



The Interactive Effect of the Auditor's Size on the Relationship between Political Connections, Financial Crisis and Agency Costs in the Companies Admitted to the Tehran Stock Exchange

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ARTICLE INF	ABSTRACT
<p><i>Article history:</i> Received: 2019/06/18 Accepted: 2019/12/25</p>	<p>The aim of this research is to determine interactive effect of the auditor's size on the relationship between political connections, financial crisis and agency costs. Auditors can affect the selection of accounting methods by management and undesirable effects of ownership separation of and management can be diluted by reducing information asymmetry between consumers and suppliers. Top executives and administrators are often considered powerful because they can benefit from a set of benefits. A strong increase in financial confidence can lead to the bankruptcy of a large financial or non - financial institution. It is directly related to mistrust of the government's future policies. The statistical sample of this research consists of 90 companies in the time period of 1388 to 1396. The inferential statistic is based on logit regression, in which the combined data analysis and integration is used. The results of the first hypothesis showed that audit quality has a significant negative effect on the financial crisis of companies. The results of the second hypothesis showed that the effect of mediating the audit quality on the relationship between political connections and agency costs has a significant negative effect. The results of the third hypothesis showed that the effect of the mediating effect of audit quality on the relationship between political connections and financial crisis has no significant effect.</p>
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1- Introduction

The aim this research is to determine the relationship between political connections, financial crisis and agency costs. Auditors can affect the

selection of accounting methods by management and undesirable effects of ownership of ownership and management can be diluted by reducing information asymmetry between consumers and suppliers. Top executives and administrators are often considered powerful because they can benefit from a set of benefits. A strong increase in financial confidence can lead to the bankruptcy of a large financial or non - financial institution. It is directly related to mistrust of the government's future policies.

2- Hypothesis

The aim this research is to determine interactive effect of the auditor's size on the relationship between political connections, financial crisis and agency costs of the companies listed in Tehran Stock Exchange. Consequently, the following hypothesis are provided:

H1: *Audit quality has a significant effect on the financial crisis.*

H2: *Audit quality has a significant effect on the relationship between political connections and agency costs.*

H3: *Audit quality has a significant effect on the relationship between political connections and financial crisis.*

3- Methods

This is an applied research in terms of purpose and in terms of method, it is descriptive research which is based on log it regression analysis. For data analysis and hypothesis testing, the information required through the audited financial statements has been collected for 90 companies for a period of 9 years (2009 to 2017). For to the final analysis, EViews software is used.

4- Results

The results of the first hypothesis showed that audit quality has a significant negative effect on the financial crisis of companies.

The results of the second hypothesis showed that the effect of mediating the audit quality on the relationship between political connections and agency costs has a significant negative effect.

The results of the third hypothesis showed that the effect of the mediating effect of audit quality on the relationship between political connections and financial crisis has no significant effect.

5- Discussion and Conclusion

The results showed that, the first hypothesis showed that audit quality has a significant negative effect on the financial crisis of companies. Hence, auditors' role in helping investors in conscious decision making and enhancing the cohesion of financial markets is important. Lawmakers around the world have always been trying to improve the audit quality carried out by the auditors. The confidence of investors and creditors depends on the audit quality. As a result, the higher the audit quality, the more investors and creditors are willing to invest more and give more credit and take the company away from the financial crisis.

The results of the second hypothesis showed that the effect of mediating the audit quality on the relationship between political connections and agency costs has a significant negative effect. By increasing the audit quality, conflicts arising from the separation of ownership and management are reduced. As a result, the agency costs are reduced.

The results of the third hypothesis of research at 95 % confidence level showed that there is no significant relationship between the mediating quality of auditing on the relationship between political relations and financial crisis. Considering this assumption means that the audit organization has the highest quality. The quality of the audit organization may be less than some other institutions. It is also assumed that other auditing institutions may have higher quality. For this reason, there is no significant relationship between the mediating quality of auditing on the relationship between political connections and financial crisis.

Keywords: Political Connections, Agency Costs, Financial Crisis, Audit Quality.