



Financial Statement Comparability and Corporate Cash Holdings Emphasizing the Internal Aspects in Tehran Stock Exchange

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ARTICLE INF	ABSTRACT
<p><i>Article history:</i> Received: 2018/10/20 Accepted: 2019/07/27</p>	<p>In this paper, we investigate the effects of financial statement comparability on the corporate cash holdings of Tehran Stock Exchange firms. Required data for the study were collected from the financial statements of 110 firms in the 1390-1395 years. To examine the hypothesis, we used multivariate regression with panel data. For calculation of comparability of the model variable, we referred to Di Franco et al. (2011). The results revealed that there is negative and significant relationship between financial statement comparability and corporate cash holding. In addition, among the moderating variables in this research, financial reporting quality has a moderating role in influencing the Financial statement comparability with cash holdings. The negative relationship between the ability to compare financial statements and remuneration through the theory of representation is justifiable. Representative theory states that opportunistic managers spend on investing in projects with a net negative net worth</p>
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1- Introduction

In this paper, we investigate the effects of financial statement comparability on the corporate cash holdings of Tehran Stock Exchange firms. We further examine whether financing constraints, financial reporting quality, and firm-level corporate governance mediate this association. Financial statement comparability describes the degree of similarity in accounting choices among two or more firms and reflects “the relationship between two or more pieces of information” (Financial Accounting

Standards Board (FASB) [1980]). It also reflects the quality of the information that enables users to identify similarities and differences in the financial performance of two firms (Francis et al., 2014).

2- Hypothesis

In order to achieve the objectives of this research, the following hypothesis are developed:

H1: *Financial statement comparability has an effect on corporate cash holdings.*

H2: *Financing constraints mediate the effect of financial statement comparability on corporate cash holdings.*

H3: *Financial reporting quality mediates the effect of financial statement comparability on corporate cash holdings.*

H4: *Corporate governance, as proxies by institutional ownership, mediates the effect of financial statement comparability on corporate cash holdings.*

3- Methods

Required data for the study were collected from the financial statements of 110 firms in the 1390-1395 years. To examine the hypothesis, we used multivariate regression with panel data. For calculation of comparability of the model variable we referred to Di Franco *et al.* (2011). For assessment of the cash holdings, we used the model by Ozkan and Ozkan (2002).

4- Results

The results revealed that there is a negative and significant relationship between financial statement comparability and corporate cash holding. In addition, among the moderating variables in this research, financial reporting quality has a moderating role in influencing the Financial statement comparability with cash holdings.

5- Discussion and Conclusion

The negative relationship between the ability to compare financial statements and remuneration through the theory of representation is justifiable. Representative theory states that opportunistic managers spend on investing in projects with a net negative net worth.

Keywords: Financial Statement Comparability, Financial Reporting Quality, Cash Holdings.