THE SALES GROWTH AND GROWTH POTENTIAL 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 Sales growth and Growth potential 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 of sale growth, potential growth has effect on financial reporting quality.

Keywords: Sales growth, Growth potential, financial reporting quality

1- Introduction
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).

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

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suggest that corporate strategy and significant positive impact on firm performance. 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 Zyandh 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:

\[ FRQ_{i,t} = \alpha_{i,t} + \beta_1 \Sigma STR_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 SR_{i,t} + \epsilon_{i,t} \] models1
\[ FRQ_{i,t} = \alpha_{i,t} + \beta_1 PG_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 SR_{i,t} + \epsilon_{i,t} \] models2

Where :
FRQ_{i,t} : Quality of financial reporting firm i in year t
Σ STR_{i,t}: Strategy metrics firm i in year t
SIZE_{i,t}: Size of firm i in year t
LEV_{i,t}: Financial leverage oaanf firm i in year t
SG_{i,t}: Sales growth of firm i in year t
PG_{i,t}: Potential growth of firm i in year t

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. Sales growth (SG)\(^2\): In this study, the relationship between sales growth is calculated (Nvrvl Hoag et al, 2013):

\[ SG = \frac{Current \ year \ Previous \ year \ 's \ sell - sell}{Sales \ last \ year} \]

2. Potential growth (PG)\(^3\): Growth potential in this study is calculated by the following equation (Nvrvl Hoag et al, 2013):

\[ PG = \frac{Market \ value \ of \ assets}{Book \ value \ of \ asset} \]

5. Financial reporting quality (FRQ): Quality of financial reporting in this study using the model of Francis et al (2005) have been measured:

\[ TAC_{i,t} = \alpha_{i,t} + \beta_1 CFO_{i,t-1} + \beta_2 CFO_{i,t} + \beta_3 CFO_{i,t+1} + \beta_4 \Delta REV_{i,t} + \beta_5 PPE_{i,t} + \epsilon_{i,t} \]

\(^2\) Sales Growth
\(^3\) Potential Growth
Where:
TAC\(_{it}\): Total accruals of firm i in year t
CFO\(_{it}\): Operating cash flow of firm i in year t
CFO\(_{i,t-1}\): Operating cash flow of firm i in year t-1
CFO\(_{i,t+1}\): Operating cash flow of firm i in year t+1
\(\Delta \text{REV}\(_{it}\): Changes in sales of firm i in year t
PPE\(_{it}\): Total property, plant and equipment for firm i in year t
\(e_i\): Which has zero mean and variance of the error is assumed to be constant.

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

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

8. Systematic risk (SR): Factor beta (\(\beta\)) is an indicator of systematic risk. \(\beta\) 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.

5- 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 1: Test variables at 95% confidence level

<table>
<thead>
<tr>
<th>Variables</th>
<th>Testing Lyon, Lin and Choi</th>
<th>Dickey Fuller test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>p-value</td>
</tr>
<tr>
<td>SG</td>
<td>-32/1346</td>
<td>0.000</td>
</tr>
<tr>
<td>PG</td>
<td>-30/2910</td>
<td>0.000</td>
</tr>
<tr>
<td>FRQ</td>
<td>-34/6541</td>
<td>0.000</td>
</tr>
<tr>
<td>SIZE</td>
<td>-30/2144</td>
<td>0.000</td>
</tr>
<tr>
<td>LEV</td>
<td>-18/0792</td>
<td>0.000</td>
</tr>
<tr>
<td>SR</td>
<td>-87/8921</td>
<td>0.000</td>
</tr>
</tbody>
</table>

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%.

5-1 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>SG</td>
<td>0/227</td>
<td>3/904</td>
<td>-0/718</td>
<td>0/424</td>
</tr>
<tr>
<td>PG</td>
<td>1/365</td>
<td>3/823</td>
<td>0/097</td>
<td>0/505</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 (SG) is equal to (0.227), 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) which shows the variation of systematic risk (SR) and financial reporting quality (FRQ) are the highest and lowest dispersion.

Minimum and maximum values, for example, the variable sales growth (SG) respectively (0.718- and 3.904) is indicates that the variable is sales growth (SG), minimum value (0.718) and the highest value (3.904) into account.

5-2 F Lymr test (Chow) and Hausman test
FLymr test (Chow) and Hausman test for the hypothesis of the study (Table 3) provided:

<table>
<thead>
<tr>
<th>Research hypotheses</th>
<th>F Lymr test (Chow)</th>
<th>Hausman test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>p-value</td>
</tr>
<tr>
<td>The first hypothesis</td>
<td>1.970854</td>
<td>0.0000</td>
</tr>
<tr>
<td>The second hypothesis</td>
<td>1.553111</td>
<td>0.0018</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.

5-3 Test the hypothesis
The first hypothesis testing research: Sales growth has a positive impact on the quality of corporate financial reporting.

The first research hypothesis, which claimed the company's sales growth has a positive effect on the quality of financial reporting, to review the proof of the claim, the results in Table (4) provided:

<table>
<thead>
<tr>
<th>Detection</th>
<th>t-statistics</th>
<th>The coefficient β</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>prob</td>
<td>t</td>
<td></td>
<td>α</td>
</tr>
<tr>
<td>0.0000</td>
<td>8.358890</td>
<td>0.169790</td>
<td></td>
</tr>
<tr>
<td>Not rejected</td>
<td>0.0000</td>
<td>10.20524</td>
<td>0.041728</td>
</tr>
<tr>
<td>Not rejected</td>
<td>0.0070</td>
<td>-2.708915</td>
<td>-0.008797</td>
</tr>
<tr>
<td>Be rejected</td>
<td>0.6986</td>
<td>-0.387483</td>
<td>-0.004130</td>
</tr>
<tr>
<td>Be rejected</td>
<td>0.2458</td>
<td>-1.161869</td>
<td>-0.003275</td>
</tr>
<tr>
<td>Prob (F)</td>
<td>F statistics</td>
<td>Adjusted coefficient of determination</td>
<td>The coefficient of determination</td>
</tr>
<tr>
<td>-</td>
<td>0.000000</td>
<td>27.71265</td>
<td>0.176365</td>
</tr>
</tbody>
</table>

Table (4), according to Durbin Watson statistic in the initial model was found to be the model of autocorrelation. The coefficient of determination obtained indicates about 18% the variability in the independent variable control to be justified. Prob value obtained for sales growth (SG) equal to (0.0000) and quality factor (0.041728) indicates sales growth (SG) on financial reporting quality (FRQ) is positive and significant at the 95 percent confidence level impact. Second hypothesis testing: Growth potential positive impact on the quality of corporate financial reporting.

The second hypothesis that the alleged growth potential positive impact on the quality of corporate financial reporting, to review the proof of the claim, the results in Table (5) provides that:

<table>
<thead>
<tr>
<th>Detection</th>
<th>t-statistics</th>
<th>The coefficient β</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>prob</td>
<td>t</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.0000</td>
<td>-0.1000</td>
</tr>
<tr>
<td></td>
<td>30.0000</td>
<td>0.176365</td>
<td>0.182967</td>
</tr>
</tbody>
</table>
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. P-value obtained for potential growth (PG) equal to (0.0450) and quality factor (0.007946) indicates the potential growth (PG) on financial reporting quality (FRQ) is positive and significant at the 95 percent confidence level impact.

6- Discussion and conclusions

According to the results of the research hypotheses can be paraphrased as the growth in sales, growth potential is positive and significant impact 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.

Resources