International Academic Institute for Science and Technology

International Academic Journal of Accounting and Financial Management
Vol. 1, No. 1, 2014, pp. 57-62.

ISSN 2454-2350

International Academic Journal of Accounting and Financial Management

www.iaiest.com

Examination of the audit quality on the proportion of individual investors, listed companies in Tehran Stock Exchange

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Abstract

Attention to aspects of the economic information, financial reporting, and accounting systems play a crucial role in the capital market. Accordingly accounting standard setting attempt to adapt on accounting system information needed by investors with useful information and increase audit quality. The main purpose of this study was to evaluate the impact on quality of financial reporting of listed companies the proportion of individual investors in Tehran Stock Exchange listed companies during 2009 to 2014, respectively. In this study, audit quality as independent variables and the ratio of real investors (individual) is considered as the dependent variable. The study combined data and panel data with fixed and random effects were used, the results of 213 companies using multiple regression analysis at 95% shows audit quality on the ratio of real investment company direct impact..

Keywords: the proportion of real investment, audit quality

Introduction:

In the wake of recent financial scandals, confidence and investor confidence To financial reporting systems, poor and audit quality as an important factor in determining the validity and reliability of the reported figures emerged. As a result, determining audit quality and the results of it, the favorite of investors, managers, regulators and standards setters. One of the main economic problems of individuals, businesses, and governments are allocating resources. Optimal resource allocation is possible that resources towards productive investments and guided with reasonable risk. (Kurdistan and Majdi). Regarding to the necessity investment in order to achieve economic development, providing solutions in order to optimize the composition of the investment could be a positive step to encourage investment and capital market is becoming more active. In the process of decision-making by investors, managers,

financial analysts and other groups use one of the important factors for determining audit quality . (Karami and Omrani, 1388). According To the above, the need for research into the impact on audit quality the proportion of individual investors in Tehran Stock Exchange listed companies doubled felt.

Background Research

Piotroski, J. (2013) in their study concluded that firms with high growth opportunities tend to provide lower audit quality and disclosure. Conversely, when companies are completing their investment projects and potential future growth potential of lower information asymmetry is reduced and thus the quality of disclosure increases.

Sarah L. C. Zechman (2010) in a study entitled "The relationship between voluntary disclosure and financial reporting" in the America Stock Exchange To examine the relationship between transparency in financial reporting has been voluntary disclosure, the results of his research indicates there is a direct relationship between voluntary disclosure of financial reporting in America's stock Exchange.

LaFond, W. and Watts, R.(2008) show that companies with high growth opportunities tend to provide lower audit quality and disclosure. Conversely, when companies are completing their investment projects and potential future growth of lower information asymmetry is reduced and thus audit quality increases.

Research Methodology

The classification based on the purpose of the present study, the type of applied research. The aim of applied research, development of practical knowledge in a particular field. The research, research methodology and the nature of solidarity. The study aims to determine the relationship between them. For this purpose, according to the scale of measurement variables, appropriate measures will be provided.

Hypothesis research

• First hypothesis: audit quality on the percentage of ownership will affect individual investors.

Model, and operational definition of variables

hypothesis test

Individual Investors it = β0 + β1 Financial Reporting Quality it-1 + β2RET_VOLit-1 + β3 EARN_VOL it-1 +β4 MTB it-1 +β5Betait + β6 LogAsset it-1 + β7Leverage it-1 + β8ROA it-1 + εi,t

Operational definitions of variables

Dependent variable

Individual Investors: The average the proportion of individual investors to participate in year t. For individual investors, individual investors are investors in the study to measure the actual percentage of shares owned by natural persons of the Company's shares will be used.

Independent variable

quality auditor

Quality audit the auditor's reputation and professional care. As a result, the reputation of the auditor on the financial statements adds credibility and surveillance of his career, increases the quality of financial information. (Nonahalnahr et al., 2009: 55-70).

How to measure: If the audit firm Audit component in at least one of the years examined in this study is the number 1 and number 0 can be otherwise.

control variables

RET_VOL = volatility of stock returns by the standard deviation of daily stock returns during the year is calculated.

EARN_VOL = volatility profit during the year is calculated as the standard deviation of corporate profits

MTB = ratio of market value to book value of equity.

Beat = index systemic risk through the capital asset pricing model (CAPM) is calculated.

Log Asset = size of a company is calculated by the logarithm of total assets.

Leverage = leverage ratio of total debt to total assets through calculated.

ROA = return on assets through net income to total assets was achieved.

Empirical Results

Test hypotheses

So regression test assumptions and ensuring that they, the results of the fit of the regression equation above in Table 9 to 10 are presented. The F value and significance of the regression models are also indicated. The table numbers are positive (negative) column represents the value of the direct impact (reverse) of each variable is the ratio of individual investors surveyed companies.

The arbitration: if the sig value calculated by the software is less than the intended confidence level (equivalent to 5% in this study), the variables were confirmed and related hypothesis is confirmed. Also according to the statistic t, if the value of the equivalent value in Student's t table with the same confidence level (5%) is higher, the hypothesis is confirmed associated with it.

hypothesis

"Audit quality on the percentage of ownership is effective solitary."

Test result:

In accordance with Table 9), the level of significance (sig) variable quality of financial reporting companies (0.041) below the level considered significant in this study (5%); it is the absolute value of the t-statistic for this variable (2.302) greater than the t-statistic from the table with the same degree of freedom. The H0 hypothesis is rejected at the 95% confidence level and first hypothesis is confirmed.

Table 1 the results of the fit of the regression equation

Individual Investors $_{it} = \beta_0 + \beta_1$ Financial Reporting Quality $_{it-1} + \beta_2 RET_VOL_{it-1} + \beta_3$ EARN_VOL $_{it-1} + \beta_4$ MTB $_{it-1} + \beta_5$Betait + β_6 LogAsset $_{it-1} + \beta_7$Leverage $_{it-1} + \beta_8$ROA $_{it-1} + \varepsilon_{i,t}$				
Sign	Statistics-t	The value of coefficient	Variable factor	Variable name
0.002	2.909	1.709	β_0	constant number
0.041	2.302	2.567	β_1	Financial Reporting Quality
0.034	2.654	1.909	β_2	RET_VOL
0.019	2.823	2.452	β_3	EARN_VOL
0.011	3.121	1.311	β_4	MTB
0.341	1.121	0.991	β_5	Beat
0.0097	3.432	1.678	β_6	LogAsset
0.047	2.112	0.843	β_7	Leverage
0.039	2.443	0.655	β_0	ROA
302/2	Statistic-F		0.518	R
0.0015	Sign (*P-Value*)		0.449	R^2
1.753	Durbin-Watson statistic			

Conclusion

One of the goals of the accounting reporting, provide useful information about the financial performance of the business unit for a wide range of users. Income and Loss Statement, one of the basic financial statements that makes this purposes. Product profit and loss, net profit and one of the very important information that investors and other users of financial statements are used. Some believe that investors are companies with stable profits, they give more value, the result may be due to the importance of earnings, economic decisions and allocate scarce resources, quality management, profit and earnings has been the subject of many studies over the past three decades has been accounting. The users of corporate financial statements for make decisions regarding the purchase, sale, management, performance evaluation and other important economic decisions, the need for quality financial information. In general, investors,

investing their time in one economic unit, that first to have enough information about it and second, to make sure this information. Also, due to the financial statements, provide valuable information to external groups, rely heavily on numbers and special accounting profits, strong incentives for managers to manipulate earnings provides up to their own benefit. This leads, the users, to achieve the wrong information on it, take the wrong decisions. According to the description given, making the hypothesis is as follows.

According to the first hypothesis, according to the variable rate plus 2.567 audit quality can be concluded that for every one unit increase in audit quality , the percentage ownership of individual investors increased by 2.567. According to the first hypothesis, according to the variable rate positive sign 2.567 audit quality can be concluded that for every one unit increase in audit quality , the percentage ownership of individual investors increased by 2.567. For assessing audit quality is the overall approach:

Users need-based approach: This approach issues related to assessing and usefulness of financial information for the users focus. FASB theoretical framework is the first example of this approach based on general purpose financial reporting is to provide useful information for users to make investment decisions, credit and so defined. The protection of investors and shareholders based approach: This approach focuses on issues relating to The corporate governance and stewardship. In this approach, audit quality mainly on the basis of full and fair disclosure to shareholders and investors and financial reporting quality is defined as full and transparent financial information to prevent misleading or create confusion for the users (Cohen et al., 2004). Considering the second approach, we can conclude that the higher audit quality , the percentage ownership of individual investors, also increased somewhat in line with research results this.This Malekiyan et al (2012).

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