Investigating the effect of Iran accounting standards on improving earning quality

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ABSTRACT: Although the reported earnings by firms is considered as one of the major decision-making fundamentals in capital market, earning quality plays an important role in earning's efficiency in decision-making process. Nowadays, financial statements are identified as the most important information resources in reflecting the performance results and financial status and cash flows of business units, and this is why the fundamentals of preparing financial statements, i.e. accounting standards, are of great importance. In this research we will examine whether development and implementation of accounting standards lead to earning quality improvement. Among earning quality assessment criteria earning stability model and Jones' adjusted model are selected and are tested in listed firms in Tehran Stock Exchange in two periods of time, three years before and after accounting standards implementation. Investigating the research hypotheses by regression analysis in 1997-1999 and 2005-2007 using SPSS 19 software indicate that in the earning stability model, accounting standards have managed to impose a significant effect on earning quality improvement, but in Jones' adjusted model, accounting standards implementation had no effect on earning quality improvement.
Keywords: Accounting standards, Discretionary and non dis creation aryaccruals, Earning quality, Earning stability.

INTRODUCTION

Earnings reporting as well as earnings components have been considered in both historical progress and financial reporting. Professional accountants, financial analysts and academic researchers often predict future earnings and cash flows by current earning components. Since in economic theories the firm's value is based on current value of future cash flows and earning is used as an alternative for cash flows, earning estimation is very important. Based on this, one of the financial reporting aims is to help with investors and creditors to predict the future cash flows. (Modares & Abbaszadeh ,2008)

Managers, analysts and investors have devoted their attention mostly to firms reported earnings (Jahankhani & Zariffard, 1995).In their assessment they pay attention not only t earning quantity but also to earning quality. Earning quality assessment will help financial statement users to have accurate judgments about the current period and future earning estimation. (Esmaeili, 2007)

One of the main goals of approving accounting standards is that users using financial statements will be able to make rather relative and correct decisions, so accounting profession need that kind of reporting that observes all users' interests (Esmaeili, 2007). Therefore, it is expected that, as it was provided in Iran Standards introduction, observing accounting standards presents useful information for users decision-making and thereby presents a desired image by financial statements.

This study investigates and examines the effect of accounting standards of Iran on earning quality improvement in an empirical manner. To this end, earning quality for 3 years before and after accounting standards implementation is investigated.

Accounting Standards

Accounting information public disclosure is one of the main duties of accountants. The aim of revision of accounting principles is to create high quality accounting standards. The public accepted accounting principles in

the US are the most perfect accounting principles worldwide and institutions in every country, including accounting international standards committee that is the founder of accounting principles, follow them. (Shunjin, 2012)

Accounting as an information system based on financial information processing and analyzing and every analytical system needs to be based on a hierarchy of specified rules and principles. Accounting principles, unlike basic and natural science that are results of natural rules and repetitive and measurable observation and experience, are based on conventions, rules and procedures that has been accepted by most accountants and professional accounting societies. Accounting standards are taken from basic accounting principles and concepts and in part we can say that the practical aspects of basic accounting principles and concepts are seen in these standards. (Nikoomaram & Fathi, 2012)

Accounting standards are regulations on how accounting is done. Accounting standards state the kind of information that should be provided in financial reporting. High quality accounting standards are necessary for capital market function and efficiency, since the decisions related to capital allocation rely increasingly on understandable and credible financial information. (Saghafi&Ebrahimi, 2010)

Accounting standards developers should bear in mind that how management, auditors, audit committee as three other effective factors on financial reporting quality apply and judge the determined standards. Accounting standards usually going through procedure of feedback from experts and the bill that becomes a standard won't change easily. Therefore precision in developing a standard that is less interpretable increases financial reporting. Earning quality is also a part of financial reporting quality. (Nikoomaram&Fathi, 2012)

Accounting standards are considered as an important base for auditors to use them in order to gain audit comments, thus any change in accounting standards will affect the auditors' basics directly and so will affect the whole accounting industry. Auditor opinion is a judgment about a firm by auditors using Accounting standards as a gauge that provides trust about the information in the financial statements. (Zhu &Sun, 2012)

Discretionary and Nondiscretionary Accruals

By discretionary and nondiscretionary accruals we mean how much do managers have authority in preparing and reporting them. The less is their authority; the earning stability and earning quality are higher. Non dis cretionaryaccruals are referred to those components that management has no intervention is their emergence, in other words, they emerge naturally as a result of exchanges. Unlike them, discretionary accruals of are affected by firm's procedure and policy. The more is manager's authority to create them; the lower is their effect on earning. (Khajavi&Nazemi, 2006)

Earning quality

Due to the significance of earning as one of the most important performance assessment criteria and determinant of enterprises, researchers and involved people of accounting profession have to assess the earning reported by enterprises. To assess this earning a concept called "Earning quality" is used. (Esmaeili, 2007)

Earning quality has had several definitions in different researches and there is no consensus on it. Some of financial analysts regard earning quality as a normal ad continuous, repetitive ad cash flow-producer earning resulted from operation. This group believes that earning quality is a figure between the reported net earnings and the cash flow from operation minus non-repetitive figures (Belovaryet al.).Richardson et al. (2001) have defined earning quality based on the degree of current earning stability in future periods. They believe that a earning with a higher permanence has a higher quality. Dechow and Dichev (2002) regard earning quality as a result of a decrease in the current year accruals. Mikhailet al. (2003) has defined earning quality based on the past earnings ability in predicting future cash flows.

Heretofore financial specialists cannot reach an independent computation of earnings that has the required quality in their view. In this situation financial specialists, using appropriate modifications, can achieve a range that indicate the earning quality relative to the reported net earning more accurately (Zariffard, 2008). Therefore, the concept of earning quality is not an established defined matter to achieve and there is no united definition of earning quality that is accepted by all or majority of researchers. In other words, earning quality is a relative concept and depends on people views and attitudes. Kischenheiter and Melumad (2004) believe that one reason for earning quality definition variety may be that different users use the information in different decisions. However, in this research one of the most important definitions is presented: "a earning is high quality that is closer to cash money and is stable and can grow".

In this research, earning stability model and Jones' modified model (1991) have been used to measure earning quality.

Earning Stability

Earning stability is the current earning repetitiveness (continuity). Earning stability is among the qualitative features of accounting earning that is based on accounting information. Earning stability measures the earning performance from one period to another and is the result of a regression that the current period earning and the earning of the previous period are its dependent and independent variables, respectively. Earning stability is an index that helps investors in estimating future earnings and cash flows of the firm. Earning stability addresses how much a special innovation (change) will remain in realizing future earnings. The more is earning stability, the higher is that firm's accounting figures, i.e. the fir, has a higher capability to keep the current earnings and it is assumed that the earning quality is higher.

Previous Research

There have been a lot of researches related to accounting standards, but to date there have been no research on investigating earning quality before and after mandatory adoption of accounting standards in Iran. In this section, some of the conducted researches about accounting standards assessment, the relationship of accounting standards and accounting information quality, the relationship of accounting standards and financial reporting quality and success of new accounting standards in improving the degree of accounting variables'sappertain are reviewed.

Kohlbeck and Warfield (2005) studied the effect of principles-based standards on accounting quality. They investigated the effect of four accounting standards, retirement benefits, other benefits of military service, taxes and investments, on accounting quality measures during 1980-2002. In their research four accounting quality measures were investigated including predicting errors and analyst's dispersion, stability,earningreaction coefficient and accruals quality measure. They also examined the explanatory power of the three evaluating models: book value per normal share, earning per share, and the model that was consisted of both variables. Their research hypothesis is that accounting quality measures increases after acceptingaccounting standards. The results showed that implementations of the abovementioned four standards affect accounting quality. Decline in predicting errors and estimation dispersionis coordinate with analysts' improvement, their predicting ability and their understanding of standards based on balance sheet effect on revenue variation. By implementing investment standards the accounting quality has increased in the four measures. Overall, their result indicates the increase in accounting quality in analysts and investors perspectives. Nevertheless, investigating the accounting quality based on accounting features will decrease stability. Also, these 2 researchers in 2008 investigate the effect of the US accounting standards on accounting quality. The results showed that there are no differences in Scattering or stability of profit estimations during the surveyed period and the reduction in analyst's estimation errors is in accordance with new standards with improved information environment for the analyst to estimate profit. Profit reaction coefficient and accruals quality decrease, but the balance sheet information content increase, which is in accordance with the trend focused on accounting standards asset-liability. They also using three assessment models, including book value per share model, profit per share model and combined model of the two variables, investigated the variations of (modified R_2) over the time. They estimated and then compared the explanation power from annual estimations of these three equations, before and after standard implementation. They find no difference between the period before and after applying accounting standards for book value per share and the combined model, but there was a significant decrease in explanation power of the profit per share model after implementing the standards.

Barth et al. (2008) investigated the application of international standards and financial reporting quality. They compare the features of accounting figures for firms that applied international standards, to firms that don't apply these standards and are depended on home standards. Their results show that applying these standards in 21 countries will entail lower earning management, more timely loss reporting and more information content from users. Overall, their results showed an improvement in accounting quality related to applying international standards.

Wang et al. (2012) investigated the changes in foreign analyst before and after developing new accounting standards in China. The empirical results show that after implementing new accounting standards, error estimation among foreign analysts decreased in comparison to home analysts and foreign analysts' earning estimation increased after developing new accounting standards.

Zhu and Sun (2012) investigated accounting standards modification and auditing evaluation in China. They found that the focus of auditing market and the possibility of gaining modified auditing opinions is not a relatively important change but auditing wages have increased after approving new accounting standards in China. These results indicate that implementing new accounting standards in investment market of China will help to decrease information asymmetry among the listed firms in China and foreign investors and foreign analysts' bias.

Watrin and Ullmann (2012) investigated the effects of reporting incentives and accounting standards during 1994-2005 in order to improve earning quality. They compared the financial statements based on the International Financial Reporting Standards (IFRS) and statements based on the German Generally Accepted Accounting Principles (GGAAP), and investigated the effects on reporting incentives on two earning quality measure in Germany, i.e. earning management and information asymmetry, and then compared them to the effects resulted from accounting standards. They found that unlike the theoretical estimations, on average, IFRS in comparison to earning quality level in GGAAP-based financial statements of the firms has no significant effect one arning quality and even decreases earning quality. The results showed that there are some differences in earning quality based on reporting incentives both is IFRS and GGAAP and reporting incentives in IFRS-based financial statements has a lower effect on earning quality in comparison to GGAAP-based financial statements. They showed that, in fact the reporting incentives have a significant effect on accounting standards application and thereby differences in reporting incentives lead to differences in earning quality. Also, when we analyze the effects of accounting standards on various earning quality measures, reporting incentives are considered hardly.

Mashayekh and Amini (2011) in a research investigated the effect of applying accounting standards on accounting quality. Their research sample consists of 75 listed firms in Tehran Stock Exchange during 1997-2009. In their research, they consider earning management, loss timely identification, and appertain of value as accounting quality measures. In order to test the models multi-variant regression and Lajit model are used before and after applying accounting standards. The result of model testing showed that commitment of the standards application led to an increase in loss timely identification and a decrease in earning management and appertain of value thus, according to the research findings, accounting quality in earning management and loss timely identification aspects increased, but in appertain of value decreased.

Saghafi and Ebrahimi (2010) in a research investigated the relationship between accounting standards development and accounting quality information. They considered earning stability, earning reaction coefficient, accruals quality, and explanatory power of evaluation methods as accounting information quality variables and tested the accounting information quality, before and after the implementation of accounting standards. The results of model testing showed that only implementing the standards in the stability model relatively improve the stability, whereas in other models the standards couldn't have a significant effect.

Abbaszadeh and Atashi (2011) investigated the relationship between ten selected accounting variables and prediction of stock return, before and after mandatory adoption of accounting standards of Iran. The determinant coefficient of the models show that stock predicting ability by accounting variables in all variables has changed and the operational cash flow changes variable in every time window during 1997-1999 and 2006-2008 has no predicting power in the model. Their results indicate a decrease in the degree of the selected accounting variables' relevance for predicting stock return after implementing the accounting standards of Iran in comparison to before that. Also, it is observed that in both before and after standards, the determinant coefficient of operational and net earnings variables in higher than other selected variables of balance sheet and cash flows. In this research, we also observed any change in net in come predicting power and reduce in operating earnings predicting power and decrease in degree appertain of balance sheet items.

Nikoomaram and Fathi (2012) in a research investigated the effect of accounting national standards of Iran on earning stability. To this end, 80 firms of active firms in Tehran Stock Exchange during 1995-2006 were selected as the statistical sample and earning stability was investigated in two 5-year periods, from 1995-1999 in which firms' financial statements are not prepared based on accounting standards of Iran, and from 2002-2006 in which firms need to present their financial statements based on accounting standards of Iran. In order to test the hypothesis correlation analysis tests and father statistic are used. The results of this research show that there is no significant difference between earning stability of the firms before and after implementation of accounting standards, i.e. Accounting standards based on earning stability are not affective.

Research questions and hypotheses

Given the matter of previous sections, the research question is as follows:

Does implementation of accounting standards lead to an improvement in earning quality? Has developing new standards helped earning quality in Iran?

In order to answer the above question and achieving the research aims, the research hypotheses are developed as follows:

H_1: the existing accounting standards have increased the earning stability coefficient.

H_2: the existing accounting standards have decreased the discretion aryaccruals.

Research variables

The dependent variable in this research is earning quality. Earning quality is one of the accounting terms that have several definitions. Given the difficulty of operational definitions of earning, researchers have used different scales to measure it. In this research in order to investigate the effect of accounting standards of Iran on earning quality improvement, Jones' modified model and earning stability model have been used.

We measured the research variables as follows:

According to Kohlbeck and Warfield (2008) model, earning stability model as one of the earning quality evaluation indices is defined as follows :(Saghafi&Ebrahimi, 2010)

$Earn_{i,t} = \alpha_0 + \alpha_1 Earn_{i,t-1} + \alpha_2 MB_{i,t} + \alpha_3 (Earn_{i,t-1} \times MB_{i,t}) + \varepsilon_{it}$

$Earn_{i,t}$= net income before tax MB = market value to book value ratio α_1=earning stability coefficient

In this model $Earn_{i,t-1}$ and$MB_{i,t}$ are independent variables and $Earn_{i,t}$ is the dependent variable.

In order to give an operational definition of accruals, Jones' modified model (1991) has been used and accruals are defined and measured as follows :(Watrin&Ullmann, 2012)

$ACC_t = (\Delta CA_t - \Delta CL_t - \Delta CASH_t + \Delta STDEBT_t - DEPN_t)$

ACC_t = total accruals in year tΔCA_t= change in current assetsΔCL_t= change in current liabilities

$\Delta CASH_t$= change in cash$\Delta STDEBT_t$= change in current share of the receivable facilities

DEPN = the expense of evident assets' depreciation

$ACC_{it}/ASSET_{it-1} = \gamma_0 (1/ ASSET_{it-1}) + \gamma_1 [(\Delta SALES_{it} - \Delta AR_{it})/ASSET_{it-1}] + \gamma_2 (PPE_t/ASSET_{it-1}) + \varepsilon_{it}$

$DACC_{it} = | \varepsilon_{it}|$ $DACC_{it}$= discretionary accruals in year t

ACC_{it}= total accruals in year t$ASSET_{it-1}$= total assets in year t-1

$\Delta SALES_{it}$= revenue in year t minus revenue of year t-1ΔAR_{it}= change in receivable accounts in year t

PPE = properties, machinery and equipment (gross) at the end of year t

In this model, $ACC_t$is the dependant variable and other variables are independent variables.

RESEARCH METHODOLOGY

In this research, using earning quality measurement models in the years before and after accounting standards development, we firstly tend to investigate the earning quality and then compare the earning quality in these two time period in order to specify that in which period the earning quality was higher. To do so, first, using fitness test of Kolmogorov Smirnov, we investigate the normality of variables' distribution. If the normality hypothesis is accepted, pair-wise comparison test will be used to compare the earning quality in years before and after accounting standards development and if the normality hypothesis is rejected, sample's even sign test will be used to compare the earning quality in years before and after accounting standards development.

The time span of thin research consists of two 3-year time period from 1997-1999 and 2005-2007. The first time period is selected for testing before Iran's accounting standards development and the second one is selected for testing after Iran's accounting standards development.

Statistical sample and population

The required condition to conduct any research is the available information, and n current situation of Iran the only available information is of Tehran Stock Exchange. The statistical population considered for this research includes firms that were listed in Tehran Stock Exchange in our research time span and accounting standards approved till 2005 is true about them. Therefore, in this research the statistical population consists of firms that have the following features:

The end of their financial period should be at the end of Esfand. (The observations of financial years that don't end in Esfand will be eliminated in order to be able to consider the time that implementation of certain standards for firms are practical.)

In order for the sample to be homogenous, the firms should be productive firms.

The required information in this research should be available about them.

By investigating Tehran Stock Exchange it was specified that the statistical population of this research consists of 115 firms. In order to have a more accurate conclusion of the studied matter, the whole available population after passing the above conditions was investigated and the data of years 1997-1999 and 2005-2007 were collected for them.

DATA GATHERING METHOD

Information in financial statements of firms is collected from Rah Avard Novin and Tadbir Pardaz software's. This information includes balance sheet items and loss and earning, stock market value and stock book value. The cost of depreciation and the cost of properties, machinery and equipment that were not included in the published reports from stock market and the mentioned software, were collected by referring t stock market library and www.rdis.ir. Through this method 10120 data were collected. After conducting the required computations in Excel wide screen, the information was transferred to SPSS 19 statistical software to be analyzed.

The research findings

In order to gain some generalities concerning the features of the surveyed samples, descriptive statistics were collected. Descriptive statistics of the research variables were mean, standard error, skewness and tension for the firms were computed before and after mandatory adoption of accounting standards and are presented in Table 1.

Table 1. descriptive statistics of the research variables

		Earn	MB	ACC	Sales	AR	PPE	Asset
Before mandatory adoption of accounting standards	Mean	30204	3.4888	4153	141293	57520	37323	213825
	Standard Deviation	69618	7.106	87535	366247	245762	90055	762049
	Skewness	6.903	-6.093	-0.225	8.887	7.811	6.297	8.955
	Elongation	55.679	94.486	64.031	91.908	63.399	45.801	89.216
After mandatory adoption of accounting standards	Mean	166038	38.621	45082	1232630	200875	322159	1437468
	Standard Deviation	744065	493.33	445740	5912447	654810	1305169	5986988
	Skewness	7.740	14.922	5.008	8.428	6.050	11.776	8.136
	Elongation	66.464	233.34	72.179	78.671	39.316	162.99	72.953

By comparing the data of before and after mandatory adoption of accounting standards it can be observed that the mean and standard deviation of have increased for all of the balance sheet variables. While the absolute value of skewness coefficient for earning variables before taxes, market value to book value, the whole accruals and cost of properties, machinery and equipment has increased and for earning variables and receivable accounts and the total assets has decreased. The tension coefficient of the data was positive before and aftermandatory adoption of accounting standards, i.e. it is higher than normal distribution.

First, we have to ensure that the data gathered is normal in order for us to be able to select the test method. To this end, k-s test has been used. The results of k-s test for the first and second hypotheses are presented in Table 2 and 3, respectively.

Table 2. the results of k-s test for the first hypothesis

Number		230
Normal parameters) a,b(	Mean	4.86122
	Standard deviation	7.3365
The highest difference	Absolute	0.494
	Positive	0.494
	Negative	-0.434
s-kz		7.485
Significance		0.000

According to table 2 and the level of significance is computed equal to 0.000 which is lower than 0.05 and it can be concluded that in a certainty level of 95% the normal distribution of data is rejected and the sample even sign test should be used.

According to table 3 and the level of significance is computed equal to 0.000 which is lower than 0.05 and it can be concluded that in a certainty level of 95% the normal distribution of data is rejected and the sample even sign test should be used.

The results of k-s test (dependent variables' normality) for the 2 research hypotheses showed that all of the dependent variables don't enjoy a normal distribution. Therefore in order to test the hypotheses sample even sign test (Wilkakson) has been used.

In earning stability model (Table 4) given the findings of sample even sign test of the first hypothesis and according to the level of significance of 0.003 that is lower than 0.05, it can be observed that the earning stability coefficient after that mandatory adoption accounting standards has a significant difference with the earning stability coefficient before of mandatory adoption accounting standards. According to the number of stated modes it can be observed that the earning stability coefficient in modes after that mandatory adoption accounting standards are more than before that in 74 firms, whereas this number for modes that the earning stability coefficient after mandatory adoption accounting standards is less than before that is equal to 41 firms. As a result the research hypothesis about the increase of earning stability coefficient along with mandatory adoption accounting standards is supported and it can be stated that with mandatory adoption accounting standards the earning stability coefficient has been increased as a scale of earning quality measurement and since an increase in this coefficient means that the earning quality is better, so we can concluded that earning quality of the firms after mandatory adoption accounting standards has increased.

Table 3. the results of k-s test for the second hypothesis

Number		230
Normal parameters) a,b(	Mean	26.418
	Standard deviation	161.2740
The highest difference	Absolute	0.435
	Positive	0.419
	Negative	-0.435
k-sz		6.597
Significance		0.000

Table 4. the results of sample even sign test for the first hypothesis

Earning stability coefficient	number	Statistic Z	Significance
Before of mandatory adoption standards<after that mandatory adoption standards	41		
Before of mandatory adoption standards>after that mandatory adoption standards	74	-2.984	0.003
before of mandatory adoption standards =after that mandatory adoption standards	0		
Sum	115		

Therefore it can be concluded that improving earnings stability can lead to better estimations and thereby firms will have more ability to maintain the current earning and it is assumed that the earning is of a higher quality. Therefore standards' performance in this area is remarkable and this means that accounting standards are effective factors on the listed firms in Tehran Stock Exchange. The results of this research about earning stability are consistent with Saghafi and Ebrahimi (2010)'s study. Using earning stability model, they showed that implementing the standards is accompanied by extra stability. Also, the results of this research are in accordance with Nikoomaram and Fathi (2012)'s study and Kohlbeck and Warfield (2008)'s study and Kohlbeck and Warfield (2005)'s study. In their research in 2008 that has been conducted on all of the standards, they didn't observe any significant difference between earning stability before and after accounting standards implementation.

In Jones' modified model (Table 5), according to the significance level of 0.062 that is higher than 0.05, it can be observed that the second hypothesis of the research is rejected, in other words discretionary accruals before and after mandatory adoption accounting standards has no statistically significant difference. Given the number of stated modes it can be observed that the discretionary accruals in modes after mandatory adoption accounting standards are more than before that and is equal to 68 firms, whereas this number for the mode after mandatory adoption accounting standards is lower than before it and is equal to 47 firms. According to the number of stated firms it can be said that with mandatory adoption accounting standards the discretionary accruals has increased as a scale of earning quality and since this coefficient means that the earning quality is better, so we cannot conclude that earning quality of the firms after mandatory adoption accounting standards has increased.

Table 5. the results of sample even sign test for the second hypothesis

discretionary accruals	number	Statistic Z	Significance
Before of mandatory adoption accounting standards<after that mandatory adoption accounting standards	47		
Before of mandatory adoption accounting standards>after that mandatory adoption accounting standards	68	-1.865	0.062
before of mandatory adoption accounting standards = after that mandatory adoption accounting standards	0		
Sum	115		

Therefore it can be concluded that there is no significant difference between the discretionary accruals before and after accounting standards implementation, in other words the discretionary accruals have increased after accounting standards implementation and thereby we have an increase in earning management and earning quality will not increase after accounting standards implementation. The results of this research concerning accruals is similar to the results of Saghafi and Ebrahimi (2010)'s results. They concluded that there is no significant relationship between standards and quality of accruals and this is an indicative of ineffectiveness of accounting standards implementation in improving accruals' quality. This result is in conflict with the results of Hong (2008) and Barth et al. (2008)'s results, because they concluded that the standards has a negative correlation with accruals and cash flows. Kohlbeck and Warfield (2008) also has a n opposite result to this research and argued that the quality measure of accruals is decreased in accordance with a tendency toward concentration on balance sheet in accounting standards.

According to the results it is determined that in earning stability models, accounting standards could impose a significant effect on earning quality improvement but in Jones' modified model, implementing the accounting standards in ineffective in earning quality improvement.

Research limitations

Limitations and problems in conducting the research and should be considered in interpretation and explanation of the results and its generalization are as follows:

Given the restriction of the statistical population to the listed firms in Tehran Stock Exchange that are productive firms and their financial year ends in Esfand, generalization of the results to other firms should be done carefully.

Access to the firms' information is very difficult and time-consuming. Tehran Stock Exchange lacks a comprehensive information bank and financial reports of firms are kept incomprehensively and acrostically. Information such as cost of depreciation and cost of properties, machinery and equipment and other operational earnings are not included in the published reports and other information banks, and this forced us to refer to the stock market site and financial statements of individual sample firms for a 6-year time period. This is one of the factors that has made the research duration longer.

In this research the financial statement information of the end of the main firm's financial year is used; thus the results of this research don't include related to consolidated financial statements (numbers 18 and 19) and the mid-period financial reports (number 22).

Suggestions for future researches

Given the importance of the phenomenon of accounting information quality, specially accounting earning, it seems that conducting more researches and considering other aspects will help illustrating this matter. Also, given the essence of accounting standards existence for gaining a logical trust in dependable and coordinate and high quality information, it seems that conducting more studies in accounting standards implementation can encourage the students to lean and apply accounting standards. The followings are suggested:

Considering out-of-stock market firms and conducting a similar study on these firms

Investigation the relationship between accruals amount and earning quality

Investigation the relationship between auditor independence and earning quality

Investigating the effect of accounting standards on earning quality improvement using other models and earning measurement scales.

Investigating the effect of accounting standards on financial reporting quality improvement by emphasizing other earning measurement scales.

Investigating the effect of accounting standards on improving dependent auditors' and stationary auditors' reports

Investigating the effect of accounting standards on accounting information utility for the investors, creditors, tax auditors and other users of financial statements.

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