

The effect of disclosure quality and ownership structure on information content of earning adjustments per share

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Received: May 14, 2015

Accepted: August 27, 2015

ABSTRACT

The main goal of the present research is to study the effect of disclosure quality and ownership structure on information content of earning adjustments per share in firms enlisted in Tehran Stock Exchange. The statistical population for the present study involves firms enlisted in Tehran Stock Exchange during the years between 2009 and 2013 and the sample was equal to 137 after considering the sampling constrains and deleting faulty observations. In this research the disclosure quality and the amount of earning adjustments per share have been taken into consideration compared to the latest forecast as the independent variables to study about their effects on cumulative effects of firms' stocks on return. In this study we have used panel data with random effects. The results of analyzing firm data by using multiple variable regression models in an assurance level of %95 showed that disclosure quality has had a direct effect on information content of earning adjustments in firms enlisted in Tehran Stock Exchange. On the other hand, these results showed that ownership structure has had a direct effect on information content of earning adjustments in firms enlisted in Tehran Stock Exchange.

KEYWORDS: *ownership structure, information content of earning adjustments, disclosure quality*

1- INTRODUCTION

Disclosure is a speech or action that reveals something. Another definition of disclosure is the public distribution of information voluntarily or to observe legal regulations and official rules, although the information could be kept confidentially (Modirous & Quintero, 2005). Disclosure is one of fundamental principles in accounting that affects all aspects of financial reporting. The disclosure obligates us to report all important realities related with financial incidents and activities of a business unit in an appropriate and complete form. Based on this principle, basic financial statements should involve all important, related, and in time information and it should be presented in an understandable and complete form to let the users make informed decisions. The whole of financial statements are supplied and presented to meet information needs of users based on legal, contract, or generally accepted rules. The researchers in financial field have defined disclosure quality as the amount of correctness of beliefs of investors posed by Beysian about the bonds after the receipt of disclosed information. In other words, accounting disclosure is highly qualified if it creates a more permanent distribution of post probabilities for a set of previous probabilities. Some others have defined disclosure quality as the easiness of studying and interpreting financial statements by the investors. Managers do this through information disclosure in the form of financial reporting. Financial statements comprise an important part of financial reporting. Management may transfer information to outsiders through financial reporting and using methods other than formal financial statements. These data may be obligated by legal entities, observing rulers, or considering generally accepted beliefs or due to the fact that management considers the information useful for outsiders of a business unit to disclose voluntarily. These data may have several different forms regarding different issues. News publications is the management's forecast of earning or other descriptions regarding plans and programs and involve samples of financial reports and non-financial reports other than financial statements.

In the present research we will deal with the effect of disclosure quality and ownership structure on information content of earning adjustments.

2- Theoretical foundations of the research

Based on the conceptual framework of financial reporting, financial information should have both relatedness and reliability. However, information quality regarding transparency is mostly related with appropriate and in time information disclosure (Madhani, 2009). Disclosure is known as one of accounting principles and based on it, all information related to firm's activities should be presented to different groups in an appropriate and in time format. The disclosure principle enforces us to disclose all important realities about economic unit in an appropriate and complete form to make it possible to make decisions and to avoid the

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ambiguities of the users of financial statements. Firms prepare disclosure through legal reports including financial statements, descriptive notes, performance forecast, and management analyses and some other factors (Noravesh & Hosseini, 2009).

Studying financial and accounting literature shows that financial information disclosure in capital markets has always been considered as one of fundamental and complicated issues. By the emergence of efficient market theory the academics and professionals understood that enough and in time information disclosure in the market and in time and rapid transfer of information in stock price have very close relationship with market efficiency. Today it is specifically important for many of countries to have efficient markets because the final effects of market efficiency is the just identification of stock prices and thus a desirable and optimal appropriation of capital will be carried out (Brown & Hillegeist, 2007). Disclosure quality has been defined as the overall amount of corporate disclosure, the amount of disclosure, timeliness, and precision. Hossieni (2008) cited from Lobo & Zgou (2001) that we can measure corporate disclosure quality by assessing the amount of its information content. On the other hand, some researches regarding the effect of ownership on timeliness and information content of earnings announced have reported controversial results. According to active supervision theory, some believe that the existence of major stockholders (ownership concentration) due to the control and permanent supervision on the part of this group of investors, results in increasing financial reporting quality and following that increasing timeliness and the information content if earnings announced. Also based on major stockholders' personal advantages theory, they tend to have access to confidential information to achieve their business goals. In such conditions, these investors have fewer tendencies to impose controls on management's actions and encouraging management to present more qualified financial reports because this may result in reducing timeliness and information content of earnings announced.

3- RESEARCH LITERATURE

3-1- Foreign review literature

Bares & et al (2005) assessed the effect of earning elements on firm value forecast. The research findings showed that the division of earning into two parts of: accruals and cash flows or into five elements of: cash flows, and into four elements of accruals has reduced forecast error and thus it helps the forecast of firm value.

Ajenkeya & et al (2005) studied the relationship between the firm's board composition and the institutional investors and the characteristics of earning forecast by management. In this research earning prediction error was considered as the dependent variable to test earning forecast precisions. The results of this research showed that external managers have had a direct meaningful relationship with earning forecast precision and the percentage of ownership of institutional investors has had a reverse relationship with earning forecast error.

Karamani & et al (2005) studied earning forecasts by management as a criterion of disclosure quality for a sample of 275 valid firms in the United States during the time period between 1995 and 2000. They found that the percentage of external members (not in charge) has had a direct relationship with more forecast precision that is measured through absolute amount of forecast error. Also, in this research they tested the relationship between ownership structure and forecast precision and found out that the higher the percentage of managers' ownership (board members), there would be less trust to earning forecast by management. Their evidences showed that board size does not have any relationship with forecast precision by management.

Chine & et al (2007) used a sample of 528 Taiwanese firms during the time period between 1999 and 2001 regarding the relationship between ownership structures and earning forecast precision achieved similar results with the research carried out by Karamano & et al.

Akah & Chi (2008) did a research on the longitudinal analysis of the effect of firm resources and industry features in firm's profitability and concluded that industry type and internal factors of a firm such as management's capabilities, value added by human resources, and using sufficient technology affect firm's profitability.

Results of a research by Watts & LaFond (2008) showed that firms with high growth opportunities tend to present lower financial reporting and disclosure quality. On the contrary, when firms are ending their investment projects and their potential future growth capability is lower, information asymmetry reduces and therefore financial reporting quality increases.

Bake & Brown (2010) proposed that firms with effective corporate governance do better accounting disclosure and this result in reducing information asymmetry. Corporate governance results from information asymmetry and agency problems internally. Benefits' controversy affects market assessment of a firm and its performance.

Park & et al (2013) studied about the effect of fair disclosure rules on timeliness and information content of earnings announced by Korean firms. Results of their findings showed that fair disclosure rules result in timeliness and improvement of information content of earnings announced.

3-2- Domestic review literature

Mahdavi & Ghasemi (2009) investigated about the effect of social structures of lawfulness, trust, educational degree, individualism, gender, major course, and job experiences on financial disclosure. Thus, they studied them regarding several firm enlisted in Stock Exchange. Results of their statistical tests showed that social structures of lawfulness, trust seeking, and individualism have had a meaningful and direct effect on financial disclosure of firms under investigations. And the effect of social structures was not statistically meaningful. Also, based on results gained, individualism has had the highest effect on financial disclosure.

Fakhkhari & Mohammadi (2009) studied about the effect of information disclosure on stock liquidation (proposed price for purchase and sales of stocks). They prepared a checklist based on accounting standards to determine the information disclosure degree by firms. Their findings showed a meaningful negative relationship between information disclosure and stock liquidation index.

Sajjadi & et al (2009) investigated about the non-financial characteristics affecting financial reporting quality. They used an index including 155 items based on accounting standards and other rules to measure financial reporting quality. Their results showed that firm size, firm age, and industry type have had a meaningful positive relationship and ownership structure has had a negative relationship with financial reporting quality but the relationship between auditing entity type and financial reporting quality was not meaningful.

Hejazi & et al (2010) studied about the effect of information disclosure rules on the quality of information published by firms enlisted in Tehran Stock Exchange. They based their studies on three time intervals: 1) the period before rapid information disclosure in year 2001 (study period was between 1999 and 2001), 2) the period after the approval of rapid information disclosure in year 2001 up to the approval of bonds' market rules (study period was between 2002 and 2005), 3) the period after the approval of bonds' market rules (study period between 2006 and 2008). Information quality has been measured based on the speed of presenting information (timeliness) and forecast error (reliability). Results of their research showed that there has not been any reduction observed in earning forecast error percentage. Thus, it seems that unreliability of business environment has been effective. The formal announcement of firm's earning has been carried out after timeliness regulations. Therefore, after the approval of regulations, disclosure quality has improved regarding timeliness.

Kamalian & et al (2010) used a data analysis approach to investigate about factors affecting the scores and firms' disclosure rank. These factors included: the quality of firm's auditor entity, return on assets, debt ratio, and board manager being internal or independent.

Mahdaviipour & et al (2010) studied about factors affecting financial information disclosure through internet in website of firms enlisted in Tehran Stock Exchange. Their results showed that there has been a meaningful relationship between financial information disclosure through internet (dependent variable) and firm size, leverage, and industry type through which a firm is active (independent variables). But a meaningful relationship between dependent and independent variable of firm's profitability was not observed.

Etemadi & et al (2011) studied the value content of obligatory disclosure. The results of their research showed that disclosures carried out and reported by firms included information content about future earnings and the investors could use the disclosed information in their decision makings.

4- Research hypotheses

Regarding the theoretical foundations posed, the research hypotheses were devised as follows:

First hypothesis: disclosure quality affects information content of earning adjustments.

Second hypothesis: ownership structure affects information content of earning adjustments.

5- Research method:

The present research can not be categorized within absolute experimental researches due to the lack of possibility of controlling all related variables, but it can be categorized as quasi-experimental since it deals with analyzing past data. Also regarding that the results gained deals with resolving a problem or certain issue, it is applied considering the goals. To collect data we have used a library study and utilized the information in website of Stock Exchange Organization along with using Rahaward-e-Nowin and Tadbirpardaz software. In this study we have used pooled data method regarding the data type and the present statistical analysis methods.

6- Statistical population and statistical sample:

The statistical population of the present study consists of all firms enlisted in Tehran Stock Exchange within the time period between 2009 and 2013 and the sampling was carried out in a systematic deletion method by applying the following conditions:

- 1) The fiscal year should end at the end of Esfand (21st March).
- 2) They should not be from among investment firms.
- 3) They should not be from among financial intermediaries or banks or insurance companies.
- 4) The data needed for the research should be accessible in these firms.

Finally the amount of statistical population by screening method and based on criteria above was 137 firms.

7- Data collection method:

To collect the data on literature and research background and the formulas extracted from research variables we used a library study method. The data needed in this research was collected through computerized

databases and referring to the library of Stock Exchange Organization and using Rahaward-e-Nowin software and also using the website 'www.rdis.ir', belonging to Stock Exchange Organization (the management of research, development, and Islamic studies). Also the financial statements of firms including balance sheet, cash flow statements, and notes along with financial statements at the end of each fiscal year (21st March) were used as research tools. To investigate the research variables first we searched the data of sample firms and calculated them using the primary methods in Excel software and the data were made ready to be analyzed. Then we used SPSS19 and EViews6 software to carry out the final analysis.

8- Data analysis:

In descriptive statistics section, the data analysis was done by using central tendency criteria such as mean, mode, and dispersion indexes such as standard deviation. Also to test the hypotheses we used a pooled data regression pattern. To select from among pooled regression pattern and panel data pattern we used F Limer test. If in F Limer test the pooled data method was selected we would use it. But if panel data method was selected, it would be necessary to use Hausmann's test. Hausmann's test is used to determine the use of random and fixed effect patterns (Aflatooni & Nikbakht, 2010).

Also before pattern processing and since the firms in this study were from different industries and the pooled data method has been used, it was impossible to have variance incongruence and in order to obviate this problem we used the generalized least square regression method for pattern adjustment. Thus, we used pattern adjustment by using Durbin-Watson statistic in order to investigate about the lack of existence of self-correlation in residuals.

9- Research pattern:

Regarding the theoretical framework and research literature, our research pattern was a multiple variable regression type. Thus, we used Park & et al's (2013) model to test the hypotheses:

$CAR(7,0,7)=$

$$\beta_1 + \beta_2 PUE_{jt} + \beta_3 DB * PUE_{jt} + \beta_4 DB * PUE_{jt} * DISC - QUALITY + \beta_5 DB * PUE_{jt} * OWN + \beta_6 D_{neg} * PUE_{jt} + \beta_7 SIZE_{jt} + \epsilon_{jt}$$

In the equation above,

CAR is the information content of earning balance

PUE is the amount of earning adjustments per share compared to the latest forecast

DISC-Quality is the criterion to measure disclosure quality

OWN is the criterion to measure ownership structure

SIZE is firm size

J is the symbol used to represent the firm intended

t is the year we considered.

10- Research variables:

A) Dependent variable:

In this model CAR is considered as the dependent variable and information content is measured by using it. CAR is the cumulative return of accumulation of 7 days before and after disclosure date and the presentation of earning adjustment information to the public. (the 7 days time period before and after disclosure date means the best possible time to use the data by the stockholders. After this time the data lose timeliness feature).

$$CAR = \sum_{t=-7}^{t=7} AR$$

AR = real return per share in date t. To measure real return of bonds we use the following formula:

$$R_{i,t} = \frac{(p_t - p_{t-1}) + SO_t + SR_t}{P_{t-1}}$$

Where,

$R_{i,t}$: return of firm i during t time period

P_t : price per share at the end of time period t

P_{t-1} : price per share at the end of time period t-1

SO_t : the value of the patent to purchase the share conferred during t time period

SR_t : the value of purchase priority right for the stocks conferred during t time period

Here t represents daily time period.

B) Independent variables:

DISK-QUALITY = the criterion to measure disclosure quality

It is measured using the following formula in the present study:

$$\text{DISK-QUALITY} = \beta_0 + \beta_1(\text{VOL}_t - \text{AVGVOL}) + \varepsilon_t \ln \left| \frac{P_t - P_{t-1}}{P_t} \right|$$

Where,

P = the final price per share at each t day

P-1 = final share price in previous day

VOL (t-1) = daily exchange volume

AGVOL = average daily exchange volume within 6 month earlier

After the adjustment of the regression equation above for each firm within each year, the estimation coefficient of β_1 was considered as the disclosure quality criterion.

OWN =

In this research we investigated the effects of ownership structure regarding ownership concentration. By ownership concentration we mean the amount of stocks owned by major stockholders. And the major stockholders are those that are mentioned in reports of financial statements of firms or they are included in the report by board to assembly in the form of firm's major stockholders and they possess more than %5 stocks of a firm. (It can be gained by dividing the number of major stockholders into total stockholders of a firm).

C) Control variables:

PUE = the amount of earning adjustments per share compared to the latest forecast divided by market value of owners' equity at the start of the period (since market value of owners' equity is considered as a whole, earning adjustments per share is utilized in measurement).

$$\text{PUE} = (\text{EF}_t - \text{EF}_{t-1}) \div (\text{MV}_t)$$

EF_t = earning forecast per share in period t

EF_{t-1} = one forecast before the last per share

MV_t = market value of owners' equity in period t

DB = it is a dummy variable and if the earning adjustments per share is disclosed before audit's report it would be entitled number 1, or else it would be equal to 0. (Due to the timeliness and spread rate of information if it is before audit's report it would be equal to 1).

DNEG = it is a dummy variable. If the company is incurring losses it would be entitled with 1, or else it would be presented by 0. (Due to the fact that earning adjustments per share in firms incurring losses is more importantly considered we used number 1).

SIZE = firm size in the form of natural logarithm of total assets of firm. It is imagined that big firms search for better and more disclosure and a meaningful positive relationship was observed between firm size and disclosure levels in different researches.

11- RESEARCH RESULTS:

11-1- Descriptive statistics:

As it can be observed, the descriptive statistical results of the research variables have been represented in table 1.

Table (1): The descriptive statistics of research variables

Description of variables		Mean	Median	Std. Dev.	Minimum	Maximum
Cumulative total return	CAR	0.2431	0.2091	0.2361	-0.3853	0.4308
The adjusted earnings per share	PUE	0.3280	0.3263	0.1347	0.0981	0.5655
Adjusted earnings per share disclosure and audited animal variable	DB	0.3081	1	2.4527	0	1
Quality disclosure	DISC-QUALITY	0.3342	0.3142	1.2145	0.0216	0.4087
Concentration of ownership	OWN	0.5432	0.6754	3.1817	0.2338	0.8213
Animal variable loss of the company	DNEG	0.3951	0	0.3523	0	1
Company size	SIZE	10.4529	11.5927	12.868	8.3963	15.294

Source: research findings

11-2- Inferential statistics:

When we focused on studying the relationship between a dependent variable and one or several independent variables we used this method. It was where the research's goal was to estimate and present a model for forecast by using historical data, parameter (parameters) for independent variable (variables). Due to the research literature and also the nature of research hypothesis, we have used pooled data method in the present

research. In order to identify the appropriate model (pooled or panel with fixed or random effects) to test the hypotheses we have used Chaw & Haussmann's tests.

a) Chaw's test

Results related to F test for the regression model of the present study have been represented in table 2.

Regression Research	F	Sig.	Test	
	**67.321	0.000	Rejecting H ₀	Panel model

**meaningfulness in %95 level

Regarding the regression model in this study and considering the meaningfulness level of Chaw's test results, H₀ is not approved. In other words, there are individual or group effects and we should use panel data method to estimate the regression model in the research and then we used Haussmann's test to determine panel model type (with random or fixed effects).

b) Haussmann's test

After determining that the latitude from base is not the same for different years, we should identify the method used in model estimation (fixed or random effects) and to do so we used Haussmann's test.

In Haussmann's test the hypothesis H₀ means the compatibility of random effect estimations and H₁ means the compatibility of fixed effect estimations.

Table (3): Haussmann's test

Regression Research	χ^2	Sig.	Test	
	2.978	0.033	Rejecting H ₀	Panel with random effects

Results related to Haussmann's test for the regression model have been presented in table 3. Results represented show that X² statistic of Haussmann's test for the model has been equal to 2.978 which were not meaningful in an assurance level of %95 and this showed that H₁ was rejected. Therefore, regarding Haussmann's test, the adjustment of regression model of this research would be appropriate by using panel data model with random effects method.

Testing class regression presuppositions

Before adjusting the regression models, first the presuppositions of the linear regression should be tested.

Testing the normality of dependent variable distribution

To study about normality of the distribution of dependent and independent variables we used Kolomogorov-Smirnov's test. This test has been done on dependent variable. The output tables of K-S test in SPSS software for these variables are as shown in the table. Regarding Kolomogorov-Smirnov's test, since the meaningfulness level for all variables has been higher than 0.05, the hypothesis H₀ was approved. Thus, with an assurance level of %95, it can be said that the variables above have had a normal distribution in models above.

Table (4): Kolomogorov-Smirnov's test

Variable	Kolmogorov-Smirnov Test	Sig.	Test	
CAR	Cumulative total return	0.831	0.365	A normal distribution

Testing error independence

Durbin-Watson's test tests the serial correlation between residuals of regression errors based on statistical null hypothesis as follows:

H₀: There is not self correlation between errors.

H₁: There is self correlation between errors.

Durbin-Watson statistics along with critical amounts of error level of %1 are shown in table 5. Regarding that the amount of Durbin-Watson statistic calculated for the regression model in this research was bigger than the critical amount in an error level of 0.01, the lack of consequential correlation or serial correlation of residuals in first and second regression models in a meaningfulness level of 0.01 was approved.

Table (5): Testing the independence of errors

Regression	Critical values (the error of 1%)		Durbin-Watson stat
	Du	DI	
		1.721	1.478

Variations' incongruence

One of important issues we encounter in measurement economy is Variations' incongruence. Variations' incongruence means that in estimating the regression model, the amounts of error utterances have unequal variances. In order to estimate Variations' incongruence in this research we have used White's test. Results of this test are represented in table (6) as follows:

Table (6): Results of Variations' incongruence

	White Test	P-value	Test
Regression	1.721	1.478	The absence of anisotropy

Results of White's test have been represented in table (6). The results show that F statistic of the regression model in this research is not meaningful in error level of 0.05 and therefore the null hypothesis claiming that there is variance incongruence among model data in an error level of 0.05 is rejected. Thus, we can use OLS regression model.

Co-linearity test of independent variables

Regarding table 7, the amount of tolerance for all independent variables has been more than 0.2 and the variance amass factor has also been very close to 1 (it has been much lower than 5). Therefore, the hypothesis of lack of the existence of co-linearity between independent variables is approved.

Table (7): Co-linearity test of independent variables

variables	tolerance	Centered VIF
PUE	0.707	1.415
DB	0.461	2.175
DISC-QUALITY	0.951	1.046
OWN	0.962	1.031
D _{NEG}	0.981	1.017
SIZE	0.654	1.529

After studying the classic presuppositions we test the results of adjustment of regression models and following that the research hypotheses would be investigated and tested.

Table (8): Results of regression equation adjustment

Variables	variables Coefficient	Coefficient	t-Statistic	Prob.
C	B ₁	1.522	2.873	0.004
PUE	β ₂	3.234	1.121	0.231
DB	β ₃	0.789	3.838	0.0039
DISC-QUALITY	β ₄	1.673	2.543	0.031
OWN	β ₅	1.012	2.987	0.0041
D _{NEG}	β ₆	-1.241	-2.347	0.034
SIZE	β ₇	2.467	3.838	0.000
R-squared	0.698	F		11.276
Adjusted R-squared	0.627	(P-Value)		0.00
		Durbin-Watson stat		1.863

After testing the regression presuppositions and making sure about their implementation, the results of regression equation adjustment have been represented in table 8. The amount of F statistic (11.276) also shows the meaningfulness of the total regression model. As it is clear in lower part of table 8, the identification coefficient and the adjusted identification coefficient of the model above are %0.698 and %0.627, respectively. Therefore, we can conclude that in the regression equation above, only about %0.627 of the changes in accumulated cumulative return of firms under investigations could be identified by the independent and control variables.

In this table the positive (negative) numbers in the column of coefficient amount show the amount of direct (reverse) effect of each of the variables on accumulated cumulative return of firms under investigations.

11-2-1- Testing first hypothesis:

In this hypothesis we have dealt with studying the effect of disclosure quality on information content of earning adjustments per share in firms enlisted in Tehran Stock Exchange. Based on table 8, the meaningfulness level (sig) of the variable DISC-QUALITY has been equal to 0.031 and it has been less than the meaningfulness level considered in the present study (%5). Also the absolute amount of t statistic related to this variable (2.543) has been more than t statistic regarding the table with the same degree of freedom. Therefore, in an assurance level of %95, the coefficient gained for the variable above has been meaningful in the regression model above. Thus, the first hypothesis is approved. The result of this hypothesis accords with researches carried out by Park & et al (2013) and Long & et al (2003).

11-2-2- Testing second hypothesis:

In this hypothesis we have dealt with studying the effect of ownership structure on information content of earning adjustments per share in firms enlisted in Tehran Stock Exchange. Based on table 8, the meaningfulness level (sig) of the variable OWN has been equal to 0.0041 and it has been less than the meaningfulness level considered in the present study (%5). Also the absolute amount of t statistic related to this variable (2.987) has been more than t statistic regarding the table with the same degree of freedom. Therefore, in an assurance level of %95, the coefficient gained for the variable above has been meaningful in the regression model above. Thus, the second hypothesis is approved, either. The result of this hypothesis accords with researches carried out by Park & et al (2013) and Long & et al (2003).

12- Conclusion:

The goal of the present research was to investigate about the effect of disclosure quality and ownership structure on information content of earning adjustments per share in firms enlisted in Tehran Stock Exchange. To carry out the study, two variables of disclosure quality and ownership structure were considered regarding ownership concentration as the criterion to measure information content of earning adjustments per share. The results showed that both variables of disclosure quality and ownership structure have had a positive and meaningful effect on information content of earning adjustments per share in firms. Regarding the results, it can be remarked that when disclosure quality increases in firms, information content of earning adjustments per share increases either. Therefore, we can infer that regarding the fact that most stockholders search for firms' information before legal disclosure, more qualified and in time information disclosure would have a direct effect on information content of earning adjustments per share. On the other hand, the results show that increasing ownership concentration in firms is also an important factor in increasing information content of earning adjustments per share. In other words, the higher amount of major stockholders compare to the other stockholders and the overall stockholders becoming less, will result in more concentrated ownership and it results in increasing information content of earning adjustments per share because major stockholders search for more and in time information about the firm to maintain their capital's value.

Regarding the results gained, the following suggestions can be posed:

It is suggested to the investors and analysts to consider the direct effect of disclosure quality and ownership structure on information content of earning adjustments per share in firms in analyzing the investment plans in financial assets and bonds because these factors result in the selection of optimal investment basket with the least risk and the highest return amounts. Also the transparency in decision making environment and the results of it would be very effective. Additionally, it is suggested to the managers who have an important role in decisions carried out in Tehran Stock Exchange firms to try to have more interaction with owners (investors) of firms and present their viewpoints about the improvement of reporting in presenting more qualified financial reports to the market. This is so because the more increased reporting quality will lead to higher trust of investors to firms and in this way the firms can finance easily to supply for their needs through stock market.

Also it can be suggested to the researchers to consider the following items to make the effects of disclosure quality and ownership structure on increasing information content of earning adjustments per share and timeliness of the information more transparent:

- 1) Study the effect of variables such as corporate governance structure, audit quality, stock liquidation... on information content of earning per share.
- 2) The topic in this study could be investigated regarding industries in isolation and it is expected that due to the difference in the nature of activities in firms in different industries, different results would emerge.
- 3) A comparative study of the present research topic in isolated samples based on the size of firms enlisted in Tehran Stock Exchange into two groups of big and small firms is suggested.
- 4) A comparative study of the present research topic in isolated samples based on the stages in business cycle (recession and boom) and also life cycle stages (growth, maturity, and decline) of firms.

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