS

Dr .Atallah Al-hosban , Dr. Ali Maqableh , Dr. Hani Rawashdeh  
Irbid National University – Jordan

### ABSTRACT

**T**his study aims to Facilitating access to technology and modern management techniques much needed to foster competitiveness on the global markets and access to new and stable markets , Stemming the flow of public funds by way of assistance or loans to private projects, in order to alleviate the financial burden of the Treasury . The study population consists of the internal auditors of the companies privatized in Jordan as the study sample was selected of internal auditors in seven companies privatized . this study find results as : the privatized companies have been introducing ICT tools which helped to show the real costs for goods and services , data validation and calculations and ensure the safety of the financial position of the institutions and public enterprises to be privatized , and Historical values are modified in the financial position to the equivalent of the current monetary units have the same purchasing power that prevailing at the time of acquisition . the major recommendations are : The need to create economic competition among various sectors in order to increase efficiency and effectiveness in the provision of products and services through privatization of industries are leading to increasing competition , The Audit Committee shall determine the accounting principles to be applied after the privatization process and the follow-up of its implementation ,and Fixed assets are estimated as a replacement value minus accumulated depreciation after privatization

## **Introduction**

Privatization was part of the overall economic package that the government adopted as of the early nineties, namely the economic adjustment program and self-reliance in the aftermath of the economic crisis that befell the country. Besides, new economic developments were taking place at the global scene in terms of globalization, rise of competitiveness, lifting of customs and administrative barriers to liberate world economy, capital flows, and the communications and information revolution. Thus arose the concomitant need for Jordan to open up to the world, through partnership agreements with the European Union (EU) and accession to the World Trade Organization (WTO), or by opting for a free Arab trade zone and penetrating new unconventional markets. Finally, the government has set out a gamut of macro and micro economic objectives that it aims to achieve through privatization.

Privatization in Jordan was not a mere economic luxury, a fad, or simulation of other countries' experiences, it was dictated and imposed on the Kingdom as a result of various surveys and studies of public-sector projects. The conclusions of said studies demonstrated the prevalence in the public sector institutions and corporations of a large degree of inefficiency in the administrative and employment policies, squander of public funds, administrative archaism, substandard services and high indebtedness, while the private sector firms were yielding higher returns and results and generating better job opportunities, given the high level of efficiency in the administrative and employment policies

## **Problem study**

The economic and social developments, political and technological that have rapidly growing in internal and external environment for public and governmental institutions, such as privatization and economic and political structural reforms pursued by many countries, including Jordan, and consequent shrinking governmental role in economic life and limit cycle control and provide the right environment and incentives for the private sector and between the private and public sectors, and the fight against corruption, has led to increased oversight and challenge, especially as many companies have large financial resources . So the problem of study include

- 1- did the companies privatized in Jordan of the merits and success of the privatization process ?
- 2 - . does the privatized companies applied the accounting procedures at the stage of application and implementation of privatization?
- 3- . What are the accounting methods used for privatized companies in asset valuation?

## **The study hypotheses**

From the problem of the study the study hypotheses can be made following

- 1- do not benefit privatized companies in Jordan the advantages and success factors of the privatization process
- 2- do not apply privatized companies accounting procedures at the stage of application and implementation of privatization
- 3- do not use for privatized companies accounting methods in the evaluation of assets

## **Significance of the study**

While Successive governments in Jordan have adopted free economy based on the individual initiative and supply and demand forces, the public sector continued to play a vital role in designing and directing the economic policies to serve national economy; that has included subsidies and fixed pricing of goods and services whenever needed. The public sector's role has also extended to building, developing and maintaining the infrastructure, and even going in partnership with the private sector for the purposes of setting up major productive projects, such as minerals (cement, phosphate and potash), electricity, communications, public transport, tourist and industrial investments, and others, when the private sector was unable to shoulder the burden of those projects on its own, or given the high risk involved in them .

In due course and with the increased private sector involvement in the economic life, the growing entrepreneurship of many Jordanian businessmen and investors in and out of Jordan, and the burgeoning economic, social, legislative and regulatory responsibilities of the government, the latter turned to privatization towards the beginning of the first quarter of 1985. Such a step was inspired from the Royal Letter of Instructions that urged the then government to encourage the private sector to assume its leading role in economic development throughout the sectors, including health and education

### **The objectives of the study**

1. Optimizing project efficiency, productivity and competitiveness by activating the forces of the market and eliminating economic imbalances and distortions and accounting disclosure
2. Mobilizing domestic savings and attracting more private domestic, Arab and foreign investments by opening up the markets and abolishing state monopoly, and accounting measurement to elements of financial statements
3. Stemming the flow of public funds by way of assistance or loans to private projects, in order to alleviate the financial burden of the Treasury
4. Facilitating access to technology and modern management techniques much needed to foster competitiveness on the global markets and access to new and stable markets

### **Plan of study**

Research plan consisted of two main parts

- 1- Theoretical side . it was study of major ideas in different theoretical aspects where the researcher addressed the definition of privatization, stages and steps, and the pros and cons of privatization process and accounting procedures used in the privatization process and accounting methods to evaluate the assets of the enterprises are privatized
- 2- practical side. the study population and sample and measurement standards, and tests of honesty and reliability measurement tool and methods of data collection and statistical methods used to analyze the data and results. The study is exploratory or descriptive type survey based on opinions or attitudes of the study sample, where this study was conducted on a sample of internal auditors in companies privatized service in Jordan

### **Previous studies**

- 1- study of Jolico 2003" The choice of privatization method and the financial performance of newly privatized firms in transition economies " Journal of Business Finance & Accounting, 2003 , Ranko Jelic

There is a gap between the theoretical literature which almost unanimously advocates the privatization of enterprises, as part of the solution to the commitment problem in economies in transition, and the empirical evidence regarding the best way to design a privatization program in order to secure an efficient use of resources. This paper contributes to this debate by focusing on the determinants of the financial long-run performance of privatized firms in Poland, Hungary, and the Czech Republic. This long-run performance is mainly influenced by the extent of retained state ownership, the choice of privatization method, and firm size.

- 2- study of Owisi 2004, internal audit's role in monitoring and improving the performance of private enterprises .

This study aims to display the evolution of the internal audit and the concept, objectives, standards and different nomenclatures in order to study the causes of the non-proliferation of the profession of internal audit in private enterprises of Yemen and to highlight the role that could be played by the internal auditor to monitor and improve performance in various constructions and then in the national

economy. One of the most important results of the study: that the internal auditor has a role in improving public sector performance that was privatized and that internal control is instrumental in improving or developing plans to improve the competitive advantage of companies privatized . One of the most important results: the need to have the scrutinized (reviewers) of the privatization process before, during and after privatization, and staff awareness on the role of privatization on employment stability .

- 3- study of alshrktali 2010 "impact of privatization on the financial performance of Jordanian companies and link it to the size of the company in the market.

This study aimed to determine the effect of privatization on companies in the Jordanian market. and the sample of the study consisted of eight companies have been privatized through the use of a descriptive analysis. The most important results of this study: the liquidity ratios before privatization was higher than the liquidity ratios after privatization, development and market ratios activity ratios with disparities between firms in terms of financial performance. One of the most important recommendations: search for new procedures to improve the indicators of privatized firms seeking to reduce debt ratios, and that privatization is conditional on improved financial performance .

- 4- Study the Oqda 2009 "financial and operational performance of Jordanian companies under privatization"

The aim of this study is to evaluate the financial performance of companies that have been privatized for the years 1996-2006, 43, as the sample of the study dealt with industrial and service companies. the search was based on the difference between the performance before and after privatization according to the percentage ownership by selling the Government's share of the private sector. And their consequences: an increase and improvement in measures of profitability and a significant increase in the operational processes of the companies that have been privatized. The main recommendations: to improve the quality of service provided to citizens and that there is a basis for the financial evaluation of the companies privatized

#### **The most important characteristic of the study on previous studies**

- 1- This study focuses on the use of the privatization process on the profits of privatized enterprises
- 2- It's based on internal auditors to determine how a privatized companies for the privatization process in accounting terms and determine the foundations of the calendar or the measurement of the assets of the companies privatized in Jordan
- 3- Based on field study in an attempt to find the application for privatization procedures accounting and determine the impact of the change in financial statements

#### **Society and sample of the study**

Companies within the study sample: the Jordan cement factories and JTC Corporation and public transport and the water authority of Jordan and Jordanian investment portfolio and ma'in Spa and free markets in airports, aircraft catering Centre company . The study population consists of the internal auditors of the companies privatized in Jordan as the study sample was selected of internal auditors in seven companies privatized according to the following table

number	Company name	The number of internal auditors	Questionnaires distributed	Questionnaires recovered
1	Jordan cement factories	7	6	5
2	Jordan telecommunication	16	14	11
3	Public transport Corporation	9	7	4
4	The Jordanian water authority	12	10	7
5	Jordanian investment portfolio	8	7	6
6	Duty free shops in airports	9	8	5
7	Aircraft catering Centre company	6	5	4
Total		67	57	42

The above table shows that the sample of the 67 internal auditors and -based telephone communications – questionnaires distributed 57 identify the distribution of questionnaires to 85% recovery rate than distributed 74 % and the proportion of the total numbers of Auditors recovered 63% .

### Definition of 'Privatization'

1. The transfer of ownership of property or businesses from a government to a privately owned entity.( abu al rub , 1995)
2. The transition from a publicly traded and owned company to a company which is privately owned and no longer trades publicly on a stock exchange. When a publicly traded company becomes private, investors can no longer purchase a stake in that company. ( korens , 1998 )
- 3- Jordanian law defines "privatization: an economic approach is to report the role of the private sector in economic activity, including public sector projects that require the nature of administrations on a commercial basis .( The privatization law of Jordan , 2002)

So that Denationalization is only one form of privatization. In broad meaning, privatization refers to the transfer of functions previously performed exclusively by the public sector to the private sector. In other words, privatization is an umbrella term, which encompasses all methods or policies implemented to increase the role of market forces within the national economy

### Justification and motivation of privatization ( Al-quda , 1999)

1. Reducing the need to turn to external lending for the purposes of covering the deficit of existing projects or financing of new projects.
2. Deepening the local capital market and directing private savings to long-term investments
3. create economic competition among various sectors in order to increase efficiency and effectiveness in the provision of products and services
4. . the introduction of modern technology to reflect the true cost of products and services
5. reduce the costs of goods and services to the consumer
6. increasing the production and service quality while reducing the required inputs
7. create economic competition among various sectors in order to increase efficiency and effectiveness in the provision of products and services

## **Supporters and opponents of privatization**

### **Supporters to privatization** ( dumon , 2009) Why Public Companies Go Private

By Marv Dumon on February 26, 2009

The most recognized transition between the private and public markets is an initial public offering (IPO). Through an IPO, a private company "goes public" by issuing shares, which transfer a portion of ownership in the company to those who buy them. However, transitions from public to private also occur. In public to private market transactions, a group of investors purchases most of the outstanding shares in the public company and makes it private by delisting it. The reasons behind the privatization of a company vary, but it often occurs when the company becomes heavily undervalued in the public market.. The process of making a public company private is relatively simple and involves far fewer regulatory hurdles than the private to public transition. At the most basic level, the private group will make an offer to the company and its shareholders. The offer will stipulate the price the group is willing to pay for the company's shares. Once the majority of the voting shares have accepted the offer, shares of the company are sold to the private bidder, and the company becomes privately held.

#### A. Greater Efficiency

Privatization fasters competition and thereby results in efficiency and effectiveness within sectors. Competition is very important to obtain more efficient and effective public services.

#### B-Revealing The True And Full Cost Of The Service Provided

Publicly provided goods and services are under priced because of some political and economic reasons. Politicians want to maximize their votes and people would like to get services free of charges. So public pricing of goods and services tends to be below the cost of production of these services.

#### C- Promotion Of Technological Advancement

Competition as a result of privatization forces entrepreneurs to introduce new methods of production which will generate additional output with the same amount of inputs.

#### D- Development Of Capital Markets

The main purpose for establishing a capital market is to withdraw some of the savings of individuals and private firms and to lead them toward productive investment fields.

#### E- Broadening the Wealth and Achieve Widespread Private Ownership In Society

Privatization can broaden the wealth and achieve widespread private ownership

#### F Curbing Inflation

In many countries public economic enterprises do not work efficiently and effectively they are usually in need of supplementary funds from general account budget. So they cause cost-push inflation. Privatization can be considered a disinflatory tool.

#### G .Raising Extra Revenues for the Government

One of the objective of privatization would be to raise revenues for the government. This strategy would be important when the government encounters a financial crises.

H. Eliminating Hidden Unemployment and Reducing the Power of Public Employee Unions By privatization cost of hidden unemployment can be eliminated

### *Opponents to privatization*

Denationalization refers to sale of assets or shares of a publicly owned enterprises to the private sector. According to the this definition, when a small part of shares/assets are sold to the private sector, it can be called as "denationalization". However, it is more appropriate to define denationalization as transferring at least 51 percent shares of a POE to the private sector. In this case, transfer of ownership (sale of shares) results in transfer of management and operation as well. However, full denationalization requires that all

shares and assets of a POE must be sold to the private sector.

We can face some problems during denationalization process;

- Timing and planning problems
- Priority problems
- Political Instability and uncertainty
- Economic Instability and uncertainty
- Weak and underdeveloped capital markets

### Processes to privatization ( England , 2011)

One such list is offered by Deborah Auger, who proposes that the lessons learned from past privatization successes and failures have led her to identify seven recommendations for building a successful program (see table below).

<i>Process 1:</i>	<i>Recognize that opportunities for privatization are wide ranging, but experiences are varied and complex.</i>
<i>Process 2:</i>	<i>Create an organizational support system capable of providing sound information and advice.</i>
<i>Process 3:</i>	<i>Emphasize strategies encouraging public-private competition for service delivery.</i>
<i>Process 4:</i>	<i>Understand how to assess feasibility and conduct effective cost analysis.</i>
<i>Process 5:</i>	<i>Anticipate and respond to public employee issues and concerns.</i>
<i>Process 6:</i>	<i>Commit priority attention to contract administration and monitoring systems.</i>
<i>Process 7:</i>	<i>Look beyond contracting to public-private partnerships, volunteerism and other privatization approaches.</i>

Progression of privatization in Jordan ( Amman security exchange , 2013)  
In order to regulate the privatization process in Jordan, the government set up a special unit within the Prime Ministry in July 1996, called the Executive Privatization Unit (EPU), under the supervision of a higher council chaired by the prime minister with the membership of several ministers and heads of concerned departments. In a nutshell, the EPU is responsible for privatization operations within the government's overall policy. As such it performs several tasks, inter alia, selection of projects to be privatized, project assessment, election of appropriate form of privatization, preparation of offers for interested parties, and appraisal of submitted offers of privatization.

Given the importance of privatization in Jordan, and with the aim of providing an appropriate legislative framework, a Privatization Law No. 25 of the year 2000 was promulgated in that year. It set out explicit provisions to regulate the privatization process and to enable its implementation, and provided the necessary ground rules for the transparency and clarity of the implementation procedures of privatization operations under mechanisms that are subject to government control. Here are some of the most salient features of this Law:

- Setting up a Higher Ministerial Committee for Privatization, chaired by the Prime Minister, with the membership of the Minister of Finance, the Minister of Trade and Industry, the Minister of Planning, the

Minister of Justice, the Governor of the CBJ, the Chairman of the Executive Privatization Commission (EPC), the President of the Accounting Board, the relevant minister when any issue related to his/her ministry or any connected institution is discussed, and three experts appointed by the Council of Ministers upon recommendation from the Prime Minister.

- Establishing the EPC, which is the legal successor to the EPU. One of the most important objectives of this EPC is to study and follow up on the implementation of restructuring and privatization operations.
- Setting up the Privatization Revenue Fund, under the supervision of the Higher Ministerial Committee for Privatization.
- Giving the government a distinct voting power through the “Gilded/Golden” Share, which empowers it to oppose resolutions of a Company's board of directors or general assembly, if the national interest so requires.

Privatization of government institutions and corporations is already on its way, and here is a summary of the most significant phases of its passage:

### **Accounting theoretical for privatization**

Playing a critical role in privatization process (Enthoven A. J. H., 1997, p.3), the role of accounting and financial reporting in privatization can be analyzed under five subsections that are disclosure, transitional problems, training, and valuation problems

#### **First . Disclosure**

The convention of full disclosure requires that financial statements and their notes present all information that is relevant to the users' understanding of the statements. That is, statements should offer any explanation that is needed to keep them from being misleading. Explanatory notes are considered an integral part of the financial statements. Therefore, accounting's overall goal is to provide useful information to decision makers through financial statements by being reliable and congruent with international accounting and reporting standards, and useful for making investment and credit decisions and for estimating the nature and timing of cash flows (United Nations, 1993 decisions and for estimating the nature and timing of cash flows (United Nations, 1993, decisions and for estimating the nature and timing of cash flows (United Nations, 1993p. 23).

#### **Second : Transitional Problems**

The underlying data from past accounting transactions may not be accurate and/or relevant in former centrally planned economies. Even when past accounting information can be reliably identified with a particular accounting entity, it may have been prepared on some basis which is not acceptable for commercial purposes or international investors' approach. The most common examples are “cash basis government accounting” and “fund basis government accounting” systems (Conrad L. and Sherer M., 2001, p.522).

#### **Third : Training**

The transition of an enterprise from government-control to private-control brings with it, the necessity to adequately re-train the management and employees including accountants at all levels (all practicing accountants, auditors, and educators ). Training of the accountants (management accountants and auditors) has an important role in public disclosure of financial information related to privatizations. Accountants will have to learn internationally accepted accounting principles (standards) based on the assumptions of the going concern, economic entity, the monetary unit, and periodicity; the principles of historical cost, revenue recognition, matching, and full disclosure; and the constraints of cost-benefit considerations, materiality, conservatism, and industry practice. Some of these concepts may not be new, but there may be significant differences in the ways in which they would be applied under new standards Auditing activities may being

carried out in the budgetary control, legitimacy of income and expenditure, and security of assets areas as they relate to privatization (Craig R., Amernic J., 2006. ). Therefore, another important aspect of training is related to independent auditors. They will have to learn generally accepted auditing standards and techniques such as risk assessment and evaluating management, statistical sampling, develop analytical abilities when reviewing management representations (The International Consortium on Governmental Financial Management, 1997, p.35).

#### **Fourth : Valuation Problems Related to Privatization**

Business valuation is an attempt to calculate a price that may be paid for an entity by a willing buyer to a willing seller when neither party is under duress for the transaction. The valuing a SOE is much more than just determines the firm's fair market value. The SOE valuation process and report can facilitate a company's transformation, prepare it for survival in competitive markets, and build public support for the new market system. Properly done, the business valuation helps during the privatization process for both demand side and seller side . Therefore, valuation of the SOEs (and their assets and or shares) is one of the most difficult problems of privatization. Valuation problems related to the privatization of SOEs can be analyzed in three (Arnold P.J. and Cooper C., 1999, p. 134-136). ):

- a) the valuation of assets and liabilities;
- b) the valuation of business as a going concern; and
- c) the determination of the final sales price for assets and/or shares of the company

**: Accounting procedures at the stage of application and implementation of privatization** (mohye aldeen , 2004)

- 1- determine the operational procedures for the method that is chosen to privatize public sector companies, such as procedures for sale or partial sale or contracts
- 2- . the laws and conditions for the application and implementation of the privatization
- 3- identify the bases and criteria for assessing institutions and public enterprises to be privatized
- 4- data validation and calculations and ensure the safety of the financial position of the institutions and public enterprises to be privatized
- 5- a Committee competent location sale price takes into account in its evaluation of these institutions and companies in the capital stock of the Corporation or company and the profit is achieved, the value of the assets of the company

#### **Methods of assessing the assets of public sector companies to be privatized** ( abwe , 2007)

- 1- Historical cost (book value)

The historical cost basis of the main foundations of any study to assess the assets it represents the starting point for all of the other assessment bases, which in the assessment process on the book value of the assets of the project, and that book value accounting value and does not reflect the economic value of the asset

- 2-adjusted historical cost

This method has been developed based on the criticisms of historical cost this way depends on the establishment of a unified measurement units with equal purchasing power instead of cash, and therefore the General indices is used to make a replacement, that show the effects of changes in the general price level, modifying the historical values in the statement of financial position to the equivalent of the current monetary units have the same purchasing power that prevailed at the time of acquisition

- 3-Replacement cost method

The fixed assets are estimated as the replacement value minus depreciation, custom and replacement cost for the actual cost of the project to replace the existing origin is equivalent in its production, the value of

fixed assets depends on the capacity of production and profit and has nothing to do with historical value  
4-Present value of net cash flow

This project is being evaluated and is continuing to pursue its work and its value lies in the profit that will be achieved in the present value of future cash flows, this method can only be done after an estimate of profits that will project discount them by an appropriate discount factor takes into account the potential risk, to determine the net cash flows discounted are following these steps

#### **Accounting disclosure and its impact on privatization ( awaqleh , 2004)**

Accounting disclosure is necessary for the privatization of public sector companies since it cannot have privatized without an accounting of disclosure, where privatization on the quality of accounting disclosure, also affect the nature of the project and the environment Economic works and this needs to be mandatory accounting standards contribute to the success of the

The process of privatization, privatization also requires an assessment of the assets and liabilities of the institutions and companies to determine the fair value of these institutions and companies and (international or domestic) appropriate basis to determine the appropriate value of assets and liabilities and are considered the minimum accounting disclosure must be provided to users of financial statements and to reduce the uncertainty as regards investments and on buying by investor

#### **Statistical analysis and results:**

After theoretically explaining the theme of the disclosure, it will be displayed and the results of the study will be discussed in this chapter and specially those including the stability and credibility of the results and that discuss the hypotheses and text hypotheses.

The stability and credibility of the result:

The text of the alpha credibility was done, and that was in order to determine the degree of internal consistency (stability) between the responses of the respondents to the questionnaire, and alpha can be interpreted as the correlation coefficient between the answers and so the value of alpha can range between zero and one, and the value of alpha is statistically acceptable at least 60% for the dissemination of results (Sekaran,2006) and the value of alpha has became 71% it can be disseminate the results of the study as it represents a statistically acceptable ratio.

#### **The base of the decision to accept the hypotheses of the study:**

The study has been established on the community of the commercial banks and have been relying on the use of descriptive statistics of the data, and it has been using Likert scale consisting of five degrees was arranged as follows, 5 strongly agree, 4 agree, 3 neutral, 2 disagree, 1 strongly disagree. In order to accept the hypotheses it has been relying on the arithmetic mean of the vertebrae which represents the accept or reject the hypotheses and it has been relying on the center of supposedly 3 and which in the light of the media comparing calculations for each hypotheses with the center hypotheses. In order to test the hypotheses that have been relying on regression tests to make sure the degree of accepting or not accepting the hypotheses.

### Analysis of the demographic characteristics of sample:

The following tables show the distribution of the sample of the study variables( general information )

**Table 2 sample by variable age**

Description	Frequencies	Percentage
15-25 years	13	32%
26-33 years	13	32%
More than 33 years	14	36%
Total	42	100%

Notes from table 2 that the sample of the study the majority of the personnel age more than 33 years and this may give a pointer to the sample have expertise in employment which could give an indication on the study findings and hypotheses in addition to other age categories are close together, and this may explain the somewhat descent converged between variable age

**Table. 3 sample according to a variable degree**

Description	Frequencies	Percentage
Diploma (Community College)	8	20%
BA	27	64%
Post graduates	7	16%
Total	42	100%

Notes from table no. 3 sample members are holding a Bachelor's degree and are rate of 64%, this gives an indication that the respondents qualified scientifically to enable them to read the paragraph and try to answer them accurately, and that this might explain the general trend of companies after privatization in the appointment of internal auditors obtaining Bachelor 's, so this may give indication of the sincerity of the findings and recommendations of this study

**Table . 3 sample by years of experience variable**

Description	Frequencies	Percentage
Less than 5 years	8	20%
5-less than 10 years	13	31%
10- less than 15 years	10	24%
More than 15 years	11	25%
Total	42	100%

Notes from table (3) that the majority of the sample of the study experience class 5-less than 10 years and is at the same time near the top categories for other years and this a positive sign and may indicate that some Auditors were present before and after the privatization process which gives an indication of the sincerity and consistency of the study and this tool is a positive reflection on the findings and recommendations of the study

### Discussion of statistical results with hypotheses of the study

First hypotheses : do not benefit privatized companies in Jordan the advantages and success factors of the privatization process

**Table No. (4) views the sample paragraphs in the advantages and success factors of the privatization process.**

number	Description	average	Standard deviation	Rank
1	Reduce the cost of goods and services to the consumer	4.16	0.344	1
2	Increase production and service quality while reducing the necessary inputs	3.43	0.586	3
3	Create economic competition among various sectors in order to increase efficiency and effectiveness in the provision of products and services	2.74	0.821	6
4	Revitalization and development of the capital market as well as to attract foreign capital	3.06	0.629	4
5	The introduction of modern technology to reflect the true cost of products and services	3.76	0.593	2
6	Replace the failed leadership of vital active management leadership	2.86	1.05	5
Average			3.34	

Notes from table (4) that the study sample members reaffirm that privatization was in Jordanian companies helped reduce the production costs of goods and services and of the first paragraph above average and this helps potential competitive advantage to companies that have been privatized with a reasonable return to investors well and this will generate a reflection on the company's earnings and dividend per share , As noted in the introduction of modern information technology tools to companies after privatization helped define the cost of products and goods offered by those companies and that is clear from the fifth paragraph and this is reflected on the need for the Department to invest in information technology tools to show real costs and get a fair financial help in making decisions for the various parties involved in the company , also notes that the replacement of failed leadership with the leadership of vital low degree of acceptance by the members of the study sample, it shows the average of the fifth paragraph of this negative reflection since replacing departments lean a major role in reducing costs and show the actual cost of the goods or services provided by companies that have been privatized. And that competition between companies are privatized, according to members of the study sample, and the reason may be that the privatized companies are from various sectors and this does not lead to a competition between those companies which helps to provide a better service to the citizen or an element of competition in the provision of quality in the product or service provided by privatized companies . He also notes that the average premise is 3.34 and is higher than the average premise 3 and this shows that the study sample members reaffirms moderately that privatized companies have benefited from the advantages of the privatization process of the real costs of products, goods and their reflection on the profits of privatized enterprises .

Second hypothesis : do not apply privatized companies accounting procedures at the stage of application and implementation of privatization

**Table No. (5) reviews the sample paragraphs in the accounting methods of the privatization process**

number	Description	average	Standard deviation	Rank
1	Data validation and calculations and ensure the safety of the financial position of the institutions and public enterprises to be privatized	4.28	0.426	1
2	The Committee is competent to determine the sale price and take into account in its evaluation of these institutions and companies in the capital stock of the Corporation or company	2.46	0.734	6
3	The profit is achieved, and the value of the assets of the company	2.57	0.539	5
4	Select the accounting system before and after the privatization process	4.06	0.981	2
5	Laws and conditions of application and implementation of privatization by internal auditors and external auditors	3.26	0.346	3
6	The Audit Committee shall determine the accounting principles to be applied after the privatization process and the follow-up of its implementation	3.07	0.843	4
Average		3.67		

Notes from table (5) that the study sample confirms the first paragraph 4.28 average of data validation and calculations confirm the integrity of the financial position of the institutions or companies that have been privatized and that a comprehensive review of data and financial statements before and after the privatization process through the Audit Committee, and a report at the end of the process , also notes that the fourth paragraph of the second degree, according to members of the study sample in terms of accounting system used before and after the privatization process to determine the similarities and differences of the companies privatized service facilities moved to the non-profit facility which means a change in accounting policies and accounting methods before and after privatization , , Notes that the fifth paragraph has ranked third in degree of preparing regulations and conditions by the internal auditor and the external auditor prior to privatization or worsened during the privatization process or after the privatization process . and also notes that the average premise is 3.67 and is higher than the mean virtual 3 this indicates that internal auditors say use accounting practices necessary for the privatization process.

Third hypothesis : do not use for privatized companies accounting methods in the evaluation of assets

**Table No. (6) reviews the sample paragraphs in the accounting methods of assessment (measurement) of assets**

number	Description	average	Standard deviation	Rank
1	Based in the evaluation process on the book value of the assets of the project	4.29	1.06	1
2	Historical values are modified in the financial position to the equivalent of the current monetary units have the same purchasing power that prevailed at the time of acquisition	3.06	0.719	2
3	The fixed assets are estimated as a replacement value minus accumulated depreciation	2.16	0.438	5
4	Modify the cost includes the unit of measurement (the general price level) and the basis of measurement (level of prices of the company's assets that are held by the company)(	2.36	0.686	4
5	Identify future flows and prepare lists of inflows and outflows and net flows	1.53	0.548	6
6	Determine the average investment is done by determining the weighted average cost of funds invested in the project	2.73	0.237	3
Total			2.67	

Notes from the schedule (6) that the study sample emphasizes the use of historical cost as the basis for the measurement of assets and liabilities of companies that have been privatized and that is clear from median first paragraph, notes that the second paragraph represents the degree of acceptance or application by the members of the study sample of b is modified historical values in the statement of financial position to the equivalent of the current monetary units have the same purchasing power that prevailing at the time of acquisition, He also notes that the measurement tools such as replacement value is not used as measurement items of financial statements and that is clear from the averages of the remaining paragraphs of this hypothesis. He also notes that the average premise is 2.67 and is lower than the mean virtual 3 this indicates that the members of the study sample tend to not use all the tools of accounting measurement on privatization .

## **Results and Recommendation**

### **Results**

- 1- that privatized companies can accurately determine the cost of goods and services to the customers, which is reflected in the ability to control the price for profit or competition or get competitive advantage
- 2- that the privatized companies have been introducing ICT tools which helped to show the real costs for goods and services
- 3- Privatized companies offer high quality products with reduced input costs by focusing on the cost of the product and get rid of unnecessary costs
- 4- data validation and calculations and ensure the safety of the financial position of the institutions and public enterprises to be privatized
- 5- internal auditors to determine the accounting system applicable to businesses before and after the privatization process to identify similarities and differences in accounting methods and policies
- 6- develop appropriate terms and conditions for the application and implementation of privatization by internal auditors and external auditors
- 7- Based in the evaluation process on the book value of the assets of the project
- 8- Historical values are modified in the financial position to the equivalent of the current monetary units have the same purchasing power that prevailing at the time of acquisition

### **Recommendation**

- 1- The need to create economic competition among various sectors in order to increase efficiency and effectiveness in the provision of products and services through privatization of industries are leading to increasing competition
- 2- Work on revitalization and development of the capital market as well as to attract foreign capital
- 3- That the Committee is competent to determine the sale price and take into account in its evaluation of these institutions and companies in the capital stock of the Corporation or company
- 4- The Audit Committee shall determine the accounting principles to be applied after the privatization process and the follow-up of its implementation
- 5- Future flows are identified and the preparation of lists of inflows and outflows and net flows
- 6- Fixed assets are estimated as a replacement value minus accumulated depreciation

## References

1. Abwe, "Mounir" increased privatization in public administration between theory and practice ", 2007, Tigris, amman, Jordan, p. 73 Accounting, Auditing & Accountability Journal, Vol.19, No.1, pp.82-95.
2. Alquda, Adel, a privatization in Jordan – goals, achievements, news of privatization, folder 1, no. 3, Executive privatization Commission, the Prime Minister, Oman, 1997
3. Alshrktali, Hoda ", " impact of privatization on the financial performance of Jordanian companies and link it to the size of the company in the market, "MA thesis, Middle East Technical University, Jordan, Oman 2010
4. Amman security exchange , privatization in Jordan , 2013.
5. Arnold P. J., Cooper C., 1999. Tale of Two Classes: The Privatisation of Medway Ports,Critical Perspectives on Accounting, 10, pp.127-152
6. Capital Markets Board, 2003. Communiqué on Accounting Standards, Serial XI, No. 25
7. Craig R., Amernic J., 2006. The mobilization of accounting in preening for privatization,
8. Crompton G., Jupe R., 2003. A lot of Friction at the interfaces': The Regulation of Britain's
9. dumon ,mary, 2009) Why Public Companies Go Private , on February 26, 2009
10. England , evan , Privatization: Analyzing the Process of Privatization in Theory and Practice , international student journal , 2011
11. Enthoven A.J.H., 1997. Privatization and Financial Management, congress paper, 16<sup>th</sup> Turkish Accounting Congress
12. jelic , ranko , The Choice of Privatization Method and the Financial Performance of Newly Privatized Firms in Transition Economies , journal od business finance and accounting , 2003
13. Kasem alawaklh, "the impact of privatization of public sector companies on the general budget in Jordan" unpublished ma thesis, al albyt university , 2004, p. 48-49
14. Moore A., 2001. Asset Sales: Accounting for Privatization, Michigan Privatization Report, No.2000-04, Winter 2001
15. oqda "Performance evaluation of privatized companies in Jordan" Jordan "2009 –
16. Osama Mohy ELDIN, the rules and procedures for evaluating companies for privatization, the annual Conference on the role of accounting and auditing at the stage of privatization, Cairo, 2004
17. Owisi, Majid ghabd Fattah, the role of internal audit in supervising and improving performance in the private sector, Master thesis, 2004, University of Sana'a, Yemen  
Privatised Railway System, Financial Accountability & Management, 19 (4), November, pp.397-418.
18. Saleh Al Khasawneh, dealing with the problems of different allocation, research presented to the seminar on privatization in the Institute of banking studies, Oman, 1997, p. 15