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## **Extended Abstract**

### **Investigation of Relationship between Earnings Volatility and Earnings Predictability**

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#### **Introduction**

This study investigated the relationship between earnings volatility and earnings predictability. The motivation for this topic comes from several sources. First, a number of applications require the prediction of earnings while our knowledge in this area remains limited, especially for long-run forecasts of earnings. Second, recent survey evidence reveals widely held managerial beliefs that earnings volatility reduces earnings predictability. Thus, this study can be viewed as a test of the validity and utility of these beliefs. Third, existing findings offer some conjectures about the possible mechanisms which drive the relation between earnings volatility and earnings predictability.

Economic factor is including economic environment that contains all of the individuals and institutions and other forces whose functions are affected. The accounting factors effecting on the above mentioned relationship are: matching quality, accrual quality, earnings smoothing.

#### **Methods**

The sample includes 165 companies in Tehran Stock Exchange (TSE) with data available from 1374-1378. In order to obtain the required data yearly and seasonally financial reports from Stock Exchange database and tadbirpardaz software were employed.

## **Hypothesis**

According to theoretical issues raised, research hypothesis can be stated as follows:

H1: Earnings volatility in short term will be negatively correlated with earnings predictability.

H2: Earnings volatility in long term will be negatively correlated with earnings predictability.

H3: Relations between yearly earnings predictability and earnings volatility in short term will be equal to relations between seasonal earnings predictability and Earnings volatility.

## **Results**

Findings from this research indicate that there is a negative correlation between earnings volatility and earnings predictability in the short and long term. Also there is a positive relationship between seasonal earnings volatility variable and earnings predictability variable. The results show relationship between the earnings volatility and earnings predictability is weaker than relationship between seasonal earnings volatility and earnings predictability variable.

**Keywords:** Earnings volatility, Earnings predictability, Economic and accounting factors.