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## ***The Effect of Auditor Specialist on Earning Quality and Stock Price Synchronicity***

***Ali Ebrahimi Kordlar<sup>1</sup>, Musa Javani Ghalandari<sup>2</sup>***

**Abstract:** In this study, we examine the effect of earnings quality on stock price synchronicity; moreover the effect of auditor industry expertise on the effect of earnings quality on stock price synchronicity has been investigated. Stock price synchronicity is a relative measure of firm-specific information versus industry and market-wide information which have been impounded in stock price. The statistical population of study include firms listed in Tehran stock exchange and over the counter of Iran. In order to do the research, the information of 87 publicly-held companies listed in Tehran Stock Exchange and over the counter of Iran were examined as the statistical sample, by using the multivariate regression model and panel data, the analysis was done and hypothesis tested. The result of the study shows that earnings quality has significantly negative effect on stock price synchronicity and auditor industry expertise as a moderating variable intensifying earnings quality effect. In other words, auditor industry expertise via its interaction with earnings quality decreases stock price synchronicity.

**Keywords:** *Audit quality, Auditor industry expertise, Earning quality, Stock price synchronicity.*

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## ***The Impact of Some Corporate Governance Mechanisms on the Auditor's Report Content***

***Rasoul Baradaran Hassanzadeh<sup>1</sup>, Asgar Pakmaram<sup>2</sup>,  
Ghader Hossein Babaei<sup>3</sup>, Ali Faryadi Bonab<sup>4</sup>***

**Abstract:** The financial information audit is a tool for reducing the investment risk and for improving the internal and external organizational decision making quality. The aim of this study is the impact of some corporate governance mechanisms on the auditor's report content between Tehran Stock Exchange (TSE) listed companies. The population of the study is 81 firms (486 observations) during the years of 2006 to 2012. The results show that the probability of receiving unqualified reports in companies with larger audit firms and institutional owners is more. Also, by separating the functions of Chairman and CEO (Duality), the probability of receiving unqualified reports is reduced. Institutional owners and large audit firms reduce the number of paragraphs before the opinion paragraph. Also, the results show that CEO dual responsibility and large audit firms reduce the number of paragraphs after the opinion paragraph. On the other hand, institutional owners and large audit firms reduces the disagreement clauses numbers and the independence of the board of directors increases the number of disagreement clauses.

**Keywords:** *Corporate governance, The auditor's report content, Types of auditor's report paragraphs.*

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## ***An Investigation of the Relationship between Two Dimensions of Presumptive Doubt and Professional Skepticism with Professional Judgment of an Auditor***

***Javad Rajabalizadeh<sup>1</sup>, Reza Hesarzadeh<sup>2</sup>,  
Mohammad Ali Bagherpour Velashani<sup>3</sup>***

**Abstract:** Professional skepticism is among the most significant concepts of auditing. This is due to the fact that the mentioned concept has a profound impact on audit judgment. The purpose of this study is to investigate the relationship between professional skepticism (including neutrality and presumptive doubt dimensions) and the auditors' skeptical judgment. To achieve the purpose of the study, 97 auditors working in auditing institutes as certified public accountants were interviewed. This was conducted employing two quasi-laboratory scenarios that mainly take from Quadackers et al. (2014). The result showed that in a high-risk control environment, the relationship between "neutrality and skeptical judgment" is stronger than the relationship between "presumptive doubt and skeptical judgment". Moreover, the relationship between "neutrality and skeptical judgment" is intensified in a high-risk control environment. However, there is no major difference in the intensity of the relationship between "presumptive doubt and skeptical judgment" in a high and low-risk control environment. Overall, the above-mentioned findings provide empirical evidence for supporting the present viewpoint on auditing standards based on the preference of "neutrality dimension" over "presumptive doubt dimension".

**Keywords:** *Control environment risk, Neutrality, Presumptive doubt, Professional judgment, Professional skepticism.*

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## **Study of Accounting Knowledge Translation in Iran**

**Narges Sarlak<sup>1</sup>, Mahdi Mohammadi<sup>2</sup>, Fatemeh Geramirad<sup>3</sup>**

**Abstract:** The purpose of this study is to investigate accounting knowledge translation and its drawbacks in Iran. The statistical population includes professors and lecturers of accounting in public universities and accounting practitioners including financial managers and auditors of companies listed on Tehran stock exchange. The sample volume with using Cochran formula is 61 for the first group and 73 for the second. The data has been collected by means of two questionnaires designed in accordance with knowledge translation cycle. One-sample-t-test, referees contingency coefficient, and independent samples test has been used to analyze them. According to research findings, the theoretical group consider priority to applied research results in locating research priorities, whereas the practical group believe in the necessity of making account researches as well; though the latter does not agree with the present research procedure and believes that the researches made in accounting have the least role in meeting the needs of industry and business. Research findings indicate that the knowledge translation cycle in no sections of question transition or facilitators, knowledge production, knowledge transition, and applying research results acts properly and there exist some barriers for it. This leads to a gap between the researches and account practice society and finally lack of exploitation of the research results.

**Keywords:** *Accounting knowledge translation, Application of researches, Exploitation of knowledge, Iran, Knowledge translation cycle.*

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## ***The Review of Earning Management Base on Benford Law in Different Level of Conservatism and Institutional Investors***

***Seyyed Mahmoud Mousavi Shiri<sup>1</sup>, Fatemeh Pishvaei<sup>2</sup>,  
Hassan KHalatbari<sup>3</sup>***

**Abstract:** The main objective of this study was to evaluate the presence of earnings management (that calculated based on Benford law) at different levels of conservatism and institutional investors. First, the sample firms (selected from production firms in Tehran Stock Exchange) based on conservatism and institutional investors classified into eight groups and then using Benford law, the presence or absence of earnings management in each group of firms were examined. The results of hypothesis test on the basis of audited financial statements data of the sample firms for a period of eleven years (2003 to 2013) show that by increasing the institutional investor, earnings management increase, that this can be caused by insufficient experience of institutional investors, Statesmanlike collusion between institutional investors and management and High incentives to manipulate earnings by managers. Also, the results indicate that different levels of conservatism have no impact on earnings management.

**Keywords:** *Benford law, Conservatism, Earnings Management, Institutional Investors.*

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## **Studying the Effect of Information Risk and Transaction Costs on Stock Market Reaction to Earnings News**

**Mohammad Hossein Ghaemi<sup>1</sup>, Mostafa Taghizadeh<sup>2</sup>**

**Abstract:** The role of information environment in price discovery of firms' stocks can be studied through information risk and transaction costs factors. Firms with higher information risk are those with less public information and more privately informed investors. This research focuses on studying the effect of information risk and transaction costs arose from information environment of the firm on investors' reaction; so 2050 quarter-firm data has been analyzed quarterly in a 9 year period between 2006 to 2014. Zhang et al, (2013) model is used for hypothesis testing that includes factor analysis for determining information risk variables and, analyzing the multivariable linear regression for hypothesis testing. The results of hypothesis testing demonstrate that higher information risk causes initial reaction of most of the investors to quarterly earnings announcements, but is not effective in subsequent reactions; also transaction costs have not effect on stock market reaction.

**Keywords:** *Factor analysis, Information risk, Market reaction, Transaction costs.*

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## ***The Influence of Manager's Abilities on the Relation between Real Earnings Management and Future Firm Performance***

***Bitā Mashayekhi<sup>1</sup>, Abed Azimi<sup>2</sup>***

**Abstract:** The purpose of this study is to examine the influence of the manager's abilities as a moderating variable on the relation between real earnings management and the future firm performance among 107 listed companies in Tehran Stock Exchange (TSE) from 7 different industries for the period of 2006-2011. For measuring the real earnings management, the Roychowdhury (2006) model, which includes abnormal operating cash flow, abnormal discretionary expenses, and abnormal production costs, is used. The manager's abilities index is measured by Demerjian et al. (2012) model, using Data Envelope Analysis (DEA). The results show that there is a negative relation between real earnings management and the future firm performance; and the manager's abilities do not decrease this negative relationship.

**Keywords:** *Data Envelope Analysis (DEA), Future firm performance, Manager's abilities, Real earnings management.*

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