Investigating the Effect of the Comparability of Financial Statements on the Financial Reporting Quality and the Pricing of Accruals in Companies Accepted in the Tehran Stock Exchange

Ali Tarkhorani
Master Student of Accounting, Islamic Azad University Professor Hesabi Branch, Tafresh,Iran.

Moosa Mohammadi
Department of Accounting, Faculty of Humanities, Islamic Azad University Professor Hesabi Branch, Tafresh, Iran.

*Corresponding Author

Maysam Askari
Department of Mathematics, Faculty of science, Islamic Azad University Professor Hesabi Branch, Tafresh, Iran.

ABSTRACT

The comparability of financial statements is highly important for investors and creditors; because investment decisions and their accreditation require an evaluation of the opportunities ahead, and without available comparable accounting information, users' decision makings seem difficult and almost impossible. In this thesis, it has been tried to investigate the effect of comparability of financial statements on the financial reporting quality and the pricing of accruals in companies accepted in the Tehran Stock Exchange. After designing the evaluation indicators of the variables, the information of transactions made in the five-year research period from 2014 to 2018 was collected from the Stock Exchange Organization, the Rahvard Novin software, and the Codal.ir website. The statistical sample consists of 223 companies that have been selected by systematic elimination method, which were totally 1,115 year-company. In this research, linear regression and correlation have been used to examine the research hypotheses. Eviews software has been used to analyze the data and to test the research hypotheses. What can be said in the summary and general conclusion of the research hypotheses test is that the comparability of financial statements has a significant effect on the financial reporting quality, but does not have a significant effect on the pricing of accruals. The results obtained in this research are consistent with the documents mentioned in the research theoretical framework and financial literature.

Keywords: Comparability of Financial Statements, Financial Reporting Quality, Pricing of Accruals, Tehran Stock Exchange

Introduction

The comparability of financial statements is highly important for investors and creditors; because investment decisions and their accreditation require the evaluation of opportunities ahead, and without available comparable accounting information, users' decision makings seem difficult and almost impossible (Bon Kim et al., 2016). Recent studies about comparability indicate that the comparability of company's financial statements while reducing the costs of education and information processing for users also increases the quality of financial information (Chen et al., 2014).

As financial reporting is a tool for disclosing reliable and trustworthy financial information that is made available to the public, if it is on time it can reduce the likelihood of incorrect selection by investors through reducing private and confidential information. Disclosure of information by making the company's internal information available provides the reduction of information asymmetry between managers and investors, so it is very important to pay attention to the qualitative characteristics of disclosed information such as the comparability and consistency of accounting procedure. Users of financial statements are constantly comparing the financial information of various companies with each other. In identical accounting systems, the higher comparability of accounting results from greater homogeneity in accounting selections and estimates.

Recently, researchers have also considered the role of financial reporting quality in investment efficiency. The higher the financial reporting quality is, the more accountable the manager and better supervised will be, and the information asymmetry, followed by improper selection and ethical risks might be reduced, and this issue can reduce problems related to too much and too little investment.

The existence of transparent and comparable financial information is one of the important pillars of accountability and informed decision makings and is effective in economic growth and development. Although financial information can be extracted from a variety of sources, financial statements currently form the primary core of financial information sources. Accountants are responsible for preparing and submitting these statements, and accounting as an information system is based on the processing and analysis of financial information. Financial statements are the center of gravity and axis of financial reports and information. Financial statements are known as a tool for accountability and decision making. These statements are useful in decision making and accountability when they are reliable, transparent and have appropriate quality. It is natural that financial information with desirable quality has a positive effect on decision makings and optimal allocation of resources and market efficiency, which itself leads to growth, development and social welfare (Abari and Mohammadzadeh Saleteh, 2017).

Comparability is one of the financial reporting features that increases the quantity and quality of information available to investors and allows them to more accurately predict future performance by evaluating the company's past performance and make decision based on it (Di Franco et al., 2011). Therefore, the more the comparability feature of accounting information is, investors obtain more ability to accurately predict future profits. For the efficiency of the capital market, it is necessary to encourage public participation and legal protection from capital suppliers, and this point has led to economic prosperity and the spread of equity culture in most countries (Ismailzadeh et al., 2010).

Regarding the importance of comparability of financial statements and the financial reporting quality mentioned and the great importance of accruals and also the lack of research about investigating the impact of comparability of financial statements on the financial reporting quality and the pricing of accruals in the mentioned statistical population, this research seems to be necessary.

Now, considering the presented points and also the lack of comprehensive research regarding the relationship between comparability of financial statements and the financial reporting quality and the pricing of accruals, the main purpose of this research is therefore to investigate the effect of comparability of financial statements on the financial reporting quality and the pricing of accruals in companies accepted in the Tehran Stock Exchange. Therefore, the main question that this research faces is "Does the comparability of financial statements have a significant impact on the financial reporting quality and the pricing of accruals of companies accepted in the Tehran Stock Exchange or not?"

Theoretical Framework of the Research Model

Financial reporting is one of the information sources available in capital markets that is expected to play an effective role in developing investment and increasing its efficiency. Increasing the financial reporting quality is a tool to fulfill the responsibility of meeting the needs of society. With all these interpretations, the financial reporting quality is a multidimensional concept and there is no definition that everyone agrees on (Kiani and Aghaei, 2016). The financial reporting quality leads to better prediction of the future cash flows of the company for investors and other users of financial statements. Considering that accounting and economics have mutual effects on each other, the level of financial reporting quality has economic effects. The usefulness of financial statements or other financial reports is affected by the financial reporting quality in which procedure consistency and the clarity of information are considered as basic aspects of quality (Kurdistani and Rahimi, 2011). The financial reporting quality is the criterion that separates useful and helpful information from other information and promotes the usefulness of financial information. It is clear that legislators and investors agree on having high quality financial reporting; because it is often believed that the financial reporting quality directly affects capital markets (Kurdistani and Rahimi, 2011).

It is assumed that the users of financial statements have a relative knowledge for using financial statements. Hence, they use this information in decisions related to resource allocation. In order for this information to be useful, it must have a series of qualitative features that one of these features is the comparability of the information. The users of financial statements should be able to compare the financial statements of a business unit over time to distinguish the trend of changes in the financial status, financial performance and financial flexibility of business unit. The users should also be able to compare the financial statements of various business units to assess their financial status, financial performance and financial flexibility with each other (Accounting Standards Compiling Committee, 2009). According to the presented theoretical foundations, we present the first main hypothesis of the research as follows:

- The First Main Hypothesis: The Comparability of financial statements has a significant effect on the financial reporting quality of companies accepted in the Tehran Stock Exchange.

The comparability of financial statements is one of the features of financial statements. The financial statements should include the comparative items of previous period, except in cases that an accounting standard has required or permitted another method of action. One of the purposes of financial reporting is to present useful information about the financial performance of the business unit for a wide range of users. One of the basic financial statements that meets this goal is the profit and loss statement. Net profit (loss) is used as one of the important financial information by investors and other users. One of the aspects proposed in the topic of earnings quality is earnings management. Earnings management means the effort of senior officials of the company to influence or change the reported earnings in the short term period. Earnings management is performed with incentives such as influencing stock price in the market or increasing management salary and reward. Earnings reported in each financial period can be managed through the manipulation of accruals (accruals earnings management) or through actual activities (real earnings management). When there are effective and efficient legal systems, people outside the organization are to some extent protected against the managers' greed (Mirzamani and Rezaei, 2018). Research results also show that increasing the quality of auditing (especially in countries with strong legal system) to limit managers' opportunities for accruals earnings management also plays a similar role (Engel et al., 2016). The comparability of financial statements is also considered as a mechanism to reduce the managers' opportunities for accruals earnings management. If accounting information and reports have more comparability than other companies, market activists can evaluate the actual performance of the company better, and in this case, the final cost of collecting and processing the company's accounting information for shareholders is reduced and shareholders can analyze the company fundamentally better, or in other words, the company's accounting mechanism will be more transparent for users, because when the comparability of financial statements is high, managers' opportunities for accruals earnings management are reduced. Therefore, it can be concluded that when the comparability of financial statements is high, the opportunity of managers for accruals earnings management decreases (Mirzamani and Rezaei, 2018).

According to the presented theoretical foundations, we present the second main hypothesis of the research as follows:

- The Second Main Hypothesis: The comparability of financial statements has a significant effect on the pricing of accruals of companies accepted in the Tehran Stock Exchange.

Research Method

The present research is "applied" in terms of execution purpose, "quantitative" in terms of data type, "cross-sectional" in terms of execution time, and "inductive" in terms of execution logic. Also, the research method is "descriptive, survey and of correlation type" in terms of execution method.

The statistical population of this research is the number of companies accepted in the Tehran Stock Exchange at the end of 2018, which has been equal to 810 companies.

Presuppositions

1- Number of companies whose financial information is incomplete (293).

2- Number of companies whose financial period has changed (8).

3- Due to the different nature of revenues and expenses, the number of companies that have been investors (28).

4- Number of companies that are among the banking and insurance industries (39).

5- In order to homogenize the statistical sample, the number of companies whose fiscal year does not end in March 19th is (219).

Total population under study is (223).

Therefore, according to the items of paragraphs 1 to 5, 223 companies were selected as a research sample and by systematic elimination method and for each variable of this research, 1,115 data-years have been calculated to test statistical hypotheses.

Research Model and Method of Measuring Variables

In the present research, according to the main research question, which is whether comparability has a significant effect on the financial reporting quality and the pricing of accruals, the following hypotheses have been designed:

The First Main Hypothesis: The comparability of financial statements has a significant effect on the financial reporting quality of companies accepted in the Tehran Stock Exchange.

The Second Main Hypothesis: The comparability of financial statements has a significant effect on the pricing of accruals of companies accepted in the Tehran Stock Exchange.

Regression Models:

$$FRQ_{it} = \gamma_0 + \gamma_1 ACCTCOMPD_{it-1} + \gamma_2 OPCYCLE_{it-1} + \gamma_3 INSTIT_{it-1} \qquad (1)$$
$$+ \gamma_4 BIGN_{it} + \gamma_5 SIZE_{it} + \gamma_6 BTM_{it} + \gamma_7 ROA_{it} + \gamma_8 LEV_{it}$$
$$+ \gamma_9 \Delta REV_{it} + \varepsilon_{it}$$

$$TA_{it} = \gamma_0 + \gamma_1 ACCTCOMPD_{it-1} + \gamma_2 OPCYCLE_{it-1} + \gamma_3 INSTIT_{it-1} \qquad (2)$$
$$+ \gamma_4 BIGN_{it} + \gamma_5 SIZE_{it} + \gamma_6 BTM_{it} + \gamma_7 ROA_{it} + \gamma_8 LEV_{it}$$
$$+ \gamma_9 \Delta REV_{it} + \varepsilon_{it}$$

In which:

$ACCTCOMPD_{it-1}$ = Comparability of financial statements (independent)
FRQ_{it} = Financial reporting quality (dependent)
TA_{it} = Pricing of accrual (dependent)
$OPCYCLE_{it-1}$ = Company operation cycle (control)
$INSTIT_{it}$ = Institutional ownership (control)

$BIGN_{it}$= Audit firm size (control)
$SIZE_{it}$= Company size (control)
BTM_{it}= Book value to market ratio (control)
ROA_{it}= Return on assets (control)
LEV_{it}= Financial leverage (control)
ΔREV_{it}= Sales revenue changes (control)
ε_{it} = Model error

Variables Measurement Method
FRQ_{it}= Financial reporting quality (dependent)
To measure the financial reporting quality, various indicators and criteria such as Kothari et al. (2005), Kasznik (1999), McNichols and Stubben (2008) have been presented. In this research, in order to measure the financial reporting quality, adjusted discretionary accruals based on performance presented by Kothari et al. (2005) is used:

$$TAccr_{i.t} = \alpha_0 + \alpha_1 \left(\frac{1}{Assets_{i.t-1}}\right) + \alpha_2 \Delta Rev_{i.t} + \alpha_3 PPE_{i.t} + \alpha_4 ROA_{i.t} + \varepsilon_{i.t} \tag{3}$$

That in this equation, TA represents the sum of accruals that can be calculated as follows:

$$TA_{i.t} = (\Delta CA_{i.t} - \Delta CASH_{i.t} - \Delta CL_{i.t} + \Delta STDEBT_{i.t} - DEPN_{i.t}) \tag{4}$$

In the above models we will have:
TAi.t: Total accruals of Company i in year t
$\Delta CA_{i.t}$: Changes in the current assets of Company i in year t
$\Delta CASH_{i.t}$: Cash changes of Company i in year t
$\Delta CL_{i.t}$: Changes in the current liabilities of Company i in year t
$\Delta STDEBT_{i.t}$: Changes in the short-term facilities or current portion of Company i in year t
$DEPN_{i.t}$: Depreciation expense of tangible and intangible assets of Company i in year t
Also
$Assets_{i.t-1}$: Assets at the beginning of period of Company i in year t
$TAccr_{i.t}$: Total accruals of Company i in year t divided by assets at the beginning of the period
$\Delta Rev_{i.t}$: Annual change in operational incomes divided by total assets at the beginning of the period
$PPE_{i.t}$: Properties, machineries and equipment of Company i in year t divided by assets at the beginning of the period
$ROA_{i.t}$: Return on assets for company i in year t divided by assets at the beginning of the period.
The remainder of the above regression represents the discretionary accruals that should be calculated in terms of industry to industry and composite data. The absolute value of the discretionary accruals values is multiplied by minus one. Therefore, higher values indicate a higher financial reporting quality (Taghizadeh Khaneghah and Zeinali, 2015; Kothari et al., 2005).

$$DisAccr = -|\varepsilon_{i.t}|$$

TA_{it} = Pricing of accrual (dependent)
In the present research, similar to the researches of Chi Purido and Spathis (2014), Dechow, Sloan and Sweeney (1995), and Ebrahimi (2010), the Jones adjusted model has been used to calculate discretionary and non-discretionary accruals. In the Jones adjusted model, all accruals are calculated as follows:

$$TA_{i.t} = (\Delta CA_{i.t} - \Delta CASH_{i.t} - \Delta CL_{i.t} + \Delta STDEBT_{i.t} - DEPN_{i.t}) \tag{5}$$

In which:

$TA_{i.t}$: Total accruals of Company i in year t

$\Delta CA_{i.t}$: Changes in the current assets of Company i in year t

$\Delta CASH_{i.t}$:Cash changes of Company i in year t

$\Delta CL_{i.t}$: Changes in the current liabilities of Company i in year t

$\Delta STDEBT_{i.t}$: Changes in the short-term facilities or current portion of Company i in year t

$DEPN_{i.t}$: Depreciation expense of tangible and intangible assets of Company i in year t

$ACCTCOMPD_{it-1}$ = Comparability of financial statements (independent).

In this research, to measure the comparability of financial statements, the criterion of comparability of accounting presented by Di Franco et al. (2011) is used. To determine the criterion for comparability in companies, if the accounting standards are the same, Di Franco et al. use a comparison of the output of the accounting system and the economic index of the company. If the accounting systems between the two companies are the same, the outputs of the accounting system will be similar to the economic index of the company. They have considered stock returns as the economic index of the company and accounting profit as the output of the accounting system. According to the method of Di Franco et al. to create the year-company scale of comparability, in the first step, the following model is estimated:

$$EARNINGS_{it} = \alpha_0 + \beta_1 RETURN_{it} + \varepsilon_{it} \tag{6}$$

In which:

$EARNINGS_{it}$ = The profitability of Company i in year t, which is equal to the ratio of net profit to market value of equity.

$RETURN_{it}$ = It is stock returns of Company i in year t, which is equal to the difference between the market value of each share at the end of year t and the end of year t-1, plus cash earnings per share in year t, divided by the market value per share in year t -1.

After estimating the above model, the values of α_0 and β_1 are calculated and using the following equation, the expected earning of company i in year t is estimated:

$$E(EARNINGS)_{it} = \alpha'_0 + \beta'_1 RETURN_{it} \tag{7}$$

Then, using the following formula at the level of each industry, the comparability of the accounting information of company i in year t is obtained:

$$COMPARABILITY_{it} = -\frac{1}{n}\sum_{i=1}^{n}\left|E(EARNINGS)_{it} - E(EARNINGS)_{ijt}\right| \tag{8}$$

In which:

n = Number of industry companies.

$E(EARNINGS)_{it}$ = Company's expected profit in year t.

$E(EARNINGS)_{ijt}$ = The average expected profit of companies in industry j in year t.

The higher the value of $COMPARABILITY_{it}$ is, it means the more comparability of the company's accounting information.

Data Collection Method

The method of data collection in this research was library method, using the Rahavard Novin software and by referring to the Tehran Stock Exchange Organization and studying the basic financial statements of companies accepted in the Tehran Stock Exchange during the years 2013-2018. In this regard, in addition to studying the basic financial statements, information related to the financial statements from the stock exchange information site has been used.

Data Analysis Method

In the data analysis, descriptive statistics and inferential statistics were used.

Results and Findings

Variables Descriptive Indicators

Table 1: Descriptive Statistics of Variables under Investigation of the Companies (Hypothesis 1)

	Δ Revenue	Leverage	Return on Assets	Book to Market	Size	BigN	Institutional Ownership	Operation Cycle	Accounting Comparability	Financial Reporting Quality
Mean	0.194333	0.589537	0.104343	-0.943624	14.59287	0.193939	0.651188	335.7731	-0.867414	-0.096439
Median	0.119554	0.574969	0.071727	-0.898634	14.38036	0.000000	0.734350	226.6021	-0.517906	-0.064653
Maximum	7.339809	3.216758	1.694738	1.199029	19.96152	1.000000	0.989000	22155.67	-0.002060	-0.000222
Minimum	-0.889028	0.061063	-1.305993	-3.722899	9.058923	0.000000	0.011100	20.00985	-8.860707	-0.779415
Standard Deviation	0.507007	0.242076	0.212322	0.643895	1.739880	0.395582	0.277087	959.2717	1.147421	0.099145
Skewness	5.656064	2.332235	1.012032	-0.269613	0.541437	1.548177	-0.769077	16.96966	-3.418428	-2.209733
Kurtosis	69.06035	23.09602	18.54757	3.690795	3.727581	3.396852	2.340124	336.9995	17.20786	10.05446
Jarque Bera Test	185292.3	17556.30	10140.23	31.67843	70.20703	401.9770	115.5559	4649185	10255.00	2858.502
Significance Level	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	990	990	990	990	990	990	990	990	990	990

Table 2: Descriptive Statistics of Variables under Investigation of the Companies (Hypothesis 2)

	Δ Revenue	Leverage	Return on Assets	Book to Market	Size	BigN	Institutional Ownership	Operation Cycle	Accounting Comparability	Total Accruals
Mean	0.194506	0.589526	0.104573	-0.943216	14.58450	0.192929	0.651667	335.9649	-0.867041	74828.12
Median	0.119554	0.575376	0.071727	-0.898634	14.37101	0.000000	0.735000	226.6021	-0.516472	11650.50
Maximum	7.339808	3.216758	1.694738	1.199029	19.96152	1.000000	0.989000	22155.67	-0.002060	37500170
Minimum	-0.889028	0.061063	-1.305993	-3.722899	9.058923	0.000000	0.011100	00985.20	-8.860707	-36801824
Standard deviation	0.506705	0.241965	0.209740	0.642966	1.730646	0.394797	0.277292	959.2714	1.147915	3254688
Skewness	5.665860	2.334404	1.097017	-0.271159	0.539325	1.556372	-0.770825	16.96908	-3.415003	-1.324535
Kurtosis	69.21630	23.13739	19.12158	3.707474	3.757877	3.422295	2.340244	9862.336	17.18326	62.39100
Jarque Bera Test	186161.5	17626.63	10919.67	32.77839	71.68685	407.0349	115.9936	4648817	10222.32	145790.2
Significance Level	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	990	990	990	990	990	990	990	990	990	990

Tables (1) and (2) contain the main central and dispersion indicators. The mean which indicates the equilibrium point and the center of gravity of the distribution and is a good indicator to show the centrality of the data, is equal to -0.096439 for the financial reporting quality variable and 74828.12 for the pricing of accruals variable. Median is another central indicator that shows the status of population and shows that half of the data is less than this value and the other half is more than this value. Also, the equality of the value of mean and median shows the normality of this variable that for the variable of financial reporting quality is -0.064653 and for the variable of the pricing of accruals is 11650.50. Dispersion indicators are the criteria to determine the dispersion ratio of data from each other or their dispersion ratio relative to the mean. Standard deviation is one of the most important indicators of dispersion, which is equal to 0.099145 for the financial reporting quality variable and 3254688 for the variable of the pricing of accruals. The asymmetry ratio of the frequency curve is called skewness. If the skewness coefficient is zero, the population is completely symmetrical, and if this coefficient is positive, the skewness is to the right, and if the coefficient is negative, it has skewness to the left. The value of skewness coefficient for the financial reporting quality and the pricing of accruals is negative, indicating that skewness is to the left. Dispersion indicator of the ratio of elongation or inclination of frequency curve relative to the standard normal curve is called protrusion or elongation. If the elongation is about zero, it means that the frequency curve has a balanced and normal status in terms of elongation, if this value is positive, the curve is protruded and if it is negative, the curve is wide. In this research, the elongation is positive for all variables.

Investigating the Normality of Variables

In this research, the normality of dependent variable has been tested using the Jarque-Bera test. Based on the values presented in Tables (1) and (2), since the values of the significance level of the variable of financial reporting quality and the variable of the pricing of accrual are less than 5%, therefore, hypothesis one that is the variable is not normal is confirmed. Therefore, the variables of financial reporting quality and the pricing of accruals do not have a normal distribution, but according to the central limit theorem, if the number of data is large (above 30 data), the data distribution is normal and we can use parametric tests.

Regression Assumptions

After examining the durability of the variables, now it is time to estimate the method. The data of this research are of composite type. But before estimating the models, it is necessary to specify the estimation method (composite or panel). For this purpose, the F-Limer test has been used. For observations with a probability of more than 5%, or in other words, their test statistic is less than the table statistic, the composite method is used, and for observations with a test probability of less than 5%, to estimate the model the panel method will be used. The panel method itself can be performed using the two models of "random effects" and "fixed effects". The Hausmann test has been used to determine which model to use. In observations with a test probability of less than 5%, the fixed effects model and in observations with a probability of more than 5%, the random effects model are used to estimate the model.

Diagnostic Tests in Composite Data:

To determine the model used in the composite data, the F-Limer and Hausman tests have been used. The F-Limer test has been performed to determine using the panel effects model versus the combination of all the data, and its hypotheses are as follows
$\begin{cases} \text{H0: Composite Method:} \\ \text{H1: Panel Method} \\ \end{cases}$
Hypothesis H0 is based on the absence of individual and group effects and hypothesis H1 is based on the presence of individual and group effects. The Hausman test is also performed to determine the use of fixed effects model versus the random effect model. The Hausmann test has been formed based on the presence or absence of a relationship between regression error and the independent variables of the model. If such a relationship exists, the fixed effect model will apply, and if this relationship does not exist, the random effect model will apply. Hypothesis H0 indicates the lack of relationship between the independent variables and estimation error, and Hypothesis H1 indicates the existence of a relationship.

$\left\{\begin{array}{l} \text{H0: Random Effects Method} \\ \text{H1: Fixed Effects Method} \end{array}\right.$

To determine the estimation method, the F-Limer and Hausmann tests have been performed for the general model. The test results are as follows:

Table 3: Results of F-Limer and Hausmann Test (Hypothesis 1 and 2)

	F-Limer Test	Significance Level	Result	Hausmann Test	Significance Level	Result
Main Hypothesis Model 1	1.556525	0.0000	Panel	50.552853	0.0000	Fixed Effects
	F-Limer Test	**Significance Level**	**Result**	**Hausmann Test**	**Significance Level**	**Result**
Main Hypothesis Model 2	1.845574	0.0000	Panel	33.149673	0.0000	Fixed Effects

Source: Researcher's Findings

As it is observed, the F-Limer test shows that in observations whose test probability is more than 5%, or in other words, their test statistic is less than the table statistic, composite method is used, and for observations whose test probability is less than 5%, to estimate the model, panel data method will be used. According to the obtained results, the panel data method has been accepted for general models. On the other hand, the Hausman test shows that observations whose test probability is more than 5%, it will be random effects, and for observations whose test probability is less than 5%, it will be fixed effects. According to the obtained results, the effects of both models are fixed.

Hypothesis Analysis

1- The comparability of financial statements has a significant effect on the financial reporting quality of companies accepted in the Tehran Stock Exchange.

H0: The comparability of financial statements does not affect the financial reporting quality.

H1: The comparability of financial statements affects the financial reporting quality.

To comment about the first main hypothesis, the following model is defined:
Equation (9)

$$FRQ_{it} = \gamma_0 + \gamma_1 ACCTCOMPD_{it-1} + \gamma_2 OPCYCLE_{it-1} + \gamma_3 INSTIT_{it-1}$$
$$+ \gamma_4 BIGN_{it} + \gamma_5 SIZE_{it} + \gamma_6 BTM_{it} + \gamma_7 ROA_{it} + \gamma_8 LEV_{it}$$
$$+ \gamma_9 \Delta REV_{it} + \varepsilon_{it}$$

Table 4: Summary of the Results of the First Main Hypothesis Model Using the Panel Data Method during the Years 2014-2018

	Variable	Coefficients	Standard Error	T-Statistics	Significance Level	Result
Y-Intercept	Γ_0	-0.577974	0.071404	-8.094430	0.0000	Negative
Accounting Comparability	Accounting Comparability	0.009359	0.002879	3.250574	0.0012	Positive
Operation Cycle	Operation Cycle	1.36E-05	5.72E-06	2.375963	0.0177	Positive
Institutional Ownership	Institutional Ownership	0.018832	0.022249	0.846413	0.3976	Insignificant
Audit Firm Size	BIGN	-0.036201	0.020473	-1.768225	0.0774	Insignificant
Company Size	Size	0.030848	0.004535	6.801908	0.0000	Positive
Book Value to Stock Market Value Ratio	Book to Market Value	0.003370	0.006478	0.520286	0.6030	Insignificant
Return on Assets	Return on Assets	-0.014931	0.017937	-0.832399	0.4054	Insignificant
Financial Leverage	Leverage	0.060794	0.032306	1.881816	0.0602	Insignificant
Sales Revenue Changes	Δ Revenue	-0.007317	0.006550	-1.117187	0.2643	Insignificant
Determination Coefficient	0.347757			F-Statistics		1.874617
Adjusted Determination Coefficient	0.162249			Significance Level		0.000000
	Durbin–Watson			2.078202		

Source: Researcher's Findings

The results obtained from estimation show that the probability of t-statistic for fixed coefficient and the coefficients of the variables of accounting comparability, operation cycle and company size is less than 5%; therefore, the above relationship is statistically significant and the probability of t-statistic for the variables of institutional ownership, audit firm size, book value to stock market value ratio, return on assets, financial leverage and sales revenue changes is more than 5%. Therefore, the estimation coefficient of the above variables is not statistically significant. Thus, with 95% confidence, these variables are insignificant in the regression model. Adjusted determination coefficient shows the explanatory power of the independent variable, which is able to explain 16% of the dependent variable changes. The probability of F statistic indicates that the whole model is statistically significant. According to the hypothesis, as the variables of the comparability of accounting information, company size and operation cycle are significant in the model, so the hypothesis H_0 is rejected, that is the comparability of financial statements affects the financial reporting quality.

According to Table (4), the linear equation of the model can be written as equation (9):

FRQ = -0/577974 + 0/009359 ACCTCOMPD + 1/36E - 05 OPCYCLE + 0/018832 INSTIT   - 0/036201 BIGN + 0/030848 SIZE + 0/003370 BTM - 0/014931 ROA + 0/060794 LEV   - 0/007317 ΔREV

2- The Second Main Hypothesis: The comparability of financial statements has a significant effect on the pricing of accruals of companies accepted in the Tehran Stock Exchange.

H0: The comparability of financial statements does not affect the pricing of accruals.

H1: The comparability of financial statements affects the pricing of accruals.

To comment about the second main hypothesis, the following model is defined:

Equation (2)

$$TA_{it} = \gamma_0 + \gamma_1 ACCTCOMPD_{it-1} + \gamma_2 OPCYCLE_{it-1} + \gamma_3 INSTIT_{it-1}$$
$$+ \gamma_4 BIGN_{it} + \gamma_5 SIZE_{it} + \gamma_6 BTM_{it} + \gamma_7 ROA_{it} + \gamma_8 LEV_{it}$$
$$+ \gamma_9 \Delta REV_{it} + \varepsilon_{it}$$

Table 5: Summary of the Results of the Second Main Hypothesis Model Using the Panel Data Method during the Years 2014-2018

	Variable	Coefficients	Standard Error	T-Statistics	Significance Level	Result
Y-intercept	Γ_0	-4253267	2312687	-1.839102	0.0663	Insignificant
Accounting Comparability	Accounting Comparability	-19576.67	93333.18	-0.209750	0.8339	Insignificant
Operation Cycle	Operation Cycle	-49.46233	185.5253	-0.266607	0.7898	Insignificant
Institutional Ownership	Institutional Ownership	740915.2	719257.4	1.030111	0.3033	Insignificant
Audit Firm Size	BIGN	731277.1	663794.8	1.101661	0.2710	Insignificant
Company Size	Size	33815.52	147077	0.229917	0.8182	Insignificant
Book Value to Stock Market Value Ratio	Book to Market Value	-258654.6	210797.2	-1.227030	0.2202	Insignificant
Return on Assets	Return on Assets	1919002	588995.4	3.258093	0.0012	Positive
Financial Leverage	Leverage	4468931	1046871	4.268846	0.0000	Positive
Sales Revenue Changes	Δ Revenue	675802.5	212446.6	3.181047	0.0015	Positive
Determination Coefficient	0.363715			F-Statistics	2.009811	
Adjusted Determination Coefficient	0.183745			Significance Level	0.000000	
	Durbin–Watson			1.852967		

Source: Researcher's Findings

The results obtained from the estimation show that the probability of t-statistic for the coefficients of the variables of return on assets, financial leverage and sales revenue changes is less than 5%; therefore, the above relationship is statistically significant and the probability of t-statistic for fixed coefficient and the coefficients of the variables of the comparability of accounting information, operation cycle, institutional ownership, audit firm size, company size, and book value to stock market value ratio of the company is more than 5%, so the estimation coefficient of the above variables is not statistically significant. Therefore, with 95% confidence, these variables are insignificant in the regression model. The adjusted determination coefficient shows the explanatory power of the independent variable, which is able to explain 18% of the changes of the dependent variable. The probability of F statistic indicates that the whole model is statistically significant. According to the hypothesis, as the variable of the comparability of accounting information in the model is insignificant, so the hypothesis H_1 is rejected, that is the comparability of financial statements does not affect the pricing of accruals.

According to Table (5), a linear equation of the model can be written as equation (2):

$$TA = –4253267 - 19576/67 \ ACCTCOMPD – 49/46233 \ OPCYCLE + 740915/2 \ INSTIT + 731277/1 \ BIGN + 33815/52 \ SIZE – 258654.4 \ BTM + 1919002 \ ROA + 4468931 \ LEV + 675802/5 \ \Delta REV$$

Discussion and Conclusion

The purpose of present research was to investigate the effect of the comparability of accounting information on the financial reporting quality and the pricing of accruals in companies accepted in the Tehran Stock Exchange.

According to the regression results, the following results were obtained:

1- The comparability of financial statements affects the financial reporting quality.

2- The comparability of financial statements does not affect the pricing of accruals.

According to the tests and analyses performed through regression and correlation, and based on the results obtained from investigating the hypotheses, we concluded that the comparability of financial statements, company operation cycle and company size have a significant effect on the financial reporting quality. Therefore this hypothesis is generally accepted and it can be said that the comparability of financial statements affects the financial reporting quality. Chen and JianJun Gong (2019) in a research examined "the impact of comparability of financial statements on the financial reporting quality and the pricing of

accruals" and their research results showed that the comparability of the previous period depends on high financial reporting quality. Also the comparability has a positive correlation with the accuracy of management forecasts, which in some ways is in line with the results of the present research.

Also, according to the tests and analyses performed through regression and correlation, and based on the results of the hypotheses, we concluded that the comparability of financial statements does not have significant effect on the pricing of accruals, so this hypothesis is generally rejected, and it can be said that the comparability of financial statements does not affect the pricing of accruals. Chen and JianJun Gong (2019) in a research examined "the effect of comparability of financial statements on the financial reporting quality and the pricing of accruals" and their research results showed that when the comparability of the previous period is higher, the discretionary accruals of current period has less positive correlation with the current period return and also has less negative correlation with the future return, which in some ways is in line with the results of the present research.

The results of the present research are in line with previous researches. Ramalin Jiguda et al. (2013) in a research examined "the role of financial reporting quality in reducing the limiting effects of dividends on investment decisions" and showed that increasing the financial reporting quality through accruals reduces the negative effects of dividends on investments. The results of their research also indicate that the adjusting effect of financial reporting quality on the investments of research and development type and companies with higher growth opportunities has been stronger and the adjusting role of financial reporting quality for companies that have had a dividends policy has been more significant than companies that have had a policy of increasing dividends. Gong et al. (2013) found out that the lower levels of the comparability of financial statements increases managers' willingness to present earnings forecast to reduce the expected costs associated with information asymmetry.

According to the results obtained from examining the first main hypothesis, the comparability of financial statements affects the financial reporting quality. Therefore, investors in the stock market should pay attention that the comparability of the company's financial statements can in turn guarantee the financial reporting quality of that company, so it is suggested to publish booklets to inform investors in the stock market about the importance of comparability of financial statements and its components. Holding training courses in this regard can also be useful. Those involved in preparing and compiling the theoretical foundations of financial reporting of financial accounting standards are also recommended to consider the results of this research and similar researches and determine the characteristics of the comparability of financial statements and the reporting quality in the capital market of the country.

According to the results obtained from examining the second main hypothesis, the comparability of financial statements does not affect the financial reporting quality. Therefore, students, researchers and other interested people, by continuing such researches, can clarify the factors affecting the pricing of accruals of companies. In addition, the companies being required to present information, in addition to common information, is suggested.

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