Research Article

Studying the relation between ownershiop structure and the profit reporting quality in the corporations listed on Tehran Stock Exchange

Kavianpour, Nahid; Mahmoudian, Amir and Taghipourian, Yousef

Master of accounting from Islamic Azad University, Noor Branch
Faculty member of Islamic Azad University in Savadkouh, PhD of commrercial management
Faculty member of Islamic Azad University, Chalous Branch, PhD of accounting

1-ABSTRACT

Current research in line with the theoretical principles of profit quality issue has studied the relation between ownership structure and profit reporting quality in the corporations listed on Tehran Stock Exchange. The main purpose of this research is to study the meaningful relation between intra and extra organizational investors and profit quality in the corporations listed on Tehran Stock Exchange. In order to study the relations between the variables, two indexes of intra and extra organizational investors were considered for the ownership structure and the indexes of predictive and confirmative value, impartiality, timeliness and honest speech were considered for the profit quality. Therefore, two main hypotheses and eight subsidiary hypotheses were compiled. The results obtained from studies showed in relation with extraorganizational investors, only the indexes of predictive and confirmative value and impartiality were meaningful, while about intraorganizational investors only impartiality has been meaningful. Therefore we can not comment about relation between the ownership structure and profit quality in the corporations listed on Tehran Stock Exchange certainly.

Key words: ownership structure, profit quality, corporations listed on Tehran Stock Exchange

2-INTRODUCTION

One of the most important factors affecting on controlling and managing the corporations is the ownership combination and especially the concentration of the corporation's sharess ownership in the hand of main shareholders. Such shareholders hold significant percent of the corporation shares that in turn can manage the corporation. In contrast, small shareholders are not willing to control the managers. Because with regard to their low share, they would be forced to accept the control expenses lonely. When there is high concentration of ownership, the possibility of better control on the corporation management performance is prepared (Vaez & et al, 2010). On the other hand, the profit quality in financial reporting can affect on investors confidence in financial markets. Numerous methods of accounting, inadequacies existing in estimates and predictions process, the managers authority to act and the profit effectiveness from reporting principles and the managers discretion can be referred as the important factors affecting on the profit quality. The profit quality phrase refers to the manager's ability in using of optional items in

measurement and reporting of profit. Optional items may include selection from accounting principles or standards and applying the estimates and scheduleing the transactions for identifying the abnormal items in profit (Sajadi & et al, 2013).

Generally, in this research we seek to study the relation between ownership structure and profit reporting quality in the corporations listed on Tehran Stock Exchange. It seems that studying this issue can be very notable for obligated and non-obligated managers of corporations and actual, potential and institrutional investors and independent auditors.

3-Theoretical principles of the research
3-1-The effects of ownership concentration on corporations

One of the most important factors affecting on controlling and managing the corporations is the ownership combination and especially the concentration of the corporation's shares ownership in the hands of main shareholders. Such shareholders hold significant percent of the corporation shares that in turn can manage the corporation. In contrast, small shareholders are not willing to control the managers. Because with regard to their low share they would be forced to accept the control expenses lonely. When there is high concentration of ownership, the possibility of better control on the corporation management performance is prepared (Vaez & et al, 2010). Bouslato & et al research (2013) shows that corporative governance methods (management) in these corporations can affect on the whole creation chain or destruction of the shareholders stock from the capital allocation range (including the payment policies of the share profit, financial leverage and corporative acts) to the difference between the profit in circulation and the revenue growth (affected by the transmission of pricing, the management incentive systems and the manner of dividing the shares profit). According to Heritka saying (2010) since the minority

shareholders invested in the multinational subsidiaries listed in Africa, the investors should be sureof corporative governance methods (management) well to overcome on natural contradiction of interests between minority shareholders and management and majority shareholders such as main multinational corporations that control their local subsidiaries (Bouslaton & et al, 2013). In total, large shareholders control the corporations. Therefore following this control, the possibility of high investment is reduced and consequently the cash flow sensivity is also reduced. However we should accept that large shareholders can expropriate the small shareholders and this process is accomplished through hyper or high investment. Therefore the effct of shareholder concentration in both cases is under supervision of management (Chen & et al, 2013)

3-2-The methods of profit quality evaluation

Generally, four methods are proposed for evaluation of the profit quality as follows:

1) The method based on relevance with the shares value: in this method, the relation between different amounts of profit and the shares price (market) is measured with the help of Regression. Whatever the amount of adjusted correlation coefficient is more, there will be changeable profit more related to the value (Bars & et al, 2001).

2) The method based on information content: in this method, the relation between the price changes or the shares efficiency with the levels or unexpected changes of different amounts of profit is measured with the help of Regression. Whatever the amount of adjusted correlation coefficient is closer to one, it will show more information load.

3) The method based on prediction ability: in this method, it is important that the past profit amounts can predict the future amounts. Whatever the absolute amount of the prediction error average is less, that amount has more prediction ability.

4) The method based on economic profit: in this method, most of the criteria based on prediction of capital expense are considered. It is understood that these figures have higher quality than accounting profit. The criterion of economic value added is one of the criteria which depend on this method (Karnel & Landsman, 2003).

➢ **Predictive and confirmative value of profit:** the predictive value of profit is a quality which increases the possibility of predicting the past or present events for users of financial statements. The confirmative value of profit is a quality which enables the consumers to confirm or correct their past expectations. When the historic figures of profit have the ability to predict the future profits, the possibility of future profitability evaluation and future perspective of cash flow are prepared. In this situation, it is assumed that profit has good quality.

➢ **Impartiality:** the information of financial statements should be impartial namely free from partisan interests. If selection or presentation of this information is in a manner that affects on decision-making or judgenment in order to achieve a predetermined result, it will not be financial statement. According to this, financial information shouldn't bias to achieve a special economic purpose such as increasing or derceasing of the corporation profit (Nasrollahi & et al, 2010).

➢ **Profit reporting timeliness:** timeliness is to present the information befor it loses its profitness for decision-making (Nasrollahi & et al, 2010).

➢ **Honest speech:** studying the correlation between profit and shares efficiency and the explanatory power are some criteria of the profit quality evaluation. According to Biure view (1989), it is assumed that change in shares price is the reaction to the profit changes in a specified period and the profit change coefficient is considered as a criterion

of the profit quality (nasrollahi & et al, 2010).

4-The research background

Hashemi, Sadeghi and Soroushyar (2013) in an article studied the evaluation of the profit quality role on the model, the way of financing and the investment efficiency of corporations listed on Tehran Stock Exchasnge. The research findings indicate that in the whole level of sample in the corporations with large positive optional accruals, investment in capital assets has more sensivity to the internal cash flows. In addition, the obtained results predicate on negative relation between current optional accruals and future efficiency of assets.

Sadeghi & Rahimi (2012) studied the relation between the ownership structure and the performance of corporations listed on Stock Exchange by using of simultaneous equations system. The research hypotheses test indicated that concentration and ownership structure don't have an effect on the performance of corporations listed on Tehran Stoxck Exchange in the period of 2003-2008. Of course, this lack of ownership effectiveness on performance can be known due to the concentration of the majority shares of the corporations in the hand of 4 to 5 corporations that the corporation's shares don't have competitive state in the market, efficient market will not act. But the corporation performance has meaningful and positive effect on the ownership structure of corporations.

Kordlor & Arabi (2010) in an article studied the ownership concentration and profit quality in the corporations listed on Tehran Stock Exchange. In this research, at first the appropriateness of applying different criteria of ownership concentration was studied by applying a new method and the obtained results express that using of group criterion of extraorganizational ownership concentration is appropriate in studying its effect on the profit quality in Tehran Stock Exchange. Then, in order to study the

ownership concentration effect on the profit quality, qualitative criteria of financial information inserted in theoretical frame of accounting standards (relevance and reliability) wetre utilized. The research results showed that the extraorganizational ownership concentration leads to improve the profit quality (confirmation of active supervision). While they didn't achieve convincing evidences in relation with effectiveness of intraorganizational blocks owners on the profit quality.

Liu & et al (2014) in an article studied the relation of institutional incentives and profit quality and the ownership effect of governments in China. They found that governmental corporations have more profit smoothing, more targeted profits management, less power for timely loss recognition and less value relevance than non-governmental corporations. Also, they found that governmental corporations have more current optional accruals than non-governmental corporations. Governmental corporations have revenues that increase the current optional accruals, while non-governmental corporations have revenues which reduce current optional accruals.

Ahmadal Damari & et al (2013) in an article studied the governance structure, ownership structure and predictive ability of profit. This research is affected by Mashayekhi and Bazzaz work (2010) and Volveri and Jenginz (2006) that found corporative support methods affect on the predictive ability of profit remarkably and meaningfully. The findings of this research had useful, applicable and practical inspirations. First, investors in order to estimate the future cash fees use of the profit information which was revealed by the corporations with small board, independent members and institutional shareholders with high shares. Second, investors don't react to the profit information which was published by the corporations with independent, active and competent accounting committee and managers with high ownership.

Ex Yu & et al (2012) in an article studied the profit quality reported by Chinese corporations and also considered the ownership structure effect. They found out that although the corporations under governmental ownership in terms of size are larger and according to the profit reports they seem more profitable, corporations under private or external ownership and the corporations under the society ownership (private, external, and public) have the highest quality levels among all ownership groups.

5- recognition Methodology
5-1-Methodology
If we consider the researches classification according to the purpose, current research is considered in applicable researches category. If the classification of the researches kinds is considered according to the nature and method, current methodology in terms of nature is descriptive and non-trial (field and survey) research and in terms of method it is accounted in the correlation researches category. Meanwhile in the process of this research, library and field methods have been utilized as the inseparable components of scientific researches.

5-2-The research hypotheses
5-2-1-The first main hypothesis
❖ There is meaningful relation between extraorganizational investors and profit quality.

5-2-2- The first subsidiary hypotheses
❖ There is meaningful relation between extra organizational investors and profit quality (predictive and confirmative value).
❖ There is meaningful relation between extraorganizational investors and profit quality (impartiality).
❖ There is meaningful relation between extraorganizatuional investors and profit quality (information timeliness).

❖ There is meaningful relation between extraorganizational investors and profit quality (honest speech).

5-2-3-The second main hypothesis

❖ There is meaningful relation between intraorganizational investors and profit quality.

5-2-4- The second subsidiary hypotheses

❖ There is meaningful relation between intraorganizational investors and profit quality (predictive and confirmative value).

❖ There is meaningful relation between intraorganizational investors and profit quality (impartiality).

❖ There is meaningful relation between intraorganizational investors and profit quality (information timeliness).

❖ There is meaningful relation between intraorganizational investors and profit quality (honest speech).

5-3- Statistical population and sample

The statistical population studied in this research includes the corporations listed on Tehran Stock Exchange during the years of 2007 to 2012. Also for sampling, systematic method is used, in this order that the following restrictions were considered:

1) The corporations that their needed information is available.

2) Their financial period is led to the end of February.

5-4- variables and Regressive models of the research hypotheses

Impartiality:

The model of the second subsidiary hypothesis test from first main hypothesis: (extra organizational)

$$ABNDA_{it} = \alpha_0 + \alpha_1 PHI_{it} + \alpha_2 CONC_{it} + \alpha_3 TACCR_{it} + \alpha_4 Growth_{it} + \alpha_5 Debt_{it} + \alpha_6 Loss_{it} + \varepsilon_{it}$$

The model of the second subsidiary hypothesis test from second main hypothesis: (intraorganizational)

$$ABNDA_{it} = \alpha_0 + \alpha_1 MGR_{it} + \alpha_2 CONC_{it} + \alpha_3 TACCR_{it} + \alpha_4 Growth_{it} + \alpha_5 Debt_{it} + \alpha_6 Loss_{it} + \varepsilon_{it}$$

ABNDA: optional accruals which are obtained by using of adjusted model of Jones as follows:

$$ABNDA_{it} = TACCR_{it}/A_{it-1} - NDA_{it}$$
$$NDA_t = \alpha_1(1/A_{it-1}) + \alpha_2(\{\Delta REV_t - \Delta REC_t\}/A_{it-1}) + \alpha_3 (PPE_t/A_{it-1})$$

NDA$_t$: non-optional accruals in the year t

A$_{it-1}$: whole assets of the corporation in the year t-1

Predictive and confirmative value of the profit:

The model of first subsidiary hypothesis test from first main hypothesis: (extraorganizational)

$$CFO_{it+1} = \alpha_0 + \alpha_1 OPIN_{it} + \alpha_2 (OPIN_{it} \times PHI_{it}) + \alpha_3 (OPIN_{it} + \alpha_6 Loss_{it} + \varepsilon_{it}$$

The model of first subsidiary hypothesis test from second main hypothesis: (intraorganizational)

$$CFO_{it+1} = \alpha_0 + \alpha_1 OPIN_{it} + \alpha_2 (OPIN_{it} \times MGR_{it}) + \alpha_3 (OPIN_{it} + \alpha_6 Loss_{it} + \varepsilon_{it}$$

COF: operational cash fee on the whole assets at the end of year t+1

OPIN: operational profit on the whole assets at the end of year t

PHI: normal shares percent which is kept at the end of year t by intra and extra organizational investors.

CONC: normal shares percent which is kept at the end of year t by 5 cases of largest investors (extra and intraorganizational).

MGR: normal shares percent which is kept at the end of year t by intraorganizational investors (management).

Growth: change percent in the whole assets at the end of year t

Debet: long-term debt ratio to the whole assets compared with past year

Loss: virtual variable which is equal to 1 in case of loss reported by the corporation and otherwise it is equal to zero.

ΔREV_t: difference of current year sale compared with past year

ΔREC_t: net difference of received accounts in current year compared with past year

PPE_t: net properties, machineries and equipment of year t, and $\alpha 3$, $\alpha 2$, $\alpha 1$ of special factors in the corporation which are obtained from following equation:

$$TACCR_{it} / A_{it-1} = \alpha_1(1/ A_{it-1}) + \alpha_2 (\Delta REV_t/ A_{it-1}) + \alpha_3 (PPE_t/ A_{it-1}) + \varepsilon t$$

TCCR represents the total accruals in the year t which is obtained from following relation:

$$TACCR_{it} = \Delta CA_{it} - \Delta Cl_{it} + \Delta STD_{it} - \Delta CASH_{it} - DEP_{it}$$

ΔCA_{it}: change in current assets of current year (t) compared with past year (t-1)

$\Delta C1_{it}$: change in current debts of current year (t) compared with past year (t-1)

ΔSTD_{it}: change in short-term share of long-term debts in current year (t) compared with past year (t-1)

$\Delta CASH_{it}$: change in cash fee of current year (t) compared with past year (t-1)

DEP_{it}: depreciation expense of tangible and intangible assets in the year t

Profit report timliness:

The model of third subsidiary hypothesis test from first main hypothesis: (extraorganizational)

$$Reporting - lag_{it} - \alpha_0 + \alpha_1 PHI_{it} + \alpha_2 CONC_{it} + \alpha_3 Growth_{it} + \alpha_4 Debt_{it} + \alpha_5 Loss_{it} + \varepsilon_{it}$$

The model of third subsidiary hypothesis test from second main hypothesis: (intra organizational)

$$Reporting - lag_{it} = \alpha_0 + \alpha_1 MGR_{it} + \alpha_2 CONC_{it} + \alpha_3 Growth_{it} + \alpha_4 Debt_{it} + \alpha_5 Loss_{it} + \varepsilon_{it}$$

Honest speech:

Fourth subsidiary hypothesis from first main hypothesis: (extraorganizational)

$$RET_{it} = \alpha_0 + \alpha_1 \Delta Earn_{it} + \alpha_2 \Delta Earn_{it} \times PHI_{it} + \alpha_3 \Delta Earn_{it} \times CONC_{it} + \alpha_4 Growth_{it} + \alpha_5 Debt + \alpha_6 Loss_{it} + \varepsilon$$

Fourth subsidiart hypothesis from second main hypothesis: (intraorganizational)

$$RET_{it} = \alpha_0 + \alpha_1 \Delta Earn_{it} + \alpha_2 \Delta Earn_{it} \times MGR_{it} + \alpha_3 \Delta Earn_{it} \times CONC_{it} + \alpha_4 Growth_{it} + \alpha_5 Debt + \alpha_6 Loss_{it} + \varepsilon$$

Ret: average monthly efficiency of shares (12 months) for the year t

ΔEar n: change in net profit (loss) in current year compared with past year

6- Data analysis

6-1- Descriptive statistic

Table 1- Central and dispersion indexes of each variable of the research

	Future cash flows	Optional accruals	Profit report	Efficiency	Operational profit	Normal shares (extraorganization al investors)	Normal shares (intraorganizati onal investor)
Average	0.149	0.021	67.075	25.683	0.155	0.262	0.699
Median	0.128	0.018	68.000	24.590	0.141	0.242	0.710
Maximum	0.382	0.261	115.000	78.287	0.468	0.596	0.950
Minimum	-0.121	0.003	23.000	-34.797	-0.084	0.052	0.288
Standard deviation	0.093	0.252	25.192	17.289	0.102	0.198	0.194
Skewness	0.259	-0.062	-0.111	0.028	0.389	0.180	-0.236

Eliongation	3.144	2.855	2.741	3.169	2.997	3.416	2.847
Total	69.463	0.624	31190.0	11942.9	72.398	122.171	311.422
Observations	486	486	486	486	486	486	486

	Normal stocks percent of capital of largest extraorganizational investor	Total accruals	Change in profit	Growth	Debt	Loss
Average	0.246	-0.541	0.016	0.151	0.082	0.068
Median	0.220	-0.524	0.011	0.143	0.051	0.000
Maximum	0.430	0.306	0.075	0.324	0.301	1.000
Minimum	0.079	-1.710	-0.301	-0.262	0.008	0.000
Standard deviation	0.097	0.297	0.008	0.186	0.078	0.253
Skewness	0.047	-0.250	0.254	0.158	0.140	3.406
Eliongation	2.749	2.812	3.295	3.079	3.219	12.605
Total	114.793	-252.009	7.551	70.260	38.528	32.000
Observations	486	486	486	486	486	486

6-3- Inferential statistic
6-3-1- The test of studying the data normality

For data normality in econometric researches, Jarque-Bera test is used:

	Future cash flows	Optional accruals	Profit report	Efficiency	Operational profit	Normal shares (extraorganizational investors)	Normal shares (intraorganizational investor)
Jarque-Bera	3.210	2.839	2.962	2.365	3.360	3.511	3.439
Probability	0.280	0.319	0.299	0.365	0.262	0.239	0.248
Observations	486	486	486	486	486	486	486

	Normal shares percent of capital of largest extraorganizational investor	Total accruals	Change in profit	Growth	Debt	Loss
Jarque-Bera	2.945	3.345	3.252	2.533	2.858	26.869
Probability	0.301	0.268	0.279	0.335	0.321	0.000
Observations	486	486	486	486	486	486

With regard to this issue that the meaningfulness level of the test statistic for each variable in the research is more than 0.05, therefore H_0 hypothesis based on normality of this variable distribution in the confidence level of 95 percent is accepted and indicates that the research variables (except loss) have normal distribution.

6-3-2- Unit root test of Philip and Perrone

Table 3: the viability tests result

Variable	Statistic	Meaningfulness level	Result
Optional acrruals	237.66	0.000	**Viable**
Future cash flows	381.139	0.000	**Viable**
Normal stocks percent of capital of largest extraorganizational investor	394.007	0.000	**Viable**
Change in profit	468.239	0.000	**Viable**
Debt	332.257	0.000	**Viable**
Growth	473.984	0.000	**Viable**
Loss	18.6978	0.000	**Viable**
Normal shares (intraorganizational investors)	328.431	0.000	**Viable**
Operational profit	249.935	0.000	**Viable**
Normal stocks (extraorganizational investors)	204.059	0.000	**Viable**
Profit report	245.698	0.000	**Viable**
Efficiency	343.796	0.000	**Viable**

❖ **The first subsidiary hypothesis test**

H0: There is not meaningful relation between extraorganizational investors and profit quality (predictive and confirmative value).

H1: There is meaningful relation between extraorganizational investors and profit quality (Predictive and confirmative value).

Table 4) Chav-Hausman tests results of first hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	5.813	(80,378)	0.000
Hausman(Chi-square)	24.774	6	0.000

With regard to the meaningfulness level of Chav test (*P-Value=0.000*), H_0 hypothesis of test in the confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, The Hausman test results have been estimated with meaningfulness level less than first kind error of 0.05 (*P-Value=0.000*) and it indicates that the null hypothesis in this test based on appropriotness of random effects is rejected. Therefore Regressive model has been fitted with panel data and fixed effects.

Regression test of first subsidiary hypothesis (first main hypothesis)

Table 5) Regression test of first hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	0.106	0.011	9.326	0.000
OPIN	0.472	0.201	2.344	0.019
OPIN*PHI	0.811	0.256	0.206	0.836
OPIN*CONC	-0.362	0.499	-0.726	0.468
GROWTH	-0.0374	0.019	-1.941	0.053
DEBT	-0.217	0.031	-6.994	0.000
LOSE	0.055	0.015	3.586	0.000

With regard to the above table, meaningfulness level of t-statistic of OPIN variable (0.019) is lower than error level of 5 percent. Therefore, the opposite hypothesis is rejected and with 95 percent confidence we can say that there is meaningful relation between extraorganizational investors and profit quality (predictive and confirmative value). In addition, the effect coefficient obtained for OPIN variable (0.472) is positive.

Table 6) explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig.**
0.717	0.653	2.137	11.185	0.000

With regard to the table, because the statistic amount of Durbin-Watson test is from 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (11.185) in the error level less than 0.01, we can conclude that the Regressive model of the research is a combination of independent control and dependent variables and it is a good model and the independent and control variables are able to explain the independent variable changes.

❖ **The second subsidiary hypothesis test (first main hypothesis):**

H0: there is not meaningful relation between extraorganizational investors and profit quality (impartiality).

H1: there is meaningful relation between extraorganizational investors and profit quality (impartiality).

Table 7) Chav-Hausman tests results of second hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav(F)	2416.957	(80,398)	0.000
Hausman (Chi-quare)	63616.527	6	0.000

With regard to the meaningfulness level of Chav test (*P-Value=0.000*) H_0 hypothesis of test in confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, Hausman test results have been estimated with meaningfulness level less than first kind error of 0.05 (*P-Value=0.000*) and it indicates that the null hypothesis in this test based on appropriateness of random effects is rejected. Therefore Regressive model in this model has been fitted with panel data method and fixed effects.

❖ **Regression test of second subsidiary hypothesis (first main hypothesis):**

Table 7) Regression test of second hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	0.521	0.009	57.47	0.000
PHI	-0.007	0.003	-2.106	0.035
CONC	0.019	0.031	0.619	0.535
TACCR	0.997	0.001	625.153	0.000
GROWTH	0.000	0.003	0.267	0.789
DEBT	0.053	0.005	9.543	0.000

| LOSE | 0.009 | 0.001 | 5.091 | 0.000 |

With regard to the table, meaningfulness level of t-statistic of variable PHI (normal share of extraorganizational investors) (0.035) is less than error level of 5 percent. Therefore, the opposite hypothesis is rejected and with confidence level of 95 percent we can say that there is meaningful relation between extraorganizational investors and profit quality (impartiality). In addition, the effect coefficient obtained for PHI variable (-0.007) is negative.

Table 8) explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig.**
0.798	0.788	2.100	87.243	0.000

With regard to the table, because the statistic amount of Durbin-Watson test is between 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (87.243) in error level less than 0.01, we can conclude that the regressive model of the research is a combination of independent, control and dependent variables and it is a good model and the independent, control variables are able to explain the dependent variable changes.

❖ **The third subsidiary hypothesis test**

H0: there is not meaningful relation between the extraorganizational investors and profit quality (information timeliness).

H1: there is meaniongful relation between extraorganizational investors and profit quality (information timeliness).

Table 9) Chav-Hausman tests results of third hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	25.992	(80,399)	0.000
Hausman (Chi-quare)	4.588	5	0.468

With regard to the meaningfulness level of Chav test (*P-Value= 0.000*), H_0 hypothesis of test in the confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, Hausaman test results have been estimated with meaningfulness level less than first kind error of 0.05 (*P-Value= 0.468*) and it indicates that the null hypothesis in this test based on appropriateness of random effects is accepted. Therefore the regressive model in this model has been fitted with panel data method and random effects.

❖ **Regression gtest of third subsidiary hypothesis (first main hypothesis):**

Table 10) Regression test of third hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	65.651	5.758	11.400	0.000
PHI	8.351	8.258	1.011	0.312
CONC	-2.435	18.868	-0.129	0.897
GROWTH	1.937	5.556	0.348	0.727

DEBT	-10.917	17.576	-0.621	0.534
LOSE	6.877	3.959	1.736	0.083

With regard to the table, meaningfulness level of t-statistic of PHI variable (0.312) is higher than error level of 5 percent. Therefore, the opposite hypothesis isn't rejected and with confidence level of 95 percent, we can say that there is not meaningful relation between extraorganizational investors and profit quality (information timeliness).

Table 11) the explanatory and meaningfulness ability of the whole model

R		Durbin-watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig.**
0.199	0.171	1.684	3.883	0.001

With regard to the table, because the statistic amount of Durbin-watson test is 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (3.883) in the error level less than 0.01, we can conclude that the regressive model of the research is a combination of independent, control and dependent variables and it has a good model and the independent and control variables are able to explain the dependent variable changes.

❖ **The fourth subsidiary hypothesis test (first main hypothesis):**

H0: there is not meaningful relation between extraorganizational investors and profit quality (honest speech).

H1: there is meaningful relation between extraorganizational investors and profit quality (honest speech).

Table 12) Chav-Hausman tests results of fourth hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	1.212	(80,398)	0.120

With regard to the meaningfulness level of Chav test (***P-value=0.120)***, H0 hypothesis in the confidence level of 95 percent is confirmed and it indicates that the combinative data method for the research model fitness is a more suitable method. Therefore, Hausman test isn't needed anymore.

❖ **Regression test of fourth subsidiary hypothesis (first main hypothesis):**

Table 13) Regression test of fourth hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	18.649	5.834	3.196	0.001
D_EARN	92.439	100.491	0.919	0.358
D_EARN*PHI	267.912	73.411	3.649	0.000
D_EARN*CONC	-42.129	253.359	-0.166	0.868
GROWTH	30.529	7.786	3.920	0.000
DEBT	-43.631	19.946	-2.187	0.092
LOOS	-14.909	4.149	-3.593	0.000

With regard to the table, meaningfulness level of t-statistic of D_ EARN (0.358) is higher than the error level of 5 percent. Therefore, the opposite hypothesis is accepted and with confidence level of 95 percent, we can say that there is not meaningful relation between the extraorganizational investors and profit quality (honest speech).

Table 14) the explanatory and meaningfulness ability of the whole model

R		Durbin-watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig**
0.192	0.182	2.023	19.007	0.000

With regard to the table, because the statistic amount of Durbin-watson test is between 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (19.007) in the error level less than 0.01, we can conclude that The regressive model of the research is a combination of independent, control and dependent variables and it is a good model and the independent and control variables are able to explain the dependent variable changes.

❖ **The first subsidiary hypothesis test (second main hypothesis):**

H0: there is not meaningful relation between intraorganizational investors and profit quality (predictive and confirmative value).

H1: there is meaningful relation between intraorganizational investors and profit quality (predictive and confirmative value).

Table 15) Chav-Hausman tests results of first hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	5.575	(80,378)	0.000
Hausman (Chi-quare)	23.900	6	0.000

With regard to the meaningfulness level of Chav test (*P-Value=0.000)*, H_0 hypothesis of test in the confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, Hausman test results has estimated with meaningfulnss level less than first kind error of 0.05 (*P-value=0.000)* and it indicates that the null hypothesis in this test based on appropriateness of random effects is rejected. Therefore, the regressive model in this model has been fitted with panel data method and fixed effects.

❖ **Regression test of first subsidiary hypothesis (second main hypothesis):**

Table 16) first hypothesis Regression test

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	0.107	0.011	9.077	0.000
OPIN	0.442	0.233	1.898	0.058
OPIN*MGR	0.034	0.148	0.231	0.817
OPIN*CONC	-0.294	0.511	-0.575	0.565
GROWTH	-0.035	0.019	-1.800	0.072
DEBT	-0.218	0.032	-6.749	0.000
LOSE	0.055	0.016	3.414	0.000

 *Error level of 5 percent

With regard to the table, the meaningfulness level of t-statistic of OPIN variable (0.058) is higher than error level of 5 percent. Therefore, the opposite hypothesis is accepted and with confidence level of 95 percent, we can say that there is not meaningful relation between intraorganizational investors and profit quality (predictive and confirmative value).

Table 17) the explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Determination coefficient	Adjusted determination coefficient		F	Sig.
0.733	0.672	2.136	12.099	0.000

With regard to the table, because the statistic amount of Durbin-Watson test is between 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (12.099) in the error level less than 0.01, we can conclude that the Regressive model of the research is a combination of independent, control and dependent variables and it is a good model and the independent and control variables are able to explain the dependent variable changes.

❖ **Second subsidiary hypothesis test (second main hypothesis):**

H0: there <u>is not</u> meaningful relation between intraorganizational investors and profit quality (impartiality).

H1: there <u>is</u> meaningful relation between intraorganizational investors and profit quality (impartiality).

Table 18) Chav-Hausman tests results of second hypothesis

Test	Statistic amount	Freedom degree	P-Value
Chav (F)	2208.869	(80,398)	0.000
Hausman (Chi-quare)	62823.113	6	0.000

With regard to the meaningfulness level of Chav test (*P-Value= 0.000*), H_0 hypothesis in the confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, Hausman test results has been estimated with meaningfulness level less than first kind error of 0.05 (*P-Value=0.000)* and it indicates that the null hypothesis in this test based on appropriateness of random effects is rejected. Therefore, Regressive model in this model has been fitted with the panel data method and fixed effects.

❖ **Regression test of the second subsidiary hypothesis**

Table 19) second hypothesis Regression test

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	0.524	0.010	52.447	0.000
MGR	-0.007	0.001	-5.164	0.000
CONC	0.020	0.039	0.508	0.611
TACCR	0.997	0.001	706.612	0.000
GROWTH	0.000	0.003	0.165	0.868
DEBT	0.055	0.006	8.561	0.000
LOSE	0.009	0.001	5.066	0.000

With regard to the table, the meaningfulness level of t-statistic of MGR variable (0.000) is lower than the error level of 5 percent. Therefore, the opposite hypothesis is rejected and with confidence level of 95 percent, we can say there is meaningful relation between intraorganizational investors and profit quality (impartiality). In addition, the effect coefficient obtained for MGR variable (-0.007) is negative.

Table 20) the explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig.**
0.798	0.787	2.1098	85.259	0.000

With regard to the table, because the statisticamount of Durbin-Watson test is between 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (85.259) in the error level less than 0.01, we can conclude that the regressive model of the research is a combination of independent, control and dependent variables and it is a good model and the independent and control variables are able to explain the dependent variable changes.

❖ **Third subsidiary hypothesis test**

H0: there is not meaningful relation between intraorganizational investors and profit quality (information timeliness).

H1: there is meaningful relation between intraorganizational investors and profit quality (information timeliness).

Table 21) Chav-Hausman tests results of third hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	26.106	(80,399)	0.000
Hausman (Chi-quare)	5.108	6	0.402

With regard to the meaningfulness level of Chav test (*P-Value= 0.000)*, H_0 hypothesis of test in the confidence level of 95 percent is rejected and it indicates that the panel data method for the research model fitness is a more suitable method. Also, Hausman test results have been estimated with meaningfulness level less than the first kind error of 0.05 (*P-Value=0.*402) and it indicates that the null hypothesis in this test based on appropriateness of random effects is accepted. Therefore, regressive model in this model has been fitted with the panel data method and random effects.

❖ **Regression test of third subsidiary hypothesis (second main hypothesis):**

Table 22) Regression test of third hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	60.439	7.034	8.591	0.000
MGR	9.918	6.230	1.591	0.112
CONC	-0.479	18.859	-0.025	0.979
GROWTH	3.226	5.543	0.581	0.560
DEBT	-10.127	17.536	-0.577	0.563
LOSE	6.862	3.949	1.737	0.083

With regard to the table, the meaningfulness level of t-statistic of MGR variable (0.112) is higher than the error level of 5 percent. Therefore, the opposite hypothesis isn't rejected and with confidence level of 95 percent, we can say that there is not meaningful relation between intraorganizational investors and profit quality (information timeliness)

Table 23) the explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Determination coefficient	**Adjusted determination coefficient**		**F**	**Sig.**
0.182	0.161	1.681	3.189	0.003

With regard to the table, because the statistic amount of Durbin-Watson test is 1.5 to 2.5. The hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (3.189) in the error level less than 0.01, we can conclude that the Regressive model of the research is a combination of independent, control and dependent variables, and it is a good model and the independent and control variables are able to explain the dependent variable changes.

❖ **Fourth subsidiary hypothesis test (second main hypothesis):**

H0: there is not meaningful relation between intraorganizational investors and profit quality (honest speech).

H1: there is meaningful relation between intraprganizational investors and profit quality (honest speech).

Table 24) chav-Hausman tests results of fourth hypothesis

Test	Statistic amount	Freedom degree	*P-Value*
Chav (F)	1.212	(80,398)	0.120

With regard to the meaningfulness level of Chav test (*P-Value=0.120*), H_0 hypothesis of test in confidence level of 95 percent is confirmed and it indicates that combinative data method for the research model fitness is a more suitable method, therefore, Hausman test isn't needed anymore.

❖ **Regression test of fourth subsidiary hypothesis (second main hypothesis):**

Table 25) regression test of fourth hypothesis

Variable name	Effect coefficient	Estimate deviation	t-statistic	Meaningfulness level
C	18.680	5.856	3.189	0.001
D_EARN	185.615	116.622	1.591	0.112
D_EARN*MGR	-44.625	131.379	-0.339	0.734
D_EARN*CONC	13.897	239.724	0.057	0.953
GROWTH	30.052	7.130	4.214	0.000
DEBT	-46.336	20.009	-2.315	0.021
LOOS	-14.040	4.729	-2.968	0.003

With regard to the table, the meaningfulness level of t-statistic of variable D_EARN (0.112) is higher than the error level of 5 percent. Therefore, the opposite hypothesis is accepted and with confidence level of 95%, we can say there is not meaningful relation between intraorganizational investors and prifit quality (honest speech).

Table 26) the explanatory and meaningfulness ability of the whole model

R		Durbin-Watson	ANOVA	
Detrermination coefficient	Adjusted determination coefficient		F	Sig.
0.180	0.170	2.020	17.546	0.000

With regard to the table, because the statistic amount of Durbin-Watson test is 1.5 to 2.5, the hypothesis of lack of correlation between the errors isn't rejected and Regression can be used. With regard to the meaningfulness of F-test amount (17.546) in error level less than 0.01 we can conclude that the regressive model of the research is a combination of independent, control and dependent variables and it is a good model and the independent and control variables are able to explain the dependent variable changes.

7. CONCLUSION

The results obtained from the first subsidiary hypothesis showed that there is meaningful relation between extraorganizational investors ans profit quality (predictive and confirmative value). In addition, the effect coefficient obtained (0.472) is positive which shows with increasing of extraorganizational investors, the profit quality (predictive and confirmative value) is also increased. In studying the second subsidiary hypothesis, we showed that there is meaningful relation between extraorganizational investors and profit quality (impartiality). Here it was also showed that the effect coefficient obtained (-0.007) is negative which shows with increasing of extraorganizational investors, the impartiality related to the profit quality is reduced. But in the third and fourth hypotheses, enough evidences for confirmation of the hypotheses weren't found and therefore, in the third and fourth hypotheses based on relation between extraorganizational investors and profit quality (information timeliness and honest speech), there is not meaningful relation. In studying the second subsidiary hypotheses, we have considered the same profit quality variables and we have studied the amount of their relation with intraorganizational investors. But the results of

studying the first subsidiary hypothesis showed that there is not meaningful relation between intraorganizational investors and profit quality (predictive and confirmative value) and therefore, this hypothesis wasn't confirmed. In studying the second subsidiary hypothesis, we have also showed that there is meaningful relation between intraorganizational investors and profit quality (impartiality). In addition, the effect coefficient obtained (-0.007) is negative that shows with increasing of intraorganizational investors, the amount of impartiality index in the profit quality is increased. In the third and fourth hypotheses, it was also showed that there is not meaningful relation between intraorganizational investors and profit quality (information timeliness and honest speech).

In the same relation, the research results of Sajadi, Taker and Mahmoudi (2011) showed that the existence of institutional investors causes to improve the predictive value, feedback value and honesty of financial statement reports. Also, Kordlor and Arabi (2010) announced that using of group criterion of extraorganizational ownership concentration is appropriate in studying its effect on profit quality in Tehran Stock Exchange. The research results showed that extraorganizational ownership concentration leads to improve the profit quality. While they didn't obtain convincing evidences in relation with effectiveness of intraorganizational block owners on the profit quality. The research results of Nasrollahi and Arefmanesh (2010) also indicated that with increasing of ownership ratio of institutional investors, the profit quality is improved; in other words, the existence of institutional investors in the ownership structure of corporations causes to present the honest, more relevant (with more predictive value), impartial and timely information. Jung and Ken

(2002) in studying the relation between the ownership structure and profit qualityannounced, although according to some reasons such as lack of skills, the presence of parasites and relation with management, the institutional and large investors may not have any incentive for supervision. Simultanous with increasing of institutional investors presence, the information content of profit is increased. In addition, Volveri and Jekins (2006) found that there is positive and meaningful relation between institutional owners and profit quality; and ownership concentration affects on the profit quality reversly.

8- The research recommendations

8-1- The recommendations resulted from the research results

- With regard to the results obtained totally the corporation's owners and managers are recommended to pay more attention to the investor's role and use of suitable appropriateness.

- With regard to this issue that the profit figures are always the most important points which affect on the financial decision-making, they shoud pay attention that the profit of corporations which have more extraorganizational ownership concentration, are more reliable than the corporations with disperse ownership structure.

- With regard to the profit importance and the effective indexes on it, the Stock Exchange organization is recommended to grade the corporations according to the indexes like profit quality, profit management and..

- Tehran Stock exchange Organization is recommended to utilize of current research results in order to improve the profit quality.

8-2- Recommendations for future researches

- Studying the corporative governance indexes like management board independence and duality of the manager

task on the profit quality indexes considered in this research is recommended.

- Finally, studying the intra and extraorganizational investors with other variables like real profit management, profit management based on accruals is recommended, or the investors should be separated into groups like institutional, governmental investors and the amount of their relation with profit quality indexes considered in this research should be evaluated.

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