Artículo de investigación

Effect of Corporate Governance and BOD Characteristics on Financial statements and Auditor Change in Future Financial Period

Efecto del gobierno corporativo y las características de DBO en los estados financieros y el cambio del auditor en el período financiero futuro

Efeito das características de Governança Corporativa e BOD nas Demonstrações Financeiras e na Alteração do Auditor no Período Financeiro Futuro

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Abstract

This study has been analyzedrelationship between corporate governanceand BOD (board of directors) characteristics on financial statements and auditor change in future financialperiod. In this study, auditor tenure criterion and auditor change has been used as a basis for measuring audit quality and ownershipconcentration and lack of manager'sinfluence on the board variables has been consideredas indicators to measure the strength and weaknessof corporate governance. variables used in this study has been calculated the financial reports of listed companies in Tehran Stock Exchange in the period 2005-2015 (the eventperiod) with the software Excel 2016 and 86 companies data during 2008 -2015 (the review) using Eviews six econometricsoftware and panel data estimation method inregression models of bainary logit has been analyzed. Research results show that significant relationship was not observed in the first hypothesis test between ownership concentrationand selected audit institution in terma of audit quality. Also,significant relationship was not observed in the fourth hypothesis between ownership concentrationand the restated financial

Abstract

En este estudio se analizó la relación entre el gobierno corporativo y las características de la DBO (junta directiva) en los estados financieros y el cambio en el auditor en el período financiero futuro. En este estudio, el criterio de tenencia del auditor y el cambio del auditor se han utilizado como base para medir la calidad de la auditoría y la concentración de propiedad y la falta de influencia del gerente en las variables del consejo ha sido considerada como indicadores para medir la fortaleza y debilidad del gobierno corporativo. Las variables utilizadas en este estudio se han calculado los informes financieros de las empresas cotizadas en la Bolsa de Teherán en el período 2005-2015 (el período del evento) con el software Excel 2016 y 86 empresas de datos durante 2008 -2015 (la revisión) utilizando Eviews six econometricsoftware y Se ha analizado el método de estimación de datos del panel en modelos de regresión del logit bainario. Los resultados de la investigación muestran que no se observó una relación significativa en la primera prueba de hipótesis entre la concentración de la propiedad y la institución de auditoría seleccionada en términos de la calidad de la auditoría. Asimismo, no se observó una relación significativa en la cuarta hipótesis entre

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statements in the next year. But positive and significant relationship wasobserved in the second hypothesis, between the lack of manager'sinfluence and selected audit institutionin terms of audit quality was observed. In the third and fifth hypothesizesrespectivelythere was a negative and significant relationshipbetween auditor select with high quality and the lack of managers influence with the variable ofrestated financial statements in the next year. And in the sixth hypothesis positiveand significant relationship was observed between auditor change in the restated yearand restatement of financial statements.

Keywords: Restatement of Financial Statements, Ownership Concentration, Influence Managers, auditor Change, Auditor Select, Corporate Governance.

la concentración de la propiedad y los estados financieros actualizados en el año siguiente. Pero se observó una relación positiva y significativa en la segunda hipótesis, entre la falta de influencia del gerente y la institución de auditoría seleccionada en términos de la calidad de la auditoría. En la tercera y quinta hipótesis, respectivamente, hubo una relación negativa y significativa entre el auditor seleccionado con alta calidad y la falta de influencia de los gerentes con la variable de los estados financieros reexpresados en el próximo año. Y en la sexta hipótesis, se observó una relación positiva e importante entre el cambio del auditor en el año reexpresado y la reexpresión de los estados financieros.

Palabras clave: reformulación de Estados Financieros, Concentración de Propiedad, Gerentes de Influencia, Cambio de auditor, Selección de Auditor, Gobierno Corporativo.

Resumo

Este estudo analisou a relação entre a governança corporativa e as características do CA (conselho de administração) sobre as demonstrações contábeis e a mudança do auditor no futuro período financeiro. Neste estudo, o critério de propriedade do auditor e a mudança de auditor foram usados como base para medir a qualidade da auditoria e a concentração da propriedade e a falta de influência do gestor nas variáveis do conselho foi considerada como um indicador para medir a força e a fraqueza da governança corporativa. variáveis utilizadas neste estudo foram calculados os relatórios financeiros das empresas listadas na Bolsa de Valores de Teerã no período 2005-2015 (o período do evento) com o software Excel 2016 e 86 empresas dados durante 2008 -2015 (a revisão) usando Eviews seis econometria software e O método de estimação de dados em painel foi analisado em modelos de regressão de bainary logit. Os resultados da pesquisa mostram que não foi observada relação significativa no primeiro teste de hipótese entre a concentração de propriedade e a instituição de auditoria selecionada em termos de qualidade de auditoria. Além disso, relação significativa não foi observada na quarta hipótese entre a concentração da propriedade e as demonstrações financeiras reapresentadas no ano seguinte. Porém, foi observada relação positiva e significativa na segunda hipótese, entre a falta de influência do gestor e a instituição de auditoria selecionada em termos de qualidade de auditoria. Na terceira e quinta hipóteses, respectivamente, houve uma relação negativa e significativa entre seleção de auditor com alta qualidade e a falta de influência dos gestores com a variável das demonstrações financeiras no exercício seguinte. E na sexta hipótese positiva e relação significativa foi observada entre a mudança de auditor no ano de reexame e reapresentação das demonstrações financeiras.

Palavras-chave: Reformulação de Demonstrações Financeiras, Concentração de Propriedade, Gerentes de Influência, Mudança de Auditor, Auditor Select, Governança Corporativa.

Introducción

In recent years, restatement of financial statements is very popular among Iranian companies so that the annual adjustment is mentioned as one of relatively stable accumulated profit and loss elements in account circulation. These adjustments are mainly due to the errorscorrection ofpriorperiod and cases related to changes of accounting methodsare less visible. On the other handrestatement of financial statements has effect on the ability ofreliable and trustpotency to figures presented in the financial statements especially profitfigure. One of the main features of qualitative accounting information is itsreliability. Alsobased on theoretical concepts of financial, informationreporting is reliable that is empty of

biasedtendencies. The researches has done earlier in Iran shows that a high percentage of companies in Iran due to the correction of accounting errors, restatefinancial statements and the annual figure is reported under the title of adjustments, indicate this matter is cause ofdoubt in firms accounting informationin terms of free from false feature. (Kurdistan, et al, 1389). So the annual adjustments andrestatement of financial statements inprior periods, there are numerous negative consequences.The net profit figure isbaseof calculationoncases such as Board reward, taxes andprofit dividend to shareholders. In addition, per share profit and ratio of price to per share profit are the indicatorsthat be used by analysts and investors. Thus, providing improperprofit and modifying it in next periods, that means aftertaking related decisions, economic and financial effects will be different for individuals (Aliza, Rosenstein, 2011).

Another negative consequences of the annual adjustments is its impact on the credibility of auditors. The audit purpose is validatingto financial statements and when the audited financial statements in prior periods berestatedfor many timesdue to significant errorsof accounting, society trust to the auditor's opinion bereduced (Abbott, L., S. Parker and G. Peters 2005).To understand the possible motivations of firms management about providing wrong accounting figures and correct it for future periods should be noted that justified such action. Conductedresearchesin fraudulently reporting fieldhave enumerated different motivations for such actions. Naturally, It should be remembered that restatementoffinancial statements is not always an indication of fraud and will be put in the range of inadvertent error correction not in fraudulentlyreporting, but could be used simply as a cover for management fraudulently behaviors (Srinivasan, S. 2005).

Some researchers with assumptionthat restatementof financial statementsrootedin common motivations, argue these motivations can findapparent form andmanifest itself in thefeatures and financial, economic information of these firms. Thus, with realizing these common features, predict possibility of restatement of financial statements will be provided. A review in the researches has already been done in the field of restatement of financial statements, can be useful to understand these useful factors.

The discussions that mentioned here will be looking to show why financial statements did restate in several financial periods? Whethercorporate governance employs auditors with higherquality tosurveillance on firms and itscontroversial role? That depends onprofit cost related to the owners control is performed. These benefits and profitsmay be able to increase marketbudgetinusing the firmexaminationwith higher quality and with minimal cost ofshare selling at higher market prices are equal.

Some studies have documented as experimental formthat a commercial firm with weak corporate governance or aggressive management of earning has the higher possibility in combining the position of CEO and Board and thisissue has relation with restatement of financial statementsin the next period.

Priorconducted studies on the selection of audittook placein United States significantly andoccasional studies in countries like Australia andEngland that in terms of audit circumstances are almost similar. One reason for auditmarketsinvestigation extensively in these countries is having developed capital in these countries. However, less empirical studies has been conducted aboutdecisions related to the auditorchoice in emerging economies despite a significant effect on financial reporting and capital market operations.

Emerging economies that have lowerdevelopment, in terms of audit environment is very different in compared with developed countries (and Fan and Wong, 2005& Woodward, 1997).

The prevailing thought is that the board of firms (Corporate Governance) play more decisive role for firms in the economicinstability situation. In this research, the effects of corporate governance criteria inside and outside the firm (independentfrom the firm) will be examinedon restatement of financialstatements of listed companies in Tehran Stock Exchange.

The objectives andthe researchproblem

Thisresearch will examinegovernance structures issue in two dimensions: (a) ownership concentration structure or dispersedconsideredmany owners existencewith a less share and also (b) the composition and the number of board members to segregation of

duties have an important role in the manner of electing an independent auditor and directly following restatement of financial statements reasons of listed companies in TehranStock Exchange.

Thus, according to the anticipation of some reasons in theprevious literature, how to choose audit byconstituent members of corporate governance, which is one of the major reasons of restatement of financial statements will examine it from the perspective of audit quality. On the other hand relationship between the annual adjustments and changes in accumulatedprofit and lossin the creation (established) year is tested in terms of being weak or strong by dominant guideline structure oncompanies.The present research aimed examination of this issuethat how important is restatement of accounting financial statements as for strong or weak corporate governance mechanisms for the owners of shares in listed companiesin Tehran Stock Exchange?The researcher according to the research resultsintendto lead potential and de facto investorsto invest in companies that reliability of their financial statements due to strong corporate governance and selectionhigh-quality auditwhich lead to the stability of financial statements and lack of restatement of financial statements in the next year.

Importance of the issue

Undoubtedly, the emergence of joint stock companiesin the industrialized world that began since18 century is regardedthe largest economic evolutions and perhaps most important industrial progress factor. One of the consequences of this phenomenon is the separation of ownership from management, existence ofnatural differences in their utility function and in resultforming interest conflict and after that creation representative - owner relationship and theory of agency (Cyert, R., S. Kang and P. Kumar 2002).Separation of ownershipfrom management can be led opportunistic behaviors of management and increasing problems in the institutions. To ensure that management is accomplished according to the interests of owners, including the management of external supervisions by independent auditors, the contract planning must be set between the owner (representative)and management (institution). Therefore, independent auditors play fundamental role in confidenceconsolidationtoward financial reports toreduce agency costs and reduce restatement of importantfinancial statements cases with respect to management's discretion for future financial periods. In addition, the audited financial information are used to distinguish between commercial institutions with different viewpoints (Klein, A. 2002).The discussions areposedhere shows why firms recruit high quality auditors for supervision their performance and selection of high quality auditor by a company with strong corporate governancehas what impact on the reliability of financial statements. Conductedstudies indicate that the demand to usehighquality auditors hasinverse relationshipwith concentrated ownership in companies.Despite concentrated ownership structure and weakening of internal supervision of the company, the board tendency faced with ambiguity to use auditors withquality (DeFond, M., R. Hann and X. Hu 2005).According to the introduction in present research, we are looking for examination of theirlationship between variables in the research and examination of the effect of each of them on each other. So, wedefine the main meddlesomevariables in the present research as follows:When shareholders want to rely on financial information of external auditors do play an important role in corporate strategyand they are as an important means of monitoring the financial reporting process and independent investigation are an important component in the strategy of the company.Therefore, there is a relation between strong corporate governance and credibility of financial reportingand thiscredibility is achieved by implementation a high quality audit. It has been argued that concentrated ownership is a weakness in corporate governanceandprobably display the financial reporting of the companies non-transparent. So the companies that are faced with concentrated ownershipshow more enthusiasmto choose a lower quality auditors. They can simply maintain private and personal interests underlower levels of assessment and control of audit and in the coming years forthe lastfinancial interests they proceed to record the annual adjustments and account change of accumulated profit and loss. On the other hand, under the corporate governance structure, the board be formed to ensure that management activity is towardinterests of shareholders, but some members of the board has two responsibilitiessimultaneously (including the duality ofCEO and also board member) consequently, these cases will be faced with less monitoring and evaluation in management and it is indicator of corporate governance weakness

(Marciukaityte, Dalia, S. Scewczyk, and R. Varma 2009).

Some empirical studies indicate that a commercial entity with weakcorporate governance controlling or dominantmanagement of earning gain, has morepossibility in CEO combination and Board positions. In this case, these companies intend to use the audit institutionswith lower quality (Bebchuk, L., A. Cohen and A. Ferrell 2005).

About theboards that following the controlled structure, separating the position of CEO with Chairman of the Board in connection with positive impact of the company internal supervisionand its mechanism is a necessaryaction (Baysinger, B. and H. Butler 1995).

For this reason, this research examine governance structuresissuein two dimensions: (a) ownership concentration structure or dispersed (existenceof many owners witlessshare) and also (b) the composition and the number of the board members for separation of duties has an important role in the way of independent auditor choice. And followingexamination of restatement of financial statements reasons of listed companiesin Tehran Stock Exchange directly. Therefore,according to the anticipation of some reasons in previous literature, it is examined the perspective of audit quality, how to choose auditor by the constituent members of corporate governance which is one of the major reasons of restatement of financial statements.

On the other hand, the relation between the annual adjustments and accumulatedprofit and loss account change in established year is tested by dominant guidelinestructure on companies in terms ofbeing weak or strong.

Research background

External background

Anderson and et al (2011) reported that the companies tendencyreduced to choosehigher quality audit withfurther assets return ratio and further potential growth.

Christine I. W, Kevin B. H,(2010)by using accruals scale as a scale of profit quality, showed that quality of financial reportingwas increased from the distortionperiod (before restatement) till afterrestatementperiod.

(Ettredege, M., y, Huang. W, zhang, 2010) also choose profit conservatism as a scale of profit quality and showed that companies which have restatement, conservatism was increased in the period after restatement.

Kevin,W.Hee,(2008)also in his study selected profit stability as a scale of profit quality and showed that restatedprofitshas more stability than the reported preliminary profits inthe restatement year and as well as next period of restatement.

On the other hand Francis, Jennifer, D. Nanda, and P. Olsson. (2008) found that companies with idealisticprofit quality have moreoptionaldisclosures compared tocompanieswithweak profitquality. They suggest that as the information quality of company improved, managersdo moreoptionaldisclosure.

Sandeep N., Yangtze K. William G (2007) byusing a sample of companies which have profitrestatement in the years 1997 to 2003 found that occurrence probability of optional restatement has a positive relationship withindependence of the Board members and audit committee.

Robin N. Romanus. (2007) believed that restatements reduced investors' beliefs accuracyabout information, because there is arisk that financialinformationbe based on previous beliefs that are not valid. Restatement is a sign for investors thatmanagers are invalid and the financial, generalinformation provided by the managers is less reliable. Also, there is probability thatmanagers have had jurisdiction over opportunistic accounting choices.

Lobo, Gerald, and J. Zhou. (2006) ina study examined whether SOX Act effected on the pattern of mandatory or optionalrestatement of profit. They showed that mandatory restatements bySEC and other external institutions has decreased about 20 percentafter SOX Act compared to earlierbyuseing315 companies data for the period from 1997 to 2005. This research also examined discretionary accruals amount in the periods before and after this Act andthe results showed a significant decreasehas occurredin the share of discretionary accruals after the SOX Act.

Altamuro, J., A. Beatty and J. Weber (2005) in their study showed that companies with high ownership(low of majority shareholders number) more inclined that choose a flexible auditor so that they can easily earn personal profits under weak supervision of the auditor. In addition, high-ownershipcreatedexclusive situation and it is causeddominance indetermination of the Board, senior executives and prevention from minority shareholders interference in operational decision-making, including auditorchoice. Thus, a company with high ownership more likelychoose low quality auditors for capitalizing and smoothing the created profits caused by weak governance. Boardseparation is a necessity on the effectiveness of internal mechanism of corporate governance and studies indicate that a company with weak corporate governanceor aggressive earnings management of managers is more likely tend to combineCEO and chairman of the board.

Internal background

Nikbakht and lofty, (1391) study of financial statements of listed companies in Tehran Stock Exchange shows that the financial statements of some companies has the annual financial adjustments. Some studies show that 85 percent of financial statements of listed companies inTehran Stock Exchange has annual adjustments. Whereas, according to the Commission ofAmerican Stock Exchange, only about 9 percent of the listed companies on US exchange in2006 restated their financial statements and this amount was mentioned as a concern.

Kordestani and others (1389) in research with title of empirical test on annual adjustments in capital market found that the annual adjustmentsnumbers more than importance levelinfinancial statements level of the previous financial period. As a result, the awareness of financial statementsusersfromeffects related to theprevious annual adjustments can be effective on their decision-making and existence of the annual adjustments in the financial statements can be a sign of insufficient reliability of the financial statements.

Ghasem. Bulue and others (1389) in researchwith title of independent auditor change andinformation clarity concluded that the auditor change be not caused to increasing in annual adjustments mean of the companiesinchangingyearcompared to yearbeforechanging. Therefore, they reached the lack of improvement inannual adjustments after changing independent auditor of the company.

It is necessary to mentioning they also realized decrease in the annual adjustments meanwith regard to the comparison of changing annual adjustmentsmean in changing year and the year before changing compared to the two years before changing that can be lack ofauditor effortindicator in order to better disclosure of employer's financial information in the final year of his tenure.

Ghorbani (1389) examined the effect ofauditor choosecontinuityaudit quality in listed companiesin Stock Exchange. In this study related data of72 companies withcombination form inthe period from1382 to 1388 have been analyzedby using the pooled regression system. The results of the hypothesis test showed that auditor choosecontinuityhas no significant effect on audit quality.

Zaire (1389) examined the relationship betweenanticipatedprofit errors by management and corporate governance structure in listed companiesinTehranStock Exchange. In this study, the relationship betweenanticipatedprofit errors by management and corporate governance structure in listed companies'in Tehran Stock Exchange has been examined.

BagheriNoobar (1389) studied examination of the relationship between corporate governance mechanisms and the amount of wealth created for shareholders. This study was carried out to provide evidencerelated to the impact of corporate governance mechanisms on the amount of wealth created forshareholders.

Chalaki (1389) introduced a model for the relationship between corporate governance, earnings management and information content of profit in listed company'sinTehranStock Exchange.

KhosroNejad(1388) examined the relationship between corporate governance mechanisms, debt ratio and firm size with earnings management. In this studysome corporate governance mechanismswas examined in the capital market in Iran andexistenceof the possible relationship

between these mechanisms, ofdebtsratioand firm size with earnings managementwas studied.

Dadashi(1388) examined the effect of corporate governance on the auditor's decisions about risk and planning. This study was examinedthe effect of corporate governance mechanisms on independent auditor's decisions. The purpose of this study has been the effect of governance mechanisms determination such as the company board structure, internal Audit (internal supervision mechanisms of corporate governance) major shareholder and institutional investors (external supervision mechanisms of corporate governance) on the decisions andplanning's of independent auditors such as evaluation of inherent risk, control risk, the amount and timing of the content tests.

Statistical population and statistical sample

The statistical population was including the listed companies in Tehran Stock Exchange during eight years period 1385-1392 by consideringthe following characteristics:

A. The company name has been included inlisted companies inStock Exchange on 1380/12/29.
B. Its fiscal year endsinEsfand 29th.
D. The company has not changed its fiscal year through the period of study.
E. Not be one of the financial intermediation companies including banks, investment companies and holding. Because investment and financial intermediation companiespay less through discretionary accruals to earnings management.
C. Explanatory notes of the financial statements beaccessible.
H. Be one of theactive companies in pharmaceutical, food and sugar cube and sugarindustry.

To test the hypothesis, Spearman univariate regression model and binary logit multivariate regression being used in balanced panel estimation method. In this study, purposefully non-probability sampling has been used to select sampling method.

The research hypotheses

First hypothesis: between ownership concentrations and in terms of quality the selected audit firm Audit and significant negative relationship exists irrigation. The second hypothesis: between lack of influence of the Institute of Directors and chosen audit for audit quality and significant positive relationship exists irrigation.The third hypothesis: between high-quality auditor and financial statements restatements in the following year there is a significant negative relationship.

Fourth hypothesis: betweenownershipconcentration and financial statements restatements in the following year there is a significant and positive relationship. Fifth hypothesis: between lack of managers influence and restatements of financial statements in the following year there is a significant negative relationship.

Sixth hypothesis: The change in auditor and financial statements restatements there is a significant positive relationship.

Research variables

Research variables are as follow table:

Description	Variables
1 If the company restateits financial statements and 0 for otherwise	*RESTATE*
External Governance	
1 if the company is audited by high quality auditors and 0 for otherwise (criterion of audit quality tenure have been considered 5 years)	*AUD*
The number of block owners and major shareholders outside of the company (variable indicates ownership concentration, ownership more than 15%)	*BLOCK*
Internal Governance and Board Characteristics	
The number of non-bound members (Independent) in board	*BOD_INDEP*
The number of board members	*BOD_SIZE*
1 If CEO was not Chairman of the Board and 0for otherwise (variable indicates managers influence)	*SEP_CHAIR*
Control Variables	

1 if the company's auditor changes in the year that financial statements has been restated, and 0 for otherwise (dummy variable to observe the auditor)	*CH_AUD*
The rate of growth, sales growth during the past two years used in examination year	*GROWTH*
Free cash flow at the beginning of the year	*FREECF*
Dividend returns at the beginning of the year	*DIV_YIELD*
Net profit at the beginning of the year divided to the sales	*MARGIN*
Financial leverage. Total debtsdivided to the total assets	*LEVERAGE*

Descriptive statistics

Descriptive Statistics of the total sample companies

Researcher provides detailed descriptive statistics, because rarely information about the size of auditor tenure and governance informationof the companiesand their effect on the restatement of financial statements listed in Tehran Stock Exchange.Report of descriptive statistics about the companyfeatures for the total sample in Table 1-4 shows the value mean RESTATE reflectsthe restatement of financial statements variable (.,339181) and median is (0,0000).

(AUD)high quality auditors (with2 years tenurecriterion) are 38, 88% in sample companies audit.

The value mean (BLOCK) reflects the ownership concentration in the companies (0, 534025) and its medianis (0, 5247).

The value mean (SEPCHAIR) reflectslack of manager's influence in companies (0, 614035) and its median is (1,000).

The value mean (BODINDEP) reflects the number of non –bound members of the boards (2, 084795) and its median is (3,000).

The value mean (BODSIZE) reflectslack of manager's influence in companies (5, 845029)and its median is (6,000).

The value mean (CHAUD) reflects the firms which have changed their audit institutions in the restatement of financial statements (0, 230994) and its median is (0,000).

Various functions and their measuring (like DIVYIELD, FREECF, GROWCH, LEVERAGE, AND MARGIN)shows the studied sample companies in terms of financially are healthy.

Also the results of descriptive statistics examination in 1-4 table show that BLOCK haslow standard deviation(0,201971)which cause of this can be high fluctuations in changing of the number of block owners and major shareholders outside of the company (variable indicates ownership concentration, ownership more than 15%)which is effected it. Also the elongation coefficient of high quality auditors (criterion of audit quality tenure have been considered 5 years) AUD (1,207792) is low compared to other variables, that indicate tenure of audit institutions had less unusual changes in the studied population compared to other variables. Also inthe studied sample 38, 88 % of the company have chosen high quality auditor (with 5 yearstenure criterion).

	AUD	BLOCK	BODINDEP	BODSIZE	SEPCHAIR	CHAUD	DIVYIELD	FREECF	GROWCH	LEVERAGE	MARGIN	RESTATE
Mean	0.388889	0.534025	2.084795	5.845029	0.614035	0.230994	6.38299	-262101	0.255175	0.679813	16.18137	0.339181
Median	0	0.5247	3	6	1	0	2.988684	-78618.5	0.169316	0.661325	13.66849	0
Maximum	1	0.915	8	11	1	1	175.3968	302838	9.212938	3.760074	198.9644	1
Minimum	0	0.033	0	5	0	0	0	-1.3E+07	-0.927502	0.01796	-105.45	0
Std. Dev.	0.488212	0.201971	1.664306	0.549024	0.487536	0.422086	12.7361	809606.8	0.670876	0.280939	24.11907	0.474125
Skewness	0.455842	-0.17174	-0.100329	2.059632	-0.468487	1.276516	8.3574	-11.8443	9.025258	5.134722	1.16402	0.679375
Kurtosis	1.207792	2.612224	1.8445	24.85868	1.219481	2.629494	100.3007	181.1482	110.789	52.31922	19.26387	1.46155
Jarque-Bera	57.61528	3.82402	19.60009	7050.473	57.68645	94.83733	138892	460245.4	170206.3	36164.32	3846.548	60.03566
Probability	0	0.147783	0.000055	0	0	0	0	0	0	0	0	0
Sum	133	182.6365	713	1999	210	79	2182.983	-9E+07	87.26975	232.496	5534.028	116
Sum Sq. Dev.	81.27778	13.91023	944.5409	102.7865	81.05263	60.75146	55313.05	2.24E+14	153.4753	26.91398	198369.7	76.65497
Observations	342	342	342	342	342	342	342	342	342	342	342	342

Univariate correlation

The correlation coefficient shows intensity of relationshipas well askind of relationship (direct or inverse) and itis square root ofdetermination coefficient. Therefore the correlation coefficient can be positive or negative, and always it is between 1 and -1. Spearmancorrelation (oblique up) reportsresearch variablesfor the total samplesin table 3-4.According to the figures reflected in the table, the numbers undersignificant column (p-value) indicate possibility of each coefficient beequal zero. To be significant ofcoefficient, this possibility amount be compared with desired significant level(here 0, 05) is sufficient.If this probability is less than the significant level of 0, 05it can be concluded that the coefficient is significant.

Negative and significant correlation is observed between the restatement of financial statements RESTATE and audit quality AUD (-1, 43189*) (t=0, 0531). This issuesupports third hypothesis. Significant correlation is not found between restatement of financial statements RESTATE and ownership concentration.

BLOCK (0, 584041) (t =0, 5596). This issuedoes not support fourth hypothesis.Negative and significant correlation is observed between the restatement of financial statements RESTATE and lack of managers influence SEPCHAIR (-0, 990498*)(t =0, 0226). This issuesupports fifth hypothesis. Positiveand significant correlation is observed between the restatement of financial statements RESTATE and auditor change in restatement of financial statements year CHAUD (0, 325559*) (t =0,045). This issuesupports sixth hypothesis.In addition, significant correlation is not observed between the restatement of financial statements RESTATE andnon-bound members in the board BODINDEP (0, 535278) (t =0, 5928).Significant correlation is not observed between the restatement of financial statements RESTATE and size of the board BODSIZE (-0, 663048) (t =0, 5077). Significant correlation is not observed between the restatement of financial statements RESTATE and divided yield at the beginning of the yearDIVYIELD (1, 766037) (t =0, 0783).(Of course, it is nearly significant)

Negative and significant correlation is observed between the restatement of financial statements RESTATE and free cash flow at the beginning of the year FREECF (-2,36607*) (t =0,0185). Significant correlation is not observed between the restatement of financial statements RESTATEand the rate ofsales growth in the past two years GROWCH (0, 961026) (t =0, 3372).

Significant correlation is not observed between the restatement of financial statements RESTATE and the degree of financial leverage (-0, 440191) (t =0, 6601). Significant correlation is not observed between the restatement of financial statements RESTATE and net profit at the beginning of the year MARGIN (1, 441313) (t = 0, 1498)

Negative and significant correlation is observed between the restatement of financial statements RESTATE and audit quality AUD (-1, 43189*) (t =0, 0531).This issuesupports third hypothesis. Positive and significant correlation is observed between lack of managers influence SEPCHAIR and audit quality AUD (3, 308293*) (t = 0,001). This issue supports second hypothesis.

Negative and significant correlation is observed between auditor change in restatement of financial statements year CHAUD andaudit quality AUD (-8, 60718*) (t =0,000).Significant correlation is not found between the audit quality AUD (auditor tenure) and ownership concentration BLOCK (-0, 01457)(t=0, 9884). This issuedoes not support first hypothesis. Furthermore, significant correlation is not observed between non-bound members in the board BODINDEP and audit quality AUD (-0, 85666) (t =0, 3922).).Significant correlation is not observed between size of the board BODSIZE and audit quality AUD (0, 608409) (t=0, 5433).

Significant correlation is not observed between divided yield at the beginning of the yearDIVYIELD and audit quality AUD (1, 875976) (t =0, 0615)(Of course, it is nearly significant). Significant correlation is not observed between free cash flow at the beginning of the year FREECFand audit quality AUD (1, 64201) (t=0, 1015). Significant correlation is not observed between the rate of sales growth in the past two years GROWCH and audit qualityAUD (-0, 22462) (t =0, 8224). Significant correlation is not observed between the degree of financial leverage LEVERAGE and audit quality AUD (1, 231067)(t =0, 2191). Significant correlation is not observed between the net profit at the beginning of the year MARGIN and audit quality AUD (-0, 91355) (t = 0, 3616). This is possible because a large percentage of the studied statistical population companies have audited by institutions thattheir tenure was less than 5 years.

Table 3-4 Spearman correlation matrix,research variables in the total sampleand significant level (334observed, company –year).

Covariance Analysis: Spearman rank-order				Date: 08/25/15 Time: 19:29		Sample: 1385 1392			Included observations: 342			
Balanced sample (listwise missing value deletion)												
t-Statistic												
Probability	AUD	BLOCK	BODINDEP	BODSIZE	SEPCHAIR	CHAUD	DIVYIELD	FREECF	GROWCH	LEVERAGE	MARGIN	RESTATE
AUD	-----											
BLOCK	-0.01457	-----										
	0.9884	-----										
BODINDEP	-0.85666	*-3.75085	-----									
	0.3922	0.0002	-----									
BODSIZE	0.608409	*-4.40033	-1.793035	-----								
	0.5433	0	0.0739	-----								
SEPCHAIR	*3.308239	0.378166	*3.837784	*12.32758	-----							
	0.001	0.7055	0.0001	0	-----							
CHAUD	*-8.60718	-0.2767	0.800541	-0.262073	*-1.984482	-----						
	0	0.7822	0.424	0.7934	0.048	-----						
DIVYIELD	1.875976	0.150346	-0.368621	*2.450241	*2.239193	-0.34408	-----					
	0.0615	0.8806	0.7126	0.0148	0.0258	0.731	-----					
FREECF	1.64201	-1.02165	-0.105247	*-1.916127	-1.797164	-1.00373	*-6.12555	-----				
	0.1015	0.3077	0.9162	0.0562	0.0732	0.3162	0	-----				
GROWCH	-0.22462	1.453158	0.997479	*-1.974856	0.041506	-0.58986	-1.57246	0.228787	-----			
	0.8224	0.1471	0.3192	0.0491	0.9669	0.5557	0.1168	0.8192	-----			
LEVERAGE	1.231067	*6.481726	-0.266467	*-3.230437	0.517908	0.269541	*-5.9459	-0.50534	-0.813746	-----		
	0.2191	0	0.79	0.0014	0.6049	0.7877	0	0.6136	0.4164	-----		
MARGIN	-0.91355	-0.42464	0.96295	*3.824578	*4.343136	-0.00454	*7.651382	*-2.81668	*1.953506	*-11.26439	-----	
	0.3616	0.6714	0.3363	0.0002	0	0.9964	0	0.0051	0.0516	0	-----	
RESTATE	*-1.43189	0.584041	0.535278	-0.663048	*-0.990498	*0.325559	1.766037	*-2.36607	0.961026	-0.440191	1.443413	-----
	0.0531	0.5596	0.5928	0.5077	0.0226	0.045	0.0783	0.0185	0.3372	0.6601	0.1498	-----

Hypotheses test and analyze the findings
The first hypothesis test

Statistical significant correlationwas not found between ownership concentration and selectedaudit institutionin terms of audit quality AUD and BLOCK inthe whole population. (Y1 = -0,619306), (t = 0,3901) sothe hypothesis $H_{0,1}$is confirmed in %95 significance level or with %5 error andthe hypothesis $H_{1,1}$is rejected. Therefore, it can be said:there is nonegative and significantrelationship between ownership concentration and selected audit institutionin terms of audit quality.

The second hypothesis test

Statistical positive andsignificant correlationwas found between the lack of manager'sinfluence andselectedaudit institutionin terms of quality audit AUD and SEPCHAIR in the whole population. (Y9 =1,190113), (t = 0,0034)sothe hypothesis $H_{1,2}$is confirmed in %95 significance level or with %5 error andthe hypothesis $H_{0,2}$is rejected. The relationship type is positivetherefore,it can be said:there is positive and significantrelationship betweenlack of manager's influence and selectedaudit institutionin terms of quality audit.

Table 5-4: The relationship between ownership concentration andlack of manager's influence by selecting theaudit institutionin terms of quality in the whole population

Dependent Variable: AUD				
Method: ML - Binary Logit (Quadratic hill climbing)				
Date: 08/25/15 Time: 19:21				
Sample: 1385 1392				
Included observations: 342				
Convergence achieved after 10 iterations				
QML (Huber/White) standard errors & covariance				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
BLOCK	-0.619306	0.720533	-0.85951	0.3901
BODINDEP	-0.136381	0.094242	-1.44714	0.1479
BODSIZE	-0.37818	0.530779	-0.7125	0.4762
DIVYIELD	0.025095	0.014688	1.708526	0.0875
FREECF	*2.84E-07	1.50E-07	1.888236	0.059
GROWCH	0.128108	0.186628	0.686435	0.4924
LEVERAGE	-0.41193	0.581212	-0.70874	0.4785
MARGIN	*-0.017235	0.006492	-2.65477	0.0079
SEPCHAIR	*1.190113	0.406325	2.928971	0.0034
C	2.05042	3.293877	0.622494	0.5336
McFadden R-squared	0.057267	Mean dependent var		0.38889
S.D. dependent var	0.488212	S.E. of regression		0.47588
Akaike info criterion	1.318439	Sum squared resid		75.1864
Schwarz criterion	1.430568	Log likelihood		-215.45
Hannan-Quinn criter.	1.363108	Restr. log likelihood		-228.54
LR statistic	26.1759	Avg. log likelihood		-0.63
Prob(LR statistic)	0.001912			
Obs with Dep=0	209	Total obs		342
Obs with Dep=1	133			

Among other control variables,statistical positive and significant correlation is found between free cash flow FREECF and audit quality AUD in the whole population. (Y5 = 2, 84E-07), (t = 0,059) also,statistical negative and significant correlation is found between the net profit at the beginning of the yeardivided to sales MARGIN and audit quality AUD in the whole population. (Y5 = -0, 017235), (t =0, 0079).

Based on the coefficients of the variables in Table 5-4 AUD can be written as follows:

That, it is indicatorof the relationship between measurement parameters effect of lack of managersinfluence and ownership concentration on the auditorchoice in terms of quality(with 5years tenure criterion) in companiesby using the following LOGIT regression model:

$$\begin{aligned}\text{AUD}_{\text{it}} = &-0.619306\text{BLOCK}_{\text{it}} - 0.136381\text{BODINDEP}_{\text{it}} - 0.37818\text{BODSIZE}_{\text{it}} + 0.025095\text{DIVYIELD}_{\text{it}} \\ &+ 2.84\text{E} - 07\text{FREECF}_{\text{it}} + 0.128108\text{GROWCH}_{\text{it}} - 0.41193\text{LEVERAGE}_{\text{it}} \\ &- 0.017235\text{MARGIN}_{\text{it}} + 1.190113\text{SEPCHAIR}_{\text{it}} + 2.05042\text{C}\end{aligned}$$

The results of the regression is reliable when the fitted regression is significant totally. McFadden's determinationis used to significant of theregression whichin accordance with table 5-4data model of McFadden coefficient is 0,057267, so it can be said goodness parameter of fitted model, meansadjusteddeterminationcoefficient is significant, and as a result, regression is significant.Statistical significance means that the calculated correlation with degree of certainty is different from zero. If the calculated correlation coefficient is not significantly different from zero, should be assumed that there is no correlation between the studied variables, or the selected sample size is not large enough to show this correlation. It was observed that, in general, regression equation is estimable.Determination coefficientshows that 6% of dependent variables changes(auditquality)can be explained by independent variables of ownership concentration and lack of manager's influence and other control variables, so the independent variables predict 6% of audit quality manager changes.

Also accordance with results in table 5-4statistic value of F with Prob<0, 05 means (0, 001912) indicates linear regression model with95%certainty. Also nearby the statistics values of Schwartz, Byzn,Akaike and Hannan to each other areindicator ofthis issue that table 5-4 is the best selecting model. (Principlesrelated to how interpretations of the above statisticswas expressed in the third chapter).

Four second hypothesisof this research was discussed in detailabout regression model (2) in Chapter 3 and in this chapter are analyzed as follows:

Table 6-2 is summarized LOGIT estimationfromeffect of measurementindexesof audit quality, lack ofmanagers influence, ownership concentration and auditor changein the restatement year on restatement of financial statements in the companies.

The third hypothesis test:

Statistical significant and negative correlation was found between the auditor choice with high quality and restatement of financial statements in the whole population in the next yearAUD and RESTATE. (Y1 = -0, 2717), (t =0, 0077)

Therefore, $H_{1,3}$is confirmed at the significant level of 95%, or 5% error and $H_{0,3}$is rejected.Relationship type isnegative, therefore, it can be said: there is negative andsignificant relationship between the auditor choice with high quality and restatement of financial statements in the next year.

The fourth hypothesis test

Statistical significant correlation was not found between ownership concentration and restatement offinancial statementsin the whole population in the next year BLOCKand RESTATE. (Y2 = 0, 488762), (t =0, 4229).

Therefore, $H_{0,4}$is confirmed at the significant level of 95%, or 5% error and $H_{1,4}$is rejected. It can be said: there isno positive and significant relationshipbetween ownership concentration and restatement of financial statements in the next year.

The fifth hypothesis test

Statistical significant and negative correlation wasfound between the lack of manager'sinfluence and restatementof financial statements in the wholepopulationin the next year SEPCHAIRandRESTATE. (Y3 = -0, 206521), (t =0, 0422) Therefore, $H_{1,5}$is confirmed at the significant level of 95%, or 5% error and $H_{0,5}$is rejected. It can be said: There isa negative and significant relationship between the lack of manager'sinfluence and restatement of financial statements in the next year.

The sixth hypothesis test

Statistical positive and significant correlation was found between auditor change in the restatement year and restatement of financial statementsin the wholepopulationCHAUD and RESTATE. (Y4 =0, 06209), (t =0,033)

Therefore, $H_{1,6}$is confirmed at the significant level of 95%, or 5% error and $H_{0,6}$is rejected. It can be said: There is a significant and positive relationship between auditor change in the restatement year and restatement of financial statements.

Among other control variables, statistical significant correlation was not found with restatementof financial statements.

These results are consistent with research in the field of restatement of financial statements in Western countries such as: Anderson& et al (2011), Johnlin and Ming Liu (2009), Sandeep &et al (2007), Rubin and Romanson (2007), Lobo & et al (2006), EmiDietmarand Mart Smith (2006), Liu Vsun (2005), Tomorrow &et al (2005),Agrawal and Chadha (2005), Rogondan& et al(2002), Basile (1996) and conducted researches in Iran by Nikbakht and Rafiee (1391),Kordestani and others (1389), Boluand others (1389) andGhorbani (1389).

Withconsidering that the accounting information is nothing but an alternative or substitute element for financial phenomenon; manipulation of them allows to managementgives the desired path to the message which givesform topeople thought (a shareholder or investor)about operation and howcompanyperformance.So, in order to deal with themanagement flexibility authorities should giveimportance to control of quality in the audit profession in order to prevent frompurposeful restatement of financial statements, discovery and important distortion report in the financial statements and on the other hand people are given the necessary training for decision-making.

Table 6-2: The relationship between restatement of financial statements with audit quality, ownership concentration, lack of managers influence and audit change totally

Dependent Variable: RESTATE				
Method: ML - Binary Logit (Quadratic hill climbing)				
Date: 08/25/15 Time: 19:33				
Sample: 1385 1392				
Included observations: 342				
Convergence achieved after 10 iterations				
QML (Huber/White) standard errors & covariance				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
AUD	*-0.2717	0.266362	-1.020037	0.0077
BLOCK	0.488762	0.609842	0.801457	0.4229
SEPCHAIR	*-0.206521	0.293901	-0.702691	0.0422
CHAUD	*0.06209	0.294445	-0.210871	0.033
BODINDEP	0.062404	0.071512	0.872644	0.3829
BODSIZE	-0.060724	0.236417	-0.256849	0.7973
DIVYIELD	-0.007804	0.010607	-0.735713	0.4619
FREECF	-1.90E-07	2.69E-07	-0.704565	0.4811

GROWCH	-0.192523	0.168284	-1.144033	0.2526
LEVERAGE	-0.672854	0.558241	-1.205311	0.2281
MARGIN	0.000624	0.006044	0.10324	0.9178
C	0.022105	1.563908	0.014134	0.9887
McFadden R-squared	0.116627		Mean dependent var	0.33918
S.D. dependent var	0.474125		S.E. of regression	0.47724
Akaike info criterion	1.329858		Sum squared resid	75.1594
Schwarz criterion	1.464413		Log likelihood	-215.406
Hannan-Quinn criter.	1.383461		Restr. log likelihood	-219.048
LR statistic	7.284383		Avg. log likelihood	-0.62984
Prob(LR statistic)	0.045608			
Obs with Dep=0	226		Total obs	342
Obs with Dep=1	116			

Based on the coefficients of the variables in Table 6-4 RESTATE model can be written as follows:

That show the restatement offinancial statements relationship with audit quality, ownership concentration, and lack of manager'sinfluence and change Auditorin the whole populationby using following LOGIT regression model:

$$\begin{aligned}\text{RESTATE}_{\text{it}} = {} & -0.2717\text{AUD}_{\text{it}} + 0.488762\text{BLOCK}_{\text{it}} - 0.206521\text{SEPCHAIR}_{\text{it}} + 0.06209\text{CHAUD}_{\text{it}} \\ & + 0.062404\text{BODINDEP}_{\text{it}} - 0.060724\text{BODSIZE}_{\text{it}} - 0.007804\text{DIVYIELD}_{\text{it}} - 1.90\text{E} \\ & - 07\text{FREECF}_{\text{it}} - 0.192523\text{GROWCH}_{\text{it}} - 0.672854\text{LEVERAGE}_{\text{it}} \\ & + 0.000624\text{MARGIN}_{\text{it}} + 0.022105\text{C}\end{aligned}$$

Mac Fadden'sdetermination coefficient model is 0,116627, therefore it can be said goodness parameter of fitted model, meansMac Fadden'sdetermination coefficient is significant, as a result, regression is significant. It was observed that, in general, regression equation can be estimated. The determination coefficient shows that 12% of dependent variable changes of restatement of financial statements can beexplained by independent variables of audit quality, ownership concentration, lack of managers influence and auditorchange and other control variables, so the independent variables predict 12% of restatementof financial statementschanges.

Also consistent with results in Table 6-4 value ofFstatistic with Prob<0, 05 mean (0, 045608) indicate linear regression modelwith 12% cetainty. Also nearby the statistics values of Schwartz, Byzn,Akaike and Hannan to each other areindicator of this issue that table 5-4 is the best selecting model. (Principlesrelated to how interpretations of the above statisticswas expressed in the third chapter).

Research results

The results indicated that investors to recognize the work quality of other audit institutionsstudied and evaluated tableof institutionsannual quality control on the official site of AICPA andnecessarily do not putexistence of concentrationin the share ownership of thecompany's basis forauditor choose withlow quality in the company board.Also,investors in time of doing decisions of investmentshould be careful to not having two or moreside by one person in board of the company, because the influence of managers by having several posts in the companies is cause of occurrence ofpoor corporate governance in the company strategy.For example,CEO and Chairman of the board side not to be in one personтenure either CEO or Vice Chairman in the companiesare cause of corporate governance improvement.On the other hand,they examined influencing factors on the reduction of restatement of financial statements, such as audit institutions andtheir tenureand consider its impact on the reliability of the information provided by the companies and buy shares that the manipulation profit in it is less and increase possibility of profits through higher EPS or increasing share valuebe more. With regarding to the results is suggested that investors realize that necessarily ownership concentration andexistence of block shareholder in thecompany's stockdo not cause offuture profits report in the short term and do not have significantrelationship withannual adjustments in the following year.

Financial analysts, as well as, in analyzing time ofcompaniesfinancial statements, consideredthe amount of managers influence and impressionabilityof financialreporting fromtheir opportunistic behavior, and investigate its impact on the reliability of the information provided by the companies.

In addition, investors have to consider the issue of corporate governanceand buy stock from the companies that corporate governance bestrong, because it would cause greater control over the management to prevent opportunistic behaviors. Therefore, the shareholders have more supervision on select new auditor when the company auditorchanged cause ofboard pressuresand in order to maintain auditor independence. And consider this issue thatthe large companies are less risky.

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