

Value Relevance of Voluntary Disclosure in Capital Market of Iran

**Nazanin Bashirimanesh¹, Ali Rahmani², Seyyed Ali Hosseini³,
Mirhossein Mosavi⁴**

Abstract: Companies' voluntary disclosure is one of the most important management tools to convey information about the financial performance to investors, creditors and other stakeholders. One of the important reasons of the request for disclosure of information is agency problem and asymmetry of information. This study aims to examine value relevance of voluntary disclosure using models of Olson (1995), Easton and Harris (1991) and the value of firms with regard to the effect of endogeneity of voluntary disclosure variable. For this purpose, the voluntary disclosure index was calculated and tested for 146 companies listed in Tehran Stock Exchange during the period 1388-1392 using content analysis method and the same weighting approach. The results of this research reveal that companies' voluntary disclosure is used in their decision-making and valuation of companies. The results from the study of non-linearity in the relation between voluntary disclosure and firm value confirm the positive significant effect of enhanced voluntary disclosure levels on the value of firms.

Keywords: *firm value, stock price, stock return, voluntary disclosure.*

1. PhD Candidate in Accounting, University of Alzahra, Tehran, Iran

2. Associate Prof. in Accounting, University of Alzahra, Tehran, Iran

3. Associate Prof. in Accounting, University of Alzahra, Tehran, Iran

4. Assistant Prof., University of Alzahra, Tehran, Iran

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Corresponding Author: Nazanin Bashirimanesh

Email: bashirimanesh@gmail.com

The Impact of Corporate Tax Risk on Audit Fee

Omid Pourheidari¹, Mojtaba Golmohammadi Shuraki²

Abstract: Auditors use several factors for pricing of audit services. Theoretically, corporate risk and complexity are the main factors affecting audit fees. The purpose of this study is to evaluate the impact of corporate tax risk on audit fees. This risk is quantified through the company's effective tax rate. In this regard, if the effective tax rate is lower, tax avoidance is considered higher. For this purpose, a sample of 62 companies listed on TSE from 2009 to 2014 is selected. Research hypotheses have been examined using regression analysis. Results show that a significant negative (positive) correlation exists between effective tax rate (corporate tax risk) and audit fees. In other words, if the corporate tax risk is higher, audit fee will be more. Furthermore, the results reveal a significant positive relationship between firm size and reported loss with the audit fees and a negative significant relationship between financial leverage and unqualified audit opinion with the audit fees.

Keywords: *audit fees, effective tax rate, tax avoidance, unqualified audit opinion.*

1. Prof. in Accounting, Shahid Bahonar University, Kerman, Iran

2. PhD Candidate in Accounting, Shahid Bahonar University, Kerman, Iran

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Corresponding Author: Mojtaba Golmohammadi Shuraki

Email: Mojtaba_g647@yahoo.com

A Review of the Relationship between Components of Internal Financial Flexibility at Tehran Stock Exchange (TSE) Listed Companies

Parviz Piri¹, Samaneh Barzegari Sadaghiani²

Abstract: A better improvement in dealing with unprecedented financial problems and an efficient use regarding incoming investment opportunities would be gained through knowing the relationship between components of internal financial flexibility of firms. Management of internal financial flexibility is directly related to how we use cash, debt capacity, as well as their interaction during encountering crisis and external shocks. The present study, hence, examines the relationship between the components of the internal financial flexibility of 69 firms listed on Tehran Stock Exchange during 2003-2012. Therefore, the extracted data were tested and analyzed using descriptive statistical methods and panel data patterns. The results indicate that the debt capacity is not effective in predicting the retention amount of cash resources; yet, the amount of cash resources retention is considered as one of the factors influencing determination of the debt capacity of firms.

Keywords: *cash holdings, debt capacity, internal financial flexibility.*

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1. Assistant Prof. in Accounting, Faculty of Economics and Management, Urmia University, Urmia, Iran
 2. MSc. in Accounting, Faculty of Economics and Management, Urmia University, Urmia, Iran
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Submitted: 14 / June / 2015

Accepted: 01 / September / 2015

Corresponding Author: Samaneh Barzegari Sadaghiani

Email: S_Barzegari69@yahoo.com

The Role of Liquidity Factor in Explaining the Stock Returns: New Evidence from Tehran Stock Exchange

Abdolreza Talaneh¹, Meynoosh Hosseini²

Abstract: This paper examines the role of liquidity factor in explaining the cross-section of stock returns of firms listed on Tehran Stock Exchange. The regression results of CAPM, Liu's two-factor model, the Fama-French three-factor model, and a Four-factor model in eight portfolios formed by Size, B/M Ratio, and Liquidity show that the two-factor (market and liquidity) model outperforms the CAPM in explaining the cross-section of stock returns but not the Fama-French three-factor model. Adding liquidity premium to Fama-French three-factor model notably improves the adjusted R square of the model implying that all four factors of market, size, value, and liquidity play a significant role in explaining stock returns. The results are robust to sensitivity analyses for up and down market conditions and seasonal behavior.

Keywords: *Fama-French three-factor model, liquidity, Liu's two-factor model.*

1. Associate Prof., Faculty of Management and Accounting, Islamic Azad University, Firoozkuh Branch, Firoozkuh, Iran
2. MSc. in Accounting, Faculty of Management and Accounting, Islamic Azad University, Firoozkuh Branch, Firoozkuh, Iran

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Corresponding Author: Abdolreza Talaneh

Email: unistpapers@yahoo.com

Managerial overconfidence and audit fees

Yahya Hasas Yeganeh¹, Masoud Hasani Alghar², Mohammad Marfou³

Abstract: Overconfidence or excessive self-confidence in general can be defined as a groundless belief about individual's cognitive abilities, judgments and intuitive reasoning. If the auditor recognizes these personality traits in managers and estimates the financial reporting risk to be excessive due to managerial overconfidence, he/she could demand higher audit fees to compensate for the additional audit efforts needed to reduce detection risk. On the other hand, due to the confidence in their firms' financial reporting process, the overconfident managers choose negotiation as a way to demand less scope and pay lower fees to the auditors. This study aimed to investigate the effect of managerial overconfidence on audit fees. The statistical population consisted of firms listed on the Tehran Stock Exchange during the years 2007 to 2013. The results indicated a significant negative relation between managerial overconfidence and audit fees. The additional studies showed that managerial overconfidence has no significant impact on using industry specialist auditors.

Keywords: *audit fees, audit risk, financial reporting and managerial overconfidence, industry specialist auditor.*

1. Associate Prof. of Accounting, Faculty of Accounting and Management, Allame Tabatabaei University, Tehran, Iran

2. Instructor of Accounting, Faculty of Humanities, Bozorgmehr University of Qaenat, Qaen, Iran

3. Assistant Prof. of Accounting, Faculty of Accounting and Management, Allame Tabatabaei University, Tehran, Iran

Submitted: 09 / May / 2015

Accepted: 18 / August / 2015

Corresponding Author: Masoud Hasani Alghar

Email: acc.hasani@gmail.com

Effect of Diversification Strategy on Firm Performance with Application of Entropy Measure in Tehran Stock Exchange

Farzaneh Heidarpour¹, Kimia Alavi²

Abstract: Firm managers seek a way to improve their firm performance. One way is to use diversification strategy which creates range of business activities for the firms and leads to a better performance. This study examines the effect of diversification strategy on performance of 87 companies listed on Tehran Stock Exchange from 2010 to 2014. The main objective of this study is to investigate the non-linear relationship between diversification strategy and profitability of business units by sorting it into its related and unrelated components. In this study, multivariate linear regression model is used to test the hypotheses. The statistical method is Panel Data. The results showed that there is a curve-shaped relationship between diversification and profitability of business units; that is, profitability decreases at low levels of related diversification and increases at its high levels; also profitability increases at low levels of unrelated diversification and decreases at its high levels.

Keywords: *diversification strategy, entropy measure, related diversification, unrelated diversification.*

1. Associate Prof., Dep. of Accounting, Central Tehran Branch, Islamic Azad University, Tehran, Iran

2. M.A. in Accounting, Dep. of Accounting, Central Tehran Branch, Islamic Azad University, Tehran, Iran

Submitted: Monday, 01 / June / 2015

Accepted: 12 / September / 2015

Corresponding Author: Farzaneh Heidarpour

Email: fheidarpour@yahoo.com

Time Variation in the Marginal Value and Marginal Rate of Firms' Cash Holdings in the Tehran Stock Exchange (TSE)

Mehdi Meshki Miavaghi¹, Mahyar Sanyeei²

Abstract: The main purpose of the present research is to investigate time variation in the marginal value and marginal rate of Firms' Cash Holdings in the Tehran Stock Exchange. The study period is between 1388 and 1392 and the statistical sample of the study is 101 companies listed on Tehran Stock Exchange (TSE). We use Panel-Data Regression and EGLS method to estimate the model parameters. The results of this study reveal that marginal value of cash is less than its face value and marginal rate of cash holding is a decreasing rate. Finally, the findings show that marginal value of cash varies over time.

Keywords: *cash holdings, marginal rate, marginal value.*

1. Assistant Prof., Payam Noor University, Rasht, Iran

2. MSc. in Accounting, Islamic Azad University, Rasht, Iran

Submitted: 02 / November / 2014

Accepted: 21 / April / 2015

Corresponding Author: Mehdi Meshki Miavaghi

Email: m_meshki@pnu.ac.ir