



# The effect of analysis using financial ratios in improving the quality of financial reports

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## Abstract

The aim of the study was to demonstrate the impact of analysis using financial ratios in improving the quality of financial reports. To achieve the purpose of the study, a questionnaire was prepared consisting of (36) questions, including (28) questions to measure the independent variable (financial ratios) and (8) questions to measure the dependent variable (improving the quality of financial reports). The questionnaire was distributed electronically, and (47) questionnaires were obtained of the respondents' responses, all of them were subjected to analysis, and a linear regression test was used to test the hypotheses. The study reached several results, including There is a statistically significant effect of the analysis using financial ratios as a whole in improving the quality of financial reports. There was also a significant effect of analyzing using financial ratios separately (capital structure ratios, profitability ratios, liquidity ratios, turnover ratios, and market ratios) in improving the quality of financial reports. The study also found a set of recommendations, including the need for responsible authorities: to explain the importance of using financial analysis methods through financial ratios to evaluate the performance of enterprises and identify their strengths and weaknesses. And the need to conduct appropriate training and courses for workers in using financial analysis methods in general and analysis using ratios in particular because It has a role in improving the quality of financial reports.

**Keywords:** Financial analysis; financial ratios; quality of financial reports

## 1. Introduction

Considering the uncertainty surrounding the future and intense competition among businesses, financial analysis has become essential. This involves extracting important ratios and trends from financial data, comparing them with financial and non-financial information, as well as external and internal data. It is also necessary to compare the client's financial balances and ratios with industry data or similar companies. Additionally, these should be compared with their counterparts in previous years or with the client's expectations (previously prepared budget estimates). These comparisons should be conducted by using non-financial data such as wage cost analysis with employee preparation [1]. Also, to verify the presence of unexpected relationships or to be attentive to the existence of deviations or unusual circumstances, with the aim of assessing the consistency of this information with what is known about this institution and its activities [2]. The evaluation of different aspects of operations and the provision of information to financial report users, who will play a clear role in enhancing the confidence of financial report users and thus their quality, by providing the quality elements of these reports such as reliability, faithful representation, and relevance for decision-making. Hence, **the study aims to clarify the concepts related to financial analysis and the elements of financial report quality, as well as to demonstrate the impact of analysis using financial ratios on improving the quality of financial reports.**

**1.1 The problem of the study:** the study problem is focused on answering the following questions:

- ✓ Is there a statistically significant effect of the analysis using financial ratios in improving the quality of financial reports?
- ✓ Is there a statistically significant effect of the analysis using capital structure ratios in improving the quality of financial reports?
- ✓ Is there a statistically significant effect of the analysis using profitability ratios in improving the quality of financial reports?
- ✓ Is there a statistically significant effect of using liquidity ratios in improving the quality of financial reports?
- ✓ Is there a statistically significant effect of the analysis using activity ratios (turnover rates) in improving the quality of financial reports?

✓ Is there a statistically significant effect of the analysis using market ratios in improving the quality of financial reports?

### 1.2 Objectives of the study: The objectives of the study are focused on the following

- ✓ Identify the concepts of financial analysis, financial ratios and indicators, and the elements of quality financial reports.
- ✓ Learn how to use and apply financial ratios to evaluate different aspects of financial reports activity.
- ✓ Statement of the effect of analysis using financial ratios in improving the quality of financial reports.

**1.3 Importance of the study: The importance of the study is concentrated in the subject it deals with,** which is represented in explaining the concepts related to financial analysis and its most important methods using financial ratios, introducing them to their meaning, the benefit of conducting them, the methods and the mechanism of their application by finding ratios and comparing them with previously prepared criteria to predict the risks that establishments may be exposed to in light of Uncertainty to measure the ability of enterprises to generate profits, their ability to pay their obligations, and their ability to use their assets, which serves the financial management in measuring the various aspects of activity for the purposes of planning and decision-making, and the statement of the role of analysis using financial ratios in improving the quality of financial reports.

### 1.4 Study hypothesis:

Ho.1: There is no statistically significant effect of the analysis using financial ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports The following sub-hypotheses emerge from this hypothesis:

Ho.1.1: There is no statistically significant effect of using capital structure ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

Ho.1.2: There is no statistically significant effect of using profitability ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

Ho.1.3: There is no statistically significant effect of using liquidity ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

Ho.1.4: There is no statistically significant effect of using activity ratios (turnover ratios) at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

Ho.1.5: There is no statistically significant effect of using market ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports).

## 2. Theoretical framework and previous studies

### 2.1 Previous studies:

The study by [3] aimed to identify the relationship between computerized accounting information systems and the financial report quality of small and medium-sized enterprises. The study yielded several significant results, including that computerized accounting information systems provided highly reliable information and accurate financial statements compared to traditional accounting systems, which increased the trust of users in financial statements. The use of computerized accounting information systems had a positive impact on the quality of the reports generated by the system. In a study by [4], which aimed to elucidate the role of analytical procedures using financial ratios in narrowing the expectation gap, the study revealed a statistically significant role of analytical procedures using financial ratios at a level of ( $\alpha \leq 0.05$ ) in bridging the expectation gap between auditors and financial statement users. The relative importance of the study's variables in narrowing the expectation gap included market ratios, liquidity ratios, leverage ratios, profitability ratios, and turnover ratios. Another study [5] sought to understand the impact of analytical procedures, focusing on financial ratios, on audit quality. The study found a statistically significant impact of using analytical procedures with financial ratios on audit quality. It also found a statistically significant impact of comparing financial ratios and information extracted based on predefined standards (financial analysis standards) on audit quality. However, no statistically significant differences were found in the impact of auditors' personal variables (educational qualification, specialization, and years of service) on audit quality. The study of [6] which aimed to verify the factors affecting the quality of the financial statements. a questionnaire was formed to achieve the objectives of this study, it was found that the quality of the financial statements is influenced by: information technology, accounting system, , disclosure, external auditing. Internal auditing (IT) and training. another study by [7] aimed to study the extent of the contribution of analytical procedures in narrowing the expectation gap in the Palestinian auditing environment. The study found that one of the most important means to reduce the expectation gap in the auditing environment in Palestine is the use of financial analysis methods, and the external auditor's ability to minimize detection risks to the lowest possible level in the audit process.

Additionally, a study by [8] showed the role of using analytical review procedures in enhancing the performance of auditors. The study indicated that analytical review procedures contribute to giving early warning of financial

statement manipulation and identifying substantive errors, and that artificial neural network techniques have predictive power and accuracy in classification that surpasses traditional statistical methods. The study [9] aimed to demonstrate the ability of financial analysis methods through analytical procedures to discover fundamental distortions in the financial statements in order to meet the requirements of professional standards. The study showed that material errors of corporate and multi-account balances can be detected through analytical procedures.

## 2.2 Concept of Financial Analysis:

"Financial analysis is considered a tool for identifying the strengths and weaknesses in a company's activities and operations, ensuring the preparation of future plans and finding appropriate solutions to address weaknesses or mitigate them"[10]. The researcher sees that financial analysis is based on studying the relationships between financial numbers and the changes that have occurred in them and deriving a set of indicators to evaluate aspects of the business and convey information to decision-makers."

### Financial Analysis Methods:

A comparison of the client's financial balances and ratios with one or more of the following financial analysis criteria [1].

1. Comparison with past performance.
2. Comparison with industry data or similar companies.
3. Comparison with pre-prepared budget estimates.
4. Comparison with expectations using non-financial data.

Furthermore, according to [11], some of the most important financial analysis methods include A. Ratio Analysis, B. Horizontal Analysis, and C. Vertical Analysis

Ratios are considered one of the most essential tools in financial analysis. It's crucial to focus on the most meaningful ratios for evaluating various aspects of a company's activities [5]. Financial ratios are relationships between financial values in financial statements, organized to evaluate specific aspects of a company's performance during a specified time period [10].

Analytical procedures often focus on deriving ratios and indicators and comparing them to predetermined standards, such as past performance, budget estimates, the performance of similar companies, industry standards, sector standards, and relevant non-financial data.

[[5], [11]] has shown that financial ratios can be classified into five groups which are: liquidity ratios, profitability ratios, capital structure ratios, activity ratios and market ratios:

**A) Structure Ratios:** These ratios, called Solvency Ratios, serve as tools to assess the ability of the organization to meet its long-term liabilities.

- 1- "Long Term Debts Coverage Ratios = net fixed assets/long term debts "
- 2- "Liabilities Ratio = total liabilities/ equity"
- 3- "Ratio of Financing Current Assets = current liabilities/ current assets "
- 4- "Internal Financing to Asset Ratio = equity / total assets".
- 5- "Financing Fixed Assets Ratio = (long term debts + equity)/ net fixed assets "
- 6- "External Financing to Assets Ratio = total liabilities/ total assets".

**B) Profitability Ratios:** these ratios measure the earning ability of the firm.

- 1- "Gross profit margin = total profits/ net sales"
- "Operating profit margin = net operational profit/ net sales "
- 2- "Net profit margin = net profit after tax/ net sales"
- 3- "Return on Assets (ROA) = net profit after tax/ average of total assets "
- 4- "Earning power = operational profit margin/ working assets turnover rate"
- 5- "Operational cash ratio = net operational cash flow/net profit "
- 6- "Cash flow Ratio = total cash flow gained from operational activities/ net sales"

**C) Liquidity Ratios:** measure the ability of the firm to meet its current obligations.

- 1- "Current Ratio = current assets/ Current liabilities "
- 2- "Quick-Acid Ratio = (current assets – inventory – prepaid expenses)/ current liabilities "
- 3- "Cash flow ratio = (cash assets + equivalent cash) / current liabilities "
- 4- "Cash coverage ratio = net cash flow from operational activities/ total external cash flow for investment and financing activities "

**D) Turnover or Activity Ratios:** These ratios are interested in the adequacy of operational assets [2].

- 1- "Receivables Turnover Rate = net forward sales/average receivables "
- 2- "Average collection period = 360 days/receivables turnover rate"
- 3- "Stock turnover rate = cost of sold goods/ average inventory"
- 4- "Average of storage period = 360 days/inventory turnover rate "

5-Assets turnover rate = net sales/ average assets"

"Fixed assets turnover rate = net sales/ average Fixed assets"6-

"Current assets turnover rate = net sales/ average current assets"7-

."Net working capital turnover rate = net sales/ average net working capital "8-

E) **Market Ratios:** These ratios serve the dealers in the capital market[12]

1-"Earnings per Share (EPS)=( net profit after tax – preference shares distribution)/ average of number of existing regular shares"

2-"The ratio of the market value per share to book value = market value per share/ book value per share"

3-"Book value of equity per share (BVPS) = equity/ number of shares"

### 2.3 Concept of Financial Report Quality :

Quality financial reports are an accurate representation of a company, free from errors, manipulation, fraud, or deception, and are prepared without exaggeration with truthful realism for the line items in financial statements, providing decision-makers with reliable information that impacts decision-making results [11].

#### **Distinctive Characteristics of Accounting Information :**

Accounting information plays a vital role in company management. One of the most important reasons for the existence and development of financial data is to provide appropriate data [13]. Financial reports provide valuable information for stakeholders to evaluate a company's performance and make decisions [14] believes that "the concept of financial report quality is embodied in information that is faithfully represented and useful to its beneficiaries, free from any manipulation or fraud.

**The elements of financial report quality** (International Public Sector Accounting Standards 2021 / IFAC [14]

**Relevance:** "Financial and non-financial information is considered relevant if it has the ability to make a difference in achieving the objectives of preparing financial reports. Information is relevant when it has confirmed or predictive value or both".

**Faithful Representation:** "For information to be useful in financial reporting, it must faithfully represent the economic phenomena and other phenomena it intends to represent. Faithful representation is achieved when the description of the phenomena is complete, neutral, and free from significant errors".

**Understandability:** "Understandability is a characteristic of information that enables users to comprehend its meaning. General-purpose financial reports should present information in a manner that responds to the needs of users, based on their level of knowledge and the nature of the information presented". This may include providing clear explanations and interpretations of information about services rendered and other achievements in a clear and concise manner during the preparation period and expectations for future periods.

**Timeliness:** "Timeliness means that information is available to users before it loses its value and usefulness for accountability and decision-making purposes. The provision of appropriate information in a timely manner can enhance its value as input for accountability assessment and its ability to influence the decisions that need to be made. Failure to provide information in a timely manner renders it less useful".

**Comparability:** "Comparability is a characteristic of information that helps users identify similarities and differences between two sets of phenomena. Comparability is not a characteristic of an individual item of information, but rather a relationship between two or more pieces of information".

**Verifiability:** "Verifiability is a characteristic of information that helps reassure users that the information in financial reports faithfully represents the economic phenomena and other phenomena it intends to represent". Supportability may sometimes be used to describe this characteristic, particularly as it applies to explanatory and quantitative information about future financial and non-financial information disclosed in general-purpose financial reports, meaning that various informed observers and independent verifiers can reach consensus, but full consensus is not necessary regarding verifiability or understandability.

**Materiality:** "Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial reports prepared for a particular reporting period".

**Benefit vs. Cost:** "The preparation of financial reports requires certain costs, and these costs should be justified by the benefits of preparing those financial reports. Often, the issue of evaluating whether the benefits of providing information justify the related costs depends on judgment and estimation, as it is often difficult to estimate all costs and benefits".

**Balancing Qualitative Characteristics:** "Balancing qualitative characteristics means that qualitative characteristics work together to achieve the desired benefit from the information."

### 3. Methodology

#### Reliability test:

The Cronbach alpha coefficient is used as a method for assessing the dependability of a scale. The data shown demonstrates that the alpha values indicate a dependable scale, since they above the acceptable threshold of 0.70 [15].

Item	Alpha value
Structure Ratios:	0.859
Stability Ratios	0.777
Reliability Ratios	0.821
Control or Activity Ratios	0.946
Profit Ratios	0.905
Quality of Financial Reports	0.816

#### Multicollinearity test:

The Variance Inflation Factor (VIF) and Tolerance were calculated for the independent variables to evaluate the existence of multicollinearity among them. The following results are presented subsequently:

Variable	Tolerance	VIF
Structure Ratios:	.474	2.109
Stability Ratios	.365	2.738
Reliability Ratios	.460	2.173
Control or Activity Ratios	.547	1.827
Profit Ratios	.429	2.329

The data given indicates that the Variance Inflation Factor (VIF) values are less than 10, while the Tolerance values surpass 0.10. This discovery suggests the absence of multicollinearity.

#### Frequencies

##### Frequency Table

		Gender:			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	12	26.1	26.1	26.1
	Male	34	73.9	73.9	100.0
	Total	46	100.0	100.0	

		Age:			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30-35	9	19.6	19.6	19.6
	35-40	9	19.6	19.6	39.1
	Above 40	26	56.5	56.5	95.7
	Less than 30	2	4.3	4.3	100.0
	Total	46	100.0	100.0	

		Education level:			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	20	43.5	43.5	43.5
	Diploma	1	2.2	2.2	45.7
	Postgraduate	25	54.3	54.3	100.0
	Total	46	100.0	100.0	

		Specialized			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business administrat	3	6.5	6.5	6.5
	Accounting	43	93.5	93.5	100.0
	Total	46	100.0	100.0	

		مدة الخدمة			
		Frequency	Percent	Valid Percent	Cumulative Percent

Valid	10-15	6	13.0	13.0	13.0
	Above of 15	26	56.5	56.5	69.6
	5-15	13	28.3	28.3	97.8
	Less than 5 years	1	2.2	2.2	100.0
	Total	46	100.0	100.0	

It is clear from the tables that: The majority of respondents, 3.54%, hold postgraduate qualifications, and 5.93% of respondents have specialization in the field of accounting, and 56.5% of them have experience of 15 years or more, which indicates that the possibility Obtaining information with greater reliability.

**Descriptive Analysis:**

Mean and Standard deviation are used to describe attitudes toward following questions:

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
Long-term debt coverage ratio = net fixed assets / long-term debt	46	2	5	4.33	.598
debt ratio = total debt/equity	46	2	5	4.28	.688
ratio of financing current assets = current liabilities / current assets	46	2	5	4.28	.655
Internal financing ratio to assets = equity / total assets	46	2	5	4.20	.619
Fixed assets financing ratio = (long-term debt + equity) / net fixed assets	46	2	5	4.35	.674
Fixed assets financing ratio = (long-term debt + equity) / net fixed assets	46	2	5	4.24	.673
Capital structure ratios (solvency)	46	.00	.00	2.790	.49945
Gross profit margin = gross profit / net sales	46	3	5	4.35	.604
Operating profit margin = net operating profit / net sales	46	3	5	4.33	.519
Net profit margin = net profit after tax / net sales	46	3	5	4.30	.511
Return on assets (ROA) = Net profit after tax / Average total assets	46	3	5	4.24	.565
Revenue power = operating profit margin / operating assets turnover ratio	46	2	5	3.89	.795
Operating cash ratio = net operating cash flow / net profit	46	3	5	4.07	.574
Cash flow ratio = total cash inflows from operating activities / net sales	46	3	5	4.33	.560
Profitability Ratio	46	.57	.00	2.143	.39007
Current Ratio = Current Assets / Current Liabilities	46	3	5	4.46	.546
Quick ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities	46	4	5	4.37	.488
Cash ratio = (cash assets + cash equivalents) / current liabilities	46	3	5	4.37	.532
Debt coverage ratio = net cash flow from operating activities / total cash outflows from investing and financing activities	46	3	5	4.37	.610
Liquidity Ratio	46	.75	.00	3.913	.43986
Receivables turnover = net forward sales / average receivables	46	2	5	4.37	.645
Average collection period = 360 days / receivables turnover rate	46	2	5	4.26	.648
Inventory turnover = cost of goods sold / average inventory	46	2	5	4.35	.640
Average storage period = 360 days / inventory turnover rate	46	2	5	4.28	.655
Asset turnover = net sales / average assets	46	2	5	4.24	.639
Fixed asset turnover = net sales / average fixed assets	46	2	5	4.20	.687
Current Assets Turnover = Net Sales / Average Current Assets	46	2	5	4.33	.668
Working Capital Turnover = Net Sales / Average Net Working Capital	46	2	5	4.22	.664
Activity Ratio	46	.25	.00	2.799	.55913
Earnings per common share (EPS) = (net profit after tax – preferred stock dividends) / average number of common shares outstanding	46	3	5	4.17	.739
Ratio of market value per share to book value per share = market value per share / book value per share	46	2	5	4.09	.915
Book value per common share (BVPS) = Common shareholders' equity / Number of common shares	46	3	5	4.09	.725
Financial ratios	46	.67	.00	1.159	.73103
Financial data emerging from good financial reports helps in making appropriate decisions in the company	45	3	5	4.69	.514

counting information appearing in financial reports enables predictions, formulating future plans, and correcting previous information.	45	3	5	4.56	.546
financial report based on good financial data provides all the information appropriate to the needs of users.	46	3	5	4.33	.560
rate financial reports provide honest facts without deleting or selecting information for the benefit of a particular group.	46	1	5	4.11	.823
orporate accounting information contains arguments that support the assumptions and estimates contained in it.	46	3	5	4.26	.575
company presents in its financial reports the financial index numbers ratios for the previous and current years.	46	2	5	4.39	.714
cial reports contribute to displaying accounting information in a timely manner.	46	3	5	4.41	.580
company has qualitative information that is characterized by a high degree of clarity and is prepared in an organized manner.	46	2	5	4.24	.673
Financial Reporting Quality	46	.50	.00	.3696	.41912
Valid N (listwise)	45				

All participants had a positive attitude towards the statements offered in the poll, as shown by their scores above the average value of 3.00 on the scale. The obtained ratings exhibited statistical significance, suggesting a positive emotion. The table preceding this paragraph presents the mean and standard deviation of the survey statements.

**Hypotheses Testing:**

**H1: There is no significant relationship** ( $\alpha \leq 0.05$ ) to the financial ratios in the development of financial reporting quality

**Regression**

Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.656 <sup>a</sup>	.430	.359	.33565

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	3.398	5	.680	6.033	.000 <sup>b</sup>
	Residual	4.507	40	.113		
	Total	7.905	45			

Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.399	.628		2.229	.032
	<b>Structure Ratios:</b>	.186	.146	.221	1.276	.209
	<b>Profitability Ratios</b>	.244	.212	.227	1.150	.257
	<b>Liquidity Ratios</b>	.010	.168	.011	.060	.953
	<b>Debt or Activity Ratios</b>	.257	.121	.343	2.129	.039
	<b>Market Ratios</b>	.001	.104	.001	.005	.996

The hypothesis may be examined by the use of multiple regression analysis, which produces findings that demonstrate a significant relationship between the independent and dependent variables ( $r = 0.656$ ). Furthermore, the analysis demonstrates that the independent factors explain 43% of the total variation observed in the dependent variable.

The study's result indicates that There is statistically significant effect of the analysis using financial ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports. This is shown by the F-value, which attains statistical significance at the 0.05 level.

The following sub-hypotheses emerge from this hypothesis:

**Ho.1.1: There is no statistically significant effect of using capital structure ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.**

Model Summary				
Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.543 <sup>a</sup>	.294	.278	.35603

Factors: (Constant), a

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.327	1	2.327	18.361	.000 <sup>b</sup>
	Residual	5.577	44	.127		
	Total	7.905	45			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.421	.458		5.289	.000
	Structure Ratios	.455	.106	.543	4.285	.000

The hypothesis may be examined via the use of linear regression analysis, which provides evidence suggesting a moderate relationship between the independent and dependent variables ( $r = 0.543$ ). Furthermore, it has been shown via empirical research that the independent variable is responsible for 29.4% of the total variability seen in the dependent variable.

The study's results suggest: there is statistically significant effect of using capital structure ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports. The statistical analysis reveals that there is a significant link between the variables, as shown by the F-value at the 0.05 significance level.

**Ho.1.2: There is no statistically significant effect of using profitability ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.**

Model Summary				
Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.466 <sup>a</sup>	.217	.199	.37502

Factors: (Constant), b

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.717	1	1.717	12.208	.001 <sup>b</sup>
	Residual	6.188	44	.141		
	Total	7.905	45			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.259	.607		3.725	.001
	Profitability Ratio	.501	.143	.466	3.494	.001

The hypothesis may be examined via the use of linear regression analysis, which provides evidence suggesting a moderate relationship between the independent and dependent variables ( $r = 0.466$ ). Furthermore, it has been shown via empirical research that the independent variable is responsible for 21.7% of the total variability seen in the dependent variable.

The study's results suggest there is statistically significant effect of using profitability ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

The statistical analysis reveals that there is a significant link between the variables, as shown by the F-value at the 0.05 significance level.

**Ho.1.3: There is no statistically significant effect of using liquidity ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.**

Model Summary				
Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.475 <sup>a</sup>	.226	.208	.37296

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.784	1	1.784	12.828	.001 <sup>b</sup>
	Residual	6.120	44	.139		
	Total	7.905	45			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.382	.558		4.270	.000
	Liquidity Ratios	.453	.126	.475	3.582	.001

The hypothesis may be examined via the use of linear regression analysis, which provides evidence suggesting a moderate relationship between the independent and dependent variables ( $r = 0.475$ ). Furthermore, it has been shown via empirical research that the independent variable is responsible for 22.6% of the total variability seen in the dependent variable.

The study's results suggest: there is statistically significant effect of using liquidity ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

The statistical analysis reveals that there is a significant link between the variables, as shown by the F-value at the 0.05 significance level.

**Ho.1.4: There is no statistically significant effect of using activity ratios (turnover ratios) at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.**

Model Summary				
Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.579 <sup>a</sup>	.335	.320	.34572

Factors: (Constant), d

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.646	1	2.646	22.139	.000 <sup>b</sup>
	Residual	5.259	44	.120		
	Total	7.905	45			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.513	.398		6.319	.000
	Turnover or Activity Ratios	.434	.092	.579	4.705	.000

The hypothesis may be examined via the use of linear regression analysis, which provides evidence suggesting a moderate relationship between the independent and dependent variables ( $r = 0.579$ ). Furthermore, it has been shown via empirical research that the independent variable is responsible for 33.5% of the total variability seen in the dependent variable.

The study's results suggest: there is statistically significant effect of using activity ratios (turnover ratios) at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports.

The statistical analysis reveals that there is a significant link between the variables, as shown by the F-value at the 0.05 significance level.

**Ho.1.5: There is no statistically significant effect of using market ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports).**

Model Summary				
Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.316 <sup>a</sup>	.100	.080	.40208

Factors: (Constant), e

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.791	1	.791	4.895	.032 <sup>b</sup>
	Residual	7.114	44	.162		
	Total	7.905	45			

  

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.623	.343		10.573	.000
	Market Ratios	.181	.082	.316	2.212	.032

The hypothesis may be examined via the use of linear regression analysis, which provides evidence suggesting a moderate relationship between the independent and dependent variables ( $r = 0.316$ ). Furthermore, it has been shown via empirical research that the independent variable is responsible for 10% of the total variability seen in the dependent variable.

The study's results suggest: there is statistically significant effect of using market ratios at the level ( $\alpha \leq 0.05$ ) in improving the quality of financial reports).

The statistical analysis reveals that there is a significant link between the variables, as shown by the F-value at the 0.05 significance level.

**The study revealed the following results:**

1. There is a statistically significant impact of financial ratio analysis at a level ( $\alpha \leq 0.05$ ) on improving the quality of financial reports.
2. There is a significant relationship, at a level ( $\alpha \leq 0.05$ ), between financial ratio analysis (capital structure ratios, profitability ratios, liquidity ratios, turnover ratios, and market ratios) and the improvement of the quality of financial reports.
3. Based on the R2 values, it was found that the independent variables (capital structure ratios, profitability ratios, liquidity ratios, turnover ratios, and market ratios) collectively explained the dependent variable (improvement in the quality of financial reports) by 29.4%, 21.7%, 22.5%, 33.5%, and 1%, respectively.

**These results can be explained by** the impact of using financial ratios on improving the quality of financial reports. The financial analysis often involves deriving ratios and indicators to evaluate the performance of an organization from various operational, investment, and financial aspects, providing timely and representative information and enabling comparisons that represent elements of financial reporting quality. These ratios contribute to assessing liquidity, the ability of the entity to meet short-term obligations, profit-making ability, long-term debt repayment capacity, and the efficiency of using the entity's assets.

**Recommendations:**

1. It is essential for responsible entities within organizations to emphasize the importance of using financial ratio analysis to assess the performance of organizations and identify their strengths and weaknesses.
2. Providing appropriate training and courses for employees on how to use financial analysis methods in general and ratio analysis in particular.

3. The study recommends the need for further complementary research covering the role of non-quantitative methods and advanced statistical methods as tools for financial analysis and the evaluation of organizational performance and their role in improving the quality of financial reports.

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