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Using the Information Qualitative Characteristics in Measuring the Quality of Financial Reporting of the Palestinian Banking Sector

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إقرار

أنا الموقع أدناه مقدم الرسالة التي تحمل العنوان:

Using the information qualitative characteristics in measuring the quality of financial reporting of the Palestinian banking sector

أقر بأن ما اشتملت عليه هذه الرسالة إنما هي نتاج جهدي الخاص، باستثناء ما تمت الإشارة إليه حيثما ورد، وإن هذه الرسالة ككل، أو أي جزء منها لم يقدم من قبل لنيل درجة أو لقب علمي أو بحثي لدى أية مؤسسة تعليمية أو بحثية أخرى.

DECLARATION

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification

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نتيجة الحكم على أطروحة ماجستير

بناءً على موافقة عمادة الدراسات العليا بالجامعة الإسلامية بغزة على تشكيل لجنة الحكم على أطروحة الباحثة/ **ديمه عبدالمجيد محمد كلوب** لنيل درجة الماجستير في **كلية *التجارة*/ قسم المحاسبة والتمويل** وموضوعها:

Using The information qualitative characteristics in measuring the quality of financial reporting of the Palestinian Banking sector

وبعد المناقشة التي تمت اليوم الأحد 12 جمادى الأولى 1434هـ، الموافق 2013/03/24م الساعة الحادية عشرة صباحاً، اجتمعت لجنة الحكم على الأطروحة والمكونة من:

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وبعد المداولة أوصت اللجنة بمنح الباحثة درجة الماجستير في **كلية *التجارة*/قسم المحاسبة والتمويل**.

واللجنة إذ تمنحها هذه الدرجة فإنها توصيها بتقوى الله ولزوم طاعته وأن تسخر علمها في خدمة دينها ووطنها

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[طه :114]

Didication

This research is dedicated to my father's soul, whose love and support encouraged me throughout life.

May the All-Mighty Allah Bless his soul

To my beloved mother whose love has been with me all my life.

To my beloved husband and children

(Ibraheem and kareem)

Who has been patient and supportive throughout my study.

To my wonderful uncle and sisters for their encouragement.

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Abstract:

This study aims to measure the quality of the financial reports of the Palestinian banking sector by operationalizing the qualitative characteristics of the accounting information.

The study population is the local banking sector as listed by the Palestinian Monetary Authority(PMA), and the study sample is the financial reports for the period (2006 – 2011).

The researcher uses content analysis since it will best achieve the objective of the research because content analysis specialized in analyzing texts and financial reports are text and can be analyzed by using content analysis approach, by using this approach through applying 33 index which was developed in previous studies and collected by Beest and Braam to make a comprehensive measurement tool to measure the quality of financial reports.

The research results show that the fundamental qualitative characteristics are reflected by 66.1% in the financial reports of the banking sector. And the enhancing qualitative characteristics are reflected by 70.8% in the financial reports of the banking sector.

The researcher recommend that the financial reports quality should be improved, and the researcher mentioned many points to increase the quality of the banking sector financial reports like maintain and expanding the use of fair value, expand the use of diagrams, increasing interest in the disclosure of financial ratios and paying attention to comparisons with competitors.

ملخص الدراسة:

هدفت الدراسة الى قياس جودة التقارير المالية للبنوك المحلية الفلسطينية وذلك بتفعيل استخدام الخصائص النوعية للمعلومات المحاسبية كمقياس لجودة هذه التقارير.

حيث أن مجتمع الدراسة هو قطاع البنوك المحلية وهي ٧ بنوك حسب موقع سلطة النقد الفلسطينية (PMA)، وعينة الدراسة هي عبارة عن التقارير المالية منذ عام(٢٠٠٦ ـ٢٠١١).

وقد استخدمت الباحثة تحليل المحتوى وذلك بتحليل القوائم المالية عن طريق تطبيق ٣٣ مؤشر تم تطويرها من الدراسات السابقة وجمعت مؤخرا في بحث واحد لـ (Braamو Beest)في عام ٢٠١١ لقياس جودة التقارير المالية.

ومن أهم النتائج التي توصلت اليها الدراسة أن نسبة الخصائص النوعية الأساسية للمعلومات المحاسبية في التقارير المالية هي ٦٦.١%، وأن نسبة الخصائص النوعية الثانوية للمعلومات المحاسبية هي ٧٠.٨% وهذه النسبة تعتبر جيدة الى حد ما.

ومن أهم التوصيات التي خلصت اليها الدراسة، هي ضرورة تحسين جودة التقارير المالية وقد قدمت الباحثة عدة مقترحات من أجل تحسين جودة التقارير المالية لتصبح الخصائص النوعية للمعلومات المحاسبية ممثلة بشكل أفضل مما هي عليه من أهمها المحافظة على استخدام القيمة العادلة والتوسع في استخدامها ،و زيادة استخدام الأشكال البيانية للتوضيح حيث أنها تساعد على زيادة الفهم ، وزيادة استخدام النسب المالية في التقارير المالية وأيضا عمل مقارنات بين البنوك المنافسة للتعرف على الوضع التنافسي للبنك.

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List of Abbreviations:

ED	**Exposure Draft**
FASB	**Financial Accounting Standard Board**
GAAP	**Generally Accepted Accounting Principle**
IASB	**International Accounting Standard Board**
IFRS	**International Financial Reporting Standard**
PMA	**Palestinian Monetary Authority**
PNA	**Palestinian National Authority**
PSE	**Palestine Stock Exchange**
SFAC	**Statement of Financial Accounting Concept**
US	**United States**

CHAPTER ONE:

THE FRAME WORK OF

THE STUDY

1.1 Introduction

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors to help them make investment, credit and other decisions (IASB, 2008), in order to reach this objective, the IASB(International Accounting Standard Board) identifies the qualitative characteristics of accounting information that distinguish better (most useful) information from inferior (less useful) information for decision making purposes (Kieso, et. al, 2011, p43).

To provide information to decision makers, companies prepare general-purpose financial statements. These statements provide the most useful information possible at the least cost, however, users do need reasonable knowledge of business and financial accounting matters to understand the information contained in financial statements. This point is important It means that financial statement preparers assume a level of competence on the part of users. This assumption impacts the way and the extent to which companies report information (Kieso, et. al, 2009, p34).

This study aims to assess the quality of financial reporting using comprehensive assessment by incorporating all the qualitative characteristics as these characteristics determine the decision usefulness of financial reporting. So as a result of this study the researcher tried to measure the financial reporting quality in terms of the fundamental characteristics (i.e. relevance and faithful representation) and the enhancing quality characteristics (i.e. understandability, comparability, verifiability, and timeliness) as defined in the ED(Exposure Draft) (IASB, 2008).

In Palestine, the banking sector is an integral part of the economy and there are a vast number of potential investors, creditors and other stakeholders, depending on the financial reports to take their decisions. In other word , providing high quality financial reporting information is important because it will positively influence capital provider and other stakeholder in making investment , credit and similar resource allocation decision enhancing overall economy.(IASB ,2006; IASB, 2008). And this study will help measure the quality of financial reports of the banking sector by using the qualitative characteristics of accounting information.

1.2 Research Problem

The problem of the research comes from the fact that Measuring disclosure quality has been regarded as problematic in the literature due to the lack of a clear definition of disclosure quality ((Beyer et al., 2010)). In addition, prior research shows that disclosure quality is immeasurable, and developing a quality measure is extraordinarily difficult ((Botosan, 1997, 2004)) (Anis, R., et. al,).

So this study will investigate the quality of banking sector financial reports using the qualitative characteristics of accounting information as a measure of financial reports quality .

So the research problem can be summarized by answering the following **question (What is the Quality of Financial Reports of the Palestinian Banking Sector?). The following sub question can be derived :**

1. Do the financial reports reflect (relevance) character of accounting information?

2. Do the financial reports reflect (faithful representation) character of accounting information?
3. Do the financial reports reflect (understandability) character of accounting information?
4. Do the financial reports reflect (comparability) character of accounting information?
5. Do the financial reports reflect (timeliness) character of accounting information?

1.3 Research Objectives:

This study aims to achieve the following objectives:

1. Identify, highlight and characterize the concept of qualitative characteristics of accounting information with its two types (fundamental and enhancing characteristics as issued by IASB, 2008 and FASB(Financial Accounting Standard Board).
2. Increase the awareness between researcher of the qualitative characteristics as a measure of financial reporting quality.
3. Investigate and study the use of the qualitative characteristics on **t**he quality of financial reports of the Palestinian banking sector.
4. Suggest some recommendations to increase the quality of financial report by concentrating on the qualitative characteristics of accounting information.

1.4 Research Contribution:

This study contributes to the literature in many ways:

1. It will be one of the first researches made in this field

2. This study points out the importance of the qualitative characteristics as a comprehensive measurement for the quality of financial reports.
3. This study is consistent with the exposure draft(ED) of the FASB and the IASB(2008), because in the exposure draft both the FASB and the IASB (2008) explicitly express their desirability of constructing a comprehensive measurement tool to assess the quality of financial reporting considering all dimensions of decision usefulness.

1.5 Research variables

1. Independent Variables
   - A. Relevance
   - B. Faithfull representation
   - C. Understandability
   - D. Comparability
   - E. Timeliness

2. Dependent Variables
   - A. Quality of financial reporting in the Palestinian banking sector.

1.6 Research Hypotheses

To examine the quality of financial reports by operational zing the qualitative characteristics of accounting information**,** the following hypothesis formulated:

1. **The first basic hypotheses :**

H0: The (fundamental qualitative characteristics) are not reflected in the financial reports of the banking sector working in Gaza.

2. **The second basic hypotheses :**

   H0: The (enhancing qualitative characteristics) are not reflected in the financial reports of the banking sector working in Gaza .

3. **The five sub hypotheses :**

   A. H0: the financial reports don't reflect (Relevance) character of accounting information.

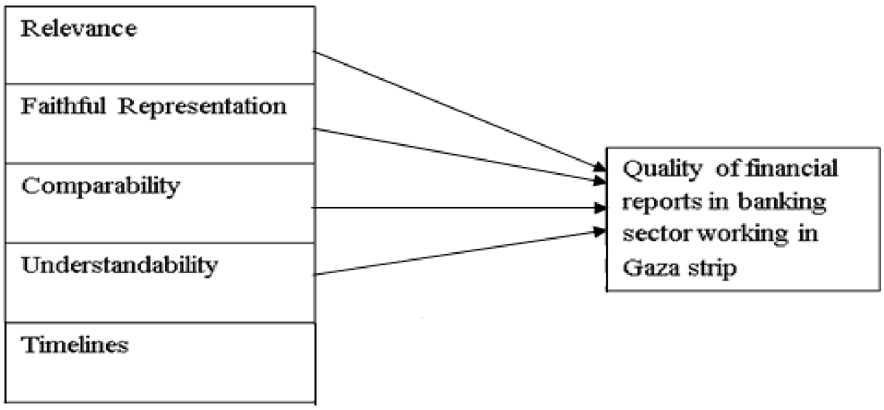
   B. H0: the financial reports don't reflect (Faithfull Representation)character of accounting information.

   C. H0:the financial reports don't reflect (Understandability)character of accounting information.

   D. H0: the financial reports don't reflect (Comparability) character of accounting information.

   E. H0: the financial reports don't reflect (Timeliness) character of accounting information.

1.7 Conceptual Map



1.8 Research Limitation:

There has been a shortage in the Arabic references since there were a few researches that are specialized in studying the quality of financial reports by using the qualitative characteristics that issued by the IASB in 2008.

1.9 Research Methodology:

The study uses the descriptive analysis approach(content analysis) , by analyzing the financial statements of the local banking sector between the period(2006_2011).

Information sources:

Primary data:

By using specific measures which was developed in (Beest, et,al., 2011) and used to measure the two kinds of Qualitative Characteristics (primary and enhancing characteristics), and applying these criteria to the financial statements of the local banking sector from 2006 to 2011 .

Secondary data:

By concentrating on the theoretical background related to the study from books, magazines, cyclical, and previous studies.

Research Population and Sample:

The targeted population is the Palestinian banking sector , and the sample is the financial reports from period(2006 to 2011).

1.10 Previous Studies

(a) Foreign studies

1.10.1(Beest and Braam, 2011)

This paper examines the differences in accounting quality between the two main accounting regimes IFRS(International Financial Reporting Standard) and(United States)US (Generally Accepted Accounting Standard)GAAP, by measuring differences in qualitative characteristics between UK and US financial reports .

By using a 33 item index based on the qualitative characteristics and a matched sample design to assess the quality differences between 71 UK annual reports and 71 10 _k US reports for 2009.

And the results show the following: on average the UK annual reports relevance, faithful representation and understandability are higher than the US 10_K reports, however comparability of the US 10_K reports is higher than comparability of US annual reports.

1.10.2(Jara, et. al, 2011)

The aim of this study is to analyze the quality of financial information using financial and economic ratios, by assessing if the quality is affected by financial reporting standards, by using a sample of 111 companies from the Madrid stock exchange and 32 from Eurostoxx50, descriptive analysis and non-parametric variance analysis were carried out during the period 2005-2007. At the same time, reduction data techniques, specifically principal components analysis (PCA), were performed to detect the underlying main factors for the year 2007.

The results show that the financial information quality is affected by financial reporting standard.

1.10.3(Beest et. al, 2009)

This research aims to measure the quality of financial report in terms of the underlying fundamental qualitative characteristics and enhancing characteristics. By using the 231 annual reports from companies listed at US ,UK ,and Dutch stock markets in 2005 and 2007 . And the findings suggest the following:

1. the measurement tool in this study is a valid and reliable approach to assess the quality of financial reports .
2. the measurement tool contributes to improving the quality assessment of financial reporting information, fulfilling a request from FASB and IASB2008 to make qualitative characteristics operational measurement .

1.10.4 (McGee, and Igoe, 2008)

This research study one of the enhancing qualitative characteristics, timeliness of financial reporting in several transition economies(7 countries by choosing 27 company) that are new to the European Union(EU) ,and makes comparisons to companies in four older members of EU(21 company)

The standard used to measure timeliness of financial reporting (by computing the number of days that elapse between the companies year end and the date of the auditor report).

Findings were that companies in the new EU members states issue their financial information in a fashion that is just timely as that of companies in the old EU that's because the EU face pressure to adopt IFRS .

1.10.5(Obidat, 2007)

The purpose of this paper is to find out whether there is an existing gap concerning the importance of accounting information qualitative characteristics from investors` and external auditors` perspective as they represent the independent part responsible for the fairness of financial reports. To achieve the purpose of this paper, questionnaire was designed and administered to a sample of 25 investors and 29 auditors. The paper reveals that there is an existing gap between the external auditors and investors in terms of the qualitative characteristics of accounting information.

The results show that:

1. A full set of qualitative characteristics is crucial for decision usefulness in spite of the conflict between them .
2. There is an existing gap between the external auditors and the investors in term of qualitative characteristics of accounting information ,that's attributed to the disagreement between them about qualitative characteristics (e.g. relevance , timeliness ,predictive value) which cause the gap between the two groups .

1.10.6 (Cheung , et. al, 2005)

This research aims to examine the quality of financial reports in Australia by investigating how the qualitative characteristics of relevance, reliability , comparability , and understandability developed in Australia between 1961 and 2004 . the research methodology focused on reviewing the relevant academic and professional literature during the period ,as well as reporting on a survey of academies and others who contributed to debate about the characteristics of accounting.

And the findings were :

In Australia the notion of "quality" can be captured by relevance, reliability, comparability and understandability although the names and descriptions of these elements have been debated over a 40-year period. The paper contends that the exact meanings of those elements in relation to financial reporting remain unresolved, in spite of their adoption by the AASB Framework (2004) as the qualitative characteristics of accounting information. Also it was found that there is an inverse relationship between the quality of financial information and timeliness with which it reported .

1.10.7 (Siam and Rhaheleh, 2004)

This study aims at evaluating the effectiveness of computerized accounting information systems in the Jordanian commercial banks under the technological development through a set of standards that reflect the efficiency of these systems performance represented in quality, flexibility, simplicity, and reliability.

In order to realize the study objectives, a questionnaire has been designed and distributed by hand to financial managers and employees of financial departments in public management of nine Jordanian commercial banks listed in Amman Stock Exchange (ASE) for the year 2004, Forty-five questionnaires have been distributed, but only forty-two out of them have been approved for purposes of analysis and study.

The most important result was :

Computerized accounting information systems in the Jordanian commercial banks under the technological development are featured with the four characteristics together (quality, flexibility, simplicity, reliability) according to the following descending order.

1.10.8 (McDaniel and Maines, 2002)

This study concentrate on how audit committees(ACs) evaluate financial report quality and compare their view with MBA graduates (was called in the research financial literacy), and by making a research on 18MBA students and 20 audit experts the results show that :
Auditors incorporate relevance and faithful representation into their overall assessments of financial reporting quality often in the expense of reliability ,and the recommendation was to explicitly develop a "common framework) for evaluating financial reporting quality and the advantage of such a framework is that it would promote a common vocabulary and understanding of financial reporting quality among audit committee member, management and auditor.

1.10.9 (Smith, 1996)

The researcher conducts analysis to trade-off between seven qualitative characteristics (relevance ,reliability ,understandability, comparability objectivity ,completeness , and timeliness) as identified by Institute of chartered accountants in England and Wales(ICAEW)(1975).and by making analysis on two groups (40 MBA students and 18 accountants). The result was the seven qualitative characteristics cannot be achieved simultaneously instead in both groups they scarify some of them in order to achieve others .

1.11 (Arabic Studies)

1.11.1 (الشامي،٢٠٠٩)

This study aims to measure the impact of the qualitative characteristics of accounting information on the quality of financial reports issued by the commercial banks working in Yemen.

In order to do that ,the researcher designed questionnaire that target financial managers , auditors and accountants and 63 questionnaires were returned and analyzed , the findings were as follow :

1. there is a high impact for the primary and secondary qualitative characteristics on the quality of financial report .
2. one of the major recommendations was :

   That the central bank of Yemen must hold a scientific conferences and sessions to educate and enhance the employees knowledge in commercial banks about the importance of the qualitative characteristics of accounting information to improve the quality of reports.

1.11.2 (البحيصي ونجم، ٢٠٠٩)

This study aims to identify the PSE(Palestine Stock Exchange) investors awareness about the importance of accounting information to rationalize there investment decisions, in order to achieve this aim a questionnaire was distributed to (185 investors) at Gaza strip and the findings were as follow:

1. Investors are aware of the importance of using accounting information in their investment decisions .
2. The accounting information published in the financial reports are not enough.
3. There are some obstacles ,that constrain using accounting information in their investment decisions ,like the low of confidence level of the published accounting information by the listed company of PSE , the information lack of timeliness character ,also there is difficulties to make comparison between the PSE listed companies .

1.11.3 (جربوع,٢٠٠٩)

This study aims at identifying the contribution fields of accounting information in the financial statements for improving the Managerial decisions at general corporations in Palestine and the ability of decisions makers to get the usefulness from the published financial statements in planning, control and the evaluation of performance.

To achieve these objectives, two questionnaires has been developed The distributed questionnaires were (64), and (48) were replied which represent (75%).

The result of the study showing that the corporations in Palestine depending on accounting information extracted from the financial statements for making managerial decisions , also the corporations use a specialized team from accountants who have a good knowledge of rules and accounting standards ,and ability to prepare the financial statements which contain accounting information having accuracy and reliability

the researcher introduces a group of recommendations , the most important from them , the corporations must do comparisons of its financial statements with the other corporations working in the same field.

Chapter Two

Qualitative Characteristics Of Accounting Information

2.1 Introduction:

Accounting information considered the basic output of the accounting system , and this information shows the importance of the balances included in the financial reports. And these characteristics are the attributes that make the information in financial statements useful to investors, creditors and others, so accounting considered as an information system that interact with the environment to take the inputs(raw data), process it, and finally communicate it to the interested parties in the form of accounting reports.

The qualitative characteristics was first issued in SFAC(statement of financial accounting concepts)in 1980 by FASB, and since that time many changes were added to these characteristics to avoid misunderstanding and misuse by users.

And then IASB (2008) explicitly expresses their desirability of constructing a comprehensive measurement tool to assess the quality of financial reporting considering all dimensions of decision usefulness. Hence, this measurement tool considers all the qualitative characteristics because these characteristics determine the decision usefulness of financial reporting information (IASB, 2008).

This chapter talks about the conceptual framework since the qualitative characteristics are part of it, and then these characteristics are discussed in details starting by the fundamental qualitative(Relevance and Faithful Representation) characteristics and then the enhancing qualitative characteristics (Comparability, Understandability, verifiability and Timeliness) as issued in the ED by FASB and IASB in 2008.

2.2 Conceptual Framework For Financial Reporting:

2.2.1 Definition of the conceptual framework:

The Conceptual Framework is a coherent system of interrelated objectives and fundamental concepts that prescribes the nature, function, and limits of financial accounting and reporting and that is expected to lead to consistent guidance. It is intended to serve the public interest by providing structure and direction to financial accounting and reporting to facilitate the provision of unbiased financial and related information. That information helps capital and other markets to function efficiently in allocating scarce resources in the economy and society.

Establishment of objectives and identification of fundamental concepts will not directly solve financial accounting and reporting problems. Rather, objectives give direction, and concepts are tools for solving problems(FASB, 2010)**.**

A **conceptual framework** establishes the concepts that underlie financial reporting. A conceptual framework is a coherent system of concepts that flow from an objective. The objective identifies the purpose of financial reporting. The other concepts provide guidance on (1) identifying the boundaries of financial reporting; (2) selecting the transactions, other events, and circumstances to be represented; (3) how they should be recognized and measured; and (4) how they should be summarized and communicated in the financial report. .(FASB, 2008, 2006).

2.2.2 The Purpose Of The Conceptual Framework:

Why do we need a conceptual framework? First, to be useful, rule-making should build on and relate to an established body of concepts. A soundly developed conceptual framework thus enables the FASB to issue more useful and consistent pronouncements over time; a coherent set of standards should result. Indeed, without the guidance provided by a soundly developed framework, standard-setting ends up being based on individual concepts developed by each member of the standard-setting body (kieso, et.al, 2011, p44) , furthermore the framework should increase financial statement users' understanding of and confidence in financial reporting. It should enhance comparability among companies' financial statements.

Second, as a result of a soundly developed conceptual framework, the profession should be able to more quickly solve new and emerging **practical problems by referring to an existing framework of basic theory** (kieso, et.al, 2011, p44).

The purpose of the conceptual framework is to set forth objectives and fundamentals that will be the basis for the development of financial accounting and reporting standards. The objectives identify the goals and purposes of financial reporting. The fundamentals are the underlying concepts of financial accounting concepts that guide the selection of transactions, events, and circumstances to be accounted for, their recognition and measurement ((Dahmash, 1995, p.18)), and the means of summarizing and communicating them to interested parties.

Concepts of that type are fundamental in the sense that other concepts flow from them and repeated reference to them will be necessary in establishing, interpreting, and applying accounting and reporting standards (Obaidat, 2007).

2.2.3Development of A Conceptual Framework:

Over the years, numerous organizations developed and published their own conceptual frameworks, but no single framework was universally accepted and relied on in practice. In 1976, the FASB began to develop a conceptual framework that would be a basis for setting accounting rules and for resolving financial reporting controversies. The FASB has since issued seven Statements of Financial Accounting Concepts that relate to financial reporting for business enterprises.3 They are as follows.

1. ***SFAC No. 1***,1978 "Objectives of Financial Reporting by Business Enterprises," presents the goals and purposes of accounting.
2. ***SFAC No. 2***,1980 "Qualitative Characteristics of Accounting Information," examines the characteristics that make accounting information useful.
3. ***SFAC No. 3***,1980 "Elements of Financial Statements of Business Enterprises," provides definitions of items in financial statements, such as assets, liabilities, revenues, and expenses.
4. ***SFAC No. 5***,1984 "Recognition and Measurement in Financial Statements of Business Enterprises," sets forth fundamental recognition and measurement criteria and guidance on what information should be formally incorporated into financial statements and when.
5. ***SFAC No. 6***,1985 "Elements of Financial Statements," replaces *SFAC No. 3* and expands its scope to include not-for-profi t organizations.
6. ***SFAC No. 7***, 2000"Using Cash Flow Information and Present Value in Accounting Measurements," provides a framework for using expected future cash flows and present values as a basis for measurement.

7. ***SFAC No. 8***, 2010, Chapter 1, "The Objective of General Purpose Financial Reporting, "and Chapter 3, "Qualitative Characteristics of Useful Financial Information," replaces *SFAC No. 1* and *No. 2*(kieso, et.al, 2011).

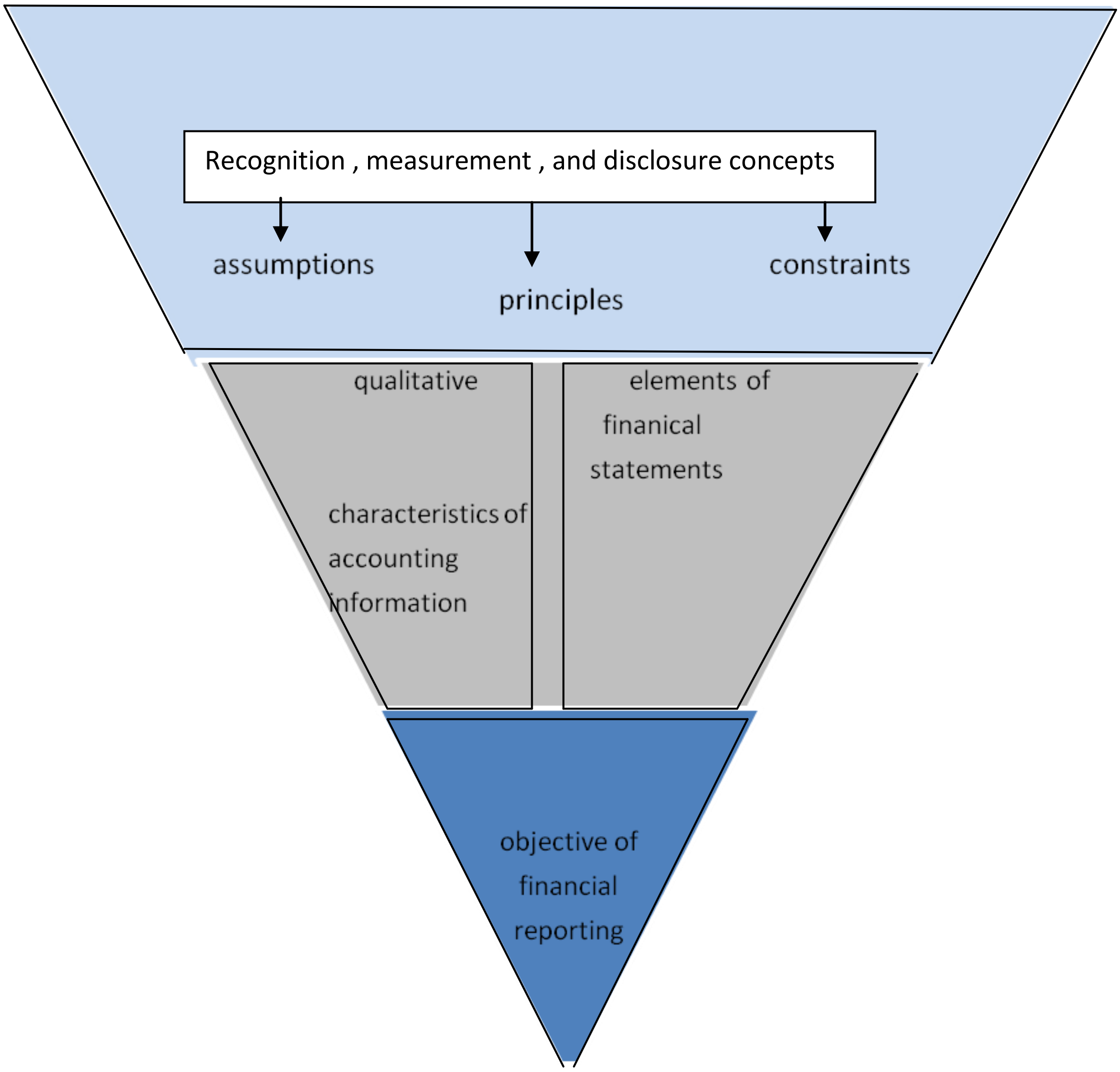
2.2.4 Components Of The Conceptual Framework:

The FASB's Conceptual framework consist of three levels :

1. **The first**: level identifies the **objective of financial reporting**—that is, the purpose of financial reporting.

2. **The second:** level provides the **qualitative characteristics** that make accounting information useful and the **elements of financial statements** (assets, liabilities, and so on).

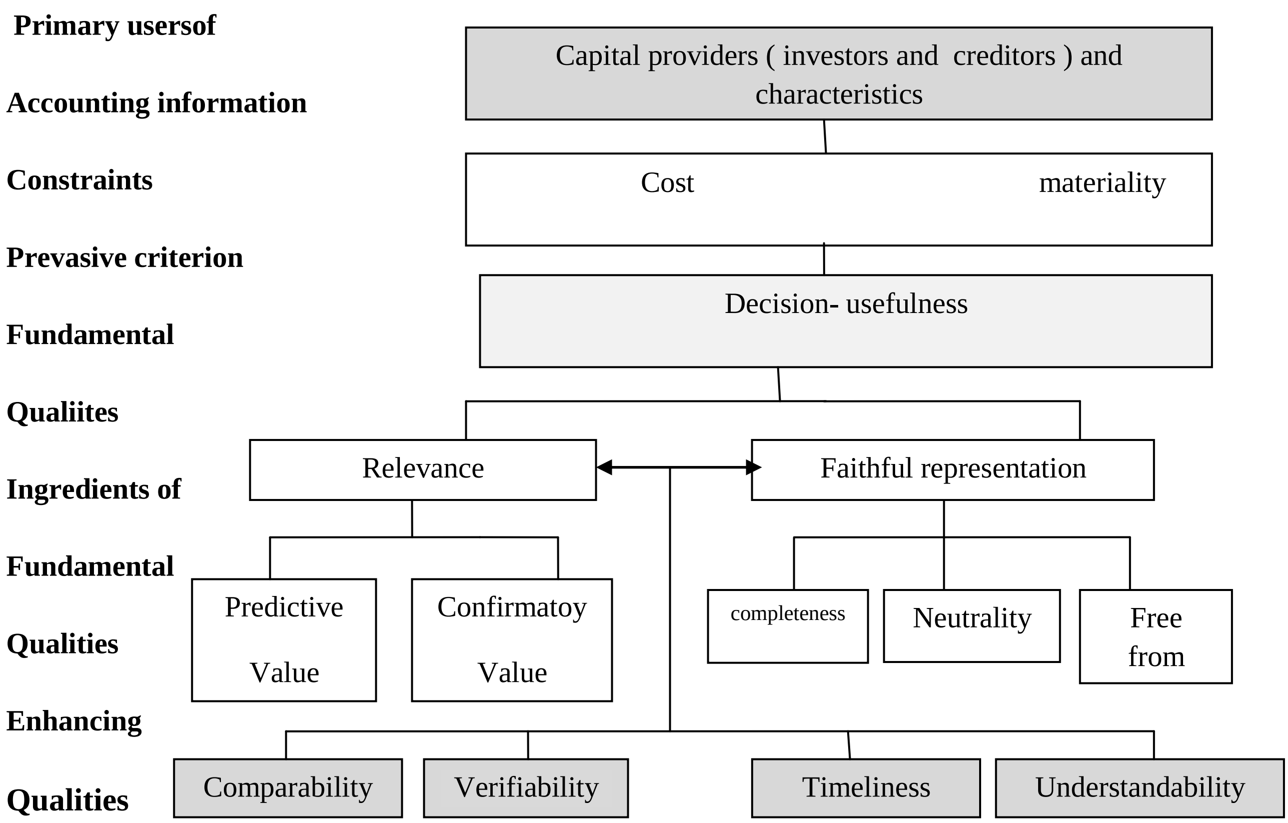
3. **The third**: level identifies the **recognition, measurement, and disclosure** concepts used in establishing and applying accounting standards and the specific concepts to implement the objective. These concepts include assumptions, principles, and constraints that describe the present reporting environment (kieso, et. al, 2011).



Figure(1), Framework of Financial Reporting

Source: (Keiso, et. al, 2011, P65)

The next part will concentrate on the second level of the conceptual framework :



Figure(2), Hierarchy of Accounting Quality

Source: (Keiso, et. al, 2011)

2.3The qualitative characteristics of accounting information:

According to the new exposure draft that was issued by FASB and IASB in 2008 the qualitative characteristics was defined as follow :

Qualitative characteristics are the attributes that make financial reporting information useful. The qualitative characteristics are complementary concepts that each contribute to the usefulness of financial reporting information. However, for analysis purposes it is helpful to distinguish the qualitative characteristics as either **fundamental or enhancing,** depending on how they affect the usefulness of information. Providing useful financial reporting information is limited by two pervasive constraints on financial reporting—materiality and cost (FASB, 2008,IASB, 2008) **.**

2.3.1The fundamental qualitative characteristics:

The fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial reporting information.**(IASB, 2008).** Fundamental qualitative characteristics distinguish useful financial reporting information from information that is not useful or is misleading (FASB, 2008).

2.3.1.1 Relevance:

Relevance is one of the two fundamental qualities that make accounting information useful for decision-making.(kieso, and et.al, 2011), Information is relevant if it is capable of making a difference in the decisions made by users in their capacity as capital providers (IASB, 2008, P35).

In the period between(1960s_2000s) many attempts were articulated to define relevance. The two attributes discussed are usefulness (which later became decision-usefulness, thus including the concept of timeliness) and materiality. The main focus of usefulness is the provision of useful information in a timely manner for decision-making. One of the shortcoming of the definition of usefulness, that it doesn't clarify the identity of users, that is useful for whom? Should financial reports be prepared from the users perspective of preparer perspective, Information that is useful to some individuals and for some purposes may not be useful to other individuals and for other purposes(Cheung, et.al, 2010).

But in the ED of both FASB and IASB which was issued in may 2008 ,it overcome the shortcoming and it defines the users of financial reports(discussed in the next part), and they identify the components of relevance character which are **predictive value and confirmatory value.** So To be relevant, accounting information must be capable of making a difference in a decision. Information with no bearing on a decision is irrelevant. Financial information is capable of making a difference when it has predictive value, confirmatory value, or both (kieso, et.al, 2011).

2.3.1.1.1 Predictive value:

Information about an economic phenomenon has *predictive value* if it has value as an input to predictive processes used by capital providers to form their own expectations about the future. Information itself need not be predictable to have predictive value**.** Also, information about an economic phenomenon need not be in the form of an explicit forecast to have predictive value; it needs only to be a useful input to predictive processes of use to capital providers (IASB, 2008, FASB, 2008), For example, if potential investors are interested in purchasing common shares in **UPS** (United Parcel Service), they may analyze its current resources and claims to those resources, its dividend payments, and its past income performance to predict the amount, timing, and uncertainty of UPS's future cash flows (kieso, et.al, 2011, P49).

The focus on predictive value as one aspect of relevance does not mean that relevant information is, in effect, designed to predict itself. Information that has predictive value need not be—and usually is not—part of a series in which the next number in the series can be accurately predicted on the basis of the previous numbers in the series. For example, investors and other users of financial reporting information often wish to predict revenue for the next reporting period. Reported revenue for the most recent reporting period is likely to have value as an input to whatever process a particular user employs to predict future revenue. But current revenue does not, by itself, predict future revenue (FASB, 2006, P24).

2.3.1.1.2 Confirmatory value:

Information about an economic phenomenon has confirmatory value if it confirms or changes past (or present) expectations based on previous evaluations. Information that confirms past expectations increases the likelihood that the outcomes or results will be as previously expected. If the information changes expectations, it also changes the perceived probabilities of the range of possible outcomes The predictive and confirmatory roles of information are interrelated; information that has predictive value usually also has confirmatory value. For example, information about the current level and structure of an entity's economic resources and claims helps users to predict an entity's ability to take advantage of opportunities and to react to adverse situations. The same information helps to confirm or correct users' past predictions about that ability (IASB, 2008, P 36,FASB, 2008, p18).

Feedback on past events helps confirm or correct earlier expectations. Such information can then be used to help predict future outcomes. For example, when a company presents comparative income statements, an investor has information to compare last year's operating results with this year's. This provides a general basis for evaluating prior expectations and for estimating what next year's results might be (Stice, 2008).

2.3.1.2 Faithful Representation:

Faithful representation is the second fundamental quality that makes accounting information useful for decision-making.

Faithful representation means that the numbers and descriptions match what really existed or happened. Faithful representation is a necessity because most users have neither the time nor the expertise to evaluate the factual content of the information (kieso, et.al, 2011) , which means that there is agreement between a measurement and the economic activity or item that is being measured (Stice, 2008). To be a faithful representation, information must be **complete, neutral, and free of material error** (IASB, 2008).

Completeness, means that all the information that is necessary for faithful representation is provided. An omission can cause information to be false or misleading and thus not be helpful to the users of financial reports (kieso, et.al, 2011), For example, to omit some revenues during the period from the item *revenues* on a statement of income (or profit or loss) would faithfully represent neither that item nor subsequent subtotals and totals. Completeness is also important in developing estimates of economic phenomena, such as in estimating fair value using a valuation technique. For example, estimating the fair value of a financial instrument using a pricing model must take into account all of the economic factors that are valid inputs to the model used. Thus, to omit dividends expected to be paid on the underlying shares over the term of a call or put option on those shares would not faithfully represent the fair value of the option (FASB, 2006, P44).

In FASB conceptual framework which was issued in 2010 mentioned the following about completeness, which mean A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For example, a complete depiction of a group of assets would include, at a minimum, a description of the nature of the assets in the group, a numerical depiction of all of the assets in the group, and a description of what the numerical depiction represents (for example, original cost, adjusted cost, or fair value)(FASB, 2010 ,p28).

Neutrality: is the absence of bias intended to attain a predetermined result or to induce a particular behavior. Neutral information does not color the image it communicates to influence behavior in a particular direction. Financial reports are not neutral if, by the selection or presentation of financial information, they influence the making of a decision or judgment in order to achieve a predetermined result or outcome (FASB, 2008, IASB, 2008).

Neutral information does not mean information with no purpose or no influence on behavior. On the contrary, relevant financial information is, by definition, capable of making a difference in users' decisions (FASB, 2010)

As Jonas and Blanchet (2000: 362) state: "neutrality is about objectivity and balance". Neutrality refers to the intent of the preparer; the preparer should strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events (Beest, et.al, 2009).

Free from Error. An information item that is **free from error** will be a more accurate (faithful) representation of a financial item. However, faithful representation does not imply total freedom from error. This is because most financial reporting measures involve estimates of various types that incorporate management's judgment (kieso, et.al, 2011). Since the economic phenomena presented in financial reports are generally measured under conditions of uncertainty. Thus, to attain a faithful representation, it may sometimes be necessary to disclose explicitly the degree of uncertainty in the reported financial information(IASB, 2008).

Application of the fundamental qualitative characteristics:

The most efficient and effective process for applying the fundamental qualitative characteristics usually would be as follows (subject to the effects of enhancing characteristics and the cost constraint, which are not considered in this example):

First, identify an economic phenomenon that has the potential to be useful to users of the reporting entity's financial information.

Second, identify the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented.

Third, determine whether that information is available and can be faithfully represented. If so, the process of satisfying the fundamental qualitative characteristics ends at that point. If not, the process is repeated with the next most relevant type of information.

So Information must be both relevant and faithfully represented if it is to be useful. Neither a faithful representation of an irrelevant phenomenon, nor an unfaithful representation of a relevant phenomenon, helps users make good decisions (FASB, 2010).

2.3.2 The enhancing qualitative characteristics:

The enhancing qualitative characteristics can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own (IASB, 2008). Financial reporting information may have varying degrees of usefulness to different capital providers. Enhancing qualitative characteristics distinguish more useful information from less useful information. They enhance the decision usefulness of financial reporting information that is relevant and faithfully represented. Enhancing qualitative characteristics (**comparability, verifiability, timeliness, and understandability)** should be maximized to the extent possible. However, the enhancing qualitative characteristics, either individually or in concert with each other, cannot make information useful for decisions if that information is irrelevant or not faithfully represented (FASB, 2008).

2.3.2.1Comparability:The first enhancing qualitative characteristic is comparability, which "is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena" (IASB, 2008, P39).

The essence of comparability is that information becomes much more useful when it can be related to a benchmark or standard. The comparison may be with data for other firms or it may be with similar information for the same firm but for other periods of time. Comparability of accounting data for the same company over time is often called consistency. Comparability requires that similar events be accounted for in the same manner on the financial statements of different companies and for a particular company for different periods. It should be recognized, however, that uniformity is not always the answer to comparability. Different circumstances may require different accounting treatments (Stice, 2008, P26).

2.3.2.2Verifiability:

Verifiability implies that different knowledgeable and independent observers would reach general consensus, although not necessarily complete agreement, either:

a. That the information represents the economic phenomena that it purports to represent without material error or bias (by direct verification); or
b. That the chosen recognition or measurement method has been applied without material error or bias (by indirect verification). (FASB,2008, 2006, IASB, 2008)

Verification can be direct or indirect. Direct verification means verifying an amount or other representation through direct observation, for example, by counting cash. Indirect verification means checking the inputs to a model, formula, or other technique and recalculating the outputs using the same methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, using the first-in, first-out method) (FASB, 2010).

Direct verification is more helpful in assuring that information faithfully represents the economic phenomena that it purports to represent because direct verification tends to minimize both error and bias in method and application. In contrast, indirect verification tends to minimize only application bias. Indirect verification is generally based on the same method used to produce the amount being verified. Thus, even though different verifiers reach consensus, an indirectly verified amount may not faithfully represent the economic phenomena that it purports to represent because the method used may give rise to material error. Even though indirect verification does not guarantee the appropriateness of the method used, it does carry some assurance that the method used, whatever it was, was applied carefully and without error or personal bias on the part of the one applying it. In many situations, knowledgeable and independent observers may need to apply both direct and indirect verification (FASB, 2006).

2.3.2.3 Timeliness

The final enhancing qualitative characteristic defined in the ED is timeliness. "Timeliness means having information available to decision makers before it loses its capacity to influence decisions" (IASB, 2008, P40). Timeliness refers to the time it takes to reveal the information and is related to decision usefulness in general (IASB, 2008). Having relevant information available sooner can enhance its capacity to influence decisions, and a lack of timeliness can rob information of its usefulness (Kieso, et.al, 2011). To sacrifice some degree of precision for increased timeliness sometimes may be desirable because an approximation produced quickly may be more useful than precise information that takes longer to produce. However, some information may continue to be timely long after the end of a reporting period because some users may continue to need to consider that information in making decisions. For example, users may need to assess trends in various items of financial reporting information in making investment or credit decisions (FASB, 2006).

2.3.2.4Understandability

Understandability is the quality of information that enables users to comprehend its meaning. Understandability is enhanced when information is classified, characterized and presented clearly and concisely. Comparability can also enhance understandability (IASB, 2008). Decision-makers vary widely in the types of decisions they make, how they make decisions, the information they already possess or can obtain from other sources, and their ability to process the information. For information to be useful, there must be a connection (linkage) between these users and the decisions they make. This link, **understandability**, is the quality of information that lets reasonably informed users see its significance. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely (Kieso, et.al, 2011).

Thus, users of financial reports are assumed to have a reasonable knowledge of business and economic activities. In making decisions, users also should review and analyze the information with reasonable diligence. Information that is relevant and faithfully represented should not be excluded from financial reports solely because it is too complex or difficult for some users to understand without assistance (FASB, 2010).

***Applying the Enhancing Qualitative Characteristics* :**

Enhancing qualitative characteristics should be maximized to the extent possible. However, the enhancing qualitative characteristics, either individually or as a group, cannot make information useful if that information is irrelevant or not faithfully represented (FASB, 2010). The application of the enhancing qualitative characteristics is an iterative process that does not follow a prescribed order. Sometimes, one or more enhancing qualitative characteristics may be sacrificed to varying degrees to maximize another qualitative characteristic. For example, a temporary reduction in comparability may be worthwhile to improve relevance or faithful representation in the longer term. A temporary reduction in period-to-period consistency, and thus in comparability, may occur when a new financial reporting standard that improves relevance or faithful representation requires prospective application. Such a change in reporting effectively trades a temporary reduction in period-to-period consistency for greater comparability in the future. In that situation, appropriate disclosures can help to compensate for the temporary reduction in comparability(FASB, 2008, p21, IASB, 2008, P4).

2.4Constraints on Financial Reporting:

In addition to the qualitative characteristics of relevance, faithful representation, decision-useful financial reporting is subject to two pervasive constraints: ***materiality*** **and** ***benefits that justify costs*****.** The two constraints are linked because each concerns why some information is included in financial reports and other information, or the same type of information in different circumstances, is not (FASB, 2006).

2.4.1 Materiality

Information is material if its omission or misstatement could influence the decisions that users make on the basis of an entity's financial information (FASB, 2008), An individual company determines whether information is material because both the nature and/or magnitude of the item(s) to which the information relates must be considered in the context of an individual company's financial report. Information is *immaterial,* and therefore irrelevant, if it would have no impact on a decision-maker **so companies must consider both quantitative and qualitative factors in determining whether an item is material**. Thus, it is generally not feasible to specify uniform quantitative thresholds at which an item becomes material. Rather, materiality judgments should be made in the context of the nature and the amount of an item.(kieso, et.al, 2011). Thus, When considering whether financial information is a faithful representation of what it purports to represent, it is important to take into account materiality because material omissions or misstatements will result in information that is incomplete, biased, or not free from error (FASB, IASB, 2008).

2.4.2 Cost

Financial reporting imposes costs; the benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs will usually be more qualitative than quantitative. In addition, the assessment of benefits and costs often will be incomplete. The costs of providing information include costs of collecting and processing the information, costs of verifying it, and costs of disseminating it. Users incur the additional costs of analysis and interpretation Financial reporting imposes costs; the benefits of financial reporting should justify those costs (FASB, 2008).

Chapter Three

Quality Of Financial Reports

3.1Introduction:

The objective of financial reporting is the foundation of the conceptual framework. Other aspects of the framework—qualitative characteristics, elements of financial statements, definition of a reporting entity, recognition and measurement, and presentation and disclosure—flow logically from the objective. Those aspects of the framework help to ensure that financial reporting achieves its objective (IASB, 2008).

The application of objectives and qualitative characteristics should lead to high-quality accounting standards, which in turn should lead to high-quality financial reporting information that is useful for decision making" (FASB, 1999; IASB, 2008). According to the ED, providing decision-useful information is the primary objective of financial reporting. Decision-useful information is defined as: "information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers" (IASB, 2008: 12). In line with the ED, the financial reporting quality is defined in terms of decision usefulness.

This chapter talks about the general purpose financial reporting as issued in 2008 by FASB and IASB, the quality of financial reporting, disclosure quality and kinds of disclosure quality.

3.2 General Purpose Financial Reporting:

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. Information that is decision-useful to capital providers may also be useful to other users of financial reporting who are not capital providers.(IASB, 2008, SFAC10). The characteristics of general purpose financial reporting are:

1. General purpose financial reporting is directed to the needs of a wide range of users rather than only to the needs of a single group.

2. It focuses on the investors and creditors (capital provider) as the primary users for general-purpose financial statements. Identifying investors and creditors as the primary users provides an important focus of general-purpose financial reporting.

3. Provide at the least cost the most useful information possible (kieso, et al., 2011).

4. An entity perspective (which focuses on the entity's resources(assets) and claim on these resources (liabilities and equity))is adopted in the financial reporting rather than proprietary perspective which focuses only on the need of shareholders and isn't considered appropriate (kieso, et al., 2011).

   But Adopting the entity perspective does not preclude the inclusion in financial reports of additional information that is primarily directed to the needs of an entity's equity investors or to another group of capital providers. For example, financial reports often include quantitative measures such as earnings per share, which may be of particular interest to holders and potential purchasers of those shares. may be of particular interest to holders and potential purchasers of those shares(IASB, 2008 , SFAC, 10).

5. The financial reports should provides information that is useful for making decisions. The decisions that capital providers make

include whether and how to allocate their resources to a particular entity (i.e. whether and how to provide capital) and whether and how to protect or enhance their investments (IASB, 2008 , SFAC10), so when making these decisions, investors are interested in assessing (1) the company's ability to generate net cash inflows and (2) management's ability to protect and enhance the capital providers' investments. Financial reporting should therefore help investors assess the amounts, timing, and uncertainty of prospective cash inflows from dividends or interest, and the proceeds from the sale, redemption, or maturity of securities or loans. In order for investors to make these assessments, the economic resources of an enterprise, the claims to those resources, and the changes in them must be understood. Financial statements and related explanations should be a primary source for determining this information (kieso, et al., 2011).

6. finally Financial reporting should include management's explanations and other information needed to enable users to understand the information provided. Management's explanations of the information in financial reports enhance the ability of capital providers to assess the entity's performance and form expectations about the entity (IASB, 2008 , FASB, 2008).

3.3 The Difference Between Financial Reporting And Financial Statements:

Financial reporting is broader than financial statements. Stated another way, financial statement are subsets of the total information encompassed by financial reporting. Investors, creditors, and other external users of financial information learn about enterprise in a variety of ways in addition to its formal financial statements (for example, press release sent directly to investors and creditors, and more recently open communications via the internet). Serious investors, creditors, and other external users take advantage of many sources of information that are available to support their economic decisions about an enterprise (Williams, et al., 2005) .

3.4 The Basic Financial Statements:

The Four major financial statements, along with the explanatory notes are briefly described here.

The balance sheet reports(statement of financial position), as of a certain point in time, the resources of a company (the assets), the company's obligations (the liabilities), and the net difference between its assets and liabilities, which represents the equity of the owners. The balance sheet addresses these fundamental questions: What does a company own? What does it owe?

The income statement reports, for a certain interval, the net assets generated through business operations (revenues), the net assets consumed (expenses), and the difference, which is called *net income*. The income statement is the accountant's best effort at measuring the economic performance of a company for the given period.

The statement of cash flows reports, for a certain interval, the amount of cash generated and consumed by a company through the following three types of activities: operating, investing, and financing. The statement of cash flows is the most objective of the financial statements because it is somewhat insulated from the accounting estimates and judgments needed to prepare a balance sheet and an income statement.

The statement of owners' or stockholders' equity: is the financial statement that details changes to the equity portion of the balance sheet, including retained earnings, common and preferred shares (as well as treasury stock), and other comprehensive income.

Explanatory notes, Accounting estimates and judgments are outlined in the notes to the financial statements. In addition, the notes contain supplemental information as well as information about items not included in the financial statements (Stice, et al., 2008).

3.5 Definition Of The Quality Of Financial Reporting:

Accounting quality is relatively recent and important in the financial report and accounting information. It identifies major issues that need to be considered to improve reliability, transparency, and uniformity of the financial reporting process that allows investors to make intelligent decisions. Capital markets participants (e.g. investors, creditors, analysts) make investment decisions based on financial information disseminated to the market by corporations. So financial reporting quality can be defined as to the extent to which a firm focuses on accounting standard compliance, regulations related to accounting practices, best accounting method concerns, and public expectation mindset **(**Waroonkun, et. Al, 2011).

Other researches define financial reporting quality as the precision with which financial reporting conveys information about the firm's operations, in particular its expected cash flows, in order to inform equity investors. As described in the FASB SFAC No. 1, financial reporting should "…provide information that is useful to present and potential investors in making rational investment decisions…" (par. 34) and "…provide information to help present and potential investors in assessing the amounts, timing, and uncertainty of prospective cash receipts...” (par.37) (Verdi, 2006).

3.5.1 The consequences of accounting quality:

The quality of accounting information leads to the followings :

1. Financial report efficiency. Financial report efficiency is defined as the efficiency of financial report that reports a true performance of business, economic value for investment decision, present with non bias and can be comparable. Therefore, the higher quality of financial reporting contributes to improving economic decision made by managers. Individual investors perceived corporate financial statements as the most important source of information for their investment decisions.

2. Moreover, the relevance of financial reporting over a relatively long period to shed light has been value relevant. This can refer to the ability of financial report information to capture and summarize information reflected in firm value.

3. The higher quality financial reporting that mitigates information asymmetries may give rise to frictions such as moral hazard and adverse selection, and thereby reduces both over- and under-investment. Therefore, firms that have financial report efficiency tend to increase information transparency and information valuables by decreasing information asymmetries. (Waroonkun, et al., 2011).

3.6 Measures Of Quality Of Financial Reports:

To assess the quality of financial reporting, various measurement methods have been used in prior research. There are many methods most widely used in prior literature to assess financial reporting quality, i.e.

accrual models, value relevance models and methods operationalizing the qualitative characteristics.

3.6.1 Accrual models: Accrual models are used to measure the extent of earnings Management(**earning management** is defined as :when managers use judgment in financial reporting and structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers under current rules and legislation (Dechow *et al*., 2011). Earnings management is assumed to negatively influence the quality of financial reporting by reducing its decision usefulness and transparency (Hunton et, al. 2004). These models assume that managers use discretionary accruals, i.e. accruals over which the manager can exert some control, to manage earnings (Dechow *et al*., 2011). The main advantages of using discretionary accruals to measure earnings management is that it can be calculated based on the financial information in the annual report. The main difficulty when using accrual models, however, is how to distinguish between discretionary and non-discretionary accruals (Healy & Wahlen, 1998). Furthermore, it is only an indirect proxy of earnings quality, excluding non-financial information and hence not providing a comprehensive assessment of the quality of financial reporting (Healy &Wahlen, 1998).

3.6.2 Value Relevance Model:

value relevance models measure the quality of financial reporting information by focusing on the associations between accounting figures and stock market reactions (Barth *et al*., 2000). Value relevance as defined in the academic literature is not a stated criterion of the FASB. Rather, tests of value relevance represent one approach to operationalizing the FASB's stated criteria of relevance and reliability. Value relevance is an empirical operationalization of these criteria because an accounting amount will be value relevant, i.e., has a predicted significant relation with share prices, only if the amount reflects information relevant to investors in valuing the firm and is measured reliably enough to be reflected in share prices(Barth *et al.*, 2000). This method is also used to examine earnings persistence, predictive ability, and usefulness of accounting information as elements of earnings quality (Francis *et al.*, 2004). The main focus of value relevance literature concerns relevance and faithful representation (reliability), yet without explicit trade-off between both fundamental qualitative characteristics. In addition, the stock market may not be completely efficient as behavioral finance studies show (Beest, et al., 2011). Consequently, stock prices may not represent the market value of the firm completely accurate, which negatively influences the validity of the quality assessment using value relevance models And this is considered a shortcoming of the value relevance theory (Beest, et al., 2011).

Accrual models and value relevance literature focus on information disclosed in financial statements to assess the financial reporting quality (e.g. Healy & Wahlen, 1998; Dechow *et al.*, 1994; Barth *et al.*, 2000;Nichols & Wahlen, 2004). However, when a study aims to comprehensively measure financial reporting quality, both financial and non-financial information need to be considered (Beest, et al., 2011).

3.6.3 Methods That Operationalize The Qualitative Characteristics:

It aim's to assess the quality of different dimensions of information quality(by considering both the fundamental and enhancing qualitative characteristics) to determine the decision usefulness of financial reporting information (Beets, et al., 2011).

So from the above mentioned methods I concluded that **accrual methods** concentrate on measuring earning management in the financial reports to judge on the quality of financial reports and it was negatively correlated, and in my opinion we can't judge on the quality of financial reports by only concentrating on earning management which is considered as a financial measure of the quality ,we have also to incorporate the non-financial measure of quality. regarding the value relevance method this method only study the two fundamental qualitative characteristics and neglect others and this is a shortcoming for this method. So in order to have a comprehensive measure of quality we have to concentrate on financial and nonfinancial measures and to incorporate the fundamental and enhancing qualitative characteristics to comprehensively measure the quality of financial reports.

3.7 Disclosure Quality:

3.7.1 Disclosure Quality Definition:

Disclosure quality is defined as a complex, multidimensional, context-sensitive and subjective concept((Beattie et al., 2004)). Measuring disclosure quality has been regarded as problematic in the literature due to the lack of a clear definition of disclosure quality ((Beyer et al., 2010)). In addition, prior research shows that disclosure quality is immeasurable, and developing a quality measure is extraordinarily difficult((Botosan, 1997, 2004)). The inherent difficulty of defining disclosure quality has led to the use of proxies, including survey subjective disclosure ratings, researcher-constructed disclosure indices, quantity-based measures and properties of the firm's reported earnings (Anis, R., et,al.).

3.7.2 Importance Of Disclosure Quality

Measuring disclosure quality is important for a number of reasons ((Beattie et al., 2004)). First, a practical and reliable measure for evaluating disclosure quality makes inter-firm, inter-industry and international comparisons and benchmarking feasible. Second, measuring quality helps provide reliable answers to different research questions related to disclosure quality((Beattie et al., 2004)). For example, Mouselli et al. (2011) find that firms with high levels of disclosure quality engage less in earnings management. However, the authors use only one attribute of information quality, the number of forward-looking statements, as a proxy for disclosure quality. This gives us an incomplete understanding of the association between disclosure quality and earnings quality. Therefore, there is still a need to develop a reliable disclosure quality measure to provide complete answers to many research questions. Despite its importance, little effort has been undertaken in prior literature to develop a reliable and valid measure for disclosure quality (Anis, R., et,al).

3.7.3 Types Of Disclosure:

Corporate disclosure in annual reports can be divided into two broad categories, mandatory disclosure and voluntary disclosure.

3. **Mandatory disclosure** is information revealed in the fulfillment of disclosure requirements of statute in the form of laws, professional regulations in the form of standards and the listing rules of stock exchanges.

4. **Voluntary disclosure** is any information revealed in excess of the mandatory disclosure. In order to study issues concerning corporate disclosure, one might need to measure disclosure. But, disclosure is a theoretical concept that is difficult to measure directly (Hassan, 2006).

The previous theoretical part of the research summarizes the qualitative characteristics of accounting information as published in the ED(Exposure draft) as issued by IASB in 2008, these qualitative characteristics are operational zed using previous researches to measure the disclosure quality of financial reports, since the disclosure quality hasn't a fixed measurement and it's difficult to measure , the IASB in the ED pronounce to use the qualitative characteristics as a comprehensive measurement to the quality of financial reports and this what actually done in this study.

Chapter Four

An Overview of the Palestinian Banking System

4.1 The Palestinian Banking Sector

4.1.1 Introduction

The banking sector plays a vital role in the development of the local economy in terms of increasing the effectiveness and efficiency of the role of financial intermediation. Following the 1994 signing of the Paris Protocol on Economic Relations between the PNA and Israel, the Palestinian Monetary Authority (PMA) was established to implement and regulate monetary policies in Palestine which serve as the nucleus of the Central Bank. The monetary authority was assigned to rebuild the Palestinian banking system (Bahloul, 2004).

Palestinian banking sector started to grow at a rapid pace and followed the developments of banking management and technology in the surrounding countries, and became efficient and highly qualified. The banking sector consists of the Palestinian Monetary Authority, eighteen banks offering their services in various Palestinian areas which have reached 175 branches and offices at the end of 2010 (appendix c) divided by 143 branches and offices in the governorates of the West Bank and 32 branches and offices in the governorates of the Gaza Strip (PMA, 2011).

4.2 The Emergence of The Palestinian Banking Sector:

The Palestinian banking sector was the most affected sectors as a result of the policy of the Israeli occupation and through the practices of occupation.

Since Israel's occupation of the rest of the Palestinian territories in 1967 to the advent of Palestinian National Authority (PNA) Palestinian banking system was suffering from the obnoxious practices of the occupation, which were aiming to withdraw funds of Palestinian depositors and pumped it into the Israeli economy. After the year 1967

Israeli banks monopolized working in Gaza Strip and West Bank, where the Israeli military decision No.7 for the year 1967 on 07/06/1967 was made to close all Arab banks in Gaza Strip and West Bank, Israeli banks like (Bank Hapoalim and Bank Leumi and Bank Mizrahi) and others, started to open branches in the West Bank and Gaza Strip, These banks have an occupational role and began to withdraw depositors' money to be invested in Israel, and it did not grant Palestinian citizen any facilitations, therefore it lost citizen's trust because they felt that it's goal was to enforce the Israeli occupation until the Palestinian bank restated it activities in 1981 after they allowed it to function in Gaza Strip, and it has been supervised by the Israeli Central Bank, Cairo Amman Bank which is a Jordanian bank also started it's activates in 1986 in the West Bank in Nablus, and it has been supervised by the Jordanian and Israeli central banks after so many attempts to open their branches where they failed because of the disputes between the management of these banks and the Israeli Central Bank regarding supervision issues and monetary reserves. The bottom line is that the regulated Palestinian banking system had been absent from the Palestinian scene before 1994 Thus opening the way for the presence of unregulated alternative represented in the currency exchange sector Which has formed an effective alternative to banks, Where the exchange institutions offer a lot of banking services Such as: exchange currency and receiving money orders and cash checking (Ashoor, 1995).

In 1994 after the arrival of the Palestinian National Authority, the Palestinian Monetary Authority was created under the presidential decree and to oversee monetary policy within the territory of the Palestinian National Authority and supervise the licensing of banks and control. The Palestinian Monetary Authority started to build the money and banking system and ensure stability and promote economic growth in the Palestinian territories, until the Palestinian banking system became one of the of the best systems in the region (PMA, 2011).

4.3 Services provided by banking sector:

1. Opening of current accounts of various types (debtor, creditor) using the three currencies traded (Dinar, Dollar, the shekel, the euro).
2. Issuing checks using the traded currencies.
3. Acceptance all kinds of deposits.
4. Granting credit facilities for traders and others.
5. Executing Issued transfers and receiving incoming remittances.
6. Managing and organizing subscription to new local joint stock companies.
7. Safes rental to customers.
8. Issuance and sale of traveler's checks.

   Issuance of letters of guarantee and the issuance of guarantees and open letters of credit.
9. Payment of checks drawn on the bank or collecting checks drawn on other banks for customers of the bank.
10. Buying and selling currencies.
11. Financing the purchase of cars, furniture and premiums (Murabaha and loan). (Palestine Investment Conference, 2008)

4.4 Classification of Banks Operating in Palestine:

There are 18 banks working in Palestine, The network of branches and offices operating in the Palestinian territories continued to grow in 2010 to reach 212 offices and branches distributed in various communities of different economic weight and population density, including many rural

areas. Such branching reflected the PMA policy adopted since 2007 to give priority to branches in rural areas in order to facilitate trade and economic activities there. As for restructuring and organizing banks, enhancing their competitiveness, and addressing the problems of weak banks, the year 2010 witnessed the voluntary liquidation of the Al-Aqsa Islamic bank and the compulsory liquidation of Palestine International Bank. Thus, the number of banks operating in the Palestinian territories was reduced to 18 banks, compared to 20 banks in 2009. Banks operating in the Palestinian Territory comprise 8 local banks operating through a network of 110 branches and offices, and 10 foreign banks operating through 102 branches and offices. However, 6 branches and offices were opened in 2010 (a branch and office for
the Palestine Investment Bank, two offices for the Bank of Palestine, a branch for the Palestine Commercial Bank, and a branch for the Arab Islamic (PMA annual report, 2010).

The banks latest classification according to nationality as issued by (PMA, 2013):

Local banks:

1. Bank of Palestine
2. Palestine investment bank.
3. Palestine commercial bank.
4. Al Quds bank.
5. The national bank(Al Rafah)
6. Arab Islamic bank
7. Palestine Islamic bank

Foreign commercial banks:

1. Cairo Amman Bank.
2. Arab bank .

3. Jordan Kuwait bank .
4. Jordan Ahli bank.
5. Bank of Jordan.
6. HSBC bank Middle East limited.
7. Egyptian Arab land bank.
8. Union bank .
9. The Housing bank for Trade and Finance.
10. Jordan Commercial bank.

Chapter Five

Research Methodology, Data Analysis and Discussion

5.1 Introduction:

This chapter summarize the research methodology used in the research, description for the research tool used, and the results of the analysis made by the researcher.

5.2 Research Method:

The study uses the content analysis approach("any technique for making inferences by objectively and systematically identifying specified characteristics of messages)(Stemler, 2001), since it will best achieve the objective of the research because content analysis specialized in analyzing texts and financial reports are text and can be analyzed by using content analysis approach .

The main objective is to assess the quality of financial reports using the information qualitative characteristic. The research used types of data: primary and secondary sources.

5.3 Research Population And Sample:

The targeted population is the Palestinian local banking sector(7 banks as listed in Palestine Monetary Authority (PMA):

1. Bank of Palestine.
2. Palestine Islamic bank.
3. Arab's Islamic bank.
4. Palestine commercial bank.
5. Al Rafah bank.
6. Al Quds bank.
7. Palestine investment bank.

, and the sample is the financial reports from period 2006 to 2011 since it is the most recent period .

5.4 Measurement Tool:

The measurement tool was constructed by using prior literature which defines financial reporting quality in terms of the fundamental and enhancing qualitative characteristics underlying decision usefulness as defined in the ED (IASB, 2008). The fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial reporting information. The enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own (IASB, 2008).

A five point rating scales was used to assess the scores on the items.

Appendix A provides an overview of the 33 measured items used to operationalize the fundamental and enhancing qualitative characteristic. This appendix also includes the measurement scales used to assess the value of the distinct items.

5.4.1 Explanation Of The Measurement Tool:

The measurement tool that was developed in Beest, 2011 operationalized the qualitative characteristics by using a 33 items collected from prior literature.

Relevance :

Relevance is referred to as the capability "of making a difference in the decisions made by users in their capacity as capital providers" (IASB, 2008).

Based on prior literature relevance is operationalized using 13 items referring to *predictive and confirmatory value*.

First : Predictive value explicitly refers to information on the firm's ability to generate future cash flows: "information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future" (IASB, 2008: 36). However, In order to improve the comprehensiveness of the measurement tool, this study will consider a broader perspective on predictive value including both financial and nonfinancial information (Beest, 2011).

For opertionalizing the predictive ability of annual reports, several constructs will be used. *The used abbreviation R refers to testing relevance and there are 13 construct for testing relevance from R1 to R13.* The first construct (R1)reflected on the question whether the company incorporates fair value information ,

(R2a) and (R2b) evaluates the banks abilities to reflect information related to the banks opportunities and risks .

(R3) assess the forward looking information .

(R4) provides an assessment of the corporate social responsibility

(R9) stress the importance of cash flow information having predictive value . (R11a) and (r11b) provide an emphasis on the importance of disclosing off balance activities.

Second: confirmatory value contributes to the relevance of financial reporting information. Information has confirmatory value "if it confirms or changes past (or present) expectations based on previous evaluations" (IASB, 2008).

Confirmatory value is operationalized using several constructs ,

Constructs (R5 to R8)therefore reflect on both the predictive ability and confirmatory value of annual reports, reflecting on the evaluation of the supervisory board (R5), the reflection on extraordinary gains and losses (R6a & R6b), information regarding personnel policies (R7), as well as information on concern divisions (R8) (Beest, 2011).

Faithfull representation:

Faithful representation is the second fundamental qualitative characteristic as elaborated in the ED. To faithfully represent economic phenomena that information purports to represent, annual reports must be complete, neutral, and free from material error (IASB, 2008: 36).

Consistent with prior literature, faithful representation is measured using five items referring to neutrality, completeness, freedom from material error, and verifiability(Beest, 2011).

The first construct(F1)concentrate on understanding accounting estimates and assumption as well as applied accounting principles(F2),

(F3) reflect the type of auditor report,

(F4a) and (F4b) reflect the disclosure of corporate governance ,

The final two items contributing to faithful representation relate to an inclusion of bonus information (F6), and disclosure on both positive and negative developments (F5) (Beest, 2011).

Understandability:

The first enhancing qualitative characteristic, understandability, will increase when information is classified, characterized, and presented clearly and concisely. Understandability increases, when the quality of information enables users to comprehend their meaning (IASB, 2008).

Understandability(U) is measured using six items**,**

(U1) refers to how well-organized the information in the annual report is presented, (U2) concentrate on the presence of tabular or graphic formats because it may improve understandability by clarifying relationships and ensuring conciseness,

(U3) show whether the jargons exist in the financial reports or not because jargons decreases understandability if there were no explanation for them in the glossary (U4),

(U5) The measurement tool also reflects whether the annual report concerns information on the companies' mission and strategy .

Comparability:

A second enhancing qualitative characteristic is comparability, which "is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena" (IASB, 2008). Comparability is measured using six items strongly related to a consistent application of accounting policies and procedures, Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities" (IASB, 2008: 39) Hence, the first two measures reflect on disclosing accounting policy changes (C1) and changed estimates (C2) (Jonas and Blanchet, 2000). Moreover, the comparability of earnings figures is important in the evaluation of the firm's performance over time. If a company changes its estimates, judgments, or accounting policies it may adjust previous years' earnings figures in order to visualize the impact of the change on previous results (C3).

Comparability not only refers to the consistency of the use of accounting procedures by a single company, it also refers to comparability between different companies (IASB, 2008). The intercompany comparability is improved, when ratios and index numbers are included (C4) as well as information on companies' shares (C5). Finally, the company may decide to include benchmarked information (C6), which induces comparability (Beest, 2011).

Timeliness:

The final enhancing qualitative characteristic defined in the ED is timeliness. "Timeliness means having information available to decision makers before it loses its capacity to influence decisions" (IASB, 2008: 40). Timeliness refers to the time it takes to reveal the information and is related to decision usefulness in general (IASB, 2008). Timeliness is measured is calculated by the amount of days between year end and the signature on the auditors' report after year end is calculated.

5.5 Research Results:

Appendix B provides a table for the analysis done by the researcher to the financial reports of the analyzed banks.

By calculating the mean for each question to all banks using SPSS program(statistical package for social science) the results were as follow :

Table (i): Means, Std. Deviation, Minimum, Median and Maximum for ""

		Mean	Std. Deviation	Minimum	Median	Maximum
1.	R1(Relevance)	2.03	0.16	2.00	2.00	3.00
2.	R2A	3.68	0.81	2.00	4.00	5.00
3.	R2B	3.63	0.79	2.00	4.00	5.00
4.	R3	4.05	0.90	2.00	4.00	5.00
5.	R4	2.44	1.65	1.00	2.00	5.00
6.	R5	3.62	1.57	1.00	4.00	5.00
7.	R6B	-	-	-	-	-
8.	R7	2.56	0.97	1.00	2.00	5.00

9.	R8	2.33	0.84	1.00	2.00	5.00
10.	R9	3.00	0.00	3.00	3.00	3.00
11.	R10	2.74	1.50	1.00	4.00	5.00
12.	R11B	3.18	1.11	1.00	3.00	5.00
13.	R12	3.55	0.83	3.00	3.00	5.00
14.	R13	2.95	0.39	2.00	3.00	4.00
	R ALL	**3.03**	**0.46**	**2.00**	**3.00**	**3.92**
1.	F1(Faithful Representation)	4.21	0.74	2.00	4.00	5.00
2.	F2	3.95	0.90	1.00	4.00	5.00
3.	F3	5.00	0.00	5.00	5.00	5.00
4.	F4A	3.82	1.00	1.00	4.00	5.00
5.	F4B	2.79	0.96	1.00	3.00	5.00
6.	F5	2.76	1.10	1.00	3.00	5.00
7.	F6	2.32	1.32	1.00	2.00	5.00
	F ALL	**3.58**	**0.49**	**2.43**	**3.57**	**5.00**
1.	U1(Understandability)	4.56	0.55	3.00	5.00	5.00
2.	U2	2.11	1.23	1.00	2.00	5.00
3.	U3	4.00	0.00	4.00	4.00	4.00
4.	U4	1.29	0.65	1.00	1.00	4.00
5.	U5	2.63	1.36	1.00	3.00	5.00
6.	U6	4.16	0.72	1.00	4.00	5.00
	U ALL	**3.12**	**0.44**	**2.17**	**3.17**	**4.00**
1.	C1(Comparability)	3.05	1.16	1.00	3.00	5.00

2.	C2	3.89	0.83	2.00	4.00	5.00
3.	C3	1.37	0.94	1.00	1.00	5.00
4.	C4	1.89	1.23	1.00	1.00	5.00
5.	C5	3.10	0.99	1.00	3.00	5.00
6.	C6	2.26	1.21	1.00	2.00	5.00
	C ALL	**2.59**	**0.57**	**1.50**	**2.50**	**4.33**
1.	T1(Timeliness)	4.92	0.48	2.00	5.00	5.00

*These results discussed in the next section.

Table 5. 1

5.6 Data Analysis And Discussion:

This section analyzes the results included in table(i) according to the benchmark analysis made by the researcher for the financial reports between the period 2006_2011 (appendix B).

5.6.1 Measuring Relevance Character At Financial Reports:

The following 13 indexes are used to measure the relevance character at financial reports from R1 to R13, tables from (1 to 13) for testing the relevance character.

(A) Testing The First Sub Hypothesis: **H0: the financial reports don't reflect (Relevance) character of accounting information.**

Table (1);historical cost test

R1	To what extent does the company use fair value instead of historical cost?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = Only HC 2 = Most HC 3 = Balance FV/HC 4 = Most FV 5 = Only FV	2.03	0.16	2.00	2.00	3.00

In the Palestinian banking sector the measurement basis most used in preparing the financial statement is the historical cost except for Trading investments, available-for sale investments and financial derivatives are stated at fair value at the year end. Furthermore, the hedged assets and liabilities are revealed at fair values. So all the local banks financial reports are prepared according to historical cost except for the above mentioned items , that’s why the mean was 2.03 because for all six analyzed years the historical cost basis were most used(Appendix B).

Table(2.1);non-financial information test

R2 a	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No non-financial information 2 = Limited non-financial information, not very useful for forming expectations 3 = Sufficient useful non-financial information 4 = Relatively much useful non-financial information, helpful for developing expectations 5 = Very extensive non-financial information presents additional information which helps developing expectations	3.68	0.81	2.00	4.00	5.00

The nonfinancial information regarding business opportunities and risk was reflected clearly at the financial reports in different places , at the supervisory board report and at the explanatory notes , alquds bank and bank of Palestine was the best among banks in providing and disclosing an extensive information about business opportunities and risk , other banks the non financial information exist but not like that at alquds and bank of Palestine . these differences cause the mean to be 3.68 .

Table (2.2);Risk disclosure test

R2 b	To what extent does the risk section provide good insights into the risk profile of the company?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No insights into risk profile 2 = Limited insights into risk profile 3 = Sufficient insights into risk profile 4 = Relatively much insights into risk profile 5 = Very extensive insights into risk profile	3.63	0.79	2.00	4.00	5.00

A mean of 3.63 because There was a sufficient information related to the risk that the banking sector faces, the banks for most years discloses sufficient information related to the risk that the banks face, like credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operating and other risk with a specific calculations attached for some of these kinds of risk e.g. (interest rate risk). But the calculations and information disclosed differs from bank to bank during the six analyzed years, e.g. (el Rafah bank for the year 2007 had disclosed an extensive risk information and calculations in comparison with other banks for the same years).

Table(3); forward looking information

R3	To what extent does the annual report contain forward-looking information?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No forward-looking information 2 = Limited forward-looking information 3 = Sufficient forward-looking information 4 = Relatively much forward-looking information 5 = Very extensive forward-looking information	4.05	0.90	2.00	4.00	5.00

The forward looking information in the financial reports for the banking sector was mostly reflected in the future strategies and plan for the banks for most years, but some banks assist these future plans with other forward looking information like disclosing financial ratios which provides a good tool to predict the financial positions for the banks e.g.(for the year 2011 al quds bank get the highest score (5) in comparison with other banks for the same year).

Table (4);corporate social responsibility test

R4	To what extent does the annual report contain information on corporate social responsibility?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No information on CSR	2.44	1.65	1.00	2.00	5.00

	2 = Limited information on CSR 3 = Sufficient information on CSR 4 = Very much information on CSR 5 = Very extensive information on CSR					

A low mean for R4 was due to the non disclosed information for CSR in the financial reports for the years 2006 and 2007 and , the corporate social responsibility started to appear clearly in the financial reports in 2008 for Bank of Palestine and Al Quds bank only. From 2009 to 2011 the corporate social responsibility became an integral part of the financial reports and disclosed in different ways in the financial reports of the banks .

Table (5);supervisory board report

R5	To what extent does the annual report include a report from the supervisory board?	Mean	Std. Deviation	Minimum	Median	Maximum
15.	1 = No information from supervisory board 2 = Limited information from supervisory board 3 = Sufficient information from supervisory board 4 = Very much information from supervisory board 5 = Very extensive information from supervisory Board	3.62	1.57	1.00	4.00	5.00

The supervisory board report for all banks except for Arab bank had appeared after 2006, the amount of disclosed information regarding accomplishments, financial ratios, Corporate social responsibility and corporate governance and other information differs from bank to bank during the six analyzed years e.g., (el Rafah bank report for 2011 contained only a sufficient information from supervisory board)

Table (6):Personnel Policies

R7	To what extent does the annual report contain information regarding personnel policies?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No information regarding personnel policies 2 = Limited information regarding personnel policies 3 = Sufficient information regarding personnel policies 4 = Very much information regarding personnel policies 5 = Very extensive information regarding personnel policies	2.56	0.97	1.00	2.00	5.00

The information regarding personnel policies was limited during 2006 and 2007 ,after that it began to develop in some banks e.g., (bank of Palestine , Al Quds bank and Palestine Islamic bank) by disclosing more information regarding personnel policies such as training courses for the employees, bonuses to the employees , and increased number of employees .so a mean of 2.5 was due to the few amount of information disclosed by the majority of the banks regarding personnel policies .

Table (7);divisions disclosure

R 8	To what extent does the annual report contain information concerning divisions?	Mean	Std. Deviation	Minimum	Median	Maximum
16.	1 = No information concerning divisions 2 = Limited information concerning divisions 3 = Sufficient information concerning divisions 4 = Very much information concerning divisions 5 = Very extensive information concerning divisions	2.33	0.84	1.00	2.00	5.00

A low mean of 2.33 was due to the limited information disclosed regarding divisions and most of the information disclosed by banks was about the number of divisions, and the position.

Table (8);cash flow disclosure

R9	To what extent does the annual report contain an analysis concerning cash flows?	Mean	Std. Deviation	Minimum	Median	Maximum
17.	1 = No analysis 2 = Limited analysis 3 = Sufficient analysis 4 = Very much analysis 5 = Very extensive analysis	3.00	0.00	3.00	3.00	3.00

The statement of cash flow for the Palestinian banks were as simple as a one page analysis. Rarely I could find schedules that feed information into a central statement. So the information included in the financial reports were sufficient which cause the mean to be 3 .

Table (9);intangible assets disclosure

R10	To what extent are the intangible assets disclosed?	Mean	Std. Deviation	Minimum	Median	Maximum
18.	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	2.74	1.50	1.00	4.00	5.00

The intangible assets appears clearly at Al Rafah bank and Arabs Islamic bank for all years by disclosing the value and the accounting policy used to amortize these assets . the other banks like al Quds bank only disclosed for the last two years and bank of Palestine disclosed for the last 3 years , this cause the mean to be to some extent low (2.74)

Table (10) ;off balance activities disclosure

R1 1b	To what extent are the "off Balance" activities disclosed?	Mean	Std. Deviation	Minimum	Median	Maximum
19.	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	3.18	1.11	1.00	3.00	5.00

The off balance activities appeared in the financial report by disclosing it at the end of the balance sheet after balance, and at the notes attached to the financial statement by explaining the kinds of these activities and the amount of each one , so for most years the information disclosed was sufficient, there wasn't detailed information about the off balance activities except some banks disclose the off balance activities in the supervisory report beside disclosing it at the notes e.g(Palestine Islamic bank for year 2009) .

Table (11);financial structure disclosure

R12	To what extent is the financial structure disclosed?	Mean	Std. Deviation	Minimum	Median	Maximum
20.	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	3.55	0.83	3.00	3.00	5.00

The disclosed financial structure for most years was at the same way, by dividing the financial structure into borrowed funds and owned funds, beside disclosing the statement of change in shareholders equity, e.g. (bank of Palestine financial structure information was the best between banks because they disclose very much information in a comparative way (by comparing) two years.

Table 12; going concern disclosure

R13	To what extent does the annual report contain information concerning the companies' going concern?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No information concerning going concern 2 = Limited information concerning going concern 3 = Sufficient information concerning going concern 4 = Very much information concerning going concern 5 = Very extensive information concerning going concern	2.95	0.39	2.00	3.00	4.00

The companies going concern wasn't appear in a clear statement in the financial reports, instead it can be understood implicitly ,by looking at the result of the income statement and the financial ratios disclosed. So the information disclosed was sufficient which cause the mean to be approximately 3 .

The Result of testing the first sub hypothesis :

Table(13);result of testing relevance

	Mean	Std. Deviation	Minimum	Median	Maximum
R ALL	**3.03**	**0.46**	**2.00**	**3.00**	**3.92**

A mean of 3.03 inform that relevance character is reflected in the financial reports by providing sufficient information about it .

5.6.2 Measuring Faithful representation character

Testing The Second Sub Hypothesis: tables from (14 to 20) for testing Faithful representation character.

H0: the financial reports don't reflect(Faithfull Representation)character of accounting information.

Table (14);valid arguments disclosure regarding assumptions and estimates

F1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	Mean	Std. Deviation	Minimum	Median	Maximum
8.	1 = No valid arguments 2 = Limited valid arguments 3 = Sufficient valid arguments 4 = Very much valid arguments 5 = Very extensive valid arguments	4.21	0.74	2.00	4.00	5.00

At the financial reports there was a clear paragraph about using estimates and on what basis these estimates used ,these estimates like provision for benefits and taxes , depreciation and amortization. For most years for all banks the valid arguments is provided to support the decision for certain assumption and estimates which cause the mean to be high (4.21).

Table 15;disclosure of using accounting principles

F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	Mean	Std. Deviation	Minimum	Median	Maximum
9.	1 = No valid arguments 2 = Limited valid arguments 3 = Sufficient valid arguments 4 = Very much valid arguments 5 = Very extensive valid arguments	3.95	0.90	1.00	4.00	5.00

The explanatory notes attached to the financial reports include a clear paragraph about using a certain accounting principles like using historical cost in preparing financial statements and revenue recognition principle. The amount of information disclosed differs but it was approximately the same for all banks for this reason the mean was high approximately 4 which includes that at financial reports there was a very much valid arguments disclosed.

Table (16);type of auditor's report

F3	**Which type of auditors' report is included in the annual report?**	**Mean**	**Std. Deviation**	**Minimum**	**Median**	**Maximum**
10.	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control	5.00	0.00	5.00	5.00	5.00

The type of auditor report was the same for all banks by providing unqualified opinion financial clarifications and internal control.

Table (17.1);corporate governance disclosure

F4a	To what extent does the company provide information on corporate governance?	Mean	Std. Deviation	Minimum	Median	Maximum
11.	1 = No description CG 2 = Limited description CG 3 = Sufficient description CG 4 = Very much description CG 5 = Very extensive description CG	3.82	1.00	1.00	4.00	5.00

The amount of information disclosed related to corporate governance was developed from year to year at the first 3 years the amount of information disclosed about corporate governance wasn't like that for the last 3 years , the financial report include a specialized section for discussing the corporate governance and it's component for most banks.

Table (17.2);disclosure about "comply or explain" application

F4 b	To what extent does the annual report contain disclosure concerning the "comply or explain" application?	Mean	Std. Deviation	Minimum	Median	Maximum
12.	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	2.79	0.96	1.00	3.00	5.00

A proximately limited information was provided in the financial reports regarding comply or explain application in the form of legal issues against bank and the provision for these issues. This cause the mean to be 2.8 because there was exception some banks provide a detailed information about legal issues and detailing the provision provided for each issue like Al Quds bank and commercial bank for 2006.

Table (18);contingencies disclosure

F5	To what extent does the annual report contain disclosure related to both positive and negative contingencies?	Mean	Std. Deviation	Minimum	Median	Maximum
13.	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	2.76	1.10	1.00	3.00	5.00

The contingent liabilities disclosed in the explanatory notes by mentioning the kinds of liability and amount of it when exist. the amount of information differs e.g. Arabs bank in 2009 provide a very detailed information regarding contingent liability. So in general almost the bank deals at the same way when the contingent liabilities exist but the amount of information disclosed differs this cause the mean to be low to some extent 2.7 .

Table (19);disclosure about board of director bonuses

F6	To what extent does the annual report contain information concerning bonuses of the board of directors?	Mean	Std. Deviation	Minimum	Median	Maximum
14.	1 = No information concerning bonuses 2 = Limited information concerning bonuses 3 = Sufficient information concerning bonuses 4 = Very much information concerning bonuses 5 = Very extensive information concerning bonuses	2.32	1.32	1.00	2.00	5.00

A limited information provided for the bonuses to the board of director only by mentioning the amount of bonus, without detailing the specified amount for each member except for Arabs Islamic bank for the last two years disclosed the amount of bonus to each member, certainly this cause the mean to be low 2.32 .

The result of testing the second sub hypothesis:

Table (20):the result of testing faithful representation

		Mean	Std. Deviation	Minimum	Median	Maximum
	F ALL	3.58	0.49	2.43	3.57	5.00

A mean of 3.58 is high to some extent and this mean that the faithful representation character is reflected in a high way in the financial reports of the banking sector .

The result of testing the first two hypothesis lead to get the result of the first basic hypothesis ,by calculating the average of R all(Relevance) AND F ALL(faithful representation), which is 66.1%.

5.6.3Measuring understandability character: Testing the third sub hypothesis H0: The financial reports don't reflect (Understandability) character of accounting information.

Tables from (21 to 27) for testing the understandability character

Table(21);annual report presentation

U1	To what extent is the annual report presented in a well organized manner?	Mean	Std. Deviation	Minimum	Median	Maximum
7.	1 = Very bad presentation 2 = Bad presentation 3 = Poor presentation 4 = Good presentation 5 = Very good presentation	4.56	0.55	3.00	5.00	5.00

The presentation for most years was good presentation in a systematic manner as required by IFRS .

Table (22); graphs and tables

U2	To what extent does the presence of graphs and tables clarifies the presented information?	Mean	Std. Deviation	Minimum	Median	Maximum
8.	1 = no graphs 2 = 1-5 graphs 3 = 6-10 graphs 4 = 11-15 graphs 5 = > 15 graphs	2.11	1.23	1.00	2.00	5.00

By counting the graphs in the financial reports it seems to be used rarely at the first 4 years but after that the graphs appeared to clarify the presented information , these factors cause the mean to be low 2.11 . limited use of graphs .

Table(23); Jargons in financial reports

U3	To what extent does the annual report contain technical jargon in the perception of the researcher?	Mean	Std. Deviation	Minimum	Median	Maximum
9.	1 = Very much jargon 2 = Much jargon 3 = Moderate use of jargon 4 = Limited use of jargon 5 = No/ hardly any jargon	4.00	0.00	4.00	4.00	4.00

Most terminologies used were easy and there wasn't much vague concepts , so the use of jargon was limited in my opinion.

Table(24); glossary size

U4	What is the size of the glossary?	Mean	Std. Deviation	Minimum	Median	Maximum
10.	1 = No glossary 2 = Less than 1 page 3 = Approximately one page 4 = 1-2 pages 5 = > 2 pages	1.29	0.65	1.00	1.00	4.00

At the financial reports there weren't any specialized page as a glossary but we could find in different places in some reports ,some definitions for the concepts used e.g. in 2007 there was some definitions in the financial reports for investment and commercial bank . this cause the mean to be very low 1.29.

Table(25);mission and strategy disclosure

U5	To what extent does the annual report contain information concerning mission and strategy?	Mean	Std. Deviation	Minimum	Median	Maximum
11.	1 = No information concerning mission and strategy 2 = Limited information concerning mission and strategy 3 = Sufficient information concerning mission and strategy 4 = Very much information concerning mission and strategy 5 = Very extensive information concerning mission and strategy	2.63	1.36	1.00	3.00	5.00

The mission and strategy of the banks mentioned at the beginning of the financial reports some banks like Palestine and al Rafah bank provide good information about them and other banks provides a very limited information or doesn't mention the mission and strategy like commercial and Palestine Islamic bank for the first 3 years ,Causing the mean to be 2.6 .

Table (26); researcher understandability of financial reports

U6	To what extent is the annual report understandable in the perception of the researcher?	Mean	Std. Deviation	Minimum	Median	Maximum
12.	1 = Very badly understandable 2 = Badly understandable 3 = Poor understandable 4 = Good understandable 5 = Very good understandable	4.16	0.72	1.00	4.00	5.00

In my opinion the simplicity by which the financial reports disclosed cause it to be in a good understandability.

Table 27; result of testing understandability character

		Mean	Std. Deviation	Minimum	Median	Maximum
	U ALL	3.12	0.44	2.17	3.17	4.00

A mean of 3.12 reflect that the financial reports is understandable in a good way .

5.6.4 Measuring Comparability Character: Testing The Fourth Sub Hypothesis: H0: the financial reports don't reflect (Comparability) character of accounting information. Tables from (28 to 34) for measuring comparability.

Table (28) ;accounting policy disclosure

C1	**To what extent are changes in accounting policies disclosed?**	**Mean**	**Std. Deviation**	**Minimum**	**Median**	**Maximum**
7.	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	3.05	1.16	1.00	3.00	5.00

There was a clear explanatory notes regarding the changes in accounting policies and how these changes when exist affect the financial report or don't have an effect. For most years the same information disclosed in the notes except that for the first 3 years the information disclosed wasn't like that for the last 3 years because of the new accounting standards adopted in 2009 and how the change in these standard affect the financial statement, these differences in the amount of information disclosed cause the mean to be 3 which indicate that the overall information regarding accounting policies change was sufficient .

Table (29); disclosure of change in accounting estimates

C2	To what extent are changes in accounting estimates disclosed?	Mean	Std. Deviation	Minimum	Median	Maximum
8.	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	3.89	0.83	2.00	4.00	5.00

The change in accounting estimates were close ,between 4 to 5 this is due to the amount of information disclosed some banks only mention in a specified paragraph how they deal with the changes in accounting estimates (for most banks) when exist, without the occurrence of such change, other banks change in some accounting estimates and they disclose the effect of such change on the financial statement (before and after the change). This cause the mean to be approximately 4 which include that a very much information was disclosed .

Table (30); change in accounting policy disclosure

C3	To what extent does the annual report contain information concerning comparison and effects of accounting policy changes?	Mean	Std. Deviation	Minimum	Median	Maximum
	1 = No comparison 2 = Actual adjustments (one year) 3 = 2 years 4 = 3 years 5 = 4 or more years	1.37	0.94	1.00	1.00	5.00

A low mean of 1.37 was due to the un existence of the changes in accounting policies for most banks , this cause the mean to be very low 1.37 which include that there wasn't comparison disclosed because the change itself wasn't exist .

Table (31),financial ratio disclosure

C4	To what extent does the company presents financial index numbers and ratios in the annual report?	Mean	Std. Deviation	Minimum	Median	Maximum
9.	1 = No ratios 2 = 1-5 ratios 3 = 6-10 ratios 4 = 11-15 ratios 5 = > 15 ratios	1.89	1.23	1.00	1.00	5.00

The use of financial ratios was limited , it began to appear in a better at the last two years . this cause the mean to be approximately two which indicate the limited use of ratios at the financial reports.

Table (32);company's share information

C5	**To what extent does the annual report contain information concerning companies' shares?**	**Mean**	**Std. Deviation**	**Minimum**	**Median**	**Maximum**
10.	1 = No information concerning companies' shares 2 = Limited information concerning companies' shares 3 = Sufficient information concerning companies' shares 4 = Very much information concerning companies' shares 5 = Very extensive information concerning companies' shares	3.10	0.99	1.00	3.00	5.00

The information about the company's shares (number of shares , par value ,market value, the stock exchange at the financial markets) , the amount of such information differs sometimes there wasn't any information regarding companies shares like in 2009 for commercial bank , sometimes like Palestine bank for the most years provide the best information regarding shares , these changes cause the mean to be 3 which include that the information concerning companies share was sufficient.

Table (33);competitors information

C6	To what extent does the annual report contain benchmark information concerning competitors?	Mean	Std. Deviation	Minimum	Median	Maximum
11.	1 = No benchmark information 2 = Limited benchmark information 3 = Sufficient benchmark information 4 = Very much benchmark information 5 = Very extensive benchmark information	2.26	1.21	1.00	2.00	5.00

A mean of 2.2 indicate that The information regarding competitors was limited, this is due to the first 3 years the information doesn't exist or in a limited way , but for the last 3 years there was a clear development whether by mentioning in a clear paragraph the bench mark position or beside this paragraph making a comparison between the bank and the market by providing graphs of a specific ratios like bank of Palestine and Palestine Islamic bank for 2011.

Table (34);the result of testing comparability character

		Mean	Std. Deviation	Minimum	Median	Maximum
	C ALL	2.59	0.57	1.50	2.50	4.33

The comparability character wasn't reflected in the financial reports in a good way , a mean of 2.5 is low to some extent and inform that comparability reflected in a limited way.

5.6.5 Measuring Timeliness character: Testing the Fifth sub hypothesis **:**H0: the financial reports don't reflect (Timeliness) character of accounting information. Table 35 for measuring timeliness.

Table (35);timing of auditor report

	How many days did it take for the auditor to sign the auditors' report after book-year end?	Mean	Std. Deviation	Minimum	Median	Maximum
2.	T1	4.92	0.48	2.00	5.00	5.00

For all bank for all years except (Palestine Islamic bank for 2007) the auditor issues his report for a period of greater than 60 days .

Chapter six:

Conclusions and Recommendations

6.1 Conclusions:

1. The (fundamental qualitative characteristics) are reflected in the financial reports of the banking sector working in Gaza. By taking the average for the results of relevance and faithful representation, then the fundamental qualitative characteristics are reflected by 66.1% in the financial reports of the banking sector, this percent is acceptable and it's better to be higher than this percent.

   - The first fundamental qualitative characteristics (relevance) is reflected in the financial reports of the banking sector by 60.6%
   - The second fundamental qualitative characteristics(faithful representation), is reflected in the financial reports of the banking sector by 71.6%.

2. The (enhancing qualitative characteristics) reflected in the financial reports of the banking sector working in Gaza. By taking the average for the results of understandability, comparability, and timeliness, it can be concluded that the enhancing qualitative characteristics are reflected by 70.8% in the financial reports of the banking sector, this percent is approximately a high percent, because of the high percent of timeliness character 98.4% which increases the overall percentage. But if timeliness excluded from the calculation then the enhancing qualitative characteristic is reflected by 57.1% which is a low percent.

- The first enhancing qualitative characteristics(understandability), is reflected in the financial reports of the banking sector by 62.4%.
- The second enhancing qualitative characteristics(comparability), is reflected in the financial reports of the banking sector by 51.8%.
- The third enhancing qualitative characteristics(timeliness), is reflected in the financial reports of the banking sector by 98.4%.

6.2 Recommendations:

1. The need to improve the quality of financial reports of local Palestinian banks.
2. Increase staff awareness of accounting standards for banks by holding ongoing accounting standards Inductions.
3. Maintain the use of fair value and disclosure of intangible assets.
4. Expand the use of diagrams in financial reports, as they help facilitate the understanding.
5. Using a special page for the definition of the terms contained in financial reports which need to be explained.
6. Increased interest in the disclosure of financial ratios.
7. Increased interest in the disclosure of personnel policies and the disclosure of various sections of banks
8. Paying attention to comparisons with competitors.

6.3 Suggestions for future researches:

1. Using the information qualitative characteristics to measure the quality of the financial reports for the PSE listed companies.

2. Risk Disclosures In Annual Reports of the PSE listed companies.

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Appendices

Appendix A Overview of the measures used to operationalize the fundamental and enhancing qualitative characteristic (including the measurement scales)

*source(beest and braam, 2011)

Relevance				
Question no.	**Question**	**Operationalization**	**Concept**	**Literature**
R1	To what extent does the company use fair value instead of historical cost	1 = Only HC 2 = Most HC 3 = Balance FV/HC 4 = Most FV 5 = Only FV	Predictive value	e.g. Schipper and Vincent, 2003; McDaniel et al., 2002; Barth et al., 2001; Schipper, 2003
R2a	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	1 = No non-financial information 2 = Limited non-financial information, not very useful for forming expectations 3 = Sufficient useful non-financial information 4 = Relatively much useful non-financial information, helpful for developing expectations 5 = Very extensive non-financial information	Predictive value	e.g. Jonas and Blanchet, 2000; Nichols and Wahlen, 2004

		presents additional information which helps developing expectations		
R2b	To what extent does the risk section provide good insights into the risk profile of the company?	1 = No insights into risk profile 2 = Limited insights into risk profile 3 = Sufficient insights into risk profile 4 = Relatively much insights into risk profile 5 = Very extensive insights into risk profile	Predictive value	e.g. Jonas and Blanchet, 2000; Nichols and Wahlen, 2004
R3	To what extent does the annual report contain forward-looking information?	1 = No forward-looking information 2 = Limited forward-looking information 3 = Sufficient forward-looking information 4 = Relatively much forward-looking information 5 = Very extensive forward-looking information	Predictive value	e.g. McDaniel et al., 2002; Jonas and Blanchet, 2000; Bartov and Mohanram, 2004

R4	To what extent does the annual report contain information on corporate social responsibility?	1 = No information on CSR 2 = Limited information on CSR 3 = Sufficient information on CSR 4 = Very much information on CSR 5 = Very extensive information on CSR	Predictive value	e.g. Hoogendoorn and Mertens, 2001; Murray et al., 2006

R5	To what extent does the annual report include a report from the supervisory board?	1 = No information from supervisory board 2 = Limited information from supervisory board 3 = Sufficient information from supervisory board 4 = Very much information from supervisory board 5 = Very extensive information from supervisory board	Predictive and confirmatory value	e.g. Hoogendoorn and Mertens, 2001
R6a	Does the annual report contain any extraordinary gains and losses	1 = Yes 2 = No	Predictive and confirmatory value	e.g. Hoogendoorn and Mertens, 2001
R6b	To what extent does the annual report contain a proper disclosure of the extraordinary gains and losses?	1 = No proper disclosure 2 = Limited proper disclosure 3 = Sufficient proper disclosure 4 = Very much proper disclosure 5 = Very extensive proper disclosure	Predictive and confirmatory value	e.g. Hoogendoorn and Mertens, 2001

R7	To what extent does the annual report contain information regarding personnel policies?	1 = No information regarding personnel policies 2 = Limited information regarding personnel policies 3 = Sufficient information regarding personnel policies 4 = Very much information regarding personnel policies 5 = Very extensive information regarding personnel policies	Predictive and confirmatory value	e.g. Hoogendoorn and Mertens, 2001
R8	To what extent does the annual report contain information concerning divisions?	1 = No information concerning divisions 2 = Limited information concerning divisions 3 = Sufficient information concerning divisions 4 = Very much information concerning divisions 5 = Very extensive information concerning divisions	Predictive and confirmatory value	e.g. Hoogendoorn and Mertens, 2001

R9	To what extent does the annual report contain an analysis concerning cash flows?	1 = No analysis 2 = Limited analysis 3 = Sufficient analysis 4 = Very much analysis 5 = Very extensive analysis	Predictive value	e.g. Hoogendoorn and Mertens, 2001; Maines and Wahlen, 2006; Van der Meulen et al., 2007
R10	To what extent are the intangible assets disclosed?	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Predictive value	e.g. Camffermann and Cooke, 2002
R11a	Are “off balance” activities included in the annual report?	1 = Yes 2 = No	Predictive value	e.g. Hoogendoorn and Mertens, 2001
R11b	To what extent are the “off balance” activities disclosed?	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure	Predictive value	e.g. Hoogendoorn and Mertens, 2001

		5 = Very extensive disclosure		
R12	To what extent is the financial structure disclosed?	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Predictive and confirmatory value	e.g. Vander Bauwhede, 2001
R13	To what extent does the annual report contain information concerning the companies' going concern?	1 = No information concerning going concern 2 = Limited information concerning going concern 3 = Sufficient information concerning going concern 4 = Very much information concerning going concern 5 = Very extensive information concerning going concern	Predictive value	e.g. Gafarov, 2009; IASB, 2008

Faithful representation				
Question no.	**Question**	**Operationalization**	**Concept**	**Literature**
F1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	1 = No valid arguments 2 = Limited valid arguments 3 = Sufficient valid arguments 4 = Very much valid arguments 5 = Very extensive valid arguments	Verifiability	e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004
F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	1 = No valid arguments 2 = Limited valid arguments 3 = Sufficient valid arguments 4 = Very much valid arguments 5 = Very extensive valid arguments	Verification	e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004
F3	Which type of auditors' report is included in the annual	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion	Free from material error, verification, neutrality, and	e.g. Maines and Wahlen, 2006; Gaeremynck and

	report?	4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control	completeness	Willekens, 2003; Kim et al., 2007; Willekens, 2008
F4a	To what extent does the company provide information on corporate governance?	1 = No description CG 2 = Limited description CG 3 = Sufficient description CG 4 = Very much description CG 5 = Very extensive description CG	Completeness, verifiability, and free from material error	e.g. Jonas and Blanchet, 2000
F4b	To what extent does the annual report contain disclosure concerning the “comply or explain” application?	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Neutrality	e.g. Jonas and Blanchet, 2000
F5	To what extent does the annual report contain disclosure related to both positive and negative contingencies?	1 = No disclosure 2 = Limited disclosure 3 = Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Completeness and verifiability	e.g. Dechow et al., 1996; McMullen, 1996; Beasley, 1996; Razaee, 2003; Cohen et al., 2004; Sloan, 2001
F6	To what extent does the annual report contain information concerning bonuses of the board of directors?	1 = No information concerning bonuses 2 = Limited information concerning bonuses 3 = Sufficient information concerning bonuses 4 = Very much information concerning bonuses 5 = Very extensive information concerning bonuses	Neutrality	e.g. Burgstahler et al., 2006; Camffermann and Cooke, 2002
Understandability				

Question no.	Question	Operationalization	Concept	Literature
U1	To what extent is the annual report presented in a well organized manner?	1 = Very bad presentation 2 = Bad presentation 3 = Poor presentation 4 = Good presentation 5 = Very good presentation	Understandability	e.g. Jonas and Blanchet, 2000
U2	To what extent does the presence of graphs and tables clarifies the presented information?	1 = no graphs 2 = 1-5 graphs 3 = 6-10 graphs 4 = 11-15 graphs 5 = > 15 graphs	Understandability	e.g. Jonas and Blanchet, 2000; IASB, 2006
U3	To what extent does the annual report contain technical jargon in the perception of the researcher?	1 = Very much jargon 2 = Much jargon 3 = Moderate use of jargon 4 = Limited use of jargon 5 = No/ hardly any jargon	Understandability	e.g. IASB, 2006; Jonas and Blanchet, 2000; Iu and Clowes, 2004
U4	What is the size of the glossary?	1 = No glossary 2 = Less than 1 page 3 = Approximately one page 4 = 1-2 pages 5 = > 2 pages	Understandability	e.g. Jonas and Blanchet, 2000
U5	To what extent does the annual report contain information concerning mission and strategy?	1 = No information concerning mission and strategy 2 = Limited information concerning mission and strategy 3 = Sufficient information concerning mission and strategy 4 = Very much information concerning mission and	Understandability	FASB, 2001; Men and Wang, 2008

		strategy 5 = Very extensive information concerning mission and strategy		
U6	To what extent is the annual report understandable in the perception of the researcher?	1 = Very badly understandable 2 = Badly understandable 3= Poor understandable 4 = Good understandable 5 = Very good understandable	Understandability	Courtis, 2005
Comparability				
Question no.	**Question**	**Operationalization**	**Concept**	**Literature**
C1	To what extent are changes in accounting policies disclosed?	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Consistency	e.g. Jonas and Blanchet, 2000
C2	To what extent are changes in accounting estimates disclosed?	1 = No disclosure 2 = Limited disclosure 3=Sufficient disclosure 4 = Very much disclosure 5 = Very extensive disclosure	Consistency	e.g. Schipper and Vincent, 2003; Jonas and Blanchet, 2000
C3	To what extent does the annual report contain information concerning comparison and effects of accounting policy	1 = No comparison 2 = Actual adjustments (one year) 3 = 2 years 4 = 3 years	Consistency	e.g. Cole et al., 2007 Jonas and Blanchet, 2000

	changes?	5 = 4 or more years		
C4	To what extent does the company presents financial index numbers and ratios in the annual report?	1 = No ratios 2 = 1-5 ratios 3 = 6-10 ratios 4 = 11-15 ratios 5 = > 15 ratios	Comparability	e.g. Cleary, 1999
C5	To what extent does the annual report contain information concerning companies' shares?	1 = No information concerning companies' shares 2 = Limited information concerning companies' shares 3 = Sufficient information concerning companies' shares 4 = Very much information concerning companies' shares 5 = Very extensive information concerning companies' shares	Consistency	e.g. Heezen, 2002
C6	To what extent does the annual report contain benchmark information concerning competitors?	1 = No benchmark information 2 = Limited benchmark information 3 = Sufficient benchmark information 4 = Very much benchmark information 5 = Very extensive benchmark information	Consistency	e.g. De Franco et al., 2009; Barth et al., 2010
Timeliness				
Question no.	**Question**	**Operationalization**	**Concept**	**Literature**
T1	How many days did it take for the auditor to sign the auditors'	Natural logarithm of amount of days 1 = 1-1.99 2 = 2-2.99	Timeliness	e.g IASB, 2008

	report after book-year end?	3 = 3-3.99 4 = 4-4.99 5 = 5-5.99		

Appendix B:THE ANALYSIS FROM 2006 TO 2011:

RELEVENCE							
	questions :	operationalization					
R1	To what extent does the	1 = Only HC					
	company use fair value instead	2 = Most HC					
	of historical cost	3 = Balance FV/HC					
		4 = Most FV					
		5 = Only FV					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	2	2	_	2	2	2
2007	2	2	2	3	2	2	2
2008	2	2	2	NA	2	2	2
2009	2	2	2	2	2	2	2
2010	2	2	2	2	2	2	2
2011	2	2	2	na	2	2	2
R2 A	To what extent does the	1 = No non-financial information					
	presence of non-financial	2 = Limited non-financial information, not very					
	information in terms of	useful for forming expectations					
	business opportunities and risks	3 = Sufficient useful non-financial information					
	complement the financial	4 = Relatively much useful non-financial information,					
	information?	helpful for developing expectations					
		5 = Very extensive non-financial information					
		presents additional information which helps					
		developing expectations					

bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	4	4	___	4	4	4
2007	4	4	5	3	2	3	2
2008	4	4	3	NA	3	5	NA
2009	5	5	4	5	4	3	3
2010	4	4	3	3	4	3	3
2011	4	5	3	na	3	3	3
R2A	To what extent does the risk	1 = No insights into risk profile					
	section provide good insights	2 = Limited insights into risk profile					
	into the risk profile of the	3 = Sufficient insights into risk profile					
	company?	4 = Relatively much insights into risk profile					
		5 = Very extensive insights into risk profile					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	4	4	_	4	4	4
2007	4	4	5	3	2	3	2
2008	4	4	3	na	3	4	na
2009	5	5	4	5	4	3	3
2010	4	4	3	3	4	3	3
2011	3	5	3	na	3	3	3
R3	To what extent does the annual	1 = No forward-looking information					
	report contain forward-looking	2 = Limited forward-looking information					

	information?	3 = Sufficient forward-looking information					
		4 = Relatively much forward-looking information					
		5 = Very extensive forward-looking information					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	4	5		2	4	2
2007	4	4	4	4	2	5	2
2008	5	4	4	na	3	5	na
2009	5	5	4	5	3	4	4
2010	5	5	4	5	5	4	4
2011	4	5	2	na	4	4	4
R4	To what extent does the annual	1 = No information on CSR					
	report contain information on	2 = Limited information on CSR					
	corporate social responsibility?	3 = Sufficient information on CSR					
		4 = Very much information on CSR					
		5 = Very extensive information on CSR					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	1	___	1	1	1
2007	2	1	1	1	1	1	1
2008	4	5	1	1	1	1	NA
2009	5	5	2	5	3	1	3
2010	5	5	2	2	4	2	2
2011	5	5	3	na	3	1	5
R5	To what extent does the annual	1 = No information from supervisory board					

	report include a report from the	2 = Limited information from supervisory board					
	supervisory board?	3 = Sufficient information from supervisory board					
		4 = Very much information from supervisory board					
		5 = Very extensive information from supervisory board					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	1	__	1	1	4
2007	4	5	4	5	4	1	4
2008	5	5	1	5	1	5	NA
2009	5	4	4	5	5	1	4
2010	5	5	3	3	5	4	4
2011	5	5	3	na	4	4	5
R6a	Does the annual report contain	1 = Yes					
	any extraordinary gains and	2 = No					
	losses						
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	2	2	2	2	2	2
2007	2	2	2	2	2	2	2
2008	2	2	2	2	2	2	2
2009	2	2	2	2	2	2	2
2010	2	2	2	2	2	2	2
2011	2	2	2	2	2	2	2
		2	2	2	2	2	2
r6b							

R7	To what extent does the annual	1 = No information regarding personnel policies					
	report contain information	2 = Limited information regarding personnel policies					
	regarding personnel policies?	3 = Sufficient information regarding personnel policies					
		4 = Very much information regarding personnel policies					
		5 = Very extensive information regarding personnel policies					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	2	2	_	2	1	2
2007	3	3	3	3	3	2	2
2008	4	2	2	2	2	2	na
2009	4	2	2	3	3	1	2
2010	4	2	2	2	4	2	2
2011	5	5	2	na	4	2	3
R8	To what extent does the annual	1 = No information concerning divisions					
	report contain information	2 = Limited information concerning divisions					
	concerning divisions?	3 = Sufficient information concerning divisions					
		4 = Very much information concerning divisions					

		5 = Very extensive information concerning divisions					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	2	2	__	1	1	1
2007	3	2	3	3	2	3	2
2008	3	3	1	3	1	2	NA
2009	3	2	2	3	3	1	2
2010	3	2	2	2	3	2	2
2011	3	3	2	na	3	2	3
R9	To what extent does the annual	1 = No analysis					
	report contain an analysis	2 = Limited analysis					
	concerning cash flows?	3 = Sufficient analysis					
		4 = Very much analysis					
		5 = Very extensive analysis					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	3	3	3	_	3	3	3
2007	3	3	3	3	3	3	3
2008	3	3	3	3	3	3	na
2009	3	3	3	3	3	3	3
2010	3	3	3	3	3	3	3
2011	3	3	3	na	3	3	3
R10	To what extent are the	1 = No disclosure					
	intangible assets disclosed?	2 = Limited disclosure					
		3 = Sufficient disclosure					

		4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	4	__	1	1	4
2007	1	1	5	1	1	1	4
2008	1	1	5	1	4	3	NA
2009	2	1	4	4	1	2	4
2010	3	4	4	1	4	4	4
2011	4	4	4	na	4	4	4
R11a	Are “off balance” activities	1 = Yes					
	included in the annual report?	2 = No					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	1	__	1	1	1
2007	1	1	1	1	1	1	1
2008	1	2	1	1	1	1	NA
2009	1	1	1	1	1	2	2
2010	1	1	1	1	1	1	1
2011	1	1	2	na	1	1	1
r11b	To what extent are the “off	1 = No disclosure					
	balance” activities disclosed?	2 = Limited disclosure					
		3 =Sufficient disclosure					
		4 = Very much disclosure					
		5 = Very extensive disclosure					

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bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5	__	3	3	3
2007	3	4	4	3	3	4	3
2008	4	1	4	3	2	3	__
2009	4	2	3	4	5	1	1
2010	2	3	3	__	3	5	3
2011	3	3	1	na	3	3	3
R12	To what extent is the financial	1 = No disclosure					
	structure disclosed?	2 = Limited disclosure					
		3 = Sufficient disclosure					
		4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	3	5	__	3	3	5
2007	3	4	5	3	3	3	5
2008	4	4	3	__	3	5	__
2009	5	3	3	3	4	3	3
2010	4	3	3	3	3	3	3
2011	3	3	3	na	3	3	3
R13	To what extent does the annual	1 = No information concerning going concern					
	report contain information	2 = Limited information concerning going concern					
	concerning the companies’	3 = Sufficient information concerning going concern					

	going concern?	4 = Very much information concerning going concern					
		5 = Very extensive information concerning going concern					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	3	3	3	_	3	3	2
2007	3	3	3	3	3	4	2
2008	3	3	2	4	3	3	__
2009	3	3	3	3	3	2	3
2010	3	3	3	3	3	3	3
2011	3	3	3	3	na	3	3
F1	To what extent are valid	1 = No valid arguments					
	arguments provided to support	2 = Limited valid arguments					
	the decision for certain	3 = Sufficient valid arguments					
	assumptions and estimates in	4 = Very much valid arguments					
	the annual report?	5 = Very extensive valid arguments					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5	_	5	5	2
2007	4	5	5	5	4	4	3
2008	5	o	4	_	4	5	_
2009	4	4	4	5	5	4	5
2010	4	4	3	3	4	4	4
2011	3	4	4	_	4	4	4
F2	To what extent does the	1 = No valid arguments					
	company base its choice for	2 = Limited valid arguments					

	certain accounting principles on	3 = Sufficient valid arguments					
	valid arguments?	4 = Very much valid arguments					
		5 = Very extensive valid arguments					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5	_	3	3	1
2007	4	5	5	5	3	4	3
2008	5	4	4	_	3	4	_
2009	5	4	4	4	5	4	5
2010	4	5	4	3	4	3	3
2011	4	4	3	na	4	3	4
F3	Which type of auditors' report	1 = Adverse opinion					
	is included in the annual	2 = Disclaimer of opinion					
	report?	3 = Qualified opinion					
		4 = Unqualified opinion: Financial figures					
		5 = Unqualified opinion: Financial figures + internal control					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5	_	5	5	5
2007	5	5	5	5	5	5	5
2008	5	5	5	5	5	5	na
2009	5	5	5	5	5	5	5
2010	5	5	5	5	5	5	5
2011	5	5	5	na	5	5	5
F4A	To what extent does the	1 = No description CG					
	company provide information	2 = Limited description CG					

	on corporate governance?	3 = Sufficient description CG					
		4 = Very much description CG					
		5 = Very extensive description CG					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	4	4	____	3	3	3
2007	4	3	3	4	3	3	3
2008	4	5	2	5	2	3	__
2009	5	5	5	4	4	1	5
2010	5	5	3	3	4	5	4
2011	5	5	4	_	4	4	4
F4B	To what extent does the annual	1 = No disclosure					
	report contain disclosure	2 = Limited disclosure					
	concerning the “comply or	3=Sufficient disclosure					
	explain” application?	4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	3	5	3	__	3	5	1
2007	2	2	2	2	2	5	3
2008	4	4	2	__	3	3	__
2009	3	3	2	2	2	2	3
2010	3	3	4	3	4	2	2
2011	2	3	2	na	2	2	3
F5	To what extent does the annual	1 = No disclosure					

	report contain disclosure	2 = Limited disclosure					
	related to both positive and	3 = Sufficient disclosure					
	negative contingencies?	4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	3	3	_	3	3	3
2007	2	3	4	5	2	4	1
2008	4	4	3	__	1	3	__
2009	2	3	1	3	1	2	5
2010	4	3	3	2	3	3	2
2011	1	3	3	na	3	3	1
F6	To what extent does the annual	1 = No information concerning bonuses					
	report contain information	2 = Limited information concerning bonuses					
	concerning bonuses of the	3 = Sufficient information concerning bonuses					
	board of directors?	4 = Very much information concerning bonuses					
		5 = Very extensive information concerning bonuses					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	1	_	1	1	2
2007	2	1	1	3	1	1	2
2008	1	3	2	__	1	1	__
2009	4	3	1	2	5	1	3
2010	3	3	3	4	3	3	5
2011	4	2	1	na	4	3	5

U1	To what extent is the annual	1 = Very bad presentation					
	report presented in a well	2 = Bad presentation					
	organized manner?	3 = Poor presentation					
		4 = Good presentation					
		5 = Very good presentation					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5	_	5	5	5
2007	5	4	4	4	5	5	5
2008	5	5	4	4	4	5	_
2009	5	4	4	4	5	4	5
2010	5	4	5	4	3	5	5
2011	5	5	4	na	5	4	4
U2	To what extent does the	1 = no graphs					
	presence of graphs and tables	2 = 1-5 graphs					
	clarifies the presented	3 = 6-10 graphs					
	information?	4 = 11-15 graphs					
		5 = > 15 graphs					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	2	2		1	4	1
2007	2	1	1	2	1	1	1
2008	5	1	1		1	2	__
2009	4	1	1	2	1	1	3
2010	4	2	2	1	4	2	2

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2011	5	3	2	na	4	3	2
U3	To what extent does the annual	1 = Very much jargon					
	report contain technical jargon	2 = Much jargon					
	in the perception of the	3 = Moderate use of jargon					
	researcher?	4 = Limited use of jargon					
		5 = No/ hardly any jargon					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	4	4	__	4	4	4
2007	4	4				4	
2008	4	4	4	4	4	4	__
2009	4	4	4	4	4	4	
2010	4	4	4	4	4	4	
2011	4	4	4	na	4	4	4
U4	What is the size of the glossary?	1 = No glossary					
		2 = Less than 1 page					
		3 = Approximately one page					
		4 = 1-2 pages					
		5 = > 2 pages					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	1	1	_	1	1	1
2007	1	2	1	4	1	3	1
2008	1	2	1		1	1	
2009	1	1	1	1	2	1	1

2010	1	1	1	1	1	1	2
2011	2	2	1	na	1	1	1
U5	To what extent does the annual	1 = No information concerning mission and strategy					
	report contain information	2 = Limited information concerning mission and strategy					
	concerning mission and	3 = Sufficient information concerning mission and strategy					
	strategy?	4 = Very much information concerning mission and strategy					
		5 = Very extensive information concerning mission and strategy					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	1	5	_	1	1	2
2007	3	1	4	2	1	1	3
2008	4	2	1		1	1	
2009	3	2	5	5	4	1	4
2010	4	1	2	3	4	3	4
2011	3	3	3	na	3	1	4
U6	To what extent is the annual	1 = Very badly understandable					
	report understandable in the	2 = Badly understandable 3					
	perception of the researcher?	3= Poor understandable					
		4 = Good understandable					
		5 = Very good understandable					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	4	5	5	_	1	5	5
2007	5	4	4	5	5	5	5
2008	4	4		4	5	4	_
2009	4	4	4	4	4	3	4

2010	4	4	4	4	4	4	4
2011	4	4	4	na	4	4	4
c1	To what extent are changes in	1 = No disclosure					
	accounting policies disclosed?	2 = Limited disclosure					
		3= Sufficient disclosure					
		4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	4	2		1	5	1
2007	3	4	4	4	1	4	1
2008	2	3	4		1	4	
2009	4	4	3	4	4	3	4
2010	4	5	3	2	4	2	2
2011	4	3	3	na	3	2	3
c2	To what extent are changes in	1 = No disclosure					
	accounting estimates disclosed?	2 = Limited disclosure					
		3= Sufficient disclosure					
		4 = Very much disclosure					
		5 = Very extensive disclosure					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	3	5	4		4	4	2
2007	4	4	4	4	5	2	2
2008	3	4	5		5	3	_

2009	4	4	5	5	5	4	4
2010	4	4	3	3	5	4	4
2011	4	4	3	na	4	4	4
c3	To what extent does the annual	1 = No comparison					
	report contain information	2 = Actual adjustments (one year)					
	concerning comparison and	3 = 2 years					
	effects of accounting policy	4 = 3 years					
	changes?	5 = 4 or more years					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	1	2	1		1	2	1
2007	1	5	1	1	1	1	1
2008	1	1	1	1		1	
2009	2	1	1	1	1	1	1
2010	2	1	1	1	1	2	1
2011	5	1	1	na	1	2	1
c4	To what extent does the	1 = No ratios					
	company presents financial	2 = 1-5 ratios					
	index numbers and ratios in the	3 = 6-10 ratios					
	annual report?	4 = 11-15 ratios					
		5 = > 15 ratios					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	1	1		1	1	3

2007	1	1	1	3	1	1	1
2008	2	1	1		1	2	
2009	2	2	1	2	1	1	1
2010	3	1	3	2	4	3	1
2011	5	5	1	na	4	1	4
c5	To what extent does the annual	1 = No information concerning companies' shares					
	report contain information	2 = Limited information concerning companies' shares					
	concerning companies' shares?	3 = Sufficient information concerning companies' shares					
		4 = Very much information concerning companies' shares					
		5 = Very extensive information concerning companies' shares					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	2	4	4		4	3	2
2007	5	3	4	2	2	4	2
2008	4	3	2	4	2	3	
2009	4	3	3	2	4	1	2
2010	4	2	2	3	5	4	4
2011	3	4	2	na	3	3	4
c6	To what extent does the annual	1 = No benchmark information					
	report contain benchmark	2 = Limited benchmark information					
	information concerning	3 = Sufficient benchmark information					
	competitors?	4 = Very much benchmark information					
		5 = Very extensive benchmark information					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank

2006	2	3	2		1	1	1
2007	1	1	1	2	1	1	2
2008	3	1	1	2	1	1	
2009	3	3	3	3	3	1	3
2010	2	2	3	2	4	3	5
2011	5	2	4	na	5	2	2
T1	How many days did it take for the auditor to sign the auditors' report after book-year end?	1=>15					
		2=>25					
		3=>35					
		4=>45					
		5=>60					
bank name /years	bank of palestine	quds bank	rafah bank	investment bank	palestine islamic bank	commercial bank	arabs islamic bank
2006	5	5	5		5	5	5
2007	5	5	5	5	2	5	5
2008	5	5	5	5	5	5	na
2009	5	5	5	5	5	5	5
2010	5	5	5	5	5	5	5
2011	5	5	5	na	5	5	5