# Investigate the Capital Structure on the Transparency of the Financial Reporting in the Listed Companies in the Stock Exchange

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**Abstract**    *This research role of capital structure on the quality of the financial reporting in the companies accepted in the stock exchange has identified and evaluated. The statistics population of research, the companies accepted in the stock exchange in the Tehran and the research term from 2007 to 2013 is investigated. this study is part of empirical research in accounting and for the doing it of the research methods of causal-comparative and correlation have been used.in the research In order to analyze the data and test of the hypothesis of correlation test, the mean difference test and the regression model profit was used. By using of correlation test the person It was found which centralization ownership variables and margin profit and capital structure in the confidence level of 5 percent significant relationships with transparency financial reporting having also centralization ownership variables negative relationships with transparency financial reporting having and transparency financial reporting positive relationships with capital structure be having.*

## 1. Introduction

The capital market as the driving engine of the economy is based on the information. Current correct the information in this market, leading to correct decision and rationale of the participants to be and, ultimately, the economic development and improve social welfare to bring. The financial reporting are of the more important of the information reference which the purpose improved the necessary information for decision making economy to be and determinate the huge part of information need the capital market. Unfortunately, in the late years of the twentieth century and in entering threshold to the twenty-first century, the bankruptcy of large corporations such as aeron, Wordcam, Adolphi, sisco, Xerax Lyusent, the financial reporting system was in crisis. Bankrupt such companies because going sign guilt finger to the accounting and financial reporting, also in several cases, of these events were mentioned as an accounting scandal. but this was not the end of the work, but the financial reporting system to case of undermine the credibility, which has always to the increase the number of frauds, the public confidence with crises was faced.

This was mixed with the bankruptcy of large companies, concerns about the quality of financial reports along. The accounting and auditing profession in order to devise in this regard to strategies, to appointed. Changes approach in accounting standards, of standards based to rules 1 to standards based on principle 2, emphasis on the auditor independence and corporate governance 3 for protect the interests of shareholders and regulatory of regulations enforcement of the accounting professions and auditing including of enforcement taken for among the measures taken to gain public confidence on the other hand, academic experts and scholars empirical research to the of financial reporting quality and the impact it on the capital market have propelled. Until can be in this case important role creating. Now in relation of the

financial reporting quality and that measuring and also impact of instruction and accounting standards on the financial reporting quality research is ongoing. Many of these studies, the quality of corporate financial reporting with view event to standards and the accounting guidelines and financial reporting based and seeks to explain the quality of financial reporting from the perspective of an external guidelines, the have emerged. But with exist the same monitoring automated of financial reporting; it seems that they are not the same quality for financial reporting this indicates that there may be other factors that cause differences in the quality of financial reporting companies. This study opens new perspective on the quality of financial reporting and or by endogenous the quality of financial reporting, be tried to the affecting factors it identify and assess. It is hoped.

## 2. Statement of the problem

One of the important resources that to decide are available to all users is the reports referred which of those as financial reporting reminded. Those groups of the accounting reports that with the aim of providing information needs of users external of the cameral unit preparation and presentation will be placed in the area of financial reporting practice. The main part of the financial reporting process constitutes financial statements, complete set of including balance sheet, income statement, and statement of comprehensive income and statement of cash flows and explanatory notes (Committee on Standards, 2007).

The willingness of users of financial information to the use of information detailed, clear and reliable, because they intend to rely on this information, their capital in the main economic sectors to invest. So they rely on the financial statements (Fard, 2009). Transparency and appropriate disclosure which cause reduces information asymmetry and uncertainty of the information to be.as an integral part of corporate governance is. Shareholders (owners) of the companies are always concerned about the performance of corporate managers. Executives that might not move in line their interests and the company resources into increasing ours benefits.

They also cost of data published by the Company's that often is financial statements viewed with suspicion, it is possible to managers for maintain and its cooperation with company and to the more rewards of the information are manipulate until special purposes ach the growth rate of profits realized shown. The shareholders concerned about the disclosure of the more information both financial and non-financial information and in particular information relative to making of decisions in the companies reduced. Based on the above and considering to the aspect that the early years of the third millennium while passed which the world in the economic arena, witness of the bankruptcy massive companies such as aenron, Xerax and Paramat was. Such failures have led to finger pointing towards accounting and the financial reporter. So often, these events called accounting scandals. The audit profession a heavy price for this traumatic events endured such that it can fall one of the world's five largest audit firm auditing firm of Arthur A. (auditor of Enron's company) noted that having a nearly 9 years. But this was not the end the work, but financial reporting system also because of the having Undermine reliability always to Entice public confidence with crisis be faced. The increasing number of fraud that was interwoven with corporate bankruptcy, concerns about the quality of financial reporting be having. And some of important of the accounting indicators that for different purposes, such as stock evaluating and performance the management of companies and the cases of like have been considered. The role of transparency of the financial information of company in recent years has become increasingly important. The little transparency and slow quality of the financial information conditions provides which decision for investors making difficult. And in this situation of the information risk premium increases. Of the views of the users the financial information when transparency and quality of the information provided to be above, the company's information risk is lower. Shareholders and creditors are demanding more information and more transparent about companies performance. The full disclosure together transparency of financial reporting can be caused certain conditions that increase the confidence of investors. Transparency has positive impact on companies' performance and can protect of the interests shareholders. increasing the confidence of shareholders and reduce the risk premium, the returns expected reduce and company value increases.in this study, to investigate the effect of capital structure on the transparency of financial reporting in the listed companies in the stock exchange will be.

## 3. Theoretical studies

### 3.1. Transparency in the financial reporting

Today, the few people can be the importance of transparency in the financial reporting, to ignore. Because the shareholders and creditors the important decisions of their investment based on the information of financial companies creating. They wanted more information and clearer about the company's performance. Full disclosure with transparency of financial reporting can be created a safe environment and enhanced of investor confidence. Transparency having a positive impact on companies' performance and can be protecting of the interests shareholders. The financial statements opaque value of the company debt hidden and if the company to be on the verge the bankruptcy, this situation remains hidden. Therefore the transparency has a great fascination for shareholders. Exits the risks in the company's about expectations of shareholders have impact. The complex reporting, ambiguous and non-transparent no information about the exits risks in the company gives not. Performance expected of shareholders affected investors faster. Return on equity is information on risk and risk information to the personal data, information and transparency of information depends, so that of information clarity provided is lower, increasing the risk premium because the uncertainty condition, the performance expected on investment faster. Shareholders also in the determining the rate ours expected on financial statement of the company, in particular relying on the reported earnings. Therefore the transparency of reported earnings for estimate of the performance expected of shareholders equity is effective. Francis et al. (Francis *et al.*, 2005) have expressed a lack of transparency of reported earnings created the risk of information, so investors will demand a higher risk premium and consequently that result it, increased the cost the investor of equity stock of the company and reflects, each how reported earnings more clearer and without ambiguity, the measure of confidence of shareholders increased and rate of performance expected of shareholders and consequently the company's cost of invest of the equity stock reduced.

### 3.2. Transparency of the accounting earnings

So far, there have been many definitions of transparency, for example, in Webster' dictionary of transparency, as openness, the institutions, reveal be the activities of institutions, integrity and the capacity to understand easily defined. In addition in other dictionary definitions, such as being very clear, straightforward, and easy to understand and to be frank, for clarity is presented. In the definitions of apparent of openness or the institutions openness, access to easy to the operations Indore of companies, and the purpose of the apparent the organization, is clarity of the information. Bushman and colleagues (Bushman *et al.,* 2004) transparency the company information positional knows that information widely accessible, relevant, reliable, with comprehensive quality to be. Aksa (Aksu, 2006) following the Standard definition of Poor's, transparency to timely and adequate disclosure of financial functions and operational of the company known. Baret *et al*. (Barth *et al.*, 2008) transparency of the benefit same exchange of the benefit and exchange in the profitability with stock performance defined of view Brown and colleagues (Brown *et al.,* 2009) the best definition of transparency in the business district is the financial statements with quality. Nielsen and colleagues (Nielsen *et al.*, 2009) about transparency to believe which using of information at any time to everything known and he based on transparent information on any subject can be studied.

### 3.3. Management and quality of financial reporting

The managers are represented which of a row economic unit's owners to management their resources in order to obtain the comfortable maximum well appointed. The relationship between the owners and representatives, called the agency relation. In order to representation relationship is, the managers have to response about how to apply the economic resources under their control, in the fact the owners are responsive and financial reporting is of important instrument the responsible. Based on the empirical cases, the quality of financial reporting may be take some of the factors related to the management influence, which in continue to be discussed.

The board structure: Bisli believes that the company management to the task of decision management and decision control directors and supervision on the quality. The financial information which for the public of created of supervision the control the management decisions are.

(Klein, 1998) and (Vafeas, 2000) the study on the role of responsible managers and non-managers perform of the tasks of management decision and control making. And the little evidence on the valued the attend of the non-responsible administrators in the supervision committees such as monitoring and audit committee on the quality of financial reporting obtained.

Bisel (1996) the value of supervisory of the non-duty members of the Board on the quality of the financial reporting in examples of companies that were dispersed fraudulently reports tested and conclusion that the possibility of fraud in financial reporting has a negative correlation with the number of active duty members in the board. (Ibid, 143) in this regard, Dicho and others (1996) governance structures of the companies coercive exchange and stoke commission because violation of accounting standards and more exponential of benefits are studied and cancelation which exist the companies under securities of the duty members of board and the more there are the lake of the supervision committees (Ibid,143). Vefs (2000) relative board structure and incloudbenefit informatim be studied and evidence concerning the effect of increasing the proportion of non-duty members in the composition board on improving the quality of financial reporting not obtain.

Mashayekh and Ismaili (2006) found a correlation did not between the composition of the board members and the quality profit (Mashayekh and Ismaili, 2006).

The ownership of Board members: representingtheory variety of problems in the subject the separation of ownership and management, and appropriate mechanisms for resolve it describes. Some of these problems, lake of attempt of the management to act in the best of owners interests and also is the information asymmetry between managers and owners.

The stock ownership is of mechanisms that seem to have a motivational effect for the align of the interests of managers and owners. However, if the ownership level, of the board members allowed concentration to them gives and motivational factors be little, again createda conflict of interest (Pergola *et al.*, 2004). A study conducted by varfild and others (1995) showing companies that with higher levels of managerial ownership are, their benefits of high explanatory power for efficiency and also included smaller value of adjustments the accounting figures to be (Wu, 2006). The research Cheng and Warfild (2005) showing that rewards stock-based to stimulate managers for manipulate financial reports figures (Ibid, 6).

Jensen and Mak Ling (1976) proving even time which the management the little stock in the company having, stimulate of behaviors non maximums of value such as ignore in duty and finding ofextra reference increased. Expected to increase the level of management property, performance the management and the quality of financial information improved (Ibid, 5). Boshman and others (2003) between the timely of the benefits and stock-based rewards for managers founded a negative correlation (Wo, 2006) showed that the higher the level of ownership, management willingness to disclose information timely and relevant to reduce the costs of due to information asymmetry increased (Ibid, 19-20).

Mashayekh and Esmaili (2006) between the ownership measure of members of the board and stoke quality did not observation any correlation (Masters and Ismailia, 2006).

### 3.4. Characteristics o f the company and quality of financial reporting

Each company has a special feature which until largely measure with kind and the activity nature of that the relationship. the different commercial activities of complexity, operating cycle, risk, performance, investment, the financial resources, goals and different missions are and it is evident that of environmental information and reporting to amount considerable by kind of the commercial activity and the prevailing characteristics on them is the based on the theoretical basis of some the company characteristics effected which the some of them in fallowed is described.

Size: the groups of study showed which the company size on the quality of financial reporting having a positive effect and reasonable such created an indoor control system relative with audithuge firm andcompliancecosts ofcredit and reputationof themain factorsthatwillbe considered.

Francis and others (1999) differences in the quality of the audit reporting among four large auditing firm of world , national institutions and local agencies showed. They also have to prove that the auditing companies of the four huge institutions of the world lower levels of the freedom figures have reported (Kim *et al.*, 2003). Lnaks (1999) concluded that the audit reports issued by large institutions of audits, are more accurate and consist of the more informative document which beyang a positive relationship between the

auditor size and quality and audit accuracy to be (Ibid, 4). Cohen (2004) found a positive relationship between company size and the quality of financial reporting (Cohen, 2004).

Another group of studies indicate that company size has a negative effect on the quality of financial reporting and for the claim of several reasons expressed .the first the huge company in the comparison with smaller company is exposed of the more pressure. Secondary, the large company of the more bargaining power with audits having. And thirty, the huge company of the more possible for using of extra domain of accounting practices having. Jensen and Mak Ling (1976) argued that accounting corporations are exposed to political attacks, social responsibilities and rules of wealth redistribute and of the accounting practices to diversity used which these threats to reduced. This hypothesis is in research Watts and Zimmerman (1978) examined (Hagerman and Zmijewski, 1979).

Barton and Simko (2002) showed that large companies for fulfill expectations of analysts are under the more pressure (Kim *et al.*, 2003).

Mayrez and Skinner (2002) the empirical evidence provides. That the big companies, detailed financial reports do not provide (Ibid, 5). Nelson and others (2002) showed that large the company has more bargaining power and auditors of minimal the quality of financial reports them ignore. (Ibid, 5) nurosh and others (2006) did not observe a correlation between company size and quality of accruals (Nurosh *et al.*, 2006).

### 3.5. Intensive capital the activity

Composition the current assets and non-current assets on content items information the financial statement having impact. Francis and others (1999) argue that some of the company characteristics, the content of accruals will be determined. For example, the intensive capital of the activity of the company leads to long-term accruals (Kim *et al.,* 2003).

Borg estalr and dycho (1997), showed the companies that having plenty of assets and current liabilities are compared to those companies that have few assets and current liabilities, to covering losses and configuration of the financial reports of options and more facilities be are (Ibid, 13).

Hagerman and zimesky (1979) put the hypothesis that investment companies are based on high the political costs and with choiceing of appropriate accounting procedures, will be incentive reporting of the lower income (Hagerman and Zmijewski, 1979).

Pioterasi (2003) believed that capital-intensive activity is as major barrier to the entry. High costs of market entry (which will be determined by the requirements of capital), a situation that a large part of the cost of capital for companies that already are active (Cohen, 2004).

Cohen (2004) within the capital of the company activity and the quality of financial reporting positive relationship observed and in the analysis of this relationship suggested that the capital companies because of barriers to entry, reporting of accurate financial and information transparent and financial reports they having a better quality (Cohen, 2004).

### 3.6. Operating cycle

Long operating cycle to lengthen the time between converter accrual to cash flow, which reduces the prediction accuracy of the accruals and decreased quality of financial reporting (25, Ibid).

Goenter (1994), Rnjn (1998) and Theo and others (1998) showing that of commitment items a major factor in the movement of interest between their current and future periods (Kim *et al.*, 2003) to financial current returned, and classification of commitment items to current and non-current depending on defined the operating cycle. Diyocho and others (1998) showing that the ability to credit for predict future cash flows depend on the company's operating cash cycle (Cohen, 2004).

Diyocho and Diyocho (2002)) between the quality of financial reports and during of the operating cycle negative correlation fined. To they believe the longer operating cycle, indicating the greater uncertainty, error in the more estimation and therefore the quality of lower financial reporting to be (Ibid, 25). Cohen (2004) observation a negative relationship between the length of the operating cycle and the quality of financial reporting (68 Ibid). Norush and others (2006) betwen during the operating cycle of the company and quality of commitment items did not gain relationship (Norush *et al.*, 2006).

### 3.7. Financial leverage

Jensen and Mak Ling (1976) believe that exist of the agency costs caused demand for supervision and information which financial statements of a company provide may be used to elimination the agencies costs (Cohen, 2004). The agency costs are higher and therefore, it seems that more demand for monitoring therefore be associated the quality of financial reporting, with the financing structure of companies relayed (24 Ibid).

Smith and Warner (1979) and Iftvebch (1980) point out while, that until the nineteenth century is little evidence that the use of audited financial reports to monitor on the debt contracts presence, but today the evidence for the existence there. Contracts for both public debt (the debt that traded publicly) and private debt have agreed upon is that the figures include contracts which items of audited financial reports to limit the actions of management are used. Any violation of these contracts a disability can be considered which the credit or the right legal action in connection with the disability to give. Debt contracts that are based on accounting items some of kind investment and financing decisions, reducing the value for the borrowing company's prohibit (Watts and Zimmerman, 1986).

Many studies, including Dikin (1979) and Dalyval (1980) showed that whatever Debt-to-equity ratio is higher than the company's accounting practices that are to lead to increased profits for the current reporting periods increased (Ibid, 257). This finding with the results of research Hagerman and zimski (1981) have agreed (Ibid, 256). Borg Estalr (1997) suggests that avoiding of losses cause reduced the debt cost to be (Graham *et al.*, 2005).

Graham *et al.*, (2005) founded that companies on the violating verge of the contracts conditions (to mean which, with high leverage or non-profit) are. The more important than their accounting methods having. They also showed that the hypothesis of impact of debt contracts on the quality of financial information on the private companies to be the strongest supported (29 Ibid).

Cohen (2004) concluded the companies that of the higher leverage are likely financial information to higher quality provide (Cohen, 2004).

## 4. Literature review

### 4.1. Extra research

Financial statements with ambiguity and lack of transparencytrust the shareholders and the investors to reduce and their incentives for investment eliminate. The providing enough cash for the company problem and the company has to more cash to keep. About transparency, information asymmetry and cash held of company research methods have been done. Yu (2005) the relationship between accounting transparency and company credit situation examined. To believe Yu can following which of the accounting information published, reduced credit risk. he with investigate at listed the company in the new york Stock showed which within transparency of the accounting information and credit risk there is a significant negative correlation, disclosure of incomplete and ambiguous, increased the risk of credit of the company.

Andrade *et al.* (2009) examined the relationship between the transparency of financial statements and the cost of debt paid. They evidence opposite that shows with increasing the transparency of financial reporting, the company's cost of debt reducing. They founded that financial reporting quality perceived by investors, is cause conserves considerable amount in the financial costs of the company and founded that the degree of transparency of the financial tasks on the pricing of debt contracts are effective.

Chang *et al.* (2010) to investigate whether of the transparency in the listed companies in China's stock paid. They whit surveyed 100 companies in the period 2004 to 2007, and using of indicators developed by the cooperation and development organization for economic, showed there are a significant relationship between of transparency applied to and value of stocks of the companies that reflect the exist transparency in the China's stock. Harford *et al.* (2008) in a cross-sectional study of the relationship between agency cost and the amount of cash holdings Paid. Their results showed exists a positive relationship between the agency cost and the amount of cash. Their results showed that a positive relationship between the agency cost and the amount of cash exists.

Aaghiser(2010) in the conducted investigated on the New York stock exchange seeks to determine the relationship between excessive investment in cash and the dividend interest paid and received by the company in order to reduce the problems of storing cash and investments over the two methods are

acting. One way those companies are attempting to repurchase its shares. Another way to solve the problems of surpluses cash, is the benefit dividend and thereby reduce share holder expectations and are less likely to over-investment problem and keeping their surpluses cash.

Yantu (2011) to test the relationship between the company governance mechanisms and remained cash  and effects on the company's value cash at the Singapore Stock exchange. The results investigate the less effective companies' governance the more tend to hold their cash. Other results showed that, due to the flexibility and also the conflict between managers and owners and agency theory, managers in order to carefully the cash store. Moreover, companies with a pyramidal ownership structure of versus single ownership companies and or centralized less cash, maintenance and have a higher market value.

Subramanian *et al.* (2011) in a similar study to panto to the investigate the relationship between the company structure and the amount of stored cash paid. They with gather evidence on the New York stock exchange in 1988 and 2006 showed owned companies that are decentralized and more variety compared to companies which having concentrated ownership as significantly less funds are kept further investigation suggests that due to of companies that are a variety owned include the more relation with other company and their specific industries have be and opportunities investment and the greater growth having hence holding less cash.

### 4.2. Internal investigation

Mehrani and hasarzadeh (2009) based on the terval and Solano model (2009) the quality of accounting and cash accumulated level to the test. The results of those test which in the period 1379 to 1385 and in the listed companies in the were in Tehran stock exchange, showed  that the level of cash holdings in companies that are supportive of higher quality accounting, compared to those which with lower quality accounting having.

In their opinion the quality of accounting with reduce the adverse effects of information asymmetry decreases the level of investment in non-productive assets such as cash becomes to be. Also based on them finding any time that commercial unit of the more the growth opportunities supportive, increasing the accumulation of cash and other assets with increase of Liquidity, leverage ratio and dividend distribution, the accumulation of cash decreases.

The followed it for Fakhari and Taghavi (2009) the effect of the quality of financial reporting in the form of accruals quality on cash holdings in Iranian companies studied. They evidence showed which the quality financial reporting and negative correlation and significant with the cash and cash equivalents having. In addition their findings indicate that the growth variables, cash flow and cash assets have a positive effect on cash balance and size of variables, the debt reached a chance and opportunity costs a negative relationship with cash balance having.

Harati (2011), also in his study to the investigate  the more impact on stock returns on the cash surplus of company during the period 2000 to 2009 in the Tehran stock exchange paying. He by using of the average comparison test the extra cash relation with 6 variables, of the investment the future stock returns investment, the accruals and asset growth was investigated. Their findings indicated that within the surplus cash and profit and growth opportunities relive there are. About the transparency also in the Iran environment too many researches have been. Nurosh and Hasarzadeh (1389) measures of the earnings transparency of the company's and its relation to the company characteristics in the Tehran Stock Exchange studied.

According to their definition, transparency measure of the benefits of compound 4 attribute of the benefit quality as, the interest accrual quality, conservatism of the benefit, smoothing and prediction of the gain is obtained. Results of the test and them assumption this has been indicated that losing companies than to other companies having the transparent less profits. In this area, is a significant relationship between transparent the accounting profit and fluctuations of the cash flow in operating a later period was not confirmed. Panahiyan andsadeghi (2010) to compare the effects of perception of transparency of financial information in explaining investment behavior in Tehran stock exchange and the Taiwan stock exchange began.

Results of their investigate showed that the improved transparency of financial information in the Tehran stock exchange can be increase public confidence and lead to increased investment activity.

Also comparison results of this study with similar study conducted in the Taiwan Stock Exchange suggest that the behavior of investors in the Taiwan stock exchange more than investors the Tehran influence their attitudes towards the transparency of its financial information.

Kordestani and Alavi (2010) to investigate the effect of transparency of accounting benefit on the cost of equity earnings paid. The results showed that transparency of accounting benefit by decrease the risk of, leading to a decrease in the expected return on the investors (cost of equity of usual stock) of the company to be and a negative correlation and significant between these two variables was. Arab Mazar *et al.* (2011) to explain the relationship between the transparencies of the financial reporting with tax reporting in the Iran paying them with investigate and query of five groups, including university faculty members, independent auditors, experts stock and securities, tax, financial managers and auditors showed which a positive relationship between transparency of financial reporting and tax reporting is so that in preparation of tax reporting appendix financial reporting, transparency in financial reporting will be provided to a large extent.

## 5. Methodology of research

By using of the data information and with using of the method multiple regressions to test the hypotheses are discussed. Statistical analysis by using of the SPSS software with18 version is implemented. The statistical population consisted of the accepted companies is in the Stock Exchange the Tehran. The period of time within a period of 7 years from the primary of 2007 until the end of 2013. The statistical sample is consisted of those companies listed in the stock exchange, which included the following conditions:

1) Until end of the march 2005 in the stock exchange of Tehran accepted.

2) In one year, more than three months have stopped trading.

3) Their required data are available.

4) The component of the banks and the financial and investment companies, corporate, the insurance and the like aren't.

5) The value of equity of the Stock owner has been positive.

6) During the search term your financial year have not changed.

In order a sample of 92 companies was chosen.

Independent variable: the transparency in financial performance, the transparency in the board and management transparency, the transparency in ownership structure In the literature on measures of transparency of measures use done of them CIFAR index by the International Centre for Financial Research in 1993 and 1995 has been published and totaled 90 included another well-known models of the "Bushman, Pioterski and Esmit" to be. And based on this model the information from three ways is disseminated through their companies reporting, by the media and the press and by the individual.

The other well-known model of the "Standard Poor's" is which reporting three criteria are as follows:

The structure of the ownership and owners rights (28 criteria)

The financial transparency and information disclosure (35 criteria)

The board and management structure (35 criteria)

The number of the criteria of first set of are: disclosure of shareholders of the company according to their nature, including legal fees etc., the number of shares and their par value, number of shares of 5 and 10 the major shareholder, the calendar of the shareholder meetings, and their agenda and how introduce managers.

The some of the criteria second set including: strategic plans and the trade industry, theproduction details, details of sales and profitability,the market share, anticipated of the profitability and products and the company sectors, preparing profit and loss, balance sheet, prepared of statement of cash flows, dealing with related parties, audit reports.

Information about board members, including records of past the experience, the time them working to the company, the decisions of the board, audit Committee, Promotion Committee of staff, the selection committee of directors number of shares and board members, the salary of senior executives and board members and executive education programs.

With exists anyone of the above information about reports relive to the company is available scores of 1 otherwise is it a scores of zero. The company transparency (TDS) for each company is calculated by the following equation: (Poor *et al.*, 1388).

$$TDS = \Sigma\ \Sigma\ Sik\ /\ TOTS \qquad\qquad (1)$$

TDS: final degree of transparency and disclosure, J: the area of transparency measure, K: criteria number.

TOTS: maximum points secure, Sjk: the score allocation assigned for each criterion of descriptive findings in the descriptive procedure, it is attempted to provide tables and using of descriptive statistics tools such a central and dispersion indexes, to described the research data be addressed until this case to topic transparent helped.

*Table 1*. Descriptive statistics

| Board of directors | Profit margin | Ownership centralization | Transparent reporting | Capital structure | Index Statistical |
|---|---|---|---|---|---|
| 0.453043 | 3.772518 | 19.81894 | 40.33272 | 0.137664 | average |
| 0.500000 | 0.405000 | 0.988000 | 38.67500 | 0.034787 | mod |
| 9.780000 | 322.0700 | 92.43000 | 92.43000 | 11.72000 | maximum |
| 0.000000 | 0.000000 | 0.102100 | 0.000000 | 6.930000- | minimum |
| 0.470830 | 21.66173 | 24.93464 | 24.57046 | 0.708752 | skew |
| 14.11421 | 11.50490 | 1.165221 | 0.338351 | 6.457963 | |
| 280.2661 | 144.0215 | 3.384455 | 2.406264 | 150.9315 | stretch |
| 250.0800 | 2082.430 | 9136.533 | 19117.71 | 75.85286 | Collect |
| 552 | 552 | 552 | 552 | 552 | observations |

As can be showed in the table above for all variables, the central tendency parameters and dispersion to disperse are calculated. For example, the dependent variable (the capital structure) with amount 552 observation for 6 years order of content minimum, maximum and average to rate of 930,000, 6 and 72000.11 and 137664.0.

Variation range of variable distribution reminded of the data mean according to statistics SD of 0-70 is covered. And therefore a significant difference between the cases reviewed in this perspective is not considered. Due to positive skewnesscoefficient can be received to the variable distribution told to the right be.and relationship variables (mean> median> mode) ruling. If the value of this statistics be negative shown of skewness to the left of data have. And other hand, tended more to the left, and the relation (mean> median> mode) reigned. Basically, whatever the value of this statistics is closer to zero shows of closer to the distribution of data to normal distribution. A measures of skewness coefficient (SK) for this variable is 6.457963, and other hand data tends more to the right, and the relation (mean> median> mode) ruling. As matter how long and stretches to a variable more be sowed of the accumulation and aggregation of more data is. And vice versa if the wider distributed, the range will be wider and larger elements dispersion be.the institutional investment variable with the number of 552 observation for 5 years in order to content a minimum, maximum and average to rate of 92.43000 and 40.33272 0.00000 to be.

The transparency variable of the financial reporting with the number of 552 observation for at least 5 year, respectively, content to the minimum, maximum and average to rate of 0.00000 and 92.43000 and 40.33272 to be extent of the variation of the variables distributed according to the statistic of standard deviation data of zero to 24.2 covers and hence very significant difference in this respect between the units investigated are not considered.

Due to the positive coefficient of skewness, can be finding that the variable distribution of the skewnessto be the right and the relation (mean> median> mode) – measure skewness coefficient (SK) for this variable is 0.897552 that represents the data density to the right is. The measure of the elongation confidence (Kurtosis) for this variable is 2.406264 and indicates that the longest and elongation of the distribution is the standard normal.

The correlation coefficient is index of mathematics that describes the arrow and measure of correlation between two variables. The correlation coefficient about the distribution of two or more variables to be used. Of two variable measure changed means with to be more or less of one another to be high or low. So that their relationship can be expressed as an equation saying between this 2 variables correlation there are. The dispersion Charter or dispersion diagram best form for showing the relationship between the two varies. For the investigation of his correlation coefficient variety is used to them most important Pearson simply correlation coefficient, esperman correlation coefficient and kandal correlation coefficient:

1. If any tow variable with rating scales that we using of the indices ta-Kendall.

2. If any tow variable with the relative scale and relationship are and used of Pearson correlation coefficients.

3. If any tow variable with the relative scale and proportion are discrete we used of Spearman correlation coefficients.

For the combination of kind the variables of the both types of correlations index using in the case of non-significant difference between two indices, reported value can be accepted. If the significant difference the lower value accepted. The correlation coefficient as a measure for investigates of change in y, x is content desired properties: The on the origin and units of measure does not depend.

$- 1 \leq \rho \leq 1$

If $\rho$ is close to 1 or -1 findings y, x behind the straight line to be, and if $\rho$-0 be the variables are uncorrelated.

*Table2.* Correlation

|  |  | Transparency Reporting | Concentration of ownership | Capital Structure | Profit margin | Board size |
|---|---|---|---|---|---|---|
| Transparency Reporting | Pearson Correlation significance level | 1 | -.204** | .164** | -.156** | -.058 |
|  |  |  | .001 | .004 | .006 | .305 |
|  | Number of Views | 310 | 310 | 310 | 310 | 310 |

** Correlation is significant at the 0.01 level (2- tailed)
* Correlation is significant at the 0.05 level (2- tailed)

By using the Pearson correlation test were determined the ownership centralization variables, capital structure and profit margin in the 5% confidence level showed having a significant relationship with the transparency of financial reporting also ownership centralization variables, size of the board and profit margins. Negative relationship with the transparency of financial reporting and transparency of financial reporting positive relationships with capital structure behave. As ago was told before doing any action, it was necessary to examine the line between independent variables investigate and attend to the tests necessary to determine which variables not have any problem. The next step was necessary to perform a regression thet with respect to the theoretical argues and theoretical the proper method is selected. As noted, there are several ways to estimate a model with panel data there are, that to gather is divided into 2 categories the fallowed:

A: Estimate the model with assumption the some were Interceptfor all sections (countries, companies)

B: Estimate the model with assumptions to be different Intercept for sections (companies) with two methods of the fixed or random effects.

Now, to ensure that any one of methods is greater efficiency must be using of in the first of Limon test. Result of the test is as follows: As can be seen the statistic amount of significance level calculate dis to 0.0000 and is smaller of 5%, thus assuming H0 is rejected and the rejection of the null hypothesis means that the Intercept for different sections' (companies) and using of OLS technique is different and do not have performance and therefore should be carefully in results of combined model. The secondstageto

determine whether method was used to estimate the fixed effects model, or of fixed effects and or random effects, we using of the Hausman test.

*Table 3*. Consistent estimates of fixed effects: H$_1$

| significance (Sig ) | Statistic level t | The standard deviation (Std. Error ) | ( β)coefficients | Components of the model |
|---|---|---|---|---|
| 0.0013 | 3.326394 | .0995620 | .6575750 | capital structure |
| 0.0000 | 6.345789 | 0.001378 | 0.008745 | ownership concentration |
| 0.0001 | 3.990026 | 1.973862 | 7.879569 | transparency reporting |
| 0.0066 | 2.793663 | 0.008405 | 0.023482 | profit margin |
| 0.0092 | 2.914986 | 0.308746 | 0.591244 | board size |
| 0.0000 | -8.717777 | 0.080419 | -0.701076 | AR |

The signification description calculated of this test is equaling to 0,000 and lesser of 5%. Thus, assuming H0 is rejected and outcome thatis which the best estimated using of fixed effects method.

*Table 4*. Consistent estimates of fixed effects: H$_1$

| Statistic test Hausman | Statistic test f Lymr | Statistic camerawatson | Significance Sig | Statistic F | Determination coefficient | Adjusted coefficient |
|---|---|---|---|---|---|---|
| 0.000000 | 0.000000 | 2.247158 | 0.000000 | 4.783632 | 0.664891 | 0.840619 |

The variables concentration of ownership, the capital structure, profit margins, the size of the board, the significant contribution to the transparency of financial reporting there are also variables, concentration of ownership the capital structure, board size, profit margins, having a directly related to the transparency of financial reporting. The table above shows the estimation results of the first model to investigate which duo to using of cross-sectional data, for eliminate anisotropy variance of the method least generalized squares is used. As can be seen the t-statistic calculations and amounts shown in Table confidence level of 95 percent.

## 6. Conclusions and recommendations

The financial reporting of the by disclosure transparent the financial information of companys can bereduce the information asymmetry, the optimal allocation of resourcesthe (proper choosing replace the wrong selection), and the effective of the company's performance in the followed. Contribute role of accounting to the economic development helping. The one of key factors of financial reporting is the net income.

The net income reported in the financial statements, the one of the most important criteria for evaluating the performance of business unit which always using the extra range of users, such an investors, shareholders,the financial managers, analysts of stock market and the tax rate being. Freedom act of managers in the using of the principle of realization adaptation and estimates and their manipulation performed by some of the factors that influenced the interest of transparency. Many of managers may be to the reasons, such as to retain in the company and receive compensation intentionally or desirable the company state the proper portray. Therefore, the financial information reported in the forms of financial, especially in accounting earnings, which is the basis of many of the decisions. That is non-transparent and fraught with ambiguity. This paper to investigate relationship between transparency of the accounting earnings and the capital structure has clarity. The testing results showing that the variables concentration of ownership, the capital structure, profit margins, the size of the board, having a align relationship with the transparency the financial reporting there are. Also the transparency the more of financial information which the significant purpose of the main objective ofof regulatory bodies, in particular the securities and

exchange organization, can contribute to the efficient allocation of resources and to eliminate all forms of information asymmetry. In order to further research the following may be subject to further investigation.

In order to further research the following may be subject to further study.

1. Investigate the transparency strategies of the financial information;

2. Investigate the relationship between profits transparency and capital structure;

3. Investigate the role of institutional ownership in increasing the transparency of the financial information;

4. Investigate the relationship between conservatism and earning transparency.

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