International Academic Institute for Science and Technology

International Academic Journal of Accounting and Financial Management
Vol. 4, No. 1, 2017, pp. 64-80.

ISSN 2454-2350

International Academic Journal of Accounting and Financial Management

www.iaiest.com

Effects of Market factors on benefit quality of corporates in levels of accrual quality and benefit sustainability and benefit predictability

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Abstract

In this research, it has done to investigate the Effects of Market factors on benefit quality of corporates in levels of accrual quality and benefit sustainability and benefit predictability of corporations of accepted in Tehran Stock Exchange, during 2009-2014. For this research 152 companies of accepted in Tehran Stock Exchange were investigated during the mentioned period. To test research hypotheses combinational regression analysis of fixed effects was used. In this research Market factors including price ratio to earnings of each share and market value ratio to office value of shareowners rights, commercial strategy based on diversifying ownership structure based on the standards of institutional ownership structure, board of directors ownership percentage and debt ratio to shareowners rights, and furthermore auditing performance was used according to the standard of auditing quality. Research findings show that among all the factors, market value ratio to office value of shareowners rights has direct effect on various standards of earnings quality. In addition, effect of price ratio earnings of each share on earnings stability is inverted. This is while commercial strategy (diversifying strategy) and auditing quality has no effect on various direct and inverted earnings quality. Among various standards of ownership structure, debt ratio to shareowners rights has direct effect on standards of earnings quality. Furthermore, effect of institutional ownership on accruals quality is direct.

Other results indicate a negative and significant effect of sale volatility and operational cash current on various standards of earnings quality, and negative and significant effect of financial leverage on stability and predictability of earnings during the research period.

Keywords: Market factors, strategy, diversifying, ownership structure, auditing performance and benefit quality

Introduction:

One of the basic pre conditions for acquiring the trust of investors and creditors to advance economical constructing operations is providing and presenting information which in financial and economical decision makings is profitable. Existence of mechanisms is essential for reassuring investors and other users regarding quality of financial information, with purposes such as helping capital market functionality and finally devoting optimum capital. (Saqafi & Ebrahimi, 2009)

Revealing information and its quality have a fundamental role in making decisions by investors and markets performance. Usually investors prior to investment encounter informational issues and after investment with candidacy issues (Hayley and Palpo 2001) . Informational and candidacy issues lead to informational asymmetry which seriously prevents functionality of resource devotion in capital markets. To solve this issue, enhancing revelation quality in general and eanings quality in specific is essential and vital Khey & Co 2003).

Method and quality of information revelation in different companies varies significantly. Decision making method of presentation or non-presentation of specific information by the management is affected by various factors. Results of previous researches indicate that information revelation is affected by two major factors: 1- Internal factors and 2- external factors (competition in the production market, legal regulations and type of industry) (Khodami Pour & Bazrayi, 2013).

Since investment opportunities and resources are limited, investment decisions must be made with reliance upon scientific principles and necessary accuracy. Therefore, each investment will bring about analysis and for investment analysis financial information is required. General destination of financial reporting and auditing is providing information which leads to beneficial commercial and economical decisions making.

Identifying earnings quality has significant importance for users of financial statements for evaluating current performance, predicting future profitability and determining company value.

Considering the mentioned cases and values role of earnings quality standards, in decision makings of users companies financial information were used. In this study has done to investigate the effect of firm characteristics on interest quality in corporations of accepted in Tehran Stock Exchange Considering the above mentioned cases, this question is proposed that whether there is a relationship between companies' quality (market factors and variables, commerce strategy, ownership structure, auditing performance and control variables) and earnings quality in different aspects. If the answer is positive, what`s its kind and effect. What factors affect this relationship and which factors has the most effect. Main purpose of the research is answering the above questions. Thus, this study has done to investigate investigate the Effects of Market factors on benefit quality of corporates in levels of accrual quality and benefit sustainability and benefit predictability of corporations of accepted in Tehran Stock Exchange. It can become a helpful for this important issue of financial and auditing and also provide relative experimental proofs.

Research Hypotheses

1-Market factors effect on earnings quality of companies.

2- Commercial strategy effect on earnings quality of companies.

3- Ownership structure effect on earnings quality of companies.

4- Auditing performance effect on earnings quality of companies.

Research Background

Alvec & Co (2009) in a research investigated earnings quality and earnings responsiveness coefficient when an increase or consistency in earnings is accompanied by an increase or consistency in income. Research results showed that companies with both earnings growth and income growth have higher earnings quality in comparison to companies with growth followed by expense reduction. Furthermore, companies with incomes growth have higher future operational functionality. In addition, research results showed that companies that have growth accompanied with income have higher earnings responsiveness coefficient.

Leo & Sun (2010) in their research they investigated the relationship between ownership structure and financial information revelation quality using data related to 405 Chinese companies in 2005. Their findings indicate that information revelation quality in companies that in the end are controlled by private controllers have is lower than companies which in the end are controlled by the government.

Giroud & Muller (2011) believe that competition of production market leads to creation of motivations in managers which makes them more favorable with investors' earnings.

Dateta & Co (2013) by investigating 6019 American companies from 1987 to 2009 concluded that there is a positive and significant relationship between strength of production market and competitiveness in industry with earnings management.

Etemadi & Co (2009) in their research investigated the effect of organizational culture, ownership concentration and ownership structure on financial information quality in companies of accepted in Tehran Stock Exchange,. Their research results using data related to 105 companies from 1998 to 2007 showed that three factors of organizational culture, ownership concentration, and ownership structure affect financial information quality (including relevance and reliability) of companies.

Namazi & Mohammadi (2010) by investigating earnings quality and output of familial and none-familial companies concluded that the ratio of earnings based on operational cash ratio to net earnings and ratio of standard deviation of operational earnings to standard deviation operational cash in familial and none-familial companies do not have significant variation. However, in familial companies there is a positive significant relationship between percentage of institutional ownership and earnings quality.

Dastgir & Rastgar (2011) investigated the relationship between earnings quality (earnings stability), size of accruals and share output with accruals quality. Research showed that earnings quality (earnings stability) has a direct relationship with accruals quality. In addition, with a decrease in accruals quality and an increase in accruals share output increases.

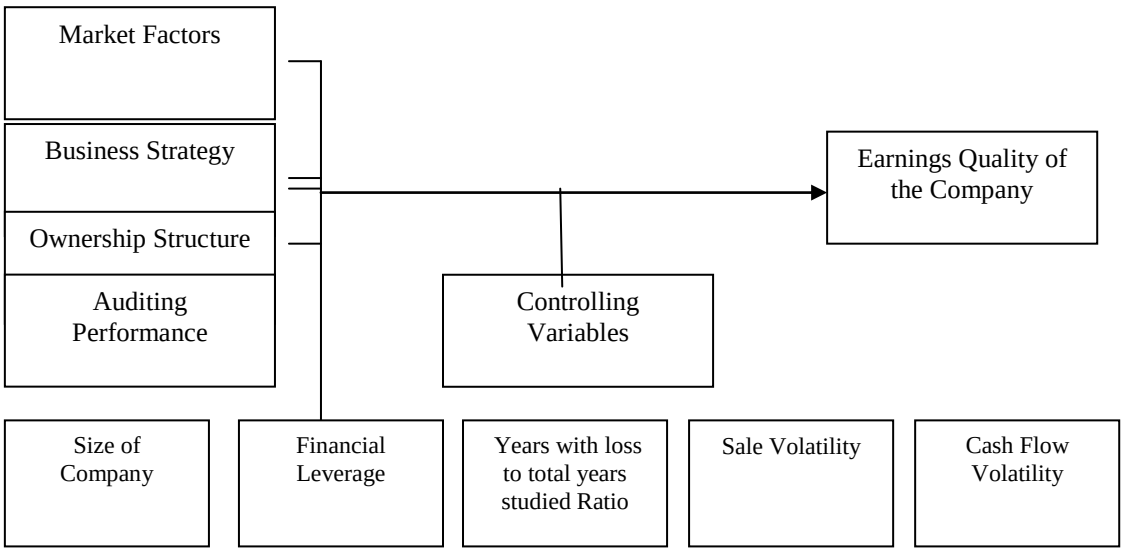
Vahidi Elizi & Ravanan (2014) conducted a research titled "studying the effect of auditing quality and characteristic of corporate governance on earnings management in companies of accepted in Tehran Stock Exchange," and using combined data of 120 exchange companies from 2007 to 2012 concluded that there is a negative significant relationship between auditing quality, size of board of directors, non-corporate board of directors and earnings management and a positive relationship between board of directors bonus and earnings management.

In a research titled "earnings quality and financial situation of companies", Kordestani & Tatli (2014) studied and compared company's earnings in three levels of inability, bankruptcy and financial health in exchange companies. Classification of companies' financial situation was based on Altman Adjusted Model and earnings quality was measured using four qualified characteristics including: accruals quality,

earnings stability, predictability and earnings uniformity. Main period of research was from 2006 to 2010 and samples were 110 companies with 1330 observations in three groups: bankrupt, unable and healthy. To investigate the average difference of three societies, nonparametric analysis of variance was used. Research's findings showed a significant difference between both characteristics of earnings stability and uniformity in three groups of bankrupt, unable and healthy. However, no significant difference between quality average of accruals and earnings predictability in all three groups was seen. Also, bankrupt companies have the lowest level of earnings quality and healthy companies have the highest level of earnings quality. Moreover, bankrupt and unable companies have manipulated their earnings more than healthy companies.

In a research titled "the effect of product market on earnings quality using factor analysis technique", Vaez et al (2015) investigated 131 accepted companies in Tehran Stock Exchange in form of 17 industrial classes during 2006 to 2012 which showed that actual competition has no significant relationship with earnings quality. However, potential competition has a positive significant relationship with earnings quality in investigated industries. In other words, in competitive situations due to threat of incoming new competitors to the market, existing companies in the market are forced to report their earnings with better quality by reducing management earnings (whether with manipulation in accruals or actual activities) which will cause an increase in predictability of earnings. However, reduction of motivation in earnings management does not mean that no manipulation in earnings has been made, though; companies in such industries perform a minimum manipulation in earnings for earnings smoothing so that they would improve information content of earnings about future cash flows by removing its fluctuations.

Conceptual Model of Research



Statistical Population, Sampling Method and Sample Size:

Statistical Population of this research is all companies of accepted in Tehran Stock Exchange over the period 2008 -2014.

In this study Sample Size among all companies of accepted in Tehran Stock Exchange is from those which have below characteristics:

1. Companies which were active in exchange organization during 2005 to 2014 and have given it their financial reports and other information needed for research.
2. End of their financial year should be 29th of Esfand (19th of March).
3. They should not be a part of investment companies, banks or financial intermediates.
4. Companies should have not changed their financial year during the studied period (2005 – 2014).
5. Their stock trading should have been continuously from Tehran Stock exchange and they should have not stopped trading for more than a month.
6. Companies should have been registered in Tehran stock exchange before 2005.

According to conditions mentioned above, 152 companies of Tehran stock exchange were chosen and studied.

Research Method

The research method is Ex- Post Facto. This research is a correlational study considering way of conducting. Considering its goal, it is a functional research. Hypotheses of research are based on Data Fusion/Aggregation.

Testing the Hypothesis of the Research

Before testing the hypothesis of the research, suitable patterns for regression model has been chosen. The results of F-Limer test and Hausman test show the acceptance of mix pattern of fixed effect for hypothesis testing of the research.

Testing the First Hypothesis in Accruals level

Market factors affect earnings quality of companies

Mixed regression model has presented fixed effect of market factors' influence on accruals quality during the study period in table 1. It has to be mentioned that the standard of accruals quality used in this research is a reversed criterion of earnings quality.

Results of table 1 shows that among market factors, the effect of market value to book value of stock ratio on reversed standard of quality is negative (-0.03) and considering the probability of statistics t (0.0000), it is significant. It shows that market value to book value of shareholders ratio has a direct influence on accruals quality. In other words, in companies with high market value to book value of shareholders ratio, earnings quality is significantly high based on accruals quality standard. It has to be added that earnings quality, based on accruals quality standard is independent from price to earnings ratio of each share. It means that, price to earnings ratio of each share has no effect on accruals quality.

Other results show a positive significant effect of sale volatility and operational cash flow on accruals quality reversed standard. It also shows that during the research period, companies with higher sale volatility and operational cash flow (risky companies) have lower accruals quality.

Results related to statistic F illustrate that model has been significant generally and it has no autocorrelation according to Durbin-Watson statistic. Also, results related to Jarque Bera statistic (3.741) and its probability (0.154) show that the rest of regression model is normal. Moreover, results of adjusted R2 indicate that during the research, approximately 60.6% of accruals quality changes have been affected by market value to book value ratio of shareholders and controlling variables particularly sale volatility and operational cash flow.

Regarding the being significant of affecting the market value to book value ratio of shareholders on accruals quality is significant, first Minor-hypothesis of the research in accruals quality level is proved.

Final regression model of the effect of market factors on accruals quality is illustrated below.

$$AQ_{it} = -0.04 + 0.001PE_{it} - 0.03MBVE_{it} + 0.01SIZE_{it} + 0.03LEV_{it} - 0.08LR_{it} + 0.11STDS_{it} + 0.12STDCFO_{it}$$

Table 1: effect of market value on accruals quality

Statistics / Variables	Regression Coefficients	Amount of Statistic t	Probability of Statistic t
Constant (c)	-0.04	-0.53	05951
Price to earnings of each Share Ratio (PE)	0.0001	0.05	0.9625
Market Value to Book Value Ratio (MBVE)	-0.03	-4.07	0.000
Company Size	0.01	1.68	0.0944
Financial Leverage	0.03	1.45	0.1466
Loss Years Ratio (LR)	-0.08	-0.49	0.6214
Sale Volatility (STDS)	0.11	5.27	0.0000

Volatility of Operational Cash Flow (STDCFO)			0.12	4.73	0.0000
R-Squared	Adjusted R2	Amount of Jarque Bera of the rests	Probability of Jarque Bera of the rests	Probability of Statistic F	Durbin-Watson Statistic
0.688	0.606	3.741	0.154	0.0000	1.75

Testing the First Hypothesis in benefit sustainability level

Market factors affect earnings quality of companies

Mixed regression model has presented fixed effect of market factors' influence on benefit sustainability during the study period in table 2. It has to be mentioned that benefit sustainability used in this research is a reversed criterion of earnings quality.

Results of table 2 shows that among market factors, the effect of market value to book value of stock ratio on reversed benefit sustainability is negative (-0.03) and with considering the probability of statistics t (0.0000), it is significant. It shows that market value to book value of shareholders ratio has a direct influence on benefit sustainability. In other words, in companies with high market value to book value of shareholders ratio, earnings quality is significantly high based on benefit sustainability.

Other results show a positive and significant effect of financial leverage, sale volatility and operational cash flow on benefit sustainability reversed item. It also shows that during the research period, leverage companies and companies with higher sale volatility and operational cash flow (risky companies) have lower benefit sustainability. results of adjusted R2 indicate that during the research, approximately 31.3% of benefit sustainability changes have been affected by market value to book value ratio of shareholders and controlling variables particularly financial leverage ,sale volatility and operational cash flow.

Regarding the being significant of affecting the market value to book value ratio of shareholders on benefit sustainability is significant, first Minor-hypothesis of the research in benefit sustainability level is confirmed.

Final regression model of the effect of market factors on benefit sustainability is illustrated as below

$$PERS_{it} = -0.20 + 0.005PE_{it} - 0.17MBVE_{it} - 0.03SIZE_{it} + 0.53LEV_{it} - 0.52LR_{it} + 0.11STDS_{it} + 0.55STDCFO_{it}$$

Table 2: the effect of market value on benefit sustainability

Statistics / Variables			Regression Coefficients	Amount of Statistic t	Probability of Statistic t
Constant (c)			-0.20	-0.26	0.7967
Price to earnings of each Share Ratio (PE)			0.005	2.55	0.0109
Market Value to Book Value Ratio (MBVE)			-0.17	-4.86	0.0000
Company Size			-0.03	-0.49	0.6228
Financial Leverage			0.53	3.03	0.0025
Loss Years Ratio (LR)			-0.52	-0.30	0.7611
Sale Volatility (STDS)			0.11	3.68	0.0002
Volatility of Operational Cash Flow (STDCFO)			0.55	2.32	0.0204
R-Squared	Adjusted R2	Amount of Jarque Bera of the rests	Probability of Jarque Bera of the rests	Probability of Statistic F	Durbin-Watson Statistic
0.363	0.313	4.662	0.97	0.0000	1.63

Testing the First Hypothesis in earnings predictability level

Market factors effect on earnings quality of companies

Mixed regression model has presented fixed effect of market factors' influence on earnings predictability during the study period in table 3. It has to be mentioned that earnings predictability used in this research is a reversed criterion of earnings quality.

Results of table 3 shows that among market factors, the effect of market value to book value of stock ratio on reversed earnings predictability is negative (-0.003) and with considering the probability of statistics t (0.0007), it is significant. It shows that market value to book value of shareholders ratio has a direct influence on earnings predictability. In other words, in companies with high market value to book value of shareholders ratio, earnings quality is significantly high based on earnings predictability.

Other results show that there is a positive and significant effect of financial leverage, sale volatility and operational cash flow on earnings predictability reversed item. It also shows that during the research period, leverage companies and companies with higher sale volatility and operational cash flow (risky companies) have lower earnings predictability. Results of adjusted R2 indicate that during the research, approximately 74.5% of earnings predictability changes have been affected by market value to book value ratio of shareholders and controlling variables particularly financial leverage ,sale volatility and operational cash flow.

Regarding the being significant of affecting the market value to book value ratio of shareholders on earnings predictability is significant, first Minor-Hypothesis of the research in earnings predictability level is confirmed.

Final regression model of the effect of market factors on earnings predictability is illustrated as below.

$$PRED_{it} = 0.05 + 0.0001\,PE_{it} - 0.003\,MBVE_{it} - 0.0002\,SIZE_{it} + 0.02\,LEV_{it} + 0.01\,LR_{it} + 0.05\,STDS_{it} + 0.05\,STDCFO_{it}$$

Table 3: the effect of market value on earnings predictability

Statistics / Variables	Regression Coefficients	Amount of Statistic t	Probability of Statistic t
Constant (c)	0.05	0.94	0.3496
Price to earnings of each Share Ratio (PE)	0.0001	0.06	0.9555
Market Value to Book Value Ratio (MBVE)	-0.003	-3.39	0.0007
Company Size	-0.0002	-0.05	0.9575

Financial Leverage			0.02	2.19	0.0286
Loss Years Ratio (LR)			0.01	0.06	0.9558
Sale Volatility (STDS)			0.05	6.47	0.000
Volatility of Operational Cash Flow (STDCFO)			0.05	2.92	0.0070
R-Squared	Adjusted R2	Amount of Jarque Bera of the rests	Probability of Jarque Bera of the rests	Probability of Statistic F	Durbin-Watson Statistic
0.789	0.745	4.379	0.112	0.0000	2.10

Testing the Second Hypothesis

Business strategy effects on earnings quality

Mixed Regression Model of fixed effects of business strategy influence (diversification strategy) on various and reverse standards of earnings quality during the research has been presented in table 4.

The results of table 4 show that the effects of business strategy (diversification strategy) on various and reverse standards of earnings quality are not significant. It also shows that business strategy (diversification strategy) has no effect on earnings quality. In other words, it is independent of business strategy (diversification strategy).

Other results indicate reversed effect of sale volatility and operation cash flow on various standards of earnings quality and also reversed effect of financial leverage on stability and earnings predictability.

Regarding the being significant of affecting the business strategy (diversification strategy) on various and reverse standards of earnings quality in not significant, the second Minor-hypothesis is not confirmed.

Table 4: the effect of business strategy on various and reverse standards of earnings quality

Earning Predictability (PRED)			Earnings Stability (PERS)			Accruals Quality (AQ)			Statistics / Dependent Variables
Probability of Statistic	Statistic t	Regression coefficient	Probability of Statistic	Statistic t	Regression Coefficient	Probability of Statistic	Statistic t	Regression Coeffi	

t			t			t		cient	Variables
0.3243	0.97	0.05	0.8752	-0.16	-0.12	0.4800	-0.71	-0.06	Constant (c)
0.5996	-0.53	-0.01	0.1640	1.39	0.20	0.2665	-1.11	-0.02	Diversification Strategy (DS)
0.9851	-0.02	-0.0001	0.5639	-0.58	-0.03	0.0670	1.83	0.01	Size of Company
0.0096	2.60	0.02	0.0085	2.64	0.46	0.1058	1.62	0.03	Financial Leverage (LEV)
0.9936	0.01	0.001	0.7823	-0.28	-0.48	0.6960	-0.39	-0.06	Loss Years Ratio (LR)
0.0000	7.01	0.05	0.0001	3.68	0.11	0.000	9.53	0.11	Sale Volatility (STDS)
0.0021	2.06	0.05	0.0322	2.15	0.51	0.000	4.66	0.12	Operational Cash Flow Volatility (STDCFO)

Mixed Regression Model of Fixed Effects - Accruals quality (AQ)

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.75	0.000	0.177	3.462	0.608	0.689

Earnings Stability -Mixed Regression Model of Fixed Effects

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.63	0.000	0.109	4.427	0.313	0.359

Earnings Predictability (PRED) - Mixed Regression Model of Fixed Effects

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
2.07	0.000	0.062	5.553	0.741	0.786

Testing the third Hypothesis

Ownership Structure affects earnings quality of companies.

Mixed Regression Model of fixed effects has presented the influence of various standards of ownership structure on various and reverse standards of earnings quality during the research period in table 5. Among various standards of ownership structure, effect of debt to equity ratio of shareholders on various and reverse earnings quality is negative and significant. It shows that debt to equity ratio of shareholders has a direct influence on various standards of earnings quality. In other words, in companies with higher rate of debt to equity ratio of shareholders, earnings quality based on various standards is significantly

higher. Also, the effect of institutional ownership on reversed standards of accruals quality is negative (-0.10) and considering the probability of statistic t (0.0286) it is significant. In other words, in Exchange companies with high rate of institutional owners, accruals quality has been significantly high.
Other results indicate a reverse effect of sale volatility and operational cash flow on various standards of earnings quality and also negative effect of financial leverage on earnings stability and predictability.
Regarding the being significant of affecting the debt to equity ratio of shareholders on various and reverse standards of earnings quality is significant and also significant effect of institutional ownership percentage on reverse standard of accruals quality, the third Minor-hypothesis of research is proved.

Table 5: the effect of ownership structure on various and reverse earnings quality

Earning Predictability (PRED)			Earnings Stability (PERS)			Accruals Quality (AQ)			Statistics
Probability of Statistic t	Statistic t	Regression coefficient	Probability of Statistic t	Statistic t	Regression Coefficient	Probability of Statistic t	Statistic t	Regression Coefficient	Dependent Variables / Variables
0.4365	0.78	0.04	0.7355	-0.34	-0.28	0.7664	0.30	0.03	Constant (c)
0.3929	0.85	-0.02	0.9390	0.08	0.03	0.0286	-2.19	-0.10	Percentage of institutional ownership (IO)
0.4817	-0.70	-0.03	0.3958	-0.85	-0.54	0.1809	-1.34	-0.10	Percentage of Board Ownership (BO)
0.000	-3.79	-0.01	0.000	-6.17	-0.05	0.000	-4.64	-0.01	Debt to Equity Ratio of Shareholders (DE)
0.9431	-0.07	-0.0003	0.7189	-0.36	-0.02	0.1065	1.62	0.01	Size of Company
0.0047	2.83	0.03	0.0036	2.92	0.52	0.1255	1.53	0.03	Financial Leverage (LEV)
0.9971	-0.0004	-0.0004	0.8832	-0.15	-0.26	0.6358	-0.47	-0.08	Loss Years Ratio (LR)
0.000	7.05	0.05	0.000	5.04	0.11	0.000	4.00	0.01	Sale Volatility

									(STDS)
0.000	3.81	0.03	0.0241	2.26	0.54	0.000	4.66	0.12	Operational Cash Flow Volatility (STDCFO)

Mixed Regression Model of Fixed Effects - Accruals quality (AQ)					
Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.84	0.000	0.161	3.649	0.611	0.692
Earnings Stability -Mixed Regression Model of Fixed Effects					
Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.64	0.000	0.120	4.427	0.312	0.358
Earnings Predictability (PRED) - Mixed Regression Model of Fixed Effects					
Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
2.08	0.000	0.129	4.099	0.742	0.787

Testing the Fourth Hypothesis

Auditing performance affects earnings quality of companies.

Mixed regression model of fixed effects has presented the influence of auditing performance on various and reverse standards of earnings quality during the research period in table 6. The effect of auditing quality on various and reverse standards of earnings quality is not significant. It shows that auditing quality has no influence on earnings quality. In other words, earnings quality is independent of auditing quality.

Other results indicate the reverse effect of sale volatility and operational cash flow on various standards of earnings quality and also reverse effect of financial leverage on earnings stability and predictability.

Regarding the being significant of affecting the auditing quality on various and reverse standards of earnings quality is not significant, the fourth Minor-hypothesis of the research is not proved.

Table 6: the effect of auditing quality on various and reverse earnings quality

Earning Predictability (PRED)			Earnings Stability (PERS)			Accruals Quality (AQ)			Statistics / Dependent Variables / Variables
Probability of Statistic t	Statistic t	Regression coefficient	Probability of Statistic t	Statistic t	Regression Coefficient	Probability of Statistic t	Statistic t	Regression Coefficient	
0.3000	1.04	0.05	0.7299	-0.35	-0.27	0.5937	0.53	-0.04	Constant (c)

0.3991	-0.84	-0.003	0.5392	-0.61	-0.04	0.9733	0.03	-0.0002	auditing quality (AUQ)
0.9601	-0.05	-0.0002	0.6755	-0.42	-0.02	0.0932	1.47	0.01	Size of Company
0.0127	2.47	0.03	0.0042	2.87	0.50	0.1425	1.68	0.03	Financial Leverage (LEV)
0.9656	-0.04	-0.005	0.8699	-0.16	-0.29	0.6176	0.49	-0.08	Loss Years Ratio (LR)
0.0000	7.04	0.05	0.0000	5.16	0.10	0.0001	3.71	0.12	Sale Volatility (STDS)
0.0118	2.50	0.04	0.0238	2.27	0.54	0.000	4.75	0.12	Operational Cash Flow Volatility (STDCFO)

Mixed Regression Model of Fixed Effects - Accruals quality (AQ)

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.72	0.000	0.139	3.940	0.607	0.688

Earnings Stability -Mixed Regression Model of Fixed Effects

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
1.63	0.000	0.142	3.902	0.312	0.357

Earnings Predictability (PRED) - Mixed Regression Model of Fixed Effects

Durbin-Watson Statistic	Probability of Statistic F	Probability of Jarque Bera of the Rests	Amount of Jarque Bera of the Rests	Adjusted R2	R-Squared
2.07	0.000	0.182	3.403	0.741	0.786

Conclusion

One of the necessities of improvement and development of economy is availability of explicit information for beneficiaries. Moreover, information frankness and presenting clear, on time and high quality clear information by companies which have been accepted in the exchange stock are so important to achieve a great capital market. High disclosure quality can reduce incommensurability and mistaken choices and increase liquidity. High quality financial accountants' data can increase the efficiency of the company by helping managers and investors know valuable investment opportunities. So, generally, investigating the

factors which are effective on data quality and particularly earnings quality are so important and it was discussed in the first hypothesis which was about effects of market factors on earnings quality.

The result of first Minor-hypothesis is that among market factors, the effect of market value to book value ratio of shares on various and revers standards of earnings quality is negative and significant. However, the effect of price to earnings ratio of each share is positive and significant just on reverse standard of earnings stability. The results show that in today's competitive exchange companies and markets, market value to book value ratio of shares carry important information. So companies with high rate of stock market value, have higher earnings quality. In other words, high rate of companies' stock market value can be used to determine earnings quality of companies. Also, high price to earnings ratio of each share (low earnings to price ratio of each share (low efficiency)) indicates low stability of earnings in exchange companies. The results of research about the direct effect of market value to book value ratio of shares on various standards of earnings is somewhat close to previous results of researches conducted by Giroud and Mueller (2011) and Cheng et al (2013).

Other results indicate positive significant effect of financial leverage and sale and operational cash flow volatility on reverse standards of earnings stability and predictability. It shows that leverage companies and also companies with high volatility of sale and operational cash flow (risky companies) during the research, have lower ability of earnings stability and predictability. Also, the effect of sale and operational cash flow volatility on reverse standard of accruals quality is positive and significant. Results about the reverse effect of operational cash flow volatility on various standards of earnings quality are in agreement with Borhani and Jafari Manesh (2014) previous research.

Results of second Minor-hypothesis indicate that the effect of business strategy (diversification strategy) on various and reverse standards of earnings quality is not significant. Consequently, the second Minor-hypothesis is not proved. The results show that in exchange companies, the business strategy (diversification strategy) they have used lacks informational contents. So, earnings quality of companies is independent of business strategy (diversification strategy). It shows that there is no significant difference between companies with and without diversification strategy. In other words, we cannot find out earnings quality of companies using business strategy (diversification strategy). It means that having diversification strategy does not guarantee high earnings quality in exchange companies. Results which shows no effect of business strategy (diversification strategy) on various standards of earnings quality is generally against the research of Esteban & Garcia (2014).

Results of third Minor-hypothesis indicate that among various standards of ownership structure, the effect of debt to equity ratio of shareholders on various and reverse standards of earnings quality is negative and significant. Also, the effect of percentage of institutional ownership on reverse standard of accruals quality is negative and significant. In other words, in exchange companies with high rate of institutional owners, accruals quality has been significantly high. So, the third Minor-hypothesis is proved. Mentioned results show that in exchange companies and today's competitive markets debt to equity ratio of shareholders have informational content. So that companies with high rate of debts in company's capital structure have a higher earnings quality. In other words, we can use high debt to equity ratio of shareholders to determine earnings quality of companies. Also in exchange companies, high rate of institutional owners show high accruals quality.

The results about direct effect of debt to equity ratio of shareholders on various standards of earnings quality is generally in agreement with previous research of Esteban & Garcia (2014). Results about direct

effect of percentage of institutional ownership on accruals quality is in agreement with previous research of Vi & Anand Rajan (2009) and somewhat in agreement with previous research of Lew & San (2010) and Namazi & Moahammadi (2010).

The results of fourth Minor-hypothesis show that auditing quality has no effect on earning quality. In other words, earning quality is independent of auditing quality. So, fourth Minor-hypothesis is not proved. Results about the fact that auditing quality has no effect on various standards of earnings quality is generally in contrary with Thornton (2012) proposed view (positive relation between accounting information quality and high quality auditing financial report) and it is also in contrary with previous research of Esteban & Garcia (2014) and Safarzade (2014) and in agreement with previous research of Sajjadi et al (2008).

Mentioned results show that in exchange companies, auditing quality (auditing organization performs the auditing rather than other auditing institutes) does not have informational contents. So that earnings quality of companies is independent of auditing quality. It indicates that there is no significant difference of earnings quality between companies audited by auditing organization and companies audited by other auditing institutes. In other words, we cannot use auditing quality to find out earnings quality.

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