

# Accounting Hedge and its Impact on The Value of Insurance Companies On Amman Stock Exchange

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## Abstract

The study aims to demonstrate the impact of accounting hedge with its dimensions (hedging at fair value, cash flows, net foreign investments) on the insurance companies value, these companies are listed on Amman Stock Exchange, during the period from (2011-2021). The study followed the analytical descriptive approach and the quantitative approach using the financial indicators in order to measure the accounting hedge. The importance of the study appears in showing the extent to which the insurance companies listed on Amman Stock Exchange use accounting hedge policies that aims at minimizing the caused financial risks by the instability of the investment operations of their funds and the impact of this on the value of those companies. One of the study's most important findings shows the positive impact which is statistically significant of hedging in fair value and cash flows, and a statistically significant negative impact of hedging with net foreign investment on the value of insurance companies included in the list of Amman Stock Exchange. Subsequently, the recommendation for the insurance companies to not practice accounting hedging need to apply effective hedging policies because of their great role in reducing the expected risks and their positive impact on their value. It called for insurance companies that practice accounting hedge to continuously measure the efficiency of risk management to enhance their levels of efficiency and achieve effective risk management. Also, the need to strengthen the way of how regulators of finance set up the required techniques in order to ensure that the application of prudential accounting in companies is efficiently in various sectors.

**Keywords:** accounting hedge, fair value hedge, cash flow hedge, net foreign investment hedge, company value.

## Introduction:

Insurance companies face many challenges aiming to reach their main goal of increasing their value. These challenges are mostly related to predicting the financial risks associated with the value of these companies. Therefore, companies approached various financial tools and investments and used them to hedge against these risks. However, hedge is a set of measures taken by companies to protect against losses resulting from previous decisions. Namely, it involves taking measures to mitigate losses, shifting from a greater potential loss to a smaller one or from a loss to a profit (Restrepo et al., 2022).

Hedging returns to the concept of precaution and precaution in the future by taking into account any expected losses and not recognizing any potential gains until they are achieved, and hedging is meant to protect and is the means used by the Financial Risk Department to face systemic financial risks and market risks that they face and reduce their effects in the future. It is known that accounting takes caution and caution in the process of measuring financial operations and recognized in financial statements, and this is consistent with the concept of hedging

accounting, which aims to display accounting information at values close to reality (Mayo & Yawqafah, 2017). Interest in hedge accounting has increased by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) where standards related to the hedging process have been issued and amendments made to these standards, in addition to the requirements that have been developed to achieve compatibility between hedge accounting and risk management (Hofaf & Chtouh, 2017). Hedging is an important tool for managing and reducing financial risks, as this tool is represented by making financial transactions with the aim of reducing financial risks to the lowest level, accounting hedging is the result of companies' use of financial derivatives (Almubaideen et al., 2019), and is defined as 'a strategy developed by management to avoid risks resulting from price variation and expected rates and compensate for this discrepancy through what results from the use of financial instruments in this strategy' (Gonidakis et al., 2020).

Due to the importance of hedging and increasing interest in it by companies to face the expected risks, this study came to show the extent of the impact of these practices on the value of companies, which is considered one of the most important indicators of the success and growth of companies and ensuring their continuation, so this study examined the impact of accounting hedging in its dimensions (fair value, cash flows, and net foreign investment) in insurance companies listed on the Amman Stock Exchange on the value of these companies.

### Study problem

The problem of the study lies in the importance of the value of insurance companies as an important bottom in Jordan, and how these companies can increase or maintain them in light of their exposure to financial risks resulting from the use of financial instruments, as companies resort to hedging to face these risks, so does this practice reduce the expected risks and what impact this has on the value of these companies. Therefore, this study came to answer the following question:

### **What is the impact of accounting hedge on the insurance companies value, for these companies which are in the list of Amman Stock Exchange?**

This question stems from the following sub-questions:

1. What is the impact of fair value hedge on the value of the insurance companies, for these companies which are in the list of Amman Stock Exchange?
2. What is the impact of cash flow hedge on the value of the insurance companies for these companies which are in the list of Amman Stock Exchange?
3. What is the impact of the hedge of net foreign investments on the value of insurance companies for these companies which are in the list of Amman Stock Exchange?

### Study importance

The study is immensely important concerning how it shows the extent to which the insurance companies listed on Amman Stock Exchange use accounting hedge policies to reduce the financial risks resulting from the instability of the investment operations of their funds and the impact of this on the value of those companies. This study tries to highlight the significance topic through the libraries and open the way for more research in the field of accounting hedge and its impact on corporate value.

### Previous studies

After the researcher review of the previous studies, she considered presenting some important studies for the purpose of supporting the methodology of this study, and showing the added new sciences. However, among the studies related to accounting hedge is the study of (Haron & Hasan,

2021) that pointed out the positive impact of derivatives on the value of Malaysian companies, and a negative impact of the interaction between derivatives and managerial ownership on the value of the company. The study (Erica et al., 2023) aims to show the extent to which US banks practice accounting hedging to direct the risks of their assets with the tightening of monetary policy in 2022, the study found that interest rate swaps are used between major banks that hedge a small percentage of their assets, and that most reporting banks report that there is no physical use of interest rate swaps, and 4% of them hedge their assets and a quarter of their securities, 6% are hedged through interest rate swaps only from the total assets in the banking system As for the use of interest rate derivatives, it was not large and sufficient, and the duration of banks' assets increased during 2022, exposing banks to additional interest rate risks, and a decrease in the hedging ratio in banks whose assets are exposed to interest rate risk, banks that enjoy the most fragile financing. Study of (Thomas,2023) This study compared two hypothetical companies with different local currencies, in terms of alternative production sites if the companies were competing in the home country of a single company, using a simple three-outcome scenario approach, and a simple financial hedging analysis of companies' exposure to foreign currency that provides a direct way to evaluate alternatives to production sites. The results showed that the company is exposed to foreign currencies according to the location of the currency for the production of each company from the study sample, if the foreign exchange rate process does not have an expected trend and the operating costs in countries are equivalent to the current spot exchange rate, the hedging analysis will reach the maximum if produced in different currency areas.

Whereas, the study (Seok et al., 2020) whose results showed that the most effective and least profitable companies with greater growth opportunities are those that practice hedge via derivatives, and that derivatives hedge indicators have little impact on the value of the company. As for the index of using forward contracts and using surveys, it shows a negative important effect at those companies' value, and the application of derivative hedge positively affect all the types fixed value of foreign exchange derivatives.

Meanwhile, the study of (Almubaideen et al., 2019) highlighted relationship among cash flow hedge operations as a strong relationship, fair value hedge and low financial risks, while it showed that the correlation between net investment in foreign currencies and financial risks to which Jordanian commercial banks are exposed is weak. Also, it can be said that the fair value for accounting hedge's calculation is not crystalized alongside with the scope of international accounting standards, however, the

calculation was done by the personal judgment of external auditors' in the commercial banks of Jordan. Meanwhile, among the studies that looked at the value of companies; the study of Al-Naimi et al., (2023), which concluded that there is a positive impact of liquidity, credit and exchange rate risks, and there is a negative impact of risks, interest rates and capital adequacy on the value of commercial banks. Also, the existence of important statistically effect of the quality of accounting hedge disclosure in annual fiscal reports on the relationship between financial risks and their dimensions, the value of commercial banks listed on Amman Stock Exchange, too.

Additionally, Youssef's study (2019) concluded that there is no relationship between financial risk management and the ability of Egyptian companies listed in the financial markets to obtain loans on the best terms and increase their value. Besides, Kochling (2018) study showed the impact of hedge on fair value and net foreign investment, via increasing the value of the company in 2002 and 2003 by 2.2% and 8.7%, respectively. And so, this ratio is more than triple by 2016 to 20%, where the benefits of accounting hedge are greater than its costs and positively impacts the value of the company.

## Study hypotheses

As a consequence of the study's problem and research questions, the researcher has framed the following hypotheses: **The main hypothesis:**

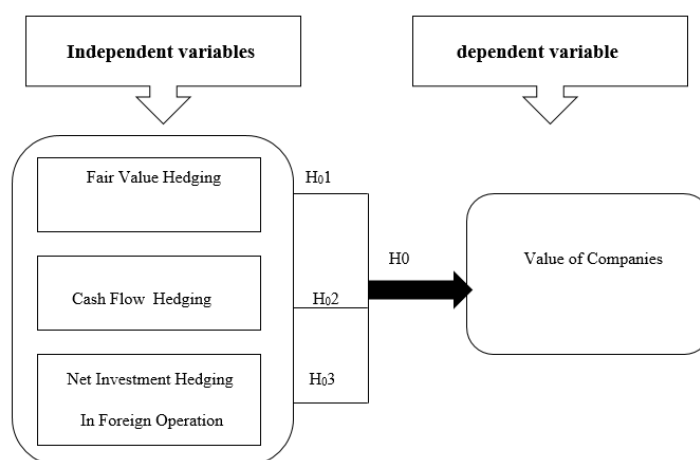
**H0:** The impact is not statistically important at the level of significance ( $\alpha \geq 0.05$ ) of accounting hedge with its dimensions (cash flows, fair value, net foreign investments) on the insurance companies' value for these companies which are in the list of Amman Stock Exchange, from which the following hypotheses are derived:

**H01:** The impact is not statistically important at the level of significance ( $0.05 \geq \alpha$ ) of fair value hedges on the insurance companies' value for these companies which are in the list of Amman Stock Exchange

**H02:** The impact is not statistically important at the level of significance ( $0.05 \geq \alpha$ ) for cash flow hedge on the insurance companies' value for these companies which are in the list of Amman Stock Exchange

**H03:** The impact is not statistically important at the level of significance ( $0.05 \geq \alpha$ ) of net foreign investments hedge on the insurance companies' value for these companies which are in the list of Amman Stock Exchange.

## Study model



## Theoretical framework

### Accounting hedge

Interest in hedge has increased by companies in recent decades to reduce financial risks and increase their revenues, thus, hedge is defined as a strategy developed by managements to avoid risks resulting from the variation in prices and expected rates, and compensating this discrepancy through what results from the use of financial instruments in this strategy (Gonidakis et al., 2020). It is also defined as the technique used to recognize gains or losses related to the hedged item or hedging instrument, taking into account the balance between recognizing the gains and losses related to the hedging instrument in the same period in which the gains and losses are

recognized for the hedged item (Restrepo et al., 2022).

The company can identify the factors affecting decisions related to hedge through choosing the appropriate mix of hedge methods. Whereas, it can rely on forward contracts to discover new risk management methods in the traditional financial instruments, analyze them, and fragment them, such as foreign exchange rate risks, interest rates and their fluctuations, as well as how to hedge and manage them (Shizuki & Yoshitaka, 2016)

These practices also contribute to ensuring that assets are sold at a price higher than the execution price, especially in the event of a decline in the price in the financial markets. This is the result of a forward purchase from the forward markets, which is matched by a selling process in the current money markets.

And so, companies that want to hedge foreign exchange rates and their investments in stocks in foreign branches tend to buy forward contracts, as they are the best way to deal with the volatility of foreign exchange returns, as multiple nationalities companies can sell currency linked to their accounts receivable (Gerrit & Poschy, 2018).

### **Company value**

Notably the organization's value herein means the economic value of it, which is related to the expectations of the surrounding community, and their evaluation of the benefits they obtain from the goods and services provided by this company. However, the economic value differs from the market value. Where, the value of any market is the price of the provided commodity or service in this market. It may be higher or lower than the economic value. Regarding the investment fields, the value of the company is the price that the investor pays to own the shares of this company, namely, the value of the company is measured here according to the value of its shares in the financial markets, and because ordinary shares are considered investment tools, there are several factors affecting its price such as expected dividends, and the degree of risk associated with stocks, and also affects the required return on investment from stocks (Fernandez, 2019).

Maximizing the organization value is considered one of the management's essential objectives and the most important element of its strategic plan, in addition to some factors that affect the company's value which are called the drivers of the value of the organization, such as the share's market value, which is actually the selling rate of one share in the financial markets. Where the management seeks to maximize the value of ordinary shares, by maximizing the net value of the ordinary share, which is characterized by fluctuation and its connection to the market value of the share, so the management takes rational financial decisions related to financing, investment and distribution of profits, in addition to managing the risks resulting from the difference in the interest rate or the exchange rate (Jimari & Kumar, 2015).

The organization's market value is considered the actual value of the company's securities traded in the financial markets, and it is calculated by evaluating its shares or debts in the stock market to reach the securities owned by the organization market value, as it is the real measure of the company value. In other words, the current market valuation of it, which is the price determined by buyers and sellers. Stock selling prices are a practical expression of the company's market value. Although the application of the market price as a criterion for evaluating the company faces many problems due to the fluctuation of the value of the market resulting from the company's profits expectations or the change in the capitalization rate

during the year, in addition to the speculative activities in the financial markets, which lead to an exaggerated fall and rise in stock prices. Even though, the market value of the share is considered a significance indicator that can be utilized in order to state the organization's value, because it estimate the functionality, the estimation can be used by the owners, as the organization's value is estimated through its shares price in the market, also, the investor evaluates the organizations' success or otherwise through its value in the market (Adityawarman & Khudri, 2018).

The researcher believes that the company value is the transformation of the company's mental image among investors and stakeholders, and their awareness of the level of its success, into a financial value that appears in its financial statements. This shift is a result of the investors' desire to buy the company's shares reflected in the value of these shares in the financial markets, as this value is measured through their expectations of the current value of the expected returns.

### **The relationship between accounting hedge and company value**

Companies constantly seek to maximize the wealth of their owners, as this is an indicator of their success and continuity, and in order to achieve this goal, they must increase the value of their shares in the financial markets, so they are always keen to take the right and rational decisions to achieve this goal, and to maintain the optimal price for their shares in the financial markets (Younis & Yamin, 2018). Among the most important decisions that the company can take are hedge decisions and choosing the most appropriate policies for its activities, which limit the risks resulting from it, and reduce its negative impacts on net income and equity, which affect the market share price (Wahdan, 2017). Therefore, companies tend to apply Financial Reporting Standard No. (9) regarding hedge policies to compensate for the losses that these companies may be exposed to through making deals (forward contracts), buying or selling assets, and how to recognize the profits and losses resulting from these policies in order to increase or at least maintain their value in the market (Sartawi & Hassan, 2019).

One of these policies is applied by the insurance companies, the study sample, is the fair value hedge, which helped them to face the changes that occurred in the fair value of an asset or a liability, represented by the financial status of their contracts with the insured, where it effects the net income and comprehensive income. Other companies also applied a cash flow hedge policy to reduce the risks of future cash flows resulting from their contracts with their customers as assets besides the liabilities resulting from the company payment of compensation to the insured, i.e. hedge against risks

resulting from expected fluctuations of future cash flows. As for hedge net foreign investments related to reducing the risks of exchange rate fluctuations, through which net income is protected from the impact of these fluctuations through risk coverage (Wahdan, 2017).

### Jordanian insurance companies

Insurance in developed societies refers to the development of the social and economic role in it, as insurance is considered one of the economic sectors of great benefit to society. Whereas, insurance encourages capital owners to increase their investments as a result of the existence of insurance on their properties, as this reduces the risks that they may face. Also enable them to identify risks related to business, which increases their experience, and the insurance sector allows stability in companies and their employees, which leads to raising and increasing productivity. In light of the pandemic (covid-19), it was indicated in the report for the year 2020 of the Jordanian Federation of Insurance Companies a decrease in the whole achieved installments by the industry of insurance in that year for every insurance classes reached 593,442,124 dinars, compared to 615,295,005 dinars in the year 2019, i.e. achieving a decrease of (3.6%). The decrease in total installments came as a consequence for the fall down in the installments which are written in most of the stems of insurance. However, the stem of general accident insurance includes the installments of every liability insurance stem, thus raised 3.9% from each of the year 2019, and the insurance of other stems, whose installments down fall 13.9% compared to the year 2019 (Jordanian Federation of Insurance Companies, 2020).

Insurance contributes to facilitating the financing process from external sources for projects that require large capital. The existence of insurance in itself on the operations related to these projects adds to them a character of reliability that qualifies them to obtain financing from financing institutions or banks, and it may come to be a condition for obtaining credit and granting it to those projects owners. Also, insurance plays an important role in a number of countries due to its ability to finance economic development plans through its ability to generate accumulated cash liquidity. This liquidity is produced through subscribers paying their due installments, which are invested in long-term investment projects (khresat & Sadiq, 2023).

### Study methodology

The study followed the analytical descriptive approach with regard to the financial statements and reports of the insurance companies, these which are at the list of Amman Stock Exchange during the duration of the study, and used the Statistical Package for the Social Sciences (SPSS) software aiming at handling the primary information, in order to

measures and test the following: first the percentages, after that the frequencies, then the arithmetic averages and finally the standard deviations to describe the study variables. Besides, one way Anova to test hypotheses, and use the quantitative approach to study financial indicators in order to measure accounting hedge, besides data analyzing through analysis tools such as ratios and rates.

### Study sample and population

The population of study is consisted of (23) insurance companies which are at the list of Amman Financial Market from the year 2011 to the year 2021, and the study sample was represented by (16) companies practicing accounting hedge (Amman Stock Exchange, 2022).

### Data collection methods

The current study depends on the analysis of published financial statements that are belongs to the insurance companies which are at the list of Amman Stock Exchange during the study period, using the primary data obtained from their annual financial reports.

Dependent variable measuring: The insurance companies' value through Tobin's Q model (Restrepo et al., 2022).

$$V = \frac{\text{book value of total liabilities} + \text{market value of equity}}{\text{Total Deposits}}$$

The book value of total assets

The market value of equity here is the appearance price of the stock multiplied by the number of shares outstanding at the end of the year with the company  
Independent Variable measuring: It was measured by financial indicators (Almubaideen, 2019)

### Fair Value Hedging=

$$\frac{\text{cash} + \text{financial assets at fair value from the income statement}}{\text{Total Deposits}}$$

### Cash Flow Hedging = $\frac{\text{Net Profit}}{\text{Total Income}}$

### Net Investment Hedging in Foreign Operation=

$$\frac{\text{Foreign Currency Profit}}{\text{Net Profits}}$$

### Description of the study variables

After collecting financial data on implementing accounting hedge effects on the value of insurance companies which are at the list of Amman Stock Exchange from the year 2011 to the year 2021, whereas, both of the study variables standard deviations and arithmetic were obtained for the purpose of descriptive analysis.

Table (1)

|     | Mean  | Std. Deviation | N  |
|-----|-------|----------------|----|
| V   | 5.528 | 1.52572        | 16 |
| FVH | 0.40  | 1.01542        | 16 |
| CFH | 0.397 | 1.76509        | 16 |

|      |       |        |    |
|------|-------|--------|----|
| INFH | 0.144 | .18110 | 16 |
|------|-------|--------|----|

Table (1) shows both the study variations and the elastic and arithmetic deviations, as the arithmetic average for the value of insurance companies reached (5.528), which is a good percentage and agrees with the result (Khresat, 2022), and the averages for statistical value hedging (0.40), and Francisco's cash hedging (0.397). ). The foreign exchange hedging is (0.144), which is good and consistent with the result

(Haron & Hasan, 2021), (Almubaideen et al., 2019), (Seok et al., 2020).

### Hypothesis testing

The main hypothesis test:

**H0:** There is no statistically significant impact at a significant level ( $0.05 \geq \alpha$ ) for accounting hedge with its dimensions (fair value, cash flows, net foreign investments) on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange.

Table (2)

| Coefficientsa |                              |                             |            |                           |       |      |
|---------------|------------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model         |                              | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|               |                              | B                           | Std. Error | Beta                      |       |      |
| 1             | (Constant)                   | 1.902                       | .358       |                           | 5.320 | .000 |
|               | fair value hedge             | 12.413                      | 1.274      | 1.014                     | 9.741 | .000 |
|               | cash flow hedge              | .763                        | 1.170      | .089                      | .653  | .026 |
|               | net foreign investment hedge | 1.218                       | .830       | .184                      | 1.469 | .008 |

a. Dependent Variable: value

Table (2) shows the p-Value Sig for fair value hedge (0.000), which is less than the significance level (0.05), and the p-Value Sig for cash flow hedge amounted to (0.026), which is less than the significance level (0.05).

The p-Value Sig for hedge of net foreign investments is (0.008), which is less than the significance level (0.05).

This pointed to the fact that the statistically impact of accounting hedge with its dimensions (net foreign investment hedge, cash flow hedge, and fair value hedge) is important with regard to the value of the insurance companies, for these companies which are in the list of Amman Stock Exchange.

Accordingly, the null hypothesis (H0) is rejected, assuming that there is no statistically significant effect at a significant level ( $0.05 \geq \alpha$ ) for accounting hedge with its dimensions (fair value, cash flows, net foreign investments) on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange, and then the alternative hypothesis (H1) is accepted.

### Testing the first sub-hypothesis:

**H01:** Statistically there is no important impact at a significant level ( $\alpha \geq 0.05$ ) of fair value hedges on the insurance companies' value, for these companies which are in the list of Amman Stock Exchange.

Table (3)

| Coefficientsa |                  |                             |            |                           |        |      |
|---------------|------------------|-----------------------------|------------|---------------------------|--------|------|
| Model         |                  | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|               |                  | B                           | Std. Error | Beta                      |        |      |
| 1             | (Constant)       | 2.190                       | .305       |                           | 7.188  | .000 |
|               | fair value hedge | 11.760                      | .910       | .961                      | 12.925 | .000 |

a. Dependent Variable: value

It can be seen from Table (3) that the p-Value Sig for hedging at fair value is (0.000), which is less than the level of significance (0.05). This indicates that there is a statistically significant impact of hedge at fair value on the value of the study sample companies. The value of (t) indicates that this impact is positive. In accordance, the null hypothesis (H0) is rejected, indicating that fair value hedge doesn't have an effect on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange, and so, accept the alternative hypothesis (H1).

### Testing the second sub-hypothesis

**H02:** Statistically there is no important impact at a significant level ( $\alpha \geq 0.05$ ) of cash flow hedges on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange.

It appeared in Table (4) that the p-Value Sig for hedging cash flows amounted to (0.006), which is less than the level of significance (0.05), and this indicates that there is a statistically significant effect

of hedging cash flows on the value of the study sample companies. This impact is positive.

Accordingly, the null hypothesis (H0) is rejected, which assumes that there is no impact of cash flow

hedge on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange, and we accept the alternative hypothesis (H1).

Table (4).

| Coefficients <sup>a</sup> |                   |                             |            |                           |       |      |
|---------------------------|-------------------|-----------------------------|------------|---------------------------|-------|------|
| Model                     |                   | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|                           |                   | B                           | Std. Error | Beta                      |       |      |
| 1                         | (Constant)        | 4.304                       | .569       |                           | 7.558 | .000 |
|                           | cash flow hedging | 5.597                       | 1.747      | .650                      | 3.204 | .006 |

a. Dependent Variable: value

### Testing the third sub-hypothesis

**H03:** There is no statistically significant impact at a significant level ( $\alpha \geq 0.05$ ) of net foreign investments'

hedge on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange.

Table (5)

| Coefficients <sup>a</sup> |                              |                             |            |                           |        |      |
|---------------------------|------------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |                              | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                           |                              | B                           | Std. Error | Beta                      |        |      |
| 1                         | (Constant)                   | 4.822                       | .443       |                           | 10.876 | .000 |
|                           | net foreign investment hedge | 10.234                      | 3.419      | .625-                     | 2.994- | .010 |

a. Dependent Variable: value

It appeared in Table (5) that the p-Value Sig for the hedge of net foreign investments amounted to (0.010) less than (0.05) the level of significance. This indicates that there is a statistically significant impact of the hedge of net foreign investments on the value of the study sample companies, as the value of (t) indicates that this impact is negative. Accordingly, the null hypothesis (H0) is rejected, indicating that there the hedge of net foreign investments doesn't have an effect on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange, and we accept the alternative hypothesis (H1).

### Results:

1. The percentage of insurance companies, for these companies which are in the list of Amman Stock Exchange, that applies accounting hedge is approximately 70%. This result agreed with (Almubaideen et al., 2019), (Haron & Hasan, 2021).
2. There is a statistically significant effect of accounting hedge with (fair value hedge, cash flow hedge, and net foreign investment hedge) dimensions on the value of the insurance companies listed on Amman Stock Exchange. This indicates that the application of accounting hedge helped companies to face financial risks, which affected their value.
3. There is a statistically significant positive effect of hedge at fair value on the value of insurance companies listed on Amman Stock Exchange. This

indicates the efficiency of companies in facing changes that occur in the fair value of their assets and liabilities resulting from their contracts with the insured in the financial status, as well as its positive effect on net income and comprehensive returns, and thus on their value. This result agreed with (Almubaideen et al., 2019), (Seok et al., 2020).

4. There is a statistically significant positive effect of cash flow hedge on the value of insurance companies, for these companies which are in the list of Amman Stock Exchange. This result agreed with (Haron & Hasan, 2021), (Almubaideen et al., 2019), (Seok et al., 2020).
5. This indicates the efficiency of the study sample insurance companies in reducing the risks of future cash flows resulting from their contracts with their customers as assets and liabilities resulting from the company through the payment of compensation to the insured. Also, follow effective hedge policies against risks resulting from expected fluctuations of future cash flows. This result agreed with (Thomas, 2023).
6. There is a statistically significant negative effect of hedge with net foreign investment on the value of the insurance companies, for these companies which are in the list of Amman Stock Exchange. This indicates the ineffectiveness of the prudential policies used by insurance companies to reduce the risks of exchange rate fluctuations and to protect net income from the negative impact of these

fluctuations. This result agreed with (Thomas, 2023), (Haron & Hasan, 2021)

### **Recommendations**

1. The researcher recommends that insurance companies which do not practice accounting hedge need to apply effective hedge policies because of their great role in reducing expected risks and increasing actual description within the annual reports and fiscal statements.
2. The researcher recommends that the insurance companies that practice accounting hedge measure the efficiency of risk management on an ongoing basis to enhance their levels and achieve effective risk management.
3. The researcher recommends insurance companies to increase interest in accounting hedge policies with net foreign investments and increase provisions for the hedge of net foreign investment in them to increase their ability to confront the financial risks they face in order to improve their value in the financial markets.
4. The researcher recommends the need to strengthen the financial regulators task in setting up techniques ensuring the application of accounting hedge efficiently, additionally, directing audit offices for the purpose of demonstrating a way of accounting hedge calculation at the time of preparing data and how to indicate each type of hedge realized and unrealized gains.
5. The researcher recommends conducting more studies on the relationship of effective accounting hedge on the value of companies in various sectors and its impact on the effectiveness of financial markets.



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# "التحوط المحاسبي وتأثيره على قيمة شركات التأمين" في بورصة عمان

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## الملخص:

تهدف الدراسة إلى بيان أثر التحوط المحاسبي بأبعاده: (التحوط بالقيمة العادلة، التدفقات النقدية، صافي الاستثمارات الأجنبية)، على قيمة شركات التأمين المدرجة في بورصة عمان، خلال الفترة (2011-2021)، حيث اتبعت الدراسة المنهج الوصفي التحليلي والمنهج الكمي؛ باستخدام المؤشرات المالية، بهدف قياس التحوط المحاسبي. وتظهر أهمية الدراسة في بيان مدى استخدام شركات التأمين المدرجة في بورصة عمان، لسياسات التحوط المحاسبية التي تهدف إلى الحد من المخاطر المالية؛ الناجمة عن عدم استقرار العمليات الاستثمارية لأموالها، وتأثير ذلك على قيمة أصول تلك الشركات. ومن أهم النتائج التي توصلت إليها الدراسة، وجود أثر إيجابي ذي دلالة إحصائية للتحوط في القيمة العادلة والتدفقات النقدية، وأثر سلبي ذي دلالة إحصائية للتحوط مع صافي الاستثمار الأجنبي، على قيمة شركات التأمين المدرجة في قائمة بورصة عمان. وقد دعت الدراسة شركات التأمين التي لا تمارس التحوط المحاسبي، إلى ضرورة تطبيق سياسات تحوط فاعلة؛ لما لها من دور كبير في تقليل المخاطر المتوقعة، وأثرها الإيجابي على قيمتها. ودعت أيضًا شركات التأمين التي تمارس التحوط المحاسبي، إلى قياس كفاءة إدارة المخاطر بشكل مستمر؛ لتعزيز مستويات كفاءتها، وتحقيق إدارة فاعلة للمخاطر، علاوة على ضرورة تعزيز طريقة قيام الجهات الرقابية المالية بوضع التقنيات المطلوبة؛ لضمان تطبيق المحاسبة الاحترازية في الشركات بكفاءة في مختلف القطاعات.

**الكلمات المفتاحية:** التحول الرقمي، القيم التنظيمية، جودة الخدمات، شركات التأمين الأردنية.