

The Impact of Corporate Governance on Financial Reporting Quality: Integrated Approach

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Abstract

Objective: Considering the importance of Corporate Governance and its impact on financial reporting quality, in this study, the impact of corporate governance on financial reporting quality (FRQ) has been investigated by using different criteria to measure the FRQ's components (12 models) and four dimensions of corporate governance, including audit, board structure, transparency and disclosure and the ownership structure.

Methods: Using a combination of technical data for 102 companies the listed on Tehran Stock Exchange during the 7 year period 2006 to 2013 and by deploying Structural Equation Modeling and Partial Least Squares method.

Results: The results show that there is a significant relationship between corporate governance and financial reporting quality. Our findings are consistent with the research results in emerging markets.

Conclusion: Our findings indicate that two dimensions of corporate governance, auditor and ownership structure dimensions, have a significant impact on financial reporting quality (FRQ).

Keywords: Agency theory, Corporate governance, Emerging markets, Financial reporting quality.

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