FACTORS AFFECTING THE LEVEL OF ACCOUNTING CONSERVATISM IN THE FINANCIAL STATEMENTS OF THE LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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Abstract
This study aims to evaluate the Factors affecting the Level of Accounting Conservatism in the Financial Statements of the listed companies in Tehran Stock Exchange. In addition, the study examines the factors that affect the level of accounting conservatism in those companies with regard to company size, Disclosure, Financial leverage, Discretionary Accruals. Using the systematic elimination of 121 companies during the period 2009 to 2013 has been selected. The research to test the hypothesis of panel regression was used. The findings indicate that variables firm size and discretionary accruals conservative influence and disclosure and conservative influence of conservative not influence.
Keywords: Conservatism- Discretionary accruals- Disclosure- Firm size

Introduction
Financial statements the makes up part of the financial reporting process (The Auditing Committee, 1381, p481). The purpose financial statements provide information summarization and classification about the financial condition, financial performance and financial flexibility of the business corporation that has range of users of financial statements is useful in making economic decisions (selfsame, p 478). The purpose of Financial Reporting and Accounting bases requires information that financial reporting that be specific features (Technical Research Centre of Accounting and Auditing, 1385, p 49). The theoretical notions of Iran financial reported the qualitative the characteristics of features is mentioned. One of the properties of conservatism is that it is mentioned as the prudence.
The accounting Conceptual of conservatism has a long history. Basu (1997, p8) believes that conservatism has affected the theory and practice of accounting for centuries. Historical records of the early fifteenth century AD about the participatory and partnership transactions show that has be conservative accounting in medieval Europe. The concept of conservatism once created that only and important that is the balance sheet the financial statement

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Theoretical Basis

The accounting conservatism concept was controversial at the turn of last century and is still until now .One characteristic of higher quality accounting information is accounting conservatism, which has been a characteristic of accounting information for over 500 years (Basu, 1997; Watts, 2003a). Today, in the middle of the waves of skepticism regarding financial reports, adherence to this principle became a distinguishing aspect for companies with reference to the transparency of their financial reports and a standard for classifying countries according to adherence to accounting principles (Hamdan, 2010). Conservatism refers to the tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses in earnings (basu, 1997). Accounting conservatism implies using strict standards when declaring profits (LaFond & Roychowdhury, 2008). This should not lead to undervaluing of assets or income (IASB framework, paragraph 37). Some of the benefits of Accounting Conservatism of financial lists are: reducing opportunist motives for managers when disclosing optimistic results, increasing contracts control, and reducing court costs (Watts 2003a, b; Ball & Shivakumar 2005). The need for accounting conservatism is related to the increase of credibility in accounting information (Hellman, 2008). The as conservatism of declaring good results of the company increases accounting credibility and the ability to predict the future. Accounting conservatism may serve to reduce information asymmetry between managers and shareholders and thereby lessen agency costs, resulting in better protection of shareholders and firm value (LaFond & Roychowdhury, 2008; Lara, Osma, & Penalva, 2009). Ahmed & Duellman,(2007) found that accounting conservatism helps reduce agency costs. Hamdan (2011) found that accounting conservatism contributes to the improvement of quality of financial reporting through an External Auditor for a clean opinion. Basu (1997, p8) believes that conservatism has affected the theory and practice of accounting for centuries. Historical records of the early fifteenth century AD about the participatory and partnership transactions show that has be conservative accounting in medieval Europe. The concept of conservatism once created that only and important that the balance sheet is financial statement. The first application of financial statements have been for bankers and other creditors.

Finally, conservatism means asymmetry in dealing with feature confirmed income and costs (or gains and losses) is in order to identify in the text of financial accounts or disclosure in the notes to the financial statements (Basu, 1996). Whatever asymmetry increased as a prerequisite for the recognition of revenues and costs (or gains and losses), Degree of conservatism applied in the preparation of the financial report increases too. Conservatism at best is a poor way of dealing with the phenomenon of uncertainty in the calculation of profit and at worst lead to the total destruction of accounting data (Hendriksen, 1992). Increasing conservatism suggests that a low concentration standard setting on the evaluation and treatment differences in knowledge profit against the losses result is the lower the net (Holthausen, 2001).

Hamdan, (2010) and Yaseen, (2008) found that banks are the most conservative in their accounting policies. But Al-Sahli (2009) disagreed with them as he found that the Banking Sector in Saudi Arabia was the least conservative in its accounting policies. As for the relation between the size of company and accounting conservation, Hamdan, (2010) found that big companies adopt conservative accounting policies to avoid political costs, but Al-Sahli (2009) did not find any relation between the size of the company and the degree of accounting conservatism.

In study looking, is factors affecting the level of accounting conservatism in the financial statements of the listed companies in Tehran Stock Exchang. It seems that answer to this question would for managers, investors and independent auditors effective. We must answer

this question that what the factors affecting the level of accounting conservatism in the financial statements of the listed companies in Tehran Stock Exchange?

 Literature

Kosndis (2013) found to a linear relationship between conservatism and value relevance of information net profit of listed companies Greece.

 Paiek at el (2011) examined the relationship between earnings Stability and conservatism. They showed that with the increasing conservatism of the decreases earnings Stability.

LaFond at el (2010) examined the relationship between conservatism and asymmetry of information between users of the financial statements. To the found that conservatism increases informational asymmetry between managers and users.

 Rahimiyan and Ebrahimi meimand (2013) in the article were examined relationship between disclosure quality and conservatism in Tehran Stock Exchange. The findings suggest that is negative and significant relationship between the disclosure quality and the level of discretionary accruals. And a significant and positive relationship is   between the disclosure quality and the conditional conservatism.

Hypothesis

Firm size affected the levels of accounting conservatism in the financial statements of the listed companies in Tehran stock Exchange.

Financial Leverage affected the levels of accounting conservatism in the financial statements of the listed companies in Tehran stock Exchange.

Discretionary accruals affected the levels of accounting conservatism in the financial statements of the listed companies in Tehran stock Exchange.

Disclosure affected the levels of accounting conservatism in the financial statements of the listed companies in Tehran stock Exchange.

Sample

The study statistical population is all firms listed in Tehran Stock Exchange, which using the systematic elimination of 121 companies during the period 2009 to 2013 has been selected.

Methodology

In this study to measure the variables, the using the Jones model (1991) is calculated discretionary accruals.

ACC= α0t + α1tΔREVit + α2tPPEit + εit

ACC: total accruals

ΔREV: Income changes that the difference is in sales last year and the year

PPE : Tangible fixed assets

T: year

After calculating total accruals and put it in the model, been calculated discretionary accruals.

UEAit = ACCit – [α0t + α1tΔREVit + α2tPPEit + εit]

UEA: discretionary accruals

To measure disclosure use is Jensen model (2002): *DSCORit = DISit /DISj*

In this study, in order to measure the degree of influence of the conservative will be used the approach of market value to book value. The research model is as follows:

$$BTM_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 LEVERAGE_{it} + \beta_3 UEA_{it} + \beta_4 DSCOR_{it} + \beta_5 AGE_{it} + \beta_6 INDUSTRY_{it} + \varepsilon_{it}$$

age and industry variables are control variables. The variable size is equal to total assets and the leverage variable is equal to total debt to total assets.

Data Analysis

In the following table show abbreviation mark variable and symbol used for them.

symbol	Abbreviation mark	variable
Y	BTM_{it}	conservestim
X_1	$DSCOR_{it}$	disclosure
X_2	$LEVERAGE_{it}$	leverage
X_3	$SIZE_{it}$	Firm size
X_4	UEA_{it}	discretionary accruals
X_5	AGE_{it}	age
X_6	$INDUSTRY_{it}$	industry

Given that the F-test statistic is less than 5% can be expressed of the data are panel. The Hausman test statistic is less than 5% and this indicates that the intercept data as fixed effects. The data processing is done in the form of the Panel.

Output table2

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 08/03/14   Time: 12:18
Sample: 1387 1391
Periods included: 5
Cross-sections included: 121
Total panel (balanced) observations: 605
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	3.37E+10	1.06E+10	3.193674	0.0015
X2	-2.96E+10	6.70E+09	-4.409622	0.0000
X3	6.55E-05	0.000313	0.209533	0.8341
X4	-7.84E-05	0.000353	-0.222075	0.8243
X5	-7.16E+08	4.50E+08	-1.591260	0.1121
X6	-11214.42	20023.13	-0.560073	0.5756
C	4.98E+10	2.10E+10	2.372722	0.0180

Effects Specification

			S.D.	Rho
Cross-section random			5.22E+10	0.5077
Idiosyncratic random			5.14E+10	0.4923

Weighted Statistics

R-squared	0.052524	Mean dependent var	2.69E+09
Adjusted R-squared	0.043018	S.D. dependent var	5.27E+10
S.E. of regression	5.16E+10	Sum squared resid	1.59E+24
F-statistic	5.525132	Durbin-Watson stat	0.733719
Prob(F-statistic)	0.000014		

Unweighted Statistics

R-squared	0.031103	Mean dependent var	6.68E+09
Sum squared resid	3.26E+24	Durbin-Watson stat	0.357528

Hypothesis1: The results of testing the coefficients significance in Table 2 show that the significance level of t-statistics for the variable firm size(X3) is more than 0.05, so we can say that the relationship between firm size and the level of conservatism accounting is not significant.

Hypothesis2: The results of testing the coefficients significance in Table 2 show that the significance level of t-statistics for the variable firm size(X2) is less than 0.05, so we can say that the relationship between leverage and the level of conservatism accounting is significant.
Hypothesis3: The results of testing the coefficients significance in Table 2 show that the significance level of t-statistics for the variable firm size(X4) is more than 0.05, so we can say that the relationship between discretionary accruals size and the level of conservatism accounting is not significant.
Hypothesis2: The results of testing the coefficients significance in Table 2 show that the significance level of t-statistics for the variable firm size(X1) is less than 0.05, so we can say that the relationship between disclosure and the level of conservatism accounting is significant.

Conclusion

This study considered of firm size based on assets. According to results no effect of firm size on the level of conservatism. This is not the same with research Asadi and Jalaliyan. One indicator of the improving the quality of financial reporting is observance conservative. Ahmad and Dyvlman believe that business unit with high leverage have the more problems between shareholders and lenders conservative accounting are less these problems. In this study, financial leverage affects accounting conservatism. According to the results of the test hypothesis can be said that discretionary accruals no effecting the conservative. This related to the part of accruals that is provided management.
Existence conservatism the financial statements over the keeps interests of investors. The therefore recommended to investors in the decisions considere relations between conservatism and variables.

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