

The Relationship between the Quality of Accounting Information Disclosure and Corporate Performance in the Capital Market of Iran

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Abstract

The main role of financial reporting is an effective transfer of data to external authoritative and timely manner, and that reporting and disclosure under the transparency and quality of financial information will be realized. Review of previous studies indicates that the transparency and quality of financial disclosure economic entities in the companies have a significant impact on the efficiency of investment strategies. This study investigates the relationship between disclosure quality of accounting information and corporate performance in the capital market deals with Iran. Firstly, it is necessary to assess the quality of accounting information disclosed in the present research. Secondly, the performance variables of EVPS, EPS, ROA, ROE were calculated. In this study, regression analysis was used to examine the relationship between disclosure quality of accounting information and corporate performance in the years between 2006 and 2010. The study sample consisted of 130 companies listed in Tehran stock exchange for 5 years. Results showed that, in general, the quality of accounting information disclosure has a significant relationship with corporate performance in the Tehran Stock Exchange.

Keywords: disclosure quality, earnings per share, return on equity, return on assets, market price of shares at the end of the fiscal year

Introduction

Capital markets and investors base decisions on information that is published by listed companies in these markets. Correct decisions in the capital market, which is possible only when the information is timely and reliable. In other words, the quality of the information is to be disclosed. If the company refuses to provide information about the performance of such an act as

market news and "bad" can be interpreted as reduced company's stock price. Therefore, companies are motivated to release information. On the other hand, if the delay in providing the information or restrict access to useful information about the financial interests of the companies have an incentive to hide and, according to Kaufman, 'access' information will be kept as hostage obtain financial interests. In such circumstances, the need for timely and equitable dissemination of information should be made available (Tajvidi, 2007).

Economic decisions require information that can help them with the resources available and allocated as desired. One of the most important factors in deciding the proper, timely and reliable information that you provide is not correct is the negative effects leading to a decision maker.

The purpose of this study

This study examined the association between disclosure quality of accounting information and corporate performance in Tehran Stock Exchange.

Background of the study

Wang *et al* (2010) studied the relationship between the disclosure of accounting information and stock price listed on the Taiwan Stock Exchange began. Their study examined whether the level of disclosure of accounting information between accounting returns (earnings per share) in Model famous Olson stock price, 1995 are related or not. Their findings showed that firms having A level (rate) disclosure of accounting information have a strong relationship between earnings and stock prices than firms with lower levels of exposure to accounting disclosure. They also found that there is a strong correlation between book value and market price of stocks of companies with high exposure levels.

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Feng Chen in 2010, in another study entitled “ Financial Reporting Quality and Investment Efficiency of Private Firms in Emerging Markets “ examined the role of financial reporting quality (FRQ) in private sector investment in emerging markets and its relation to performance pay. He used data from the World Bank and came to the conclusion that the quality of corporate financial reporting is positively associated with investment efficiency . He also found that financing through banks is rising and incentives to minimize earnings for tax purposes is being reduced . Such a relationship between motivations for giving information to the income tax and less often in history is suggested. One of the objectives of financial reporting quality is facilitating the efficient allocation of capital. One important aspect of this role is to improve the investment decisions made by firms. However, these findings are often limited to large public companies in the United States of America .

Garcia and names in 2010 in another study titled “ Conservative accounting and investment efficiency « as their conservative one - with the ease of investing in the environment that are likely to encourage managers more to invest , control over investment decisions, and improve management . They found that companies are more conservative , less likely to invest more and invest much less than they do. Furthermore , by considering the previous research , and considering ineffective controls over the risks associated, they also analyzed the effect of Conservatism downward , and found a positive association between conservatism and future profitability of any finding that conservative firms invest in projects with less risk.

Bo Xu et al (2009) investigated the relation between disclosure quality variables, ROA, EPS. The results indicated a significant relationship between quality and direct exposure variables and ROA, EPS.

Research variables

In this study, the relationship between disclosure quality of accounting information and corporate performance in Iran’s capital market were explored. The independent variable is the quality of accounting information disclosure and to assess and measure the dependent variable is the performance indicator of earnings per share EPS)), return on equity (ROE), return on assets (ROA) and stock market prices at the end of the fiscal year (EVPS used ‘s).

Main research hypothesis

There is a relationship between the quality of accounting information disclosure and corporate performance.

Secondary research hypotheses

1. There is a significant relationship between the quality of accounting information disclosure and equity returns.

2. There is a significant relationship between the quality of accounting information disclosure and return on assets.

3. There is a significant relationship between the quality of accounting information disclosure and earnings per share.

4. There is a significant relationship between the quality of accounting information disclosure and stock market prices at the end of the financial year.

Population

The population of this study include all listed companies in Tehran Stock Exchange (Capital Market) in Iran, in addition to investment companies, insurance companies and banks. The study period was from 2006 to 2010 for five years.

Methods

The design used in the present study was the quasi-experimental study based on real data and stock market Financial statements of listed companies in Tehran stock exchange. Also, to gather information and data from a library and field methods have been used by using data from 130 financial statements of companies listed in Tehran Stock Exchange during the period 2006 to 2010. The method of multiple linear regression analysis was used for data analysis using the software SPSS results.

Data analysis and results

Analysis of the first sub-hypothesis

Table 1. ANOVA analysis

Sig.	F	Mean square	Df	Sum of squares	
.000	17.444	.436	3	1.308	Regression
		.025	646	16.149	Error
			646	17.457	Corrected total

As it is clear from table 1, the significance level is less than 0.05 (F= 17.44). So, there is a linear relationship between the dependent variable (ROE) with independent variables (quality of disclosure).

Table 2. The coefficients of the regression equation

Sig.	statistics	Standardized coefficients	Non-standardized coefficients		B
			t	beta	
.881	-.150		.105	-.016	Fixed factor
.000	4.160	.160	.000	.001	Quality of disclosure
.000	-4.460	-.172	.039	-.172	Leverage financial
.000	3.793	.145	.012	.044	Size firm

Given the variable quality, sig disclosure is less than 0.05. So, there is a significant relationship between ROE and quality of accounting information disclosure. Therefore, it can be higher the quality of disclosure, the higher the ROE.

Analysis of the second sub-hypothesis

According to table 3, there is a significant relationship between the dependent variable (ROA) with independent variables (quality of disclosure) (F=101.356; P=.000).

As it is clear from table 4, there is a significant relationship between disclosure and the

quality of accounting information disclosure. Thus, the higher the quality of disclosure, the higher the ROA.

Table 3: Analysis of variance and regression

Sig.	F	Mean square	Df	Sum of square	
.000	101.356	32.771	3	98.312	regression
		.323	646	208.866	Erro
			649	307.178	Corrected total

Table 4: The coefficients of the regression equation

Pvalue	statistics	Standardized coefficients	Non-standardized coefficients		B
			t	beta	
.000	-4.731		.378	-1.79	Constant factor
.000	3.923	.130	.001	.004	Quality of disclosure
.000	-16.164	-.535	.139	-2.246	Leverage financial
.031	2.163	.071	.041	.090	Size firm

Analysis of the third sub-hypothesis

Table 5: Analysis of variance and regression

Sig.	F	Mean square	Df	Sum of squares	
.000	25.515	22.205	3	66.615	Regression
		.870	646	562.194	Error
			649	628.808	Corrected total

Regarding the results of the above table (F=25.515; P=.000), there is a significant relationship between the dependent variable (EPS) with independent variables (quality of disclosure).

Given the results of the above table, there is a significant relationship between the quality of disclosure and EPS. Therefore, the higher the quality of disclosure, the higher the EPS.

Table 6: The coefficients of the regression equation

Sig.	Statistics		Standardized coefficients		Non-standardized coefficients		B model
	t		beta		sig		
.000	5.585				.621	3.467	Constant factor
.000	4.584		.174		.002	.008	Quality of disclosure
.000	-5.214		-.198		.228	-1.189	Leverage financial
.000	5.450		.205		.068	.370	Size firm

*Analysis of the fourth sub-hypothesis***Table 7: Analysis of variance and regression**

Sig.	F	Mean square	Df	Sum of squares	
.000	14.400	10.851	3	32.554	regression
		.754	646	486.817	Error
			649	519.371	Corrected total

As it is clear from table 7, there is a linear relationship between the dependent variable (EVPS) with independent variables (quality of disclosure) (F=14.400; P= .000).

By looking at table 8, there is a significant relationship between quality of disclosure and EVPS. So, it can be concluded that, the higher the quality of disclosure, the higher the EVPS.

Table 8: The coefficients of the regression equation

Sig.	Statistics		Standardized coefficients		Non-standardized coefficients		B model
	t		beta		sig		
.000	11.783				.578	6.806	Constant factor
.000	5.076		.197		.002	.008	Quality of disclosure
.002	-3.059		-.119		.212	-.649	Leverage financial
.019	2.343		.090		.063	.148	Size firm

Conclusion

Given that all sub-hypotheses related to the study of the relationships are significant, the results obtained reveal that there is a significant relationship between the quality of accounting information and corporate performance in the stock market.

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