

The Effect of Competition Proprietary Costs on Relationship between Sales and Cash Flow Instability and Financial Statement Comparability

Sayed Ali Vaez^{1*}, Rahim Bonabi Ghadim²

1. Associate Prof in Accounting. Faculty of Economic and Social Sciences, Shahid Chamran University, Ahvaz, Iran.
2. Assistance Prof in Accounting, Department of accounting, Hashrood Branch, Islamic Azad University, Hashrood, Iran, rahim.bonabi@yahoo.com

ARTICLE INF	ABSTRACT
<p><i>Article history:</i> Received: 2019/04/29 Accepted: 2019/12/14</p>	<p>The more comparable of financial statements, the lower the information asymmetry and so capital market is more efficient, which results in the optimal allocation of resources. The purpose of this study was to investigate the effect of Proprietary Costs of Competition on relationship between sales and cash flow Instability and Financial Statement Comparability in the companies Accepted in Tehran Stock Exchange. To test research hypothesis, the data of 126 companies accepted in Tehran Stock Exchange during the years 2009-2017 and multivariate regression has been used. The results show that sales fluctuation has a significant negative effect on the Financial Statement Comparability, and this effect is aggravated by the involvement of the Proprietary Costs of Competition (R & D expenditures). However, the cash flow fluctuations and sales growth fluctuations and their interactive effect With Proprietary Costs of Competition (R & D expenditures) have no significant effect on Financial Statement Comparability.</p>
<p>* Corresponding author: Sayed Ali Vaez Associate Prof in Accounting. Faculty of Economic and Social Sciences, Shahid Chamran University, Ahvaz, Iran</p> <p>E-Mail: sa.vaez@gmail.com</p>	

1- Introduction

One of the information channels about the status of companies is information about the financial statement comparability. The more comparable financial statements, the lower the information asymmetry and so capital market is more efficient, which results in the optimal allocation of resources. The purpose of this study was to investigate the effect of proprietary costs of competition on relationship between sales and cash flow

instability and financial statement comparability in the companies accepted in Tehran Stock Exchange.

2- Hypothesis

The proprietary costs of disclosing information is a cost that the organization will incur due to the disclosure of its confidential information and its potential use by its competitors. Increasing the competition proprietary costs leads to a reduction in the voluntary disclosure of information, information management and earning manipulation, which reduces the comparability of information. Competition will reduce the earnings and cash flows fluctuation and reduce the need for smoothing the profits. On the other hand, given the fact that the market punishes companies that have not achieved the expected performance, company managers with more competition and lower proprietary costs are more likely to smooth cash flows and fluctuate their profits. Ultimately, any earning management and smoothing, on the one hand, will reduce the fluctuations in the company's performance in the form of profits and cash flows (low risk showing the results of the company's activities), and, on the other hand, reduce the information quality and the ability to compare financial statements. In this regard, the assumptions are as follows:

H1: *The sales fluctuation affects the financial statements comparability.*

H2: *The sales growth fluctuation affects the financial statements comparability.*

H3: *The cash flows fluctuation affects the financial statements comparability.*

H4: *The competition proprietary costs moderate the effect of sales fluctuation on financial statements comparability.*

H5: *The competition proprietary costs moderate the effect of sales growth fluctuations on financial statements comparability.*

H6: *The competition proprietary costs moderate the effect of cash flow fluctuations on financial statements comparability.*

3- Methods

To test research hypothesis, the data of 126 companies accepted in Tehran Stock Exchange during the years 2009-2017 was extracted and multivariate regression was used.

4- Results

The results show that sales fluctuation has a significant negative effect on the financial statement comparability, and this effect is aggravated by the involvement of the proprietary costs of competition (R & D expenditures). However, the cash flow fluctuations and sales growth fluctuations and their interactive effect with proprietary costs of competition (R & D expenditures) have no significant effect on Financial Statement Comparability.

5- Discussion and Conclusion

The sales instability relative to the sales growth and cash flows instability is more of a use by ordinary shareholders and investors in determining the information quality and thus determining the value of the company. In addition, the proprietary costs of competition in form of disclosing more information, due to more fluctuations in current period performance than future periods, reduces the quality and comparability of information more and more.

Keywords: Sales Fluctuation, Cash Flow Fluctuations, Financial Statement Comparability, Proprietary Costs of Competition.