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Comparison of Financial Distress Prediction Models Accuracy and its Effect on Earnings Management Tools

Ali Ashtab[1], Hamid Haghighat [2], Gholamreza Kordestani [3]

Abstract: The main purpose of this paper is to investigate financial distress prediction models accuracy and earnings management approaches. Thus, primarily model was selected by comparing financial distress prediction models and its relation was analised through earnings management tools. In order to predict financial distress the comparison of machine learning and statistical models were considered for 312 listed companies at the Tehran Stock Exchange (TSE) during 2006 to 2015 and the result determined by comparing mean test shows that machine learning models can predict financial distress more accuracy than statistical models. Then, the relation between the best model resulted from previous section and earnings management tools was investigated by multiple linear regressions and the result shows that relation between financial distress prediction and operating cash flows earnings management was negative and significant and this relation with earnings management for manufacturing costs and accrual items was positive and significant.

Keywords: ***Accrual earnings management, Financial distress prediction, Machine learning models, Real activity earnings management, Statistical models.***

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The Effect of Conservatism and Delay in Simultaneous News Disclosure of Interim Earnings and Annual Earnings Forecast on Stock Market Reaction

Mehdi Aghabeikzadeh[1], Dariush Forooghi [2], Mohsen Dastgir [3]

Abstract: In Iran companies listed in Security Exchange are required to present their interim earnings and annual earnings forecast within 30-days of the end of each quarterly and often these announcements are simultaneously Due to the simultaneous announcement that may be two different types of news or similar news from the announcement to Publish to market. Thus the purpose of this study is to survey the impact of the type and nature of news of simultaneous announcement of these earnings on stock market reaction. Also the investigating of the factors affecting the timing of news recognition for example delay in simultaneous announcement of these earnings, conservatism in interim earnings and conservatism in earning forecasts of management on stock market reaction have founded other purposes of this research. In so doing, we have selected 101 listed-companies as our resulting research sample in period 2008-2014 using systematic sampling method as well as applying some restrictions and used models were multivariate regression models using panel data. From hypothesis testing, the resuls showed that there is no significant difference between the market reaction to the contemporaneous news of interim earnings and good and bad annual earnings forecasts at a certain level of interim earnings news and annual earnings forecast and delay in simultaneous announcements of earnings increase (decrease) market reaction to good (bad) news. Results also showed in companies with more conservative in interim earnings and in earning forecasts of management decreases (increases) stock market reaction to good (bad) news.

Keywords: ***Annually Earning Forecast News, Conservative in Earning Forecasts of Management, Conservative in Interim earnings, Dealay in Earnings Announcement, Interim Earning News.***

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Reviewing the Effect of Corporate Governance Quality on Relationship between Capital Structure and Additional Return on Companies Listed in Tehran Stock Exchange

Hamzeh Didar [1], Khadijeh Beiki [2]

Abstract: Since the composition of the capital structure and corporate governance is one of the factors that can maximize corporates' value and contributes to their survival in today's competitive condition, the main objective of this study is to review the effect of capital structure on additional return with the effect of corporate governance quality as moderating variable at the Tehran Stock Exchange listed companies. To achieve this goal, the data of 103 companies during the financial periods from 2003 to 2014 is used. The results show that capital structure has a positive and significant effect on additional return and has a negative and significant effect on corporate governance quality. But between corporate governance quality and additional return no significant relationship was found. Corporate governance quality has not moderating effect on relationship between capital structure and additional return.

Keywords: ***Additional return, Capital structure, Corporate governance quality, Level of debt, Moderate variable.***

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The Impact of Accounting Information System Flexibility on Firm Performance with Dynamic Capabilities Approach

***Mohammad Arab Mazar Yazdi* [1], *Ahmad Nasseri* [2],**
***Maryam Nekooee Zadeh* [3], *Amir Moradi* [4]**

Abstract: In today's competitive environment and changing business conditions, the survival and growth of organizations depend on their adaptability to business changes. In these circumstances, Accounting Information Systems (AIS) as the primary information system of most organizations, should be flexible in order to maintain the optimal performance and support management in decision-making, planning and controlling through providing useful information. In this study, based on the dynamic capabilities perspective (Teece, 2007), we examined the flexibility of AIS and evaluated its effects on firm's performance. The results of interviewing CFOs and accounting professionals of 50 listed companies in Tehran stock exchange and then analyzing the data using structural equations modeling method, show that the flexible accounting information system has significant positive effects on firm financial performance by improving the accounting process performance. The findings of this study, in form of informative guidelines, emphasize the importance and necessity of accounting information system flexibility and its impacts on the organizational performance.

Keywords: ***Accounting information system, Dynamic capability, Financial performance, Flexibility.***

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The Analysis of the Executive Overconfidence in Fraudulent Companies

Kaveh Ghaderi [1], Salahadin Ghaderi [2]

Abstract: Executive overconfidence is one of the consequences of positive expectations about future performance, therefore failure to reach the specified goals may increase managers tendency to fraudulent financial reports. The purpose of this study is to analyze the behavior of executive overconfident in fraudulent companies listed on the Tehran Stock Exchange. In this regard, capital expenditure and overinvestment are used as the indicators of executive overconfidence. Auditing standards are used to measure fraudulent companies. The study sample is 99 companies listed on the Tehran Stock Exchange (990 years - the company), including 334 fraud samples and 334 instances of non-fraud samples to control over 2005-2014 period. Due to the nature of the dependent variable and the homogeneity of the sample, Logit regression method is used to test the hypotheses. According to the results of this study, executive overconfidence based on capital expenditure is higher in fraudulent companies. Also, the result of the second hypothesis rejection is based on overinvestment criteria.

Keywords: ***Capital Expenditure, Executive Overconfidence, Fraud, Logit regression, Overinvestment.***

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The Relation between Over-Investment and Marginal Value of Cash Holdings and Role of Corporate Governance

Seyd Mahmoud Mousavi Shiri [1], Niloofar Mostafavi [2], Mahdieh Yazdani [3]

Abstract: This study examines the relationship between marginal value of cash holdings and overinvestment as well as corporate governance of firms in the capital market (i.e. the Tehran Stock Exchange). The aim of this paper is to evaluate whether cash holdings have different value creation potential for firms with overinvestment and underinvestment and whether corporate governance can moderate this value creation potential. Results of the present research could give investors new insights into the value creation potential of cash holdings policy. Employing panel data analysis on a sample of 162 quoted firms during 2009 to 2015 in R statistical software, our findings demonstrate that there is no significant difference between firms with overinvestment and those with underinvestment in terms of marginal value of cash holdings. Moreover, our findings indicate that there is a negative and significant relationship between marginal value of cash holdings and overinvestment in firms overinvesting in stock. We also provide some evidence that while the latter finding can be moderated by institutional investors, auditor reputation and corporate board of directors' independence have no significant bearing on it.

Keywords: ***Cash holdings, Corporate governance, Excessive investment, Less than investment, Marginal value of cash holdings.***

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The Analysis of Benford's Law Ability to Identify and Predict Financial Fraud Detection

Seyyed Abbas Hashemi [1], Amir Sina Hriri [2]

Abstract: The main objective of this study is to identify and predict detection financial fraud by using compliance and deviation degree of financial statements from Benford's law. In this regard, data of 98 companies listed on the Tehran Stock Exchange in the period 2006- 2015 (980 View), are studied. To achieve the research objectives, three hypotheses are considered and the linear multiple regression and logit model are used. The first hypothesis test results show that distribution of financial statement items follow Benford's Law. In other words, this law can be used to investigate irregularities. According to the results of the second hypothesis, top financial statements deviation from Benford's Law represents a financial fraud. The results of the third hypothesis indicates that deviation from Benford's Law in fraud detection year is reduced compared to previous years. In fact, managers inability in repeating the manipulation of digits in fraud detection year, reduces the financial statements deviation from Benford's law than what was in previous years.

Keywords: ***Benford's law, Divergence from Benford's law, Financial statement fraud, Financial statement manipulation, Predict detection fraud.***

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