THE IMPACT OF CORPORATE GOVERNANCE MECHANISMS ON FINANCIAL REPORTING TRANSPARENCY

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Abstract

Corporate governance has been raised as one of the most important issues among the international business environment since the beginning of the twenty-first century. At first, corporate governance basic principles focused on firm’s strategies and the rights of their shareholders but these principles has been changed into the rights of all stakeholders and society through researchers new viewpoints. Although corporate governance codes and regulations are different in various countries, there is a common unanimity that better compliance of corporate governance improves financial reporting quality and transparency. The aim of this paper is to investigate the impact of corporate governance mechanisms on financial reporting transparency in Tehran Stock Exchange over a seven year period (from 2006 to 2012). Besides we have specially reviewed related researches and topics about corporate governance in various countries which their results were discussed in different parts of the article. In order to examine the hypothesis a sample of 67 companies is used. In this paper we used ownership concentration, institutional ownership, board independence, board size, CEO duality and CEO tenure as the corporate governance mechanisms. We also used earnings management behavior by employing Kasznik model (the absolute value of abnormal accruals) as a measure of financial reporting transparency. To test research hypothesis a multiple regression with estimated generalized least square method is employed. The findings indicate that ownership concentration, institutional ownership, board independence and CEO tenure has positively affected financial reporting transparency through earnings management behavior. On the other hand board size and CEO duality has negatively affected financial reporting transparency through earnings management behavior.

Keywords: Corporate Governance, Financial Reporting Transparency, Earnings Management, Kasznik Model, Accruals, Tehran Stock Exchange

1. INTRODUCTION

The prerequisite of market growth and development is to attract investor’s trust. Managers are directing the company as the shareholder’s deputy by separating ownership from management. Besides, there is a conflict of interests between managers and owners because of the different conception of risk, dividends and forecasts (Fuerst and Kang, 2003). So it is possible that managers may take some decisions which would affect owner’s interests invisibly (Jensen and Meckling, 1976).

Corporate governance is a system which improves the agency problems between managers and shareholders (Gompers et al., 2003; Jensen and Murphy, 1990; Vafeas, 1999). In fact the aim of designing corporate governance system is to draw a framework which ensures the balance between management latitude, responsibility and shareholders’ interests. However the main objective of corporate governance is the long term life of the organization and protecting the interests of shareholders against managers. Reducing corporate risk by improving transparency, accountability and corporate long-term efficiency through prevention of dictatorship and chief executive officer (CEO) irresponsibility are corporate governance two main objectives.
In order to line up managers and owners interests there are some instruments that are called corporate governance instruments. In this paper the corporate governance instruments are ownership concentration (OWNCON), institutional ownership (INSOWN), board independence (BRDIND), board size (BRDSZE), CEO duality (DUAL) and CEO tenure (TENURE). Establishing a well efficient corporate governance system will line up owners and managers interests (Fama and Jensen, 1983). It also improves firms’ operating performance and leads into firms’ growth. Beside according to financial scandals in recent decades, like Enron and Worldcom, there is a supposition that managers will manage earnings for their own interests not for the shareholders.

Most of the researchers indicate that the aim of earnings management is to misdirect financial statement users from the income result of the contracts. Therefore it is expected that by improving corporate governance in companies we could decrease the earnings management chance in order to increase financial reporting transparency by management.

2. LITERATURE REVIEW

2.1. Corporate governance system

Shleifer and Vishny (1997) believe that corporate governance is a set of methods which are designed to ensure investors that they will receive a fair return on their investment. In fact a comprehensive corporate governance system is a set of relations between shareholders, managers and auditors that ensure well establishment of a control system in order to keep the minority shareholders rights safe and to prevent any probable misfeasence. Corporate governance system is based on the social responsibility and accountability. This system is a set of functions and responsibilities that has to be taken by the company’s pillars in order to improve financial reporting transparency.

Improvement and optimization of the corporate governance system will lead into corporate long term value creation. The aim of well corporate governance is to reach stability, responsibility, accountability, justice, transparency and effectiveness in the entire company. In order to attract financial and human capital and also to ensure that the value creation is stabilized in the company, it is needed to determine trustable policies for the shareholders. Adequate corporate governance will lead into ensured relation between company and the stakeholders.

2.2. Corporate governance mechanisms

Corporate governance mechanisms literature is covered with six different mechanisms in order to control the agency costs. These six different mechanisms are ownership structure, capital structure, board structure, managerial remuneration, product market competition and takeover market (Kumar, 2004). This research is going to study the aspects of ownership and board structure with respect to the corporate governance mechanisms.

2.2.1. OWNCON

One of the monitoring features of corporate governance is OWNCON. The OWNCON in publicly held companies could be diffused (too many small shareholders) or concentrated (few large shareholders). A diffused concentration would cause agency problem due to the lack of ability and motivation of shareholders to control management. In addition, diffused shareholders do not have enough proficiency and information to take proper decisions. Ramsay and Blair (1993) believed that the increased large shareholders OWNCON would lead into integral control of management.

Demestz and Lehn (1985) believed that large shareholders unlike the small ones would tolerate fixed costs of data gathering in order to control the management. Munisi et al. (2014) believed that there is a negative relation between OWNCON, foreign ownership and managerial ownership with board size. They studied the relationship between board structure and ownership structure in 12 Sub-Saharan Stock Exchange for the period 2006-2009. Their findings indicate that both ownership and board structure are employed as the corporate governance mechanisms in order to reduce the agency problems.

Shareholders motivation to control management depends on their level of interests. In fact the cost-benefit of management monitoring is not effective for small shareholders who have lower interests. So that the performance of a company with large shareholders would probably be better than a company with small shareholders. Based on the Jensen and Meckling developed agency framework (1976) it is expected that the existence of large shareholders cause less opportunistic earnings management and also increase financial reporting transparency.

2.2.2. INSOWN

Institutional investors have an important role in corporate governance system. They bring enough knowledge and experience especially in financial matters to monitor the management. This can also line up the managers and shareholders interests to maximize shareholder’s wealth. INSOWN will concentrate managers focus on companies’ performance and also decrease their opportunistic behavior. Yu (2006) studied the effect of institutional investors on managers earnings manipulation. His findings indicated that the more institutional shareholders, the less earnings management and increased financial reporting transparency would arise.

2.2.3. BRDIND

Board of directors is the most important factor in management control and monitoring and also in shareholders interests protection (Fama and Jensen, 1983). The results of studies shows that the board of directors have an important role in companies performance improvement and maximization shareholder’s wealth. Based on agency theory, managers might try to maximize their utility by reducing shareholders interests. Hence, shareholders have leaned the control and monitoring issue to the board of directors (Fama and Jensen, 1983).
The board composition is considered as the ratio of non-executive directors in the board to its total members. So that the more independent members in board would decrease the agency problems (Hermalin and Weisbach, 1991). Usually the executive board stands at the same level of CEO. CEO is the highest executive manager with full power to select other managers in the company. Therefore, non-effective monitoring by the executive members is possible according to the figurative relation between executive members of the board and CEO. Moreover, since they have a control on compensation and job safety plans, they have potentially the ability to misuse them. Non-executive members in contrast with the executive ones, are independent from company’s management, so that they can effectively make their monitoring role. Hereupon, when the board is independent and has the higher ratio of non-executive members, the companies performance will be improved and any fraud likelihood in order to prepare illusory financial statements will be decreased theoretically (Beasley, 1996).

2.2.4. BRDSZE

When boards become too big, agency problems (such as director free-riding) increase within the board and the board becomes more symbolic and less a part of the management process (Hermalin and Weisbach, 2003). This also causes non effective CEO control and monitoring (Lipton and Lorsch, 1992) and makes planning, decision making and holding boards meetings difficult (Jensen, 1993). However, there is always a deficiency of advantages and different professional suggestions in smaller board comparing to bigger boards. Besides bigger board have advantages in experience, proficiency and nationality (Dalton and Dalton, 2005).

In addition smaller boards may use less non-executive members, so that there is no time for decision making and monitoring duties. It is considered that in the relation between BRDSZE and earnings management, the bigger boards are probably more cautious about agency problems; because more members are trying to control the management behavior (Kiel and Nicholson, 2003).

When boards become bigger it will composed of more independent members with different expertise (Xie et al., 2003). It is expected from board’s experienced members that to act more effective when they face earnings management. Big boards would probably assign their responsibilities to the sub-committees (Menon and Williams, 1994). Forming sub-committees by big boards may prepare more monitoring advantages (Klein, 2002).

2.2.5. DUAL

DUAL takes place when CEO takes the responsibility of board chairman. Dual structure allows the CEO to use the information available to other board member effectively, so that he would prevent any effective monitoring (Jensen, 1993).

Chang and Sun (2008) believed that after the financial scandals, investors become more suspicious that the DUAL may jeopardize the board’s fiduciary duties in monitoring a firm’s financial reporting, added that the DUAL potentially increases the risk of the CEOs making final decision on financial reporting, which may in turn increase the costs on monitoring managerial behaviors of earnings management.

Vintila and Duca (2013) studied the relationship between DUAL and corporate governance in Bucharest Stock Exchange. Their results showed that there is a positive and significant relationship between firm size and DUAL. They also found that there is no relationship between Leverage and DUAL.

Theoretically the DUAL increase the conflict of interests (Petra, 2005). Although, the theoretical literature implies that the separation of CEO’s position from board chairman improves corporate performance, the empirical research results are different.

2.2.6. TENURE in the board

Jensen and Meckling (1993) and Hermalin and Wiesbach (1988) have stated about TENURE that the CEO can control the board composition, so that their monitoring actions will be decreased. Since longer TENURE will increase his power and stability so that he would no longer pursue shareholders interests (Hermalin and Wiesbach, 1988). TENURE might affect the board’s monitoring responsibilities (Ebrahim, 2004).

2.3. Financial reporting transparency

Financial reporting standards are significantly focused on the needs of outside users. Hence, financial reporting is the most important device for management accountability by disclosing useful information for the shareholders. One of the most significant characteristics of these information is transparency so that the shareholder can depend on them. The high levels of financial reporting transparency indicate that the management was accountable. Financial reporting transparency reduces the information asymmetries and fraud probability and makes the fraud discovering easier. Therefore when the uncertainty is reduced then the company’s value will rise.

Price et al. (2011) believed the intention of the Code is to increase the willingness of foreign investors to extend capital to Mexican companies by increasing transparency and providing investors with confidence that they will receive a return on their investments.

From “Berglaf” point of view, financial reporting transparency improves investor’s awareness and cause trust among shareholders. The aim of this paper is to investigate the financial reporting transparency with respect to the earnings management behavior. In other words the financial reporting transparency increases when earnings management level by using abnormal accruals reduces.

3. RESEARCH HISTORY

Chtourou et al. (2001) investigated whether a firm’s corporate governance practices have an effect on the quality of its publicly released financial information. In particular, the examined the relationship between audit committee and board of directors
characteristics and the extent of corporate earnings management as measured by the level of positive and negative discretionary accruals. Their results showed that there is a significant relationship between earnings management and some corporate governance characteristics like audit committee and board of directors.

Fuk and Shin (2004) studied the role of the board by investigating the effect of board composition on the practice of earnings management in Canada. Their findings indicate that earnings were managed upward to avoid reporting losses and earnings declines. While outside directors, as a whole, did not reduce abnormal accruals, directors from financial intermediaries reduce earnings management, and the board representation of active institutional shareholders reduces it further. Their findings suggest that adding outside directors to the board may not achieve improvement in governance practices by itself, especially in jurisdictions where ownership is highly concentrated and the outside directors’ labor market may not be well developed.

Yang et al. (2009) investigated the effect of board structure and INSOWN structure on earnings management in 613 Malaysian companies. By using Jones modified model, their findings indicated that firms did higher earnings management and no significant relationship between earnings management and outside board of directors and INSOWN.

Ojah and Mokoaleni-Mokoteli (2012) used a panel of 44 developed and developing countries including 15 Asian countries, to analyze the macro-environmental determinants of Internet financial reporting within the context of corporate governance models. They addressed the question of which governance model’s disclosure demands are more associated with Internet financial reporting. Their results showed that both physical and institutional infrastructures were important determinants of a country’s adoption of Internet financial reporting. They also showed that requisite environmental infrastructures are a precondition for the success of any reporting system.

Matиш et al. (2012) studied the relationship between corporate governance and financial reporting process for companies listed on the Bucharest Stock Exchange. From a theoretical point of view they draw on literature arguing that informational transparency connects corporate governance mechanisms and the financial reporting process with benefits for stakeholders. Their results document a low level of corporate governance disclosure and the external auditor belonging to the Big4 as a determinant of sample companies’ corporate governance disclosure practices.

Moradzadehfard et al. (2012) studied the impact of board of directors’ remuneration and INSOWN on earnings management by using discretionary accruals in Tehran Stock Exchange listed companies. They applied Jones modified model in order to measure the level of earnings management. Their findings indicate that there is a negative relation between stock INSOWN and earnings management. In other words, by increasing the amount of stock owned by the institutional owners, the firm’s flexibility to manage accruals will reduce. They also found that there is a positive relation between board of directors’ remuneration and earnings management.

Ntim et al. (2013) examined the crucial policy question of whether the quality of firm-level corporate governance has any effect on the quality and extent of corporate risk disclosures (CRD) in South Africa (SA) with particular focus on the pre- and post-2007/2008 global financial crisis periods from 2002 to 2011. They found that CRD are largely ‘non-financial’, ‘historical’, ‘good news’ and ‘qualitative’ in nature over the ten-year period investigated. Their results indicate that block ownership and INSOWN are negatively associated with the extent of CRD, whilst board diversity, BRDSZE and independent non-executive directors are positively related to the extent of CRD. By contrast, dual board leadership structure has no significant connection with the extent of CRD.

Safari et al. (2015) investigated the association between the level of compliance of Australian listed companies with Australian corporate governance principles, in aggregate, and the level of discretionary accruals using the modified Jones model in 214 Australian listed companies from 2009 to 2010. Their results showed that there is a significant negative relationship indicating that companies with higher levels of compliance engage in lower levels of earnings management via discretionary accruals.

4. RESEARCH DESIGN AND METHODOLOGY

The research has used descriptive and correlation methods in order to examine the hypothesis. To do so the estimated generalized least squares regression is applied. The statistical data are gathered from Tehran Stock Exchange listed companies for a seven year period (from 2006 to 2012). To collect the sample, the systematic elimination method is used.

The sample must be consistent of firms which were accepted in Tehran Stock Exchange before 2006 and their corporate governance mechanisms information must be available during research period. Fiscal year of the sample firms must end to the March of each year (last month of solar year) and the company did not change it. The sample should not be including investment companies, financial intermediary, bank and Insurance companies, holdings and leasing. According to these conditions, in this study 67 companies were collected as the final sample.

4.1. Research hypothesis

According to the theoretical and literature foundation that are mentioned above, following hypothesis are proposed:

\[ H1: \] There is a significant positive relation between corporate governance mechanisms and financial reporting transparency.

\[ H1a: \] There is a significant positive relation between OWNCON and financial reporting transparency.

\[ H1b: \] There is a significant positive relation between INSOWN and financial reporting transparency.
There is a significant positive relation between BRDIND and financial reporting transparency.

H1d: There is a significant positive/negative relation between BRDSZE and financial reporting transparency.

H1e: There is a significant negative relation between DUAL and financial reporting transparency.

\[
AAI_{it} = \alpha_0 + \beta_1 \text{OWNCON}_{it} + \beta_2 \text{INSOWN}_{it} + \beta_3 \text{BRDIND}_{it} + \beta_4 \text{DUAL}_{it} + \beta_5 \text{TENURE}_{it} + \beta_6 \text{MVE}_{it} + \varepsilon_{it}
\]

To measure the dependent variable AAA (Absolute value of Abnormal Accruals) the Kasznik (1999) model is used:

\[
\frac{\text{T}A_{it}}{\text{TA}_{it-1}} = \alpha_0 \left( \frac{1}{\text{TA}_{it-1}} \right) + \alpha_1 \left( \frac{\Delta \text{REV}_{it} - \Delta \text{REC}_{it}}{\text{TA}_{it-1}} \right) + \alpha_2 \left( \frac{\text{PPE}_{it}}{\text{TA}_{it-1}} \right) + \alpha_3 \left( \frac{\Delta \text{CFO}_{it}}{\text{TA}_{it-1}} \right) + \varepsilon_{it}
\]

5.1. Descriptive statistics

Table 2 represents the descriptive statistics of all variables.

5.2. The results of hypothesis testing

According to Table 2; in order to calculate the abnormal accruals all variables of Kasznik model were deflated by firms total assets at the beginning of the year, so that the abnormal accruals are stated as a percent of total assets. The absolute average of abnormal accruals of the sample companies is 9.1% of total assets.
The results of testing the main hypothesis indicate that there is a significant positive relation between BRDSZE and DUAL with the level of earnings management. The earnings management will rise whenever the BRDSZE and DUAL increases and by that the financial reporting transparency will reduce. The results also show that there is a significant negative relation between OWNCON, INSOWN, BRDIND and TENURE with the level of earnings management. Increasing in these variables reduce the level of earnings management which leads into the improvement of financial reporting transparency. F-statistics and its significance level indicate that fitted regression model (Eq.1) on 99% confidence is significant. With respect to the fitted regression Adj.R^2, one can claim that 53% of dependent variable's changes are proved by the explanatory variables. Durbin-Watson statistic of the main model (Eq.1) shows that there is no autocorrelation problem. Thus the main hypothesis of the research is accepted and it can be stated that there is a significant relation between corporate governance mechanisms and financial reporting transparency (based on the absolute value of abnormal accruals) in Tehran Stock Exchange listed companies.

After testing the main hypothesis of the research, we started to test subsidiary hypothesis. In order to test first and second subsidiary hypothesis, two following models were used:

\[
AAA_{i,t} = \alpha_0 + \beta_1OWNCON_{i,t} + \beta_2MVE_{i,t} + \beta_3BME_{i,t} + \epsilon_{i,t}
\]  
(4)

\[
AAA_{i,t} = \alpha_0 + \beta_1INSOWN_{i,t} + \beta_2MVE_{i,t} + \beta_3BME_{i,t} + \epsilon_{i,t}
\]  
(5)

Table 4 shows the results of the above models for the first and second subsidiary hypothesis.

The results of testing first subsidiary hypothesis show that there is a significant negative relation between OWNCON and earnings management. So that higher concentration in the major shareholders leads to higher financial reporting transparency through lower earnings management. Besides, the results of testing second subsidiary hypothesis show that there is a significant negative relation between INSOWN and earnings management. So that higher concentration in the major shareholders leads to higher financial reporting transparency through lower earnings management. F-Statistic and its significance level indicate that fitted regression models (Eq.4 and Eq.5) on 99% confidence level are significant. According to the fitted Eq. (4) Adj.R^2, it can be claimed that 58% of dependent variables' changes were proved by explanatory variables. According to the fitted Eq. (5) Adj.R^2, it can be claimed that 66% of dependent variables' changes were proved by explanatory variables. Durbin-Watson statistics of both equations indicate that there is no autocorrelation problem. Therefore the first and second subsidiary hypothesis are accepted which means that there is a significant positive relationship between OWNCON and INSOWN with financial reporting transparency through earnings management behavior based on AAA.

In order to test third and fourth subsidiary hypothesis, two following models were used:

\[
AAA_{i,t} = \alpha_0 + \beta_1BRDIND_{i,t} + \beta_2MVE_{i,t} + \beta_3BME_{i,t} + \epsilon_{i,t}
\]  
(6)

\[
AAA_{i,t} = \alpha_0 + \beta_1BRDSZE_{i,t} + \beta_2MVE_{i,t} + \beta_3BME_{i,t} + \epsilon_{i,t}
\]  
(7)

Table 5 shows the results of the above models for third and fourth subsidiary hypothesis.

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The results of testing third subsidiary hypothesis show that there is a significant negative relation between BRDIND and earnings management. So that higher board independence leads to higher financial reporting transparency through lower earnings management. Besides, the results of testing fourth subsidiary hypothesis show that there is a significant positive relation between BRDSZE and earnings management. So that bigger boards will decrease financial reporting transparency through higher earnings management. F-Statistic and its significance level indicate that fitted regression models (Eq.6 and Eq.7) on 99% confidence level are significant. According to the fitted Eq. (6) Adj.R squared statistic of both equations indicate that there is no autocorrelation problem. Therefore the third subsidiary hypothesis is accepted which means that there is a significant positive relation between BRDIND and financial reporting transparency through earnings management behavior based on AAA. Besides the fourth subsidiary hypothesis is accepted too; which means that there is a significant negative/positive relation between BRDSZE and financial reporting transparency through earnings management behavior based on AAA.

In order to test fifth and sixth subsidiary hypothesis, two following models were used:

\[ AAA_{i,t} = \alpha_0 + \beta_1 DUAL_{i,t} + \beta_2 MVE\_{i,t} + \beta_3 BME\_{i,t} + \epsilon_{i,t} \]  

\[ AAA_{i,t} = \alpha_0 + \beta_1 TENURE_{i,t} + \beta_2 MVE\_{i,t} + \beta_3 BME\_{i,t} + \epsilon_{i,t} \]  

Table 6 shows the results of the above models for fifth and sixth subsidiary hypothesis.

The results of testing fifth subsidiary hypothesis show that there is a significant positive relation between DUAL and earnings management. So that DUAL leads to lower financial reporting transparency through higher earnings management. Besides, the results of testing sixth subsidiary hypothesis show that there is a significant negative relation between TENURE and earnings management. So that increasing TENURE leads to higher financial reporting transparency through lower earnings management. F-Statistic and its significance level indicate that fitted regression models (Eq.8 and Eq.9) on 99% confidence level are significant. According to the fitted Eq. (8) Adj.R squared statistic of both equations indicate that there is no autocorrelation problem. Therefore the fifth subsidiary hypothesis is accepted which means that there is a significant negative relation between DUAL and financial reporting transparency through earnings management behavior based on AAA. Besides the sixth subsidiary hypothesis is accepted too; which means that there is a significant positive relation between TENURE and financial reporting transparency through earnings management behavior based on AAA.

### Table 5. Third and Fourth subsidiary hypothesis regressions results

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### Table 6. Fifth and sixth subsidiary hypothesis regressions results

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<td>Constant</td>
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<td>-2.8780</td>
</tr>
<tr>
<td>DUAL</td>
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<td>4.9080</td>
</tr>
<tr>
<td>TENURE</td>
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<td>MVE</td>
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<td>BME</td>
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<tr>
<td>AR(1)</td>
<td>-0.1076</td>
<td>-3.6200</td>
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<tr>
<td>AR(2)</td>
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<td>-3.6200</td>
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<tr>
<td>AR(3)</td>
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<td>-1.5890</td>
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<tr>
<td>Adjusted R-squared</td>
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<tr>
<td>DW</td>
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<tr>
<td>F- statistic</td>
<td>4.8720</td>
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<tr>
<td>Prob (F-statistic)</td>
<td>0.0000</td>
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</table>
6. CONCLUSION

The agency problem occurs when the ownership gets separated from management. Based on opportunity theory, management will increase internal transactions in order to decrease transaction costs so that management would get more interests in short term. Besides based on shareholders theory the interests of all shareholders must be considered. For covering shareholders interests it is necessary to improve financial reporting quality by extending disclosure level. Establishing corporate governance mechanisms leads to more financial reporting transparency by preventing fraud occurrence and at last it will secure shareholders interests.

In this paper we examined the impact of corporate governance mechanisms on financial reporting transparency in Tehran Stock Exchange. The results of main and subsidiary hypothesis indicate that there is a significant positive relation between OWNCON and financial reporting transparency. This result is consistent with the topics mentioned in section 1 about OWNCON and it is also consistent with the results of Jensen and Meckling (1976) and Ramsey and Blair (1993) research findings. In addition it is showed that there is a significant positive relation between INSOWN and financial reporting transparency. This result is compatible with the efficient monitoring supposition and Yu (2006) research findings.

For the BRDIND, a significant positive relation with financial reporting transparency was found. This result is consistent with the topics mentioned in section 1 about BRDIND and it is also consistent with the results of Hermalin and Weisbach (1991) and Beasley (1996) research findings.

Besides, our findings indicate that there is a significant negative relation between BRDSZE and financial reporting transparency. This result is pursuant to the results of Lipton and Lorch (1992), Jensen (1993), Hermalin and Weisbach (2003); but it is incompatible with the results of Dalton and Dalton (2005).

For the DUAL, the research findings show a significant negative relation with financial reporting transparency. This result is pursuant to the results of Lipton and Lorch (1992), Jensen (1993), Hermalin and Weisbach (2003); but it is incompatible with the results of Dalton and Dalton (2005).

Furthermore it is represented in the article that there is a significant positive relation between TENURE and financial reporting transparency. This result is compatible with Jensen and Meckling (1993), Hermalin and Weisbach (1988) and Ebrahim (2004) research findings.

To conclude and due to this articles’ findings it is suggested to other researchers to study different institutional shareholders separately in order to demonstrate the impact of each institutional shareholder on financial reporting transparency. Besides in order to study the level of earnings management it is suggested using other models like Kutari et al. model (2005), adjusted Dechow and Dechev model (2006) and Stubben model (2010) alongside the Kasznik model (1999).

REFERENCES


