

The Impact of Corporate Governance Mechanisms on the Tax Gap of Listed Companies in Tehran Stock Exchange

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Abstract: This paper examines the relationship between corporate governance mechanisms and tax gap. Independence of the Board, duality role of the CEO, institutional shareholders, state ownership, existence of the internal audit, audit opinion, changing of the auditor and the transaction with related parties are considered as corporate governance mechanisms proxies. In addition, firm size and the financial leverage are entered to the model as control variables. The final sample of analysis includes 110 firms for a period of 6 years from 2007 to 2012 and the multiple regression method based on panel data was used to test the proposed research hypotheses. The results indicate that despite the existence of negative relationship of board independence, state ownership, audit opinion, auditor change and leverage have negative impact with the tax gap; internal audit and size have positive impact on the tax gap. In addition, there is no significant relationship among the duality role of CEO, institutional shareholders and transactions of related parties with the tax gap.

Keywords: *corporate governance, independence of the board, institutional investors, tax gap, transactions with related parties.*

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Review Audit Fee Stickiness

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Abstract: Agency problems were created between managers and shareholders as a result of conflict of interest. Auditing is an efficient way to limit the authority of the directors in contractual relationship. In this paper, we investigate fluctuations and changes of short term and long term audit fees. For this purpose, the data of listed companies in Tehran Stock Exchange for the periods 2007 to 2012 were extracted. To test the hypotheses, the cross-sectional regression of the combined data was used. The results show that the stickiness of audit fees not follow a clear trend. In other words, it will be changed in a multi-year period and in short periods of time (usually annually) changes in the fee will not be visible. Also, the results show that the audit firm will not change their fee in the early year but, in subsequent years, adjust their fees according to the understanding of the client. Finally, the results indicate that auditor change resulted in audit fees closer to the standard model.

Keywords: *audit fee, fee stickiness, price behavior.*

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The Effect of Political Connections with the Government on the Relationship between Ownership Concentration with Quality of Financial Reporting and the Cost of Equity Capital

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Abstract: This study investigates the effect of political connections with the government on the relationship between ownership concentration with quality of financial reporting and the cost of equity capital in companies that are the member of Tehran Stock Exchange. The result of research hypotheses test based on a statistical sample consist of 95 companies in period of 2001- 2011 showed that earnings quality in companies with concentrated ownership structure is high. On the other hand, in companies with extensive political connections and concentrated ownership structure, earnings quality is lower than other companies. Also, in companies with concentrated ownership structure, the cost of equity capital is low, but in companies with extensive political connections with government which has concentrated ownership structure, the cost of equity capital is higher.

Keywords: *cost of equity capital, multi-criteria decision making, ownership concentration, political connections, quality of financial reporting.*

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Conditional Conservatism in Financial Reporting

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Abstract: Conditional conservatism is stated as sentiment of accountants in order to have more verifiability for recognizing favourable news versus unfavorable news. This article has investigated the existence of conditional conservatism in Tehran stock exchange firms' reported earnings by using Ball, Kothari and Valeri (2013) model. This model explores the existence of asymmetric earnings response by using financial variables such as size, book-to-market ratio, leverage, stock return volatility, unexpected earnings and abnormal returns. Result of implementing pool data regression on 1140 firm-year observations from 2005 to 2012 indicated lack of asymmetric earnings timeliness and according to Ball, Kothari and Valeri (2013) model. There is no conditional conservatism in financial reporting of Tehran stock market firms.

Keywords: *asymmetric earnings timeliness, conditional conservatism, conservative financial reporting, uncertainty.*

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The Effect of Managers' Overconfidence on Dividend Policy in the Firms Listed in Tehran Stock Market

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Abstract: The characteristic of managers' personality is a key factor in their dividend policy. Overconfidence is an important feature of managers who are optimism about future earnings and cash flows and have a positive view of potential risk and return. Hence, we are going to investigate the effect of managers' overconfidence on dividend policy. We study 56 companies listed in Tehran Stock Exchange in the period of 2007 to 2012 to test the hypothesis. The results show that there is a significant and negative relation between managers' overconfidence and dividend policy; in other words they have lower dividend payout. We also demonstrate that an overconfident manager perceives the current operating cash flow as a stronger predictor of future operating cash flow so and increases the dividend payout. In addition regardless of whether the manager is rational or overconfident, a manager in a higher-growth firm pays a smaller dividend than a similar manager in a lower-growth firm.

Keywords: *cash flows, corporate governance, dividend policy, growth opportunities, overconfidence.*

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Psychological Characteristics Contributing to Expertise in Audit Judgment

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Abstract: The purpose of this study is to identify the psychological characteristics contributing to expertise which consequently have an effect on auditor judgment. Accordingly, the present paper adopts a part of the framework derived from the decision-making literature about psychology and applies it to auditing. As Shanteau proposes, expert decision-makers possess fourteen psychological characteristics. The importance of each characteristic is assessed employing the experimental method for 65 auditors from an auditing organization in four phases including planning, test of transactions, testing the details of balances, and issuing the audit report. Hypothesis-testing was made by means of correlation test, Friedman non-parametric test, as well as Spearman correlation matrix. The results revealed that all of the fourteen characteristics are important across all the four phases of the auditing; nevertheless, the degree of significance in each phase was not the same so that in the first phase the most important characteristics are Responsibility and Selectivity, and in the second phase they are distinctions between Relevant-Irrelevant Information and Adaptability. The Perceptual/Attention characteristic in the third phase of auditing comes to be the most significant and in the final phase of auditing. Automaticity has the highest degree of importance.

Keywords: *auditor judgment, expertise, psychological characteristics.*

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Disclosure Quality in Family Firms Listed in the Tehran Stock Exchange

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Abstract: This paper studies the disclosure quality in family firms in time period of 2007 to 2012, and aims to answer the question that whether the family factor will affect the disclosure quality. TSE's disclosure scores and discretionary accruals are used for measuring disclosure quality. The family firms in this article are the firms that family members have significant influence on them. One of the factors for significant influence in firms is board membership. Board membership is measured by dividing 1 by numbers of board of directors plus one. Our results show that family firms don't have any advantage in disclosure quality. In other words, the family factor does not affect disclosure quality.

Keywords: *discretionary accruals, disclosure quality, family firms.*

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