Predicting Operating Cash Flows by Using Fair Value Accounting in the Jordanian Commercial Banks

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Abstract

The aim of this study is to examine the ability of fair value accounting data to predict future operating cash flows up to three years ahead in the Jordanian commercial banks, as well as to test whether there are significant differences among banks according to their size with regard to the ability of fair value accounting to predict cash flows.

The researcher mainly uses the (OLS) multiple linear regression approach to analyze the financial data of the study population , which consist of (13) Jordanian commercial Banks. The study sample is the same as the study population.

The fair value financial assets and liabilities are used in (3) models. The first model contains net financial assets; the second model includes total financial assets and total financial liabilities ; and the third model contains the detailed components of financial assets and liabilities.

The study concludes that Fair value accounting data (through net financial assets ,through total financial assets and total financial liabilities, and through items of financial assets and financial liabilities) have a statistically significant predictive ability in predicting future operating cash flows of Jordanian commercial banks for three subsequent years.

The result also show that there are no statistically significant differences among the Jordanian commercial banks according to their size with regard to the ability of fair value accounting to predict future operating cash flows up to three years ahead.

This study recommends maintaining the continuing in applying fair value accounting by the Jordanian commercial banks, and following any updates related to fair value accounting in the IFRS.

Keywords: Predicting, Operating cash flows, Fair value accounting, Jordanian commercial banks.