Surveying the Relationship between the Levels of Disclosure Voluntarily and Some Elements of Company Governance of Listed Company in Tehran Stock Exchange

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Abstract: Strategic system of company consists of a set of processes, customs, policies, laws and entities which affects similarly on managing, directing and controlling and finally it pays attention to all stakeholders' rights. The need for this system can be expressed in terms of agency theory. Thus, ownership separation terminates from management to agency problem. The issue shows the necessity of controlling management by stockholders and causes heavy expenses for these controls which can be expressed earning management as a method for achieving organizational goals in this strategic system. The research sought to examine the level of financial information disclosure voluntarily by companies and its relationship with some strategic parameters of company, So that we considered the relationship between 5 non-financial properties of listed companies in Tehran Stock Exchange and their financial reporting quality. Voluntary disclosure quality was measured by a proxy consists of 139 items based on Iranian Accounting Standards and other laws related to disclosure and its possible association with firm size, type of auditing firm, ownership structure, earning quality and percentage of non-aligned members of company was measured using regression model. According to the average of variables, the results indicate that disclosure level is more in the companies have lesser non-aligned members and ownership concentration. Generally, there is a reverse relationship between disclosure level and non-aligned members in board of directors and ownership concentration.

Keywords: Voluntary Disclosure, Ownership Concentration, Non-Aligned Members in Board of Directors

INTRODUCTION

One of the accounting reporting purposes is to provide useful information about the entity's financial performance for a wide range of users. Loss and profit statement is one of the basic financial statements meet the goal. The output of loss and profit statement is net profit. Net profit is one of the very important information that is used by investors and other users of financial statements. Strategic system of company is defined as a set of processes, customs, policies, laws and entities which affects similarity on a company in terms of management, direction and or control and finally, all stockholders' rights are reserved. The need for this system can be expressed in terms of representation theory. So that ownership separation results to from management to representation problem. This problem shows the necessity of controlling management by stockholders
and caused heavy costs for this control. Several groups have influence on corporate governance. In the meantime, Shareholders, particularly institutional stockholders play an important role. Theoretically speaking, institutional stockholders have special status for directing the company. They can have significantly effect on company management and also align stockholders' interests. The existence of concentration in company ownership, resulting from absolute control of main stockholders on company governance, can reduce agency problems, because main stockholders can control appropriately management' performance by having enough information. From the perspective of agency theory, the appearance of independent non-aligned managers in board of directors and their regulatory functions as independent members can contribute significantly to reduce conflict of interest among stockholders and company managers in meetings of the Board of Directors. By having specialty, independence and the necessary legal power, board of directors is considered as a strong mechanism for directing the company. Independent auditing is often used as a desirable solution for directing the company and plays important role in controlling the behavior of the management. On the other hand, the main reason on emphasis of the voluntary disclosure and transparency is that they are considered as two main foundations for maintaining the interests of the shareholders. Full disclosure approaches along with transparency can create safe condition and guarantee the protection of shareholders' interests. Researches also indicate that voluntary disclosure has positive effect on company performance and influences on maintaining shareholders' interests and beneficiaries. In another words, lack of transparency in information and ambiguity may lead to unethical behavior and suspicion and reduce company value.

Theoretical Framework

The present research has been used the terms which should be defined operationally based on research goals, because these terms can have different and various operational and theoretical definitions in different perspectives.

1. The amount of voluntary information disclosure: it refers to transparency and disclosure quality of reports. It is defined as disclosure to transfer and Economic data provided both financial and non-financial, quantitative and other related forms of financial position and financial performance of company. Voluntary disclosure of information and transparency of financial reporting in the long run helps companies to create competitive advantages. The number of variables is calculated using disclosure table. The table includes 40 cases of disclosure in the financial statements and the report of the Board of directors to the General Assembly which any company earns 1 point for meeting the items. So the variable values of disclosure level are among 0 to 40.

2. Ownership concentration: it is defined as distribution manner of ownership between shareholders. Herfindahl – Hirschman index was used to...
calculated ownership concentration. So that we squire five major shareholders of any company and plus together. The obtained figure represents ownership concentration index.

3. Non-aligned managers of board of directors: who is a part-time member of the board of directors and has no executive responsibility. This figure is calculated by dividing the number of non-aligned managers by total members of board of directors.

4. Firm size: it refers to large or small company in terms of total value of assets. Formula was used to calculate company size.

5. Audit opinion: according to an investigation conducted by the audit team, Operation leads to a variety of audit reports (accepted, reprobate, conditional, no comment). In this study, the dummy variables were used to measure this variable. Thus, if audit opinion is accepted, we will give score 1, otherwise 0.

Research Background
Lim considered the relationship between strategic system of company and accounting conservatism and found that there is a positive relationship between the level of independent managers in board of directors and accounting conservatism in a model of the three studied models.

Iatridis considered the effect of IFRS acceptance on the quality of reported financial figures. He also studied the relationship between provided financial statements and company value. The results indicate that implementation of international accounting standards improve the quality of accounting figures and reduce the scope for earnings management due to the identification timely of loss and consequently it leads to high quality of accounting information.

Jeef Boone et al., in America found that the tendency of four Big-Audit firms to issue opinion audit for clients experiencing financial crisis is not different from the second – tier auditors. There is not a difference between the level of earning management by clients of Big-Audit firms and clients of second tier audit firms, while there is a difference between predicted equity risk by Big-Audit firms and other audit firms.

MATEREALS AND METHOD

From standpoint of goal, the research is an applied research. Because the research is an applied research in terms of goal, so it is correlation research in terms of data collection method. While the research goal is to survey the level of voluntary disclosure and its relation with some strategic parameters of listed companies in Tehran Stock Exchange during 2006 – 2010, the following hypotheses are proposed:

1. The amount of voluntary disclosure in companies that have a more MBS than companies that have lower MBS is higher.
2. The amount of voluntary disclosure in companies that have a higher ownership concentration than companies that have lower ownership concentration is higher.

Following formula was used in the research. In other words, simple and multiple regressions and independent t-test were used to test the hypothesis and the effect of the variables.

$$Qfr = a + b_1(earn/ta) + b_2 + b_3(dbn) + b_4 log(cs) + b_5(tao)$$

VD= voluntary disclosure
OC= ownership concentration
AO= Audit Opinion
CS= company size
MBS= members of the board shall

Because of the nature of data, the analysis of panel was used to survey and predict the model. The assumptions of panel method consist of normality test and homogeneity of variance which the model will be as follows:

$$H_0 : \beta_i = 0 \quad i = 0123$$
$$H_1 : \beta_i \neq 0$$

$$Qfr = a + B_1(EARN/TA) + B_2 + B_3(BDN) + B_4 log(CS) + B_5(TAO)$$

Normality test:

$$J_B = \frac{N-K}{6} \left( s^2 + \frac{1}{4}(K-3)^2 \right)$$

Homogeneity of variance:

$$nR^2 \sim \chi^2_p$$

$$\varepsilon_t = \rho \varepsilon_{t-1} + \mu_t$$

Because the research is an applied research in terms of goals and descriptive type based on classification, where relationship between the components of corporate governance and voluntary disclosure has been studied, Excel software was used to analyze the collected data and SPSS software was
Surveying the Relationship between the Level ... 

used to test the hypotheses and additional testing to ensure the regression model.

**RESULTS**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable</th>
<th>R</th>
<th>R²</th>
<th>F</th>
<th>P</th>
<th>Sig. R</th>
<th>Beta</th>
<th>P</th>
<th>result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-hypothesis 1</td>
<td>Ownership concentration</td>
<td>0.122</td>
<td>0.015</td>
<td>1.946</td>
<td>0.163</td>
<td>Reject</td>
<td>0.12</td>
<td>0.16</td>
<td>Rejected</td>
</tr>
<tr>
<td>Sub-hypothesis 2</td>
<td>Earning quality</td>
<td>0.263</td>
<td>0.069</td>
<td>9.714</td>
<td>0.002</td>
<td>Support</td>
<td>0.26</td>
<td>0.00</td>
<td>Supported</td>
</tr>
<tr>
<td>Sub-hypothesis 3</td>
<td>Percentage of MBS</td>
<td>0.118</td>
<td>0.014</td>
<td>1.843</td>
<td>0.177</td>
<td>Reject</td>
<td>0.11</td>
<td>0.17</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

**Sub – Hypotheses of the research suggest:**

**First Sub – hypothesis:**

The results of first sub- hypothesis show that there is not a significant relationship between ownership concentration and level of voluntary disclosure of companies in 5% error level (sig = 0.163). Then H0 is supported and H1 is rejected. The result of determination coefficient also indicate that ownership concentration only can be determined 1.5 % from changes of voluntary disclosure level and this amount will not be sufficient.

**Second Sub – hypothesis**

The results of first sub- hypothesis show that there is not a significant relationship between percentage of MBS and level of voluntary disclosure of companies in 5% error level (sig = 0.177). Then H0 is supported and H1 is rejected. The results of determination coefficient also indicate that percentage of MBS only can be determined 1.4 % from changes of voluntary disclosure level.

**T-test with two independent samples**

This test compares the average of two groups of respondents. The test is used to calculate confidence distance and the mean difference of two populations (when standard deviation and the independence of samples of each other are not clear). In another words, this test judge obtained averages from random samples. It implies that two different populations (whether the samples are equal or unequal) are selected randomly and compared the averages of the two populations.

In this test, if significance level of Leven's test is bigger than 0.05, then the results of first row are used which the assumption of equality variances between the two groups is accepted. But if significance level of Leven's test is smaller than 0.05, then the results of second row are used which the assumption of inequality variances between the two groups is accepted.
The level of voluntary disclosure is more in the companies have higher number of MBS than the companies have lower number of MBS.

**H0: μ1 ≥ μ2**  
**H1: μ1 < μ2**

### Table 2. Group Statistic

<table>
<thead>
<tr>
<th>Code of members</th>
<th>N</th>
<th>m</th>
<th>SD</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure level</td>
<td>0</td>
<td>83</td>
<td>25.012</td>
<td>5.37495</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>50</td>
<td>26.160</td>
<td>4.64828</td>
</tr>
</tbody>
</table>

To survey descriptively of the studied companies indicate that disclosure level in the companies have lower percentage of MBS (25.01) is lower than the companies have higher percentage of MBS.

### Table 3. Dependent Samples Test

<table>
<thead>
<tr>
<th>Levens' test</th>
<th>t-test for equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variances assumed</td>
<td>F</td>
</tr>
<tr>
<td>0.813</td>
<td>0.369</td>
</tr>
<tr>
<td>1.254</td>
<td>\</td>
</tr>
</tbody>
</table>

| Equal variances not assumed | F | P | T | Df | P | Mean Differences | SE | 95%CI | Lower | Upper |
| 115.103 | 0.196 | - | 0.131 | 0.212 | -1.14795 | 0.88329 | - | 0.60166 |
| 1.300 | \ | \ | \ | \ | \ | \ | \ | \ | \ |

The results of t-test table indicate because Leven's Test amount (F=0.813) is bigger than %5 (sig=0.369), then first row of t-test is used.

The results of independent t-test indicate because significance level of t-statistics (t= -1.254) is bigger than 5% (sig=0.212), then H0 (equality of averages hypothesis) is supported. The hypothesis claims that there is a significant difference between voluntary disclosure level among the companies with higher and lower MBS percentage with 95% confidence. H1 also is rejected. Because upper limit is positive and lower limit is negative, then there is not a significant difference between two populations and assumption of inequality of averages between two populations is rejected.

The level of voluntary disclosure is more the company have higher ownership concentration than the companies have lower ownership concentration.

**H0: μ1 ≥ μ2**  
**H1: μ1 < μ2**

To survey descriptively the results indicate that the average of voluntary disclosure level in the companies have higher concentration is 25.16 and the average of voluntary disclosure level in the companies have lower concentration is 25.73.
To survey the results of Leven's test indicate as regard significance level of Leven's test (0.401) is bigger than %5 (sig = 0.528), then first row of t-test is used to analyze the results.

The results of t-test show that there is no significant difference between the companies have high ownership concentration and the companies have low ownership concentration in error level of 5% (sig = 0.529). So $H_0$ is supported and $H_1$ is rejected with 95% confidence. It claims average equality of two types of company which voluntary disclosure level in the companies have higher ownership concentration is similar to the companies have lower ownership concentration. Since upper and lower limits of two types of company are positive and negative, then voluntary disclosure level in the companies with lower and higher ownership concentration is not significant.

CONCLUSIONS

Given the high importance of providing financial reporting and needed transparency in the field of providing the information, it should be noted that the research considers the effect of financial reporting transparency on some strategic components including ownership concentration and MBS.

Let us now examine the hypotheses of this study:

• First hypothesis states that this belief is rejected statistically which level of voluntary disclosure in the companies have more MBS members is more than the companies have less MBS members. According to statistical results, percentage of MBS is bigger than 5% (sig > 0.05), so it has not significant effect on disclosure level of companies. In the other hand, size and the direction of coefficient can effect on disclosure level. So that percentage of MBS can increase %8 level of voluntary disclosure of companies. Based on this hypothesis should be expressed, 92 percentage of MBS cannot effect on the transparency of financial reports. According to the important role of MBS in board of directors, it seems to necessity the companies pay more attention to the independence of MBS in
board of directors in making decisions and their role in providing transparent reports. The research is compatible with Ashraf and Karimi's research (2012). They found that there is no significant relationship between capital structure and percentage of MBS in board of directors. But the research is not compatible with Wen et al (2010). They found that there is a positive relationship between size of board of directors and capital structure. The research is compatible with Ajinkya et al (2011), research which states there is not a significant relationship between voluntary disclosure and MBS managers in board of directors.

• Third hypothesis states that the level of voluntary disclosure is more in the companies have higher ownership concentration than the companies have lower ownership concentration. This hypothesis is rejected with 95% confidence. It implies that there is not a significant relationship between voluntary disclosure level and ownership concentration. To survey ownership concentration coefficient indicate that significance level of coefficients of ownership concentration variable is bigger than 5% (sig > %5), then there is not a significant relationship between voluntary disclosure level and ownership concentration, but size and direction of coefficient can affect on disclosure level. So that ownership concentration can increase voluntary disclosure level in amount of 0.139 standard deviations. According to obtained results, it should be noted that statistically, there is not a strong relationship between ownership concentration by managers and centralized decision with transparent reports. This factor only can affect 0.13 amounts on it. In inference of this hypothesis should be expressed that ownership concentration refers to the situation which a considerable amounts of shares are belonged to the company's major shareholders and it shows that what percentage of company's shares is in the hands of limited numbers. Based on the above description should generally be expressed company governance has little impact on transparency and providing voluntarily information. The result is not compatible with Mah Avarpour's research. She found that whatever ownership concentration is more, there is more control on managers and the performance of companies will improve. The result also is not compatible with Polsiri's research. He states that ownership concentration causes lack of financial health. In another words, Ding ET al., states in his research that there is a moderating impact type between ownership concentration and information quality due to ownership structure variable (in terms of private and public amount). This result is not compatible with above result.

REFERENCES


