

Extended Abstract

**Effective Factors on Disclosure Quality of the Firms
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Introduction

Since the 1960s there has been an increased interest in accounting disclosure studies. In broad terms two significantly different approaches to researching accounting disclosure have emerged in the literature. The first approach is primarily based on sending questionnaire forms to a number of financial accounting users requesting them to rank specified accounting items in accordance with their degree of importance for decision-making processes. The second group addresses the association between a constructed disclosure index of mandatory, voluntary or total accounting disclosure and certain firm characteristics. This paper pertains to the second group of accounting disclosure studies and uses the scores assigned to each firms by Securities and Exchange Organization as a disclosure quality measure. Two reasons contribute to the importance of this study. First, disclosure quality has been receiving an increasing amount of attention in recent accounting studies. Secondly, this study provides insight into how the effects of certain firm specific characteristics, namely structural and financial variables may hold up in other international financial reporting and regulatory jurisdictions.

Furthermore, the effects of audit firm size and “Implementary instruction of information disclosure for the firms listed in organization” on the disclosure quality of the firms listed in Tehran Stock Exchange (TSE) are investigated. The results of the analysis are expected to help

explain the variation of current and prospective disclosure extent in light of the aforementioned firm-specific characteristics.

Research Hypotheses

Given the purpose of the study, ten following hypotheses are developed and tested by using data gathered from 149 Iranian companies listed in Tehran Stock Exchange (TSE) for the period 1382 to 1387:

a) There is a significant relationship between structure-related variables and disclosure quality of the firms listed in TSE.

1. There is a significant relationship between size and disclosure quality of the firms listed in TSE.

2. There is a significant relationship between age and disclosure quality of the firms listed in TSE.

3. There is a significant relationship between ownership structure and disclosure quality of the firms listed in TSE.

4. There is a significant relationship between board composition and disclosure quality of the firms listed in TSE.

5. There is a significant relationship between industry type and disclosure quality of the firms listed in TSE.

b) There is a significant relationship between financial-related variables and disclosure quality of the firms listed in TSE.

6. There is a significant relationship between profitability and disclosure quality of the firms listed in TSE.

7. There is a significant relationship between financial leverage and disclosure quality of the firms listed in TSE.

8. There is a significant relationship between liquidity and disclosure quality of the firms listed in TSE.

C) There is a significant relationship between audit firm size and disclosure quality of the firms listed in TSE.

D) There is a significant relationship between "Implementary instruction of information disclosure for the firms listed in organization" and disclosure quality of the firms listed in TSE.

Methods

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Post event inquiry researches have been used in this study (using historical information). For statistical analysis and to test hypotheses, descriptive statistics (mean and standard deviation) and inferential statistics (correlation-test, single and stepwise multiple linear regression, analysis of variance and paired test) are used. For measuring audit firm size and ownership structure, dummy variables are used.

Results

The findings of simple regression indicate that disclosure quality has a significant positive relationship with age, liquidity, profitability and size of audit and also a significant negative relationship with financial leverage and family ownership. Based on paired test, “Implementary instruction of information disclosure for the firms listed in organization” has a positive significant effect on disclosure quality of the firms. Furthermore, based on analysis of variance, type of industry is an effective factor on disclosure quality. However, no evidence confirming significant correlation between size and board composition with disclosure quality is found. According to the results of stepwise multiple regression, the four variables, financial leverage, size of audit, profitability and size of firm, explained 12 percent of disclosure quality changes.

Discussion and Conclusion

Regarding the results of secondary hypotheses related to first main hypothesis, judging about this main hypothesis is difficult, because two hypotheses (of five secondary hypotheses) were rejected. However, confirming the secondary hypotheses related to second main hypothesis, this main hypothesis was confirmed. In other words, there is a significant relationship between financial related variables and disclosure quality of the firms listed in TSE. Furthermore, other main hypotheses (3 and 4) are confirmed. In other words, audit firm size and “Implementary instruction of information disclosure for the firms listed in organization” are effective factors on the disclosure quality of the firms listed in Tehran

Stock Exchange (TSE).
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Keywords: Disclosure Quality, Structural Characteristics, Financial Characteristics, Audit Firm Size, “Implementary Instruction of Information Disclosure for the Firms Listed in Organization”