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Investigating the Relationship between Accruals Quality and Debt Financing in view of Dechow and Dichev in Corporations of Accepted in Tehran Stock Exchange

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Abstract

Method of Debt Financing is one of the main areas of management decision making. In order to use these methods for increasing the shareholder wealth, this is the result of corporate performance. The quality of accruals, creditors of the projected cash flows is expected to affect the quality of debt. The aim of this study was to investigate the effect of Accruals Quality and is funded through the banking system. It is used to measure the quality of accruals (Dechow criteria and Dichev) (2002). The number 109 has been chosen companies from the companies listed in Tehran Stock Exchange during the period 2009-2015 by using systematic elimination .In the present study to determine the reliability of test variables Levin, Lin and Chu. Dickey-Fuller test used for survival variables that their results indicate that the independent variables, dependent and control over the research period was stable level.F- Limer test through components, Hausman and multivariate regression to test the hypotheses we have. The results of hypothesis testing shows that the quality of these accruals has impact on Debt Financing through the banking system.

Keywords: Quality of Accruals, Dechow and Dichev, Debt Financing through Banking System

Introduction:

Today, financial information, strategic tool in economic decision-making is important and no doubt the quality of decisions depends on the accuracy of information. In financial markets, information can be signs, signs, news and forecasts are provided from inside or outside the company and shareholders are available, the cause reactions resulting in changes in the stock price. Entities need cash to conduct their investment activities. Cash needed should be provided through Debt Financing activities or through the company's operations. The main objective of Debt Financing methods is the cost of capital and increasing company value (Hashemi and Jalali, 2014). One of the purposes conceptual frameworks of accounting predicts the amount, timing and uncertainty of cash flows. The entity should have enough cash available and returns on each investment groups to provide such creditors (C. Hendrickson and Von-Brda, 1992). In fact, identify profit accrual accounting numbers is projected to increase in relation to the cash flows expected to be administered. Based on the theoretical foundations of the accruals and related cash flows, the difference is greater, the quality of these items is less (Dychu and Dychaow, 2002). Therefore, in this study, the effect of accruals quality on the way to bank finance deals (Duchy views and Dychau, 2002). Business Debt Financing decisions for the continuation of the most important factors considered. A decision is incorrect in the area of Debt Financing through the banking system, leading to loss of credibility of the company، after irreparable financial consequences for businesses seeking, on the basis of accruals and quality can affect the amount of financing.

Problem statement

borrowing technology used by financial institutions to reliably access impact for firms Companies that are debt financial statements of financial position are determined using financial statements and cause predicts companies will be borrowing authority.

Bank of accounting information to predict future cash flows expected ability to repay the loan makers can use and evaluate them (Berger and O'Dell, 2006). Financed through borrowing due to tax savings and lower rates in comparison with the option of raising capital , more favorable solution for numerous financing. But what is important for creditors to grant credit, ability to pay principal and interest loans and credit by the borrower respectively. Generally one of the creditors to assess the ability to pay principal and interest on its loans to addressing, review financial statements is firms (Bharath et al., 2008). So creditors, particularly earnings data quality and quality assessment of the financial strength of borrowers to pay attention to this location . Several factors can affect the quality of the profit that some of these factors, inherent and passive, and others-are optional. Including discretionary factors affecting earnings quality can be a company's debt-mentioned. About the relationship between Debt Financing through debt and earnings quality, there are three different views. Previous studies on the impact of information asymmetry variables bank debt from different perspectives focus on limitations. As a result, the usefulness factor that reduces information risk that lenders face

In this study, researchers detailed benefits and adverse selection costs by reducing the information asymmetry between the company and the bank lowered.

As a result, it is expected thatt The companies with high earnings quality have easy access to bank loans. In this study shows that what companies have access to banking sources then ,this study seeks to answer the question, how much accruals quality companies on how to finance companies affected?

Research Objective:

To Identify the Relationship between accrual quality and Debt Financing through Bank in view of Dechow and Dichev

Research Hypothesis:

There is a significant relationship between accrual quality and Debt Financing through Bank in view of Dechow and Dichev

Research Background:

Table 1: Summarizes the results of external studies

Result	Subject	Year	Scholar-researchers
Each features the absolute value of the accrual, during the operating cycle, SD sales, cash flows and profit accruals and company size That they can be used as a tool to assess earnings quality.	Accruals for measuring firm performance	2002	Dechow and Dichev
The findings showed that non-local audit clients lower their profits. The findings proved all three hypotheses. The results showed that all three hypotheses for two pens constituent applicable	Profit management review	2002	Ion and miller
The research results show that high (low) accruals with low efficiency (above) stock futures are linked	Accruals and earnings quality	2003	Richard and sun
They found that such a link exists, which means that more and more corporate debt contracts, changes to the accounting methods of increasing profits also increased.	Debt Contracts	2003	Betty and WEbr
Based on research evidence obtained that needs to obtain external Debt Financing as an important An additional variable explained the differences in the extent of income smoothing.	Bank managers' motivations in using LLP (LLP) for smoothing	2003	Kananga ten am
Included debt for the company to increase environmental investment opportunities.	Is the debt problems of representation and information can amend	2004	Harvey et al.
The results showed that the cash component of sustainability is the ratio of the components commitment And investors fully understand the	Check accrual based on the reliability of components	2005	Richardson et al.

sustainability benefits (which may be determined on the basis of accrual reliability) are powerless.			
Accordingly, in some stable company located accruals over and for others to be underestimated. He classified the case through companies in terms of accruals and pricing showed companies in each category.	Stability of accruals and cash flows	2006	Chambers
The result was that investors consider the definitions mentioned in the study were aware It was expected that they properly understand the difference between different items of income, in cash and obligations relating to the pricing components were wrong.	Investors are pricing behavior of the components of cash and accrual	2008	Baron and Mac Ling
The results showed that different components of sustainable profit and cash consideration of these components improves the ability to predict future cash flows.	Check the stability of cash components of operating profit	2008	Cheng and Holly
Capital structure decisions of those countries affected by similar variables developed countries and companies that have higher profitability, lower debt ratio.	Investigation of Factors Affecting Capital Structure	2011	Booth et al.
Results of their study show that Portfolio with high accruals and high volume of external Debt Financing activities, earn lower returns addressing.	The relationship between accruals and external Debt Financing activities with future stock returns	2011	Panasta polus. et al
His findings suggest that companies tend to finance their activities primarily use internal funds	The effect size, risk, tax rates and the value of collateral on the leverage ratio	2012	Parlak
Their research results indicate that there is a positive correlation between the quality of accruals and bank debt.	Check the quality of accruals in banks' access to debt	2014	Teruel Garcia et al.
The results of testing show that earnings management in short courses leading to the Debt Financing funds. And in the long-term loses its effect. Earnings management can also reduce market risk and expose these somewhat reduces market risk.	Check and disclosure standards and its impact on market risk management and financing	2015	Omar et al.

Table 2: Summarizes the results of an internal investigation

Results	Subject	Year	Scholar-researchers
The results show that a high level of accruals and accrual quality is decreased earnings quality.	Check the quality of accruals accrual and emphasizing the role of estimation error	2007	Noravesh et al.
Between firm size and debt ratio based on book value, and a significant positive correlation between tax savings and debt ratio based on book value and market value, there is a significant negative relationship.	The effect of factors such as firm size, growth opportunities, tangible assets, profitability and tax savings on the capital structure	2007	Kordestani and Najafi Omranzade
The cost of capital accruals poor quality compared to firms with good accruals quality, there is a significant difference.	The relationship between quality and cost of capital accruals in Iran	2010	Rasaiian and Hosseini
The results show that the firms in the sample have an impact on the quality of accruals no information symmetry. The amount of information asymmetries, after the announcement of earnings increases.	The relationship between AQ and information asymmetries,	2011	Ahmadpur and Ajam
Their findings show that the quality of earnings (stable profit) is directly related accruals quality, while reducing the size and increasing the quality stock returns increases. of accruals accrual	The relationship between earnings quality (stable profits), accruals	2012	Arrested and prosper.
Results of their study show that significant inverse correlation between accruals and future return) abnormal accruals (there; the intangible return periods to affect the relationship between accruals and future return.	Effect of intangible return prior periods on the relationship between accruals and future return.	2013	Foroughi et al.
The findings show that a significant and positive relationship with future stock returns accruals and external Debt Financing has no relation with future stock returns.	The effect of accruals on external Debt Financing relationship with future stock returns	2014	Hashemi and Jalali Moghadam

Holding companies listed on the Tehran Stock Exchange securities do not establish any link between debt and earnings management. Between diversification and diversified debt management companies there is no profit.	Examining the Position of debt and diversifying the company's earnings management	2014	Nikunam and guides

The theoretical framework of research

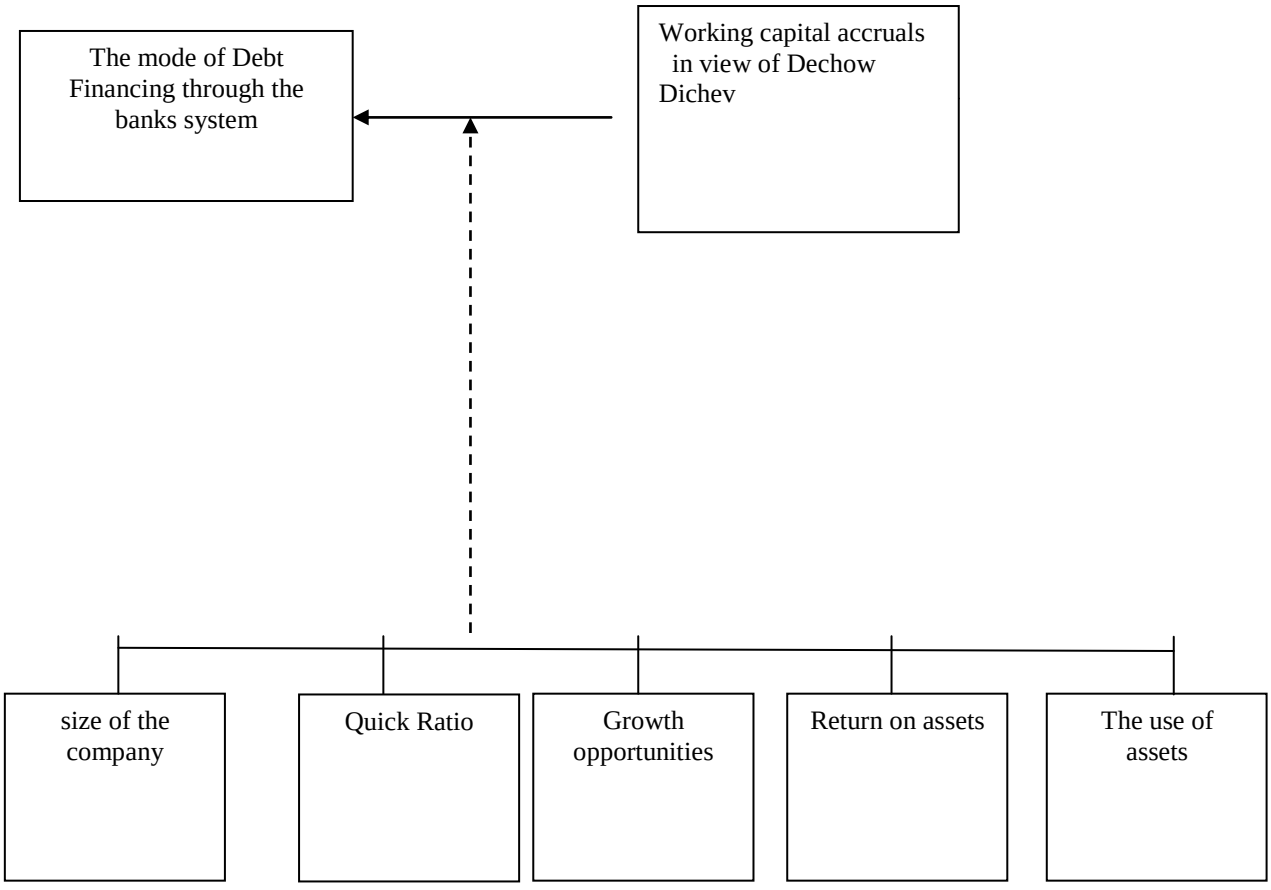


Figure 1. Conceptual Model Research (Teruel Garcia et al., 2014)

Research Methodology

The aim of the study is applied. Containing inference method, this research is descriptive-analytic. In this study, correlation analysis, regression and ANOVA were used and post-event study methodology (through the use of past data).

Population, sample size and sampling method

The population consists of all companies listed on the Tehran Stock Exchange during the period 2009-2015 will be. Sampling is a systematic elimination (screening). Examine the issues dealt with in this study; data from industry years have been used. The sample is selected using the elimination sampling. So that member companies must have the following characteristics.

1 - Fiscal period ending in March each year and in the fiscal period does not change during the study period; the results of financial performance are comparable.

2- The all firms of Tehran Stock Exchange are accepted, before 2009

3 - Companies operating in the field of financial, investment companies, banks, insurance companies and financial institution, these institutions were different in nature and their main income from investment activities and is dependent on the actions of other companies, so different in nature from other firms would-be

4- Data are required to variables during the period 2009-2015

5- Stop trading during the financial year not more than 6 months.

Based on the above criteria, 109 companies were identified. The sample size in this study is the same size of population

Testing hypothesis

There is a significant relationship between accrual quality in view of Dechow and Dichev and Debt Financing through Bank

Before the first hypothesis test to select a suitable model for regression models were discussed. First, using panel data model F Limer to select the panel data model is discussed. F- Limer probability statistics in the table 1 is less than 5% significance level. Therefore, to test the hypothesis using consolidated data is excluded.

Table 3: Selected Pool data against Panel data

Statistics test	Degrees of freedom	The test statistic	Type of test
0.0037	(108, 648)	2.21	F- limer

Because of non - selection of Pool data against Panel data has been considering by using the Hausman test in order to Fixed effects model against the Random effects model. Amount of Hausman statistics

probability is less than significance level of 5%. Therefore, there is no enough reason to reject the Random effects pattern and for testing the first hypothesis is used by fixed affects pattern.

Table 4: Fixed effects model against the Random effects model

Probability of T Statistics test	Degrees of freedom	The test statistic	Type of test
0.0047	7.18	17.46	Husman

Fixed effects regression model the impact of working capital accruals quality and Dechow and Dichev on how to finance the Bank's positive (0.053) and considering the possibility of statistic t (0.018) is significant. This shows that the quality of working capital accruals and Dechow and Dichev significant positive impact on Debt Financing from banks. The effect of firm size, growth opportunities, asset utilization ratio, returns on assets and profitability and significant positive impact on Debt Financing from banks. The results of statistic F (0.0014) also show that the model is generally significant.

To address this lack of correlation the Durbin-Watson statistic is used, if the levels are between 1.5 and 2.5 is, there is no correlation between the variables according to Durbin-Watson (1.93) is no any problem autocorrelation. One way to check is performed to calculate the variance inflation factor is linearity.

Variance inflation factors have been reported and more than one is less than 5 present, which indicates that there is no alignment between the independent and control variables do not need to convert (to do the natural logarithm of variables) Also to check whether or not the dependent variable followed normal distribution Jarque-Bera for our test, according to statistics Jarque-Bera (0.1378), the dependent variable had a normal distribution. Because its value is more than 0.05 based on statistical null hypothesis is not confirmed that the dependent variable and the dependent variable is normal is not normal , The determining factor represents the percentage of independent variables and the dependent variable is explained pattern control. In this model, the coefficient of determination is approximately equal to 66%, which means that the independent variable and control 66% of the dependent variable (financing through banks) explains. In addition, the results of the adjusted coefficient of determination show that in the course of 0.62 of changes to bank finance is influenced by independent variables and control research. Due to the significant positive impact of working capital accruals quality and Dechow and Dichev, the first hypothesis is confirmed.

Table5: fixed effects regression model Dechow and Dichev on the quality of accruals and debt financing by Bank

Model	BANDEBTit = β0 + β1 AQDDit + β2 Growthit + β3 QRit + β4 Sizeit + β5 ROAit + β6 FAit + εit			
The VIF statistics	The probability statistic t	T-statistics	The regression coefficients	Variable
-	0.091	2.18	0.094	Constant
1.87	0.018	3.01	0.053	accruals quality and Dichev Dechow
1.67	0.037	2.87	0.062	The use of assets

1.82	0.042	2.67	0.073	size of the company
1.55	0.039	2.82	0.065	Quick Ratio
1.62	0.046	2.57	0.076	growth opportunity
1.79	0.027	3.05	0.043	Profitable
Jarque-Bera probability	Durbin-Watson statistic	The probability of F statistic	Adjusted coefficient of determination	The coefficient of determination
0.1378	1.93	0.0014	0.062	0.066

Conclusion

we concluded that the fixed-effects regression model the impact of working capital accruals quality and Dechow and Dichev on how to finance the Bank's positive (0.053) and is significant. According to the probability of T statistics (0.018) . This study showed that the quality of working capital accruals and Dechow and Dichev significant positive impact on Debt Financing from banks. The effect of firm size, growth opportunities, and asset utilization ratio, return on assets and profitability and significant positive impact on bank finance is about 64% of the variation Debt Financing from banks under the influence of the independent variables and control research .Directors with respect to the objectives and incentives that influence the stock price maximization of utility and welfare and avoid violating debt agreements, Interest rate management report. On how to interpret the information contained in the capital market investors and their reaction to the financial information disclosed by companies affected Therefore, the ability is effective manage the impact on the market through manipulation of financial reporting.it Is overseeing the theoretical foundations of information asymmetry associated with companies that have very little information about them is available, provides additional incentive for managers to manipulate earnings. Financial texts address the information Asymmetry Company emphasizes and demonstrates the maturity to be associated with information asymmetry Badm. The results show that companies with higher accruals quality can be better than the banks have financed. Based on the evidence that accruals quality and Dechow and Dichev by market pricing to be important because the theoretical model and its widespread use over the attractiveness of the research is accounting. Banks for lending to firms, to consider the quality of earnings, the quality of accruals in the financial statements is more, banks are encouraged that in the long term lending and grant earlier. Is one of the most important issues in this case the cost (interest rate) loans? Create quality companies with high accruals, on the one hand trying to raise the borrowing from banks. And on the other side of the tax savings due to interest charges apply. Whatever the accruals quality is high, interest rates on loans will be lower, on this by borrowing from banks, and firms obtain the necessary financial resources and on the other hand also benefit from tax savings, Since the loans borrowed from current assets paid, Working capital accruals as a measure of quality is Dechow and Dichev that banks in most cases these criteria are considered and limitations apply to the payment of dividends to shareholders.

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