THE ASSET STRUCTURE AND LIQUIDITY EFFECT ON FINANCIAL REPORTING QUALITY AT LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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Abstract
This research is the investigation of the effect Asset structure and Liquidity on financial reporting quality of listed companies in Tehran Stock Exchange (TSE). The goal of this present research is application and the type of research methodology is causal. Statistic population is firms listed in Tehran Stock Exchange, and using systematic elimination sampling method, were selected as sample 100 firms, and time period has been during the years 2007 to 2011. The method used for information gathering is library research and this test hypotheses, we used of multivariate regression. The results of this research show that liquidity significant and positive has effect on financial reporting quality. Also, asset structure significant and negative has effect on financial reporting quality.

Keywords: financial reporting quality, asset structure, liquidity

1- Introduction
Cohesion is a leading supplier of middle managers in strategic direction for Shared commitment to achieving goals and creating space program and move toward success. Determining the proper strategy is a process whereby the organization’s goals set up your environment provides the conditions of its realization. The organizational strategy is an effective means to achieve organizational goals. Many successful companies in the not too distant past, some have lost their positions, and even gives and overview of the activities been replaced. The main cause of these changes Dare claimed that the lack of proper understanding the environmental conditions and the lack of a long-term planning, including the reasons for the failure of these companies and units have been (Hagen and Antonella, 2011).

In fact, the company's overall corporate strategy decisions. These decisions cannot be taken as a decentralized and lower level managers (Mintzberg, 1981). Quality of financial reporting standards that useful information is segregated from other information Enhance the usefulness of financial information. Quality of financial reporting is to accurately reported information to better explain the company's operations in practice, information on company cash flow of information that is of interest to investors. It defines the quality of financial reporting in accordance with the Accounting Standards Board States that one of the objectives of financial reporting, Inform creditors and potential investors to help reasonable decision-making and evaluation of the company's expected cash flow (Biddle et al, 2009).

1 Correspondence author
Financial reporting quality is an important issue the attention of managers, investors and shareholders, why the task of managers is to improve the quality of financial reporting company. Companies that have the potential of strategy and corporate governance, quality financial reporting will experience Companies with strong governance, strategies are used, leading to improved quality of financial reporting and the resulting performance can be increased. On the other hand , companies that do not have such a strategy , of course, improving credit quality of financial reporting and the value of the company and therefore it is uncertain ; Because the company's strategy to spur the company's financial reporting quality.

Chatterjee (2012), an examination of the impact of corporate strategy on firm performance the sample consisted of 413 companies conducted between 1998 and 2008; the results of this study suggest that corporate strategy and significant positive impact on firm performance. Hug and colleagues (2013 ) , in a study examining the relationship between business strategy and earnings quality of listed companies on the Australian Stock exchange in the period from 1999 to 2009 with the number 14729 ( firm-year) paid ; the results show that there is a direct link between business strategy and earnings quality.

Babai Gazijahani et al ( 2013 ) , the research examines the factors affecting the timeliness of annual financial reporting of listed companies in Tehran Stock Exchange data using linear regression over the period 2007 to 1390, 91 companies paid ; The results indicate that corporate profitability is positive and significant impact on the financial reporting of annual updates and the timeliness of financial reporting and annual financial leverage has a significant negative impact on the degree of diversification of the company's annual impact on the timeliness of financial reporting . Also, the operating cycle and the Company has no impact on the financial reporting of annual updates.

Dehgan et al (2013), in a study entitled The effects of trade and working capital strategies working on earnings quality of listed companies in Tehran Stock Exchange in the period 1385 to 1390 the population included 94 companies did; The results show that sales growth is positive and significant impact on the quality of corporate profits and other business strategies and measures of working capital does not affect the quality of earnings.

Due to the above, the main research question can be stated that the impact of this strategy on the quality of financial reporting of listed companies in Tehran Stock Exchange how is it?

2- Methods

The aim of the present study, the research method was applied and Ali (after the event) is.

The spatial domain of study listed companies in Tehran Stock Exchange, Territory during the study period of 6 years from 2007 to 2011. In this study, sampling systematically removed, and after applying the selection criteria will be:

- Companies should your fiscal year is changed during those periods.
- As investment firms, banks and leasing is not due to the nature of certain activities.
- Financial information required by the company to calculate the variables available.
- Companies should not be in the timeframe of a Zyanand companies.

After the above restrictions, 100 companies were selected as sample.

To collect the data, the library approach is used. Information required by the New Deal and software Tehran Stock Exchange site collection, data analysis was performed using software EVIEWS and SPSS.

3- Research model and variables

In this study, four models to examine the impact of corporate strategy on the quality of financial reporting is:

FRQ_{it} = \alpha_{i,t} + \beta_1 \text{AS}_{i,t} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{LEV}_{i,t} + \beta_4 \text{SR}_{i,t} + \epsilon_{i,t} \quad \text{models1}

FRQ_{it} = \alpha_{i,t} + \beta_1 \text{LIQ}_{i,t} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{LEV}_{i,t} + \beta_4 \text{SR}_{i,t} + \epsilon_{i,t} \quad \text{models2}
4- Variables and how to measure them

In this study, measures of corporate strategy (sales growth, potential growth, asset structure and liquidity) as the independent variable, the quality of financial reporting as a dependent variable and firm size, financial leverage and systemic risk was considered as control variables, which is calculated as follows:

1. Structure of Assets (AS)\(^2\): Asset structure in this study is calculated using equation (Nvrl Hoag et al., 2013):
   \[
   AS = \frac{\text{Property, Plant and Equipment}}{\text{Total Assets}}
   \]

2. Liquidity (LIQ)\(^3\): Liquidity in this study is calculated from the equation (Nvrl Hoag et al., 2013):
   \[
   LIQ = \frac{\left(\text{Cash balance of short + term capital}\right)}{\text{Total Assets}}
   \]

3. Financial reporting quality (FRQ): Quality of financial reporting in this study using the model of Francis et al (2005) have been measured:
   \[
   TAC_{i,t} = \alpha_{i,t} + \beta_1 CFO_{i,t-1} + \beta_2 CFO_{i,t} + \beta_3 CFO_{i,t+1} + \beta_4 \Delta REV_{i,t} + \beta_5 PPE_{i,t} + \varepsilon_{i,t}
   \]
   Where;
   \begin{align*}
   TAC_{i,t} & : \text{Total accruals of firm i in year t} \\
   CFO_{i,t-1} & : \text{Operating cash flow of firm i in year t-1} \\
   CFO_{i,t} & : \text{Operating cash flow of firm i in year t} \\
   CFO_{i,t+1} & : \text{Operating cash flow of firm i in year t+1} \\
   \Delta REV_{i,t} & : \text{Changes in sales of firm i in year t} \\
   PPE_{i,t} & : \text{Total property, plant and equipment for firm i in year t} \\
   \varepsilon_{i,t} & : \text{Which has zero mean and variance of the error is assumed to be constant}.
   \end{align*}

4. Firm size (SIZE): In this study, firm size by the natural logarithm of book value of assets to be measured.

5. Financial leverage (LEV): In this study, financial leverage is calculated by the following equation (Hug et al, 2013):
   \[
   LEV = \frac{\text{Debts}}{\text{Assets}}
   \]

6. Systematic risk (SR): Factor beta (β) is an indicator of systematic risk. β a financial asset, the asset returns are sensitive to the market's total return measures. The data is extracted through the application of innovative outcomes.

7- Findings

Reliability of variables means that the mean and variance covariance over time and between different variables is constant. Reliability variables. To evaluate the reliability of the variables the two tests Lyon, Lynn Dickey Fuller and Choi and used, the results in Table (1) provided:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Testing Lyon, Lin and Choi</th>
<th>Dickey Fuller test</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS</td>
<td>-27/7033, 0.000</td>
<td>389/579, 0.000</td>
</tr>
</tbody>
</table>

\(^2\) Asset Structure  
\(^3\) Liquidity
As in Table 1 can be seen, the significance level (p-value) is less than 5% for all variables; thus it can be stated that Mean all variables are approved at 95%.

7-1 Descriptive statistics for variables
Descriptive statistics for variables in Table (2) provided:
Table 2: Descriptive statistics of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Average</th>
<th>Maximum</th>
<th>Minimum</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS</td>
<td>0.284</td>
<td>0.890</td>
<td>0.0003</td>
<td>0.209</td>
</tr>
<tr>
<td>LIQ</td>
<td>0.067</td>
<td>0.515</td>
<td>0.0006</td>
<td>0.077</td>
</tr>
<tr>
<td>FRQ</td>
<td>0.123</td>
<td>0.355</td>
<td>0.001</td>
<td>0.042</td>
</tr>
<tr>
<td>SIZE</td>
<td>5.914</td>
<td>7.944</td>
<td>4.838</td>
<td>0.545</td>
</tr>
<tr>
<td>LEV</td>
<td>0.552</td>
<td>0.890</td>
<td>0.0405</td>
<td>0.162</td>
</tr>
<tr>
<td>SR</td>
<td>0.313</td>
<td>2.604</td>
<td>-3.159</td>
<td>0.625</td>
</tr>
</tbody>
</table>

In Table 2, the main core index, which represents the average balance point and distribution center and a good index to show the data center. For example, the mean value for the variable is sales growth (AS) is equal to (0.209), which indicates that more data are concentrated around this point.

In general, scattering parameters, criteria for determining the amount of each distribution or dispersion relative to the average. The main parameters of dispersion, standard deviation, the value of this parameter for varying systematic risk (SR) equal to (0.625), and the variable quality of financial reporting (FRQ) is equal to (0.042) is which shows the variation of systematic risk (SR) and financial reporting quality (FRQ) are the highest and lowest dispersion.

7-2 FLymr test (Chow) and Hausman test
FLymr test (Chow) and Hausman test for the hypothesis of the study (Table 3) provided:
Table 3: Results FLymr test (Chow) and Hausman test

<table>
<thead>
<tr>
<th>Research hypotheses</th>
<th>FLymr test (Chow)</th>
<th>Hausman test</th>
<th>Method of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>p-value</td>
<td>F</td>
</tr>
<tr>
<td>The third hypothesis</td>
<td>0.995358</td>
<td>0.0490</td>
<td>8.739501</td>
</tr>
<tr>
<td>The fourth hypothesis</td>
<td>1.708495</td>
<td>0.0002</td>
<td>19.258807</td>
</tr>
</tbody>
</table>

In Table 3, the p-value was calculated according to the values of the Hausman test for the hypothesis of the study is less than 5%, the fixed effects model is accepted.

7-3 Test the hypothesis
The first hypothesis: The Liquidity effect on financial reporting quality at listed companies in Tehran Stock Exchange
In the first hypothesis that alleged research, asset structure has a positive impact on the quality of corporate financial reporting, to review the proof of the claim, the results in Table (4) provided:
Table 4: Results of the first hypothesis testing

<table>
<thead>
<tr>
<th>Detection</th>
<th>t-statistics</th>
<th>The coefficient α</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>prob</td>
<td>t</td>
<td>β</td>
<td></td>
</tr>
<tr>
<td>Not rejected</td>
<td>0.0000</td>
<td>-11.78408</td>
<td>AS</td>
</tr>
</tbody>
</table>
Table 4, according to Durbin Watson statistic in the original model with autocorrelation is clear that the above model. The coefficient of determination obtained indicates about 23% the variability in the independent variable control to be justified. Prob value obtained for the assets (AS) equal to (0.0000) and quality factor (-0.096003) indicate that the asset structure (AS) on financial reporting quality (FRQ) is negative and significant at 95 percent.

The second hypothesis: The Asset structure effect on financial reporting quality at listed companies in Tehran Stock Exchange

The second hypothesis that alleged research, liquidity has a positive impact on the quality of corporate financial reporting in order to review the proof of the claim, the results in Table (5) provided that:

Table 5: Results of the second hypothesis testing

Table 5, according to Durbin Watson statistic in the original model with autocorrelation is clear that the above model. The coefficient of determination obtained indicates about 2% the variability in the independent variable control to be justified. Prob value obtained for liquidity (LIQ) equal to (0.0369) and quality factor (0.053388) suggests that liquidity (LIQ) on financial reporting quality (FRQ) is positive and significant at the 95 percent confidence level impact.

8- Discussion and conclusions

According to the results of the research hypotheses can be paraphrased liquidity is positive and significant impact on the quality of corporate financial reporting and asset structure has a negative effect on the quality of corporate financial reporting. Strategy, first of all, in an environment that is constantly changing and has high complexity and uncertainty, organizations will gain a certain direction. In fact, the organization’s strategy can be likened to a ship that does not have a compass. Financial reporting quality is an important topic that has attracted the attention of managers, investors and shareholders, why the task of managers is to improve the quality of financial reporting company. Companies that have the potential of strategy and corporate governance, financial reporting quality will experience. Companies with strong authority, employ strategies that lead to improved quality of financial reporting and the resulting performance can be increased. On the other hand, companies that do not have such a strategy, certainly improve the reliability and value of the company and the quality of its financial...
reporting is uncertain; Because the company's strategy to spur the company’s financial reporting quality. Thus it can be stated that the quality of financial reporting in the company’s market capitalization is influenced corporate strategy, the strategy of the company on the stock market can be a strong role to play in explaining and describing the quality of financial reporting. Increase the company Fixed Assets can be one of the factors affecting the Company’s assets. Given that managers of Iranian companies associated with fixed assets of the company to increase efficiency and profitability knows, the increase in fixed assets of the company higher profits and efficiency reasons cannot participate. So it is likely that the increase in fixed assets, profits affect or even reduce profits and thus lead to lower quality of financial reporting. The results of the survey findings Hug and colleagues (2013), Tehrani and colleagues (2008), but the poor and Baseri (2010) and Easy and Said (2012) is consistent with the findings of Farmer et al (2013) did not match.

8-1 Applied research proposals
1. The results for the users of financial information to managers, Holders of Government for the privatization of state-owned enterprises may be applicable. Based on this study, a specific strategy for dealing with companies that have greater financial reporting quality experience. Therefore, our shareholders may decide to use the results of this research.
2. The findings of the research is to identify factors that may be associated with the quality of corporate financial reporting, Thereby helping investors make decisions and to facilitate control of the company's investment policy, therefore, we can now consider the company's strategy to stimulate the quality of financial reporting; offered to investors when making decisions regarding the company's business strategy; Because any change in this variable, a change in the quality of financial reporting corporation.
3. It is recommended that users of financial reports to make economic decisions, corporate strategy as positive factors, consider the quality of financial reporting.
4. According to the results of the hypothesis is proposed to corporate managers, and quality of financial reporting by companies of their corporate strategy; The Stock Exchange of this variable in terms of its impact on the quality of financial reporting is now more attention.
5. The findings suggest that the strategy of the company's assets and the quality of financial reporting and the significant negative impact. Shareholders and managers suggested, measures in order to operate the company’s strategy has led to a decline in the asset quality of financial reporting is not.

Resources