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The Effect of Audit Quality on Future Stock Returns of Listed Companies in Tehran Stock Exchange

Mohamad Ramazan Ahmadi¹, Kamran Jamali²

Abstract: The auditing caused the increase in the validation of the information that contained in the financial statements. So, when the audit quality increases, the accounting information quality also increases. And, information asymmetry between the management and the users will somehow decrease. The quality of auditing report will strengthen the user's ability to predict the future performance and the future return of the company. The purpose of this study is to examine the association between audit quality standards and the future return of the stock. For this purpose, we have used the sample data of 100 companies which are listed in Tehran stock exchange from 1384 to 1390. We have applied the panel analysis to test the hypothesis of this study. The results of this study reveal a significant positive relationship between auditor experience and auditing firm size with future stock return. In addition, there is a significant negative relationship between the frequent auditor selection and future stock return.

Keywords: *Audit Quality, Future Stock Return, Information Asymmetry, Information Quality.*

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The Impact of Disclosure Quality on the Various Earnings Management

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Abstract: Users of financial information are always looking for quality financial information, because Disclosure of such information reduces the information asymmetry between company management and investors. Due to information asymmetry between managers and other stakeholders, according to agency theory we expect that Managers manipulate earnings. For this purpose, in this study the effect of the quality level of disclosure on different methods of earnings management will be assessed. In this study, to assess the quality level of disclosure the modified criterion transparency and disclosure based on Standard and Poor institution were used. Results of research using methods of multivariate regression and panel data indicate a negative and significant relationship between the level of disclosure quality and accrual earnings management and real earnings. Furthermore, results using logit regressions indicate a negative and significant relationship between Aggregate level of Earnings Management and the quality level of disclosure quality.

Keywords: *Accrual-based Earnings Management, Aggregate Level of Earnings Management, Disclosure Quality, Information Asymmetry, Real Earnings Management.*

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Trade-off between Accrual-based Earnings Management and Real Activities Manipulation

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Abstract: The extensive literature on earnings management largely focuses on accrual-based earnings management, while earning management may be done through accruals, real activities, or both. This study examines how common is using real activities and accruals as substitutes in managing earnings in Iran. The sample contains 208 earnings management suspect firm-years over the period 1383–1391. For hypothesis testing, this study conducts the Heckman two-step procedure. The results suggest that managers somewhat trade off the two earnings management methods based on their relative costs. In addition, results provide evidence that managers adjust the level of accrual-based earnings management according to the level of real activities manipulation realized.

Keywords: *Accruals, Earnings Management, Real Activities Manipulation.*

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Asymmetric Cash Flow Sensitivity of Cash Holdings

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Abstract: This research documents the asymmetric corporate cash flow sensitivity of cashholdings. Using a sample of 630 firm-years (companies in Tehran Stock Exchange were selected for years 1384 to 1390) the corporate reactions to changes in their cash holdings in case of negative and positive cash flows were examined. For testing the hypothesis about asymmetric cash flow sensitivity, Riddick and Whited (2009) models were used. Results show that firms have different level of responses to their cash holding when faces positive and negative cash flow: meaning that the relation between cash holding and positive cash flow is different than relation between cash holding and negative cash flow. We document that the cash flow sensitivity of cash flow is negative when a firm faces a positive cash flow environment, and the cash flow sensitivity of cash flow is positive when a firm faces negative cash flow. This asymmetry may be due to several reasons, including binding project contracts, bad news withholding and agency costs.

Keywords: *Asymmetric Sensitivity, Cash Flow, Cash Holdings.*

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Relationship between Related Party Transactions and Earnings Management

Narges Sarlak¹, Mina Akbari²

Abstract: This study uses data from companies listed on the Tehran Stock Exchange to investigate whether related party transactions are associated with earnings management. According to the agency theory because of the separation of ownership from control, conflict of interest may arise, so if a firm's executives and/or board members engage in related party transactions to expropriate the firm's resources, then they have incentives to manage earnings to mask such expropriation. The research uses the related party transactions as the independent variable and discretionary accruals as the dependent variable. The sample of study includes 145 companies from 2008 to 2012. The panel data and multiple linear regressions are used to examine the hypothesis. The results of this study reveal that there is a significant positive relationship between the related party transactions and earnings management.

Keywords: *Discretionary Accruals, Earning Management, Related Party Transactions.*

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Review of Earnings Quality over the Business Cycle

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Abstract: According to international research and gap in internal investigations, this research examined the relationship between some accounting earnings quality measures with overall economy in the years between 2002 and 2012. There are several measures for earnings quality. Earnings response coefficients and Earning Persistence are the most important of them. Because there are several criteria to measure the overall economy, in this article business cycles is considered as representative for the overall economy. Based on the results of the regression analysis and hypothesis testing, it was observed that the economic situation affects the investor's response to accounting earning and this response is higher in recession than in expansion period. Also other findings show that overall economy affects the earnings persistence and this persistence is higher in expansion than in recession periods.

Keywords: *Business Cycle, Earning Persistence, ERC*

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Analyzing Persepolis Fortification Tablets with Focusing on Accounting and Bookkeeping Methods

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Abstract: The purpose of the present research is to investigate the history of accounting by using inscriptions of perspolis. 65 inscriptions accounting tablets from 2087 inscriptions published by Richard Hallok (1969), 1 tablet, from 150 inscriptions published by Abdolmajid Arfaee (1387) were utilized. The tablets are related to years thirteenth (509 BC) to twenty eight of Darious era (493 and 494 BC). PF tablets which have the accounting context, whit Ilami linguistic approach, have been analyzed from the equality aspect of accounts and, then, they have been compared with titles of accounts in modern accounting. The research method is based upon an archive study and historical investigations about qualitative researches with exploratory-inductive application. The accounting equation of Persepolis was discovered by investigating accounting inscription. The Persepolis equation has been perhaps the establisher of the fundamental equation accounting of those times in 2000 years before Lucia Pacioli. Also, more than 13 titles of account, such as ledger and subsidiary were found. The accounting form accounting report of that time has been uniform and the same in each year. The oldest Iranian accountant is "Irkamka" according to the documents of PF 1997 inscription.

Keywords: *Accounting, Equation Accounting, Ilami Achaemenian, Persepolis Fortification Tablets, Title of Accounts.*

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