

The Role Study of Earnings Quality at the Financial Forecasts Accuracy in the Companies Listed Tehran Stock Exchange

Hamid Ravanpak Nodezh¹

Ali Amiri²

Fatemeh Asadi Kordshouli³

¹PhD in Accounting, Faculty Member and Director of Qeshm Institute of Higher Education

Email: Hamid.Ravanpakwin7@gmail.com

²Department of Accounting, College of Human Science, Bandar Abbas, Islamic Azad University, Bandar Abbas, Iran. amiri.study@gmail.com Tel:09374973918

³Graduate Student Accounting Qeshm Institute of Higher Education (Corresponding Author)

Email: fatemehasadi8888@gmail.com

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Abstract

One of the items in the financial statements to be considered as a measure of the ability of the profitability of business units, "reporting interest" is. The primary objective of financial reporting is to provide information on the performance of business units through the measurement of income and its components is obtained. The accuracy of financial forecasts One as a major objective of financial reporting Because important information for users inside and outside the organization provides. Accounting income and its components, including information which is when the decision is taken by the people. The purpose of this study was to investigate the relationship between earnings quality an accuracy of financial Forecasts in the Tehran Stock Exchange. In order to achieve the objectives of the study, 25 active industry over a period of 5 years (2009-2013) we choose. Then, using Cochran formula sample of 50 companies was selected. Also for the accuracy of the forecast financial variables Pearson correlation and regression analysis was used to combine data.

The results of this study can be explained that by increasing earnings quality, the Power accuracy of prediction of financial variables, especially cash flows resulting from operational activities increased. Therefore, the quality of earnings as a

significant factor in decision-making and judgment in selecting the most appropriate method of financing and the accuracy of financial forecasts in order to maximize shareholder wealth should be considered.

Key words

Earnings Quality, Financing, Anticipated Financial Variables, Financial Reporting.

1. Introduction

Financial reports is from the most important products accounting system That of its main goals is to provide the necessary information to evaluate the performance, The ability to profit and And expected future cash flows.

One of the accounting items, That in the income statement is presented, is net income. The interest in commitment system and Under the influence calculated by the accounting practices that management has chosen. GAAP to the directors to choose Different methods of accounting discretion and the As a result, the management authority the timing of recognition of revenues and costs And also will determine their value.

The administrator may have reasons such as job security, Get reward, increase the value of the company and other factors, Company profit more than reality show Up to Provide a good picture of company performance; In other words, it is possible to achieve preset manager, manage profits. As a result, it accruals Items increased and the Space operating profit and cash flow from operations will increase.

If the reported earnings of the actual performance result of the economy Units is the of poor quality and will not be very well play a role in economic decisions. Therefore, the Issue earnings quality of the researchers and investors is very important.

Quality of earnings is useful for users of financial statements. Committee Codification on Accounting Standards (2009) qualitative characteristics of financial reporting theoretical concepts in Section 1-2 states as follows: "Qualitative characteristics refers to features that Causes be applied to the of the information provided to of financial statements to users To evaluate the financial position, financial performance and business unit financial flexibility will be useful." Predictive value of profits, the quality that the events of the past or present to predict increases for users of financial statements. Confirm the profit Value quality that enables users to confirm or modify its previous expectations. when That The historical data profit can have predict future profits, to Possible assess the future profitability and cash flow outlook provided.

In this situation, it is assumed, the benefit of good quality. Dechow research results (1994) indicates that the Profit current year generally a good predictor for future cash flows.

One of the items in the financial statements to be considered as a measure of the ability of the profitability of business units, "reporting interest" is. Calculation of net profit, a Unit profit is also affected by the accounting methods and estimates. Authority and freedom to managers In use of the principles of investigation and compliance, Estimates and forecasts, and actions Ways such as Countermarch the assessment of inventory, amortization of goodwill, or the

current cost or capital is as the cost of research and development and Determining The cost of doubtful receivables, such that managers can, through its actions, the impact on profit pass.

On the one hand, because more intelligent managers of the company Status, is expected to be Prepared and presented in a manner that best reflects the company's situation.

However, for some reason, such as maintenance of the company, Receipt reward and Unit profit management intentionally or unintentionally may manipulate earnings, the company's Status desired effects.

On the other hand, low earnings quality can lead to an increase in information asymmetry and thus the price gap. The price of the stock split in shareholders and directors may create an incentive.

The information asymmetry and agency costs due to reduce it in order to gain high-quality reporting (sustainability of profits) turn.

Income stability for economic decisions Adoption Users and the impact on liquidity in markets such as stock Iran's fragile Such as the exchange of Iran It is far more important. As a result Research of that At Background the liquidity of the shares at the Iran securities market, suggest that investors, the risk of lack of liquidity in their decisions in terms of their intensity (Yahya Zadeh far and Khorramdin, 2008, p. 113).

In recent years, especially after the financial scandal, attention has been drawn to the quality of earnings. Earnings quality is a concept that has different aspects and therefore different definitions of it. An important definition of earnings quality based on stable earnings; Stable profit means repeat ability of current interest. The stability is more profitable, Enterprises More power for sustaining And continuity Current profits and earnings quality is higher (Saghafy, 2011, p. 2). According to the Financial Accounting Standards Board emphasized the usefulness of the decision, it is believed that the quality of earnings and the overall quality of financial reporting to the attention of those who Trading and of making decisions for the purposes about investment their use of these reports.

In addition, the framers of quality standards also benefit quality indirectly as an indicator for measuring the quality of financial reporting standards are considered. Income and measurements of the bonus plan and contracts related to the debt are usually used. Decisions based on incomplete or poor quality benefit transfer wealth is undesirable. For example, if the use of profit as an indicator for evaluating the performance of managers and they will be more rewarding.

Also reported over the profit may decline in the ability to cover debt payments and lenders continued to drive lending.

From the perspective of investment is also low earnings quality is undesirable, because the inappropriate allocation of resources to follow and reduces economic growth.

This earnings is not performance necessary and sources of important and major projects and With expected real returns Led to projects that are false and returns false and imaginary.

2. Statement of problem

Quality of earnings

Today, The quality of earnings is one of the most controversial issues and engaging in the research is accounting. Because investors as one of the most important factors deciding the benefit are of particular interest. The study of the behavioral aspects importance of their own. Research has shown that low and stable earnings volatility is indicative of its quality. As such, investors confidence to invest in stocks of companies that process their benefits are more stable. So The quality of earnings is a relative concept and depends on the attitude of the people. The quality of accounting information play an important role in asymmetry reducing between companies and investors it.

Analysts to rely on accounting data from other sources are known to develop profit forecasts. There are few reports of property and income, One of these features benefit the quality of the results of the evaluation of alternative accounting methods and assumptions made by the group's manager. As you know, the quality of earnings has been negative With information asymmetry has a negative relationship And this asymmetry can be expected that the ability to analyze the impact on earnings is expected. By reducing the asymmetry of the quality of higher profits, also leads to less prices investment and debt.

Therefore, because the quality of earnings reported for market participants to financial forecast accuracy is important.

The study of the effects of the financial analysis and the accuracy of financial forecasts useful. The first level of analysis of the environment in which it operates are considered and Health it compares with similar environments.

Second level analysis forecasts of the actual reported earnings reports. This Issue experimental research results High Chang et al., (2014) coordinated. For example, Ghahemi and Vatanparast (2005) have shown that in the Tehran Stock Exchange, increasing information asymmetry Among traders, the price offered for buying and selling shares is greater. But the case of an offer to buy or sell stock price differences root During supply and demand is abnormal.

Supply and demand caused abnormal as a result of confidential information, the confidential bad news, stock supply is high and the price offered for sale is reduced. Conversely, when there is good news a secret, high demand and price increases proposed Order. If there isn't confidential information, the stock price reflect the effects of public information available through Market-makers. Market-makers when receiving the information, the price will be directed to the appropriate level and also as a result of buying and selling is not unusual (rezazadeh and Azadeh, 2008, p 65).

Income stability for economic decisions of users and the impact on the liquidity of the stock market's fragile, Such as the exchange of Iran is far more important. As a result research of that at Background the liquidity of shares in the Iran securities market Done showed that investors lack liquidity risk in their decisions in terms of their intensity. (Yahya Zadehfar and Khramdyn2008, p113).

Revsine and et al (1999) Interest knows better quality is stable. Of View Richardson et al. (2001), the quality of earnings of Degree stable earnings performance in future periods.

Beneish and Vargus (2002) definition may benefit quality from the quality of the sustainability of current income in the future. Penman and Zhang (2003) earnings quality have the ability to profit in the future earnings are defined.

skeper and Vincent (2003), the quality of earnings related to the profit Hicks know, Hence, the integrity of the quality of earnings is honesty so that the revenue reported in the income Hicks show. from the point of view of e According to them, the quality of earnings based on the relationship between earnings, accruals and cash flow is defined And at that earning the quality that is closer to cash and is capable of continuous and predictable.

On this basis, it is believed that accrual reduces the quality of earnings. One of the criteria for measuring quality of earnings on this basis, the ratio of cash flow from operations Operating profit CFO / OE in research as diverse as post Penman (2001) is mentioned.

They have argued that this ratio is much closer interest to cash flow earnings quality is higher. Profit is high quality in terms of risk reduction information to reduce cost equity and increase trading volume of linked capital costs can be reduced. Increased uncertainty on profits with rising equity costs and reduced trading volumes in the stock market linked. When the public to not ensure the process of financial reporting or financial information published, discourage investment, and this in turn helps prevent the development of the capital market. High-profit Quality at investors can make investments more enthusiasm. When investors are confident that the quality of corporate profits is more invest in securities. (Bulow, 2006).

Special Interest beneficiaries of financial statements to assess the entity's future net cash flows to estimate its expected return (Francies, 2005).

In order to increase profit forecast future cash flows are exposed to quality. Public dissemination of quality information management, reduce information asymmetry between management and other users will.

According to studies, reducing the information asymmetry in turn leads to a reduction in the cost of capital, risk mitigation information, Increase the projected cash flows, improve the valuation of the company and increase the liquidity of shares (Ardestani, 1386). Given that the risk information from low accuracy at the information provided or failure arises in estimating expected returns.

Quality features are expected to benefit as much as the estimated output of the uncertainty facing investors and stakeholders will have a negative impact on the cost of equity (Francis, 2003). Since the cost of capital based on the expected rate of return investors, the amount of risk accepted by those concerned. Shareholders in determining the expected rate of return on the company's financial statements, in particular, rely on reported earnings.

So the quality of reported earnings estimate expected returns on equity and Determination Company capital cost rate and the anticipated proceeds from the financing is effective.

Investors seek profit interest in the information. Accounting profit is a sign that investors are changing attitudes and behavior. Evidence has shown that accounting earnings is a good indicator of stock returns future and Forecast expected cash flows, But because Use of the limitations of conservatism and importance in determining accounting earnings, some analysts have concluded that the economic benefit to the accounting profits, a good indicator of future expected cash flows.

Economic profit is defined first by Adam Smith, and this definition was developed by Hicks. He defined benefit funds A person can consume during a period and at the end period is the same relief that In the first period.

To be able to the reported earnings for Performance evaluation And assess the profitability of a company to help Users and stakeholders and investors relying on the information for profit, to meet the expected return, The quality of information should be possible to assess past performance and to measure the profitability and projected future activities to be effective. So in addition to the reported profit figure is important for investors and their decisions affect the character of the quality of earnings as a dividend information of particular interest investors.

3. Literature

Many studies have concluded that the accuracy of financial forecasts, performance analysis of internal capabilities, specific expertise Company, global experience, direction and orientation prior forecast and accuracy.

Forecast future profits problems and manipulate the management at earnings led the researchers to predict cash flows directly to the And Forecast future cash flows do without the use of an alternative name of profit. Burgstahler and Eames (2013) concluded that although companies are involved in revenue management. Analysts are capable of such interference (deception) are predicted. This can lead to less accurate because analyst expectations of earnings management makes often them estimate reduce the real Income. In other texts in the field, Kim and Potter (2010) examined Whether mistakes analysts predict of revenue performance analysts use an appropriate cost model (PCM) so that the growth rate for sales and costs are estimated to be equal. Their research concluded that such estimates to predict mistakes that when cost different amounts compared to the sales change. Dowdell (2010) investigate whether the correct functional analysis of a company's business cycle. The study concluded that while analysts forecast earnings for growing companies grew more trouble than they are.

In addition, the results suggest that companies are growing the most difficult to predict corporate earnings. International research, including research Ashbaugh and Pincus (2001) Hereof study was whether the difference in accounting standards national borders For to IFRS has effect on the ability of Financial analysts predict the correct income to non-US companies. They found that the association (symmetry) in corporate accounting methods resulting from the adoption of IFRS is that it reduces mistakes, predicts analyst. As well as The uncertainty of financial and accounting information under different accounting systems leads to a reduction in

forecast accuracy. The impact of regulation on the performance analyst is also an important sign-text.

Francies (2004) found that firms with high levels of income for each of the features that have been studied (Including the quality of revenues) compared to companies with the highest levels of quality are desired to have higher values. As well as Support and substantial effect in the context of the belief that higher earnings quality has a positive impact on stock prices. Boulton (2011) The impact on earnings quality nationwide survey On IPO prices and found that IPO in countries where the public company to produce higher-quality earnings information, Have good effects that are valuable high quality of earnings.

In addition, Feng (2011) concluded that the quality of financial reporting positively affect the efficiency of investment. The research also further motivate the managers to do quality reporting higher revenues explains. Gaio and Rapozo (2001) concluded that there is a positive relationship between the assessment of the company's and earnings quality especially for 1. Companies with larger and require more investment opportunities for foreign capital 2. For companies Are in countries that have less support from their investors. Their results suggest that far more superior quality reports by Financial markets and investors with information risk about the of lower earnings quality are needed to reward valuable

In fact The cheng Agnes (2012) found a positive relationship between the abnormal Interest and unfavorable pricing of bonds, which refers to the need for reliable earnings reports. Research on the predictive capability of accounting information are very important, Because predictability is a prerequisite for a decision (Ashton, 1974).

In addition Beaver and et al (1968) believe that a forecast can be created without any decision, but a decision can not be envisaged without cause. The basic premise of the information content of earnings and profit forecasts the literature that The accounting profits good alternative to cash flows future.

However, since the accounting profits are included accruals are separate from investment activities only under certain circumstances (or impossible) accounting profits are expected Equal the future cash flows (Watts and Zimmerman, 1986).

In addition, the views and the discretion of managers choosing methods commitment to reliable profits as alternative operating cash flow decrease (Dechow and et al., 1995; Guay et al., 1996).

Easley and O'Hara (2004) found that the quality of profit with information asymmetry negative relationship. Low the quality of income leads to an increase in information asymmetry. They study the difference between the price offered for the purchase and sale of shares used as a measure of information asymmetry.

AbdelGhany (2005), referring to the different methods to measure earnings quality and with of using eight methods revealed that of measuring different methods earnings quality is leading to different assessments And an industry or company can not benefit method based on a quality or lack of quality assessment. For this reason, proposed that stakeholders before making any investment decisions must choose more than one method to assess earnings quality.

Hughes and et al (2007) demonstrated that information asymmetry due to poor quality of earnings, risk choosing the wrong stock to increase liquidity providers, so this leads to a reduction in the liquidity of the stock market.

Gyuoly and et al (2007) Concluded that profitability during the past four decades America has been reduced, but this reduction would not reduce cash flows.

Paek et al (2007) states that the adoption of standards containing conservative procedures costs for the capital market is. These standards reduce the predictability of earnings and potential investors from the direction of the economy distorts the correct decision.

Bhattacharya and et al (2008) to examine the relationship between earnings quality and liquidity of company shares New York Stock Exchange and Nasdaq Stock Exchange from 1998to 2005 Paid And concluded that the low quality of earnings increase information asymmetry and thus reduce the liquidity of the shares.

Bhattacharya and et al (2012) to examine the relationship between earnings quality and lack of information asymmetry in New York Stock Exchange and NASDAQ stock companies paid And concluded that the low quality of earnings increase information asymmetry in the company with the information environment is weak. They also concluded that both are necessary and selection low earnings quality Causing an increase in information asymmetry. asymmetry creates are low earnings quality. They suggest that if the development of standards that will help to improve the quality of profits, improved corporate information environment and capital market liquidity increases.

Izady Nia and Resayyan (2009) examined the relationship between earnings quality and Recommended price difference between buying and selling shares in the period from 2002 to 2006 paid And concluded that nearly 27 percent of the purchase and sale of stock price changes by the change in the quality of earnings is explained.

Moradzadeh and et al (2010) found that the management of accruals on the company's stock liquidity significant and negative impact, so that more earnings management leads to information asymmetry and transaction costs and the liquidity is the bottom of the.

Johnny and Khodadadi (2011), a research on Title the relationship between income and its components with stock returns emphasis on the quality of earnings in listed companies Tehran Stock Exchange in deals. To address this issue, a sample of 230 listed companies in Tehran Stock Exchange for the period of 7 years between 2002 to 2008 selected. Results indicate that components income are based on the combined of both information content, but the cash benefit more than the commitment of the content.

As well as The results show that companies with high earnings quality companies positive returns and low earnings quality companies earn negative returns So that the highest quality that are able to profit in the period under review, 17 percent more than the lowest-quality companies that earn profits in return.

Ismail-Zadeh (2010) examined the impact of corporate governance on the quality of earnings in the Tehran Stock Exchange has examined the years 2004-2008. Corporate governance mechanisms that have been examined in this study, the percentage of ownership of

institutional shareholders, the number of blocks major shareholders, the percentage of outside directors on the board of directors, the absence of the CEO as chairman or vice chairman of the board of directors and size of the independent auditor. Test research hypotheses using panel analysis and using data from 94 companies listed in Tehran Stock Exchange during the period from 2004 to 2008 through a combination of time series data and is cross-sectional. The results suggest that the positive significant relationship between the percentage of ownership of institutional investors, major shareholders of blocks, the percentage of outside directors on the Board, no CEO as chairman or vice chairman of the board of directors and the auditor of the company and the quality of earnings is.

Kordestany and Ziaddin Majdabadi (2007) examined the relationship between costs of common stock and benefits of quality characteristics: In this study, the relationship between the five characteristics of interest earning quality include earning sustainable, predictability of earnings, Relevance of benefit to share value, timeliness and conservatism of earnings with the cost of equity capital is considered. The results of the inverse relationship between qualitative characteristics income includes earnings stability, predictability profit, Relevance of profit to stock value, timeliness and cost of capital common stock confirmed that

The relationship is statistically significant. But between the conservative of interest and the cost of capital common stock is not a significant relationship. Saghafy and kordsetany (2004) examined the relationship between earnings quality and market reaction to changes paid dividends. The results showed that investors in the Tehran Stock Exchange in response to changes in dividends, earnings quality companies do not consider.

Khajavi and Nazmi (2005) The relationship between the quality of earnings and return on equity were reviewed with emphasis on the role of accruals. According to research the average stock returns are influenced by the amount of accruals and related components are not. Chiu chi (2009) The impact transparency of financial reporting on the functioning and the value of the company studied in the Taiwan Stock Exchange. The results showed that transparency in the disclosure of financial information, the maximum value of the company and the creation of moral hazard between the manager and the owner hazard.

Francies and et al (2003) The relationship between the quality of earnings with specific cost of debt and cost of equity was considered.

In this study, the relationship between the eight indicators of quality of earnings and the cost of debt and cost of equity is considered. The results show that companies with low earnings quality compared to companies with high earnings quality, higher cost of debt and cost of capital of common shares higher. Francis et al (2005) concluded that financing costs will affect the quality of accruals. Moreover, the cost of capital Companies accruals with low quality is more.

Gesh and et al (2004), the quality of earnings and profits reaction rate, while increasing profits and sales looked stable. Their results show that companies with increasing sales growth, earnings quality and response rate higher profits than companies with profit growth coupled with lower costs are.

Research Hypotheses:

In order to achieve the research objectives, assumptions have been developed as follows:
The main hypothesis: Between quality of earnings and accuracy of financial forecasts There is no Relationship.

Sub-hypothesis: 1. Between quality profit and accuracy of financial performance every year there is no Relationship. 2. Between quality of earnings and Form adjusted profit and loss, relationship does not exist. 3. There is no relationship between the quality of earnings and discretionary accruals 4. the quality of earnings and income smoothing relationship does not exist. 5. There is no relation between earnings quality and operational net profit.

The main assumptions of the model to the Altar and Hossein (2004) for the relationship between earnings quality and accuracy of the financial variables are used.

1. Altar and Hussain model (2004) operating cash flows compared to the benefits, forecasting future operating cash flow are better.
2. the quality of lower profit and forecast future cash flows from financing (Equity) there is a significant and negative relationship.
3. The financial variables to predict In particular the future cash flows from financing companies profits have worse quality (with less certainty) of companies that benefit their quality

4. Research Methods

Research Methods from the perspective of applied research and the views of the nature and purpose of the research is descriptive and of correlational.

Collect the data required by the Stock Exchange of the outcomes of the new software, Tdbyrprdaz and also refer to the financial statements, the explanatory notes and the ordinary general assembly was isolated reports Also in case of incomplete data in the databases manually archiving in libraries and on the website of the Stock Exchange Management Research, development and Islamic studies - Stock Exchange (<http://rdis.ir>) referred. Descriptive statistics were used to analyze the data mining software from SPSS, Eviews software inferential statistics were used to derive the results.

So in terms of information gathering, research the events is to analyze the data, descriptive statistics, inferential, multivariate regression methods were used. According to the research hypothesis tested combination And the impact and role the quality of earnings over the expected future cash flows from financing have been tested. Also for the The prediction by the Pearson correlation and regression analysis was used to combine data.

The scope of the research areas listed companies in Tehran Stock Exchange and Time period between the years 2009 to 2013 study (a period of 5 years) has been set.

The Society and statistical samples

The study population consisted of listed companies on the Stock Exchange in Tehran. Then those industries that meet the following criteria were selected.

1- Before 2009, at the Tehran Stock Exchange admitted.
2- In order to ensure comparability items, the financial industry, the result is 29 March. During the investigation period has not changed its financial year.
3- To the same procedure used for the calculation, the only industry in our sample are examined in the period Cash flow provided by them in accordance with accounting standards Iran part five of the (It should be noted that only a very limited number of industry standards in the form of tripartite Cash Flow Statements have been prepared).

4- Investment companies, holding, banking and financial intermediation are not (usually due to differences in the nature of investment firms, their cash flows is based on findings from companies that have invested in it. Also, not evaluate the company on the basis of operating profit and Future cash flows and net worth of their Assets is not considered). Because types of activities different of companies in other industries are.

5- Trading interruption sample companies have a maximum of three months.

6- Companies are not examples of the textile industry because the industry information in the realm of time and space research is not fully available.

7- Statistics and data For variables and explanatory notes of the financial statements of companies and industries are available.

8- Research done for nonfinancial companies. Therefore, all banks and investment companies, leasing and financial institutions were excluded from the sample. Among the reasons for removal firms and financial institutions:

(A) difference in the interpretation of financial risk (high leverage ratios) in the financial and non-financial companies, so that the risk for financial companies, normal and non-financial companies may be unusual to come and lead to incorrect decisions.

(B) differences in accounting methods and estimates of financial and non-financial companies that interact with each other may be the result of wrong results.

(C) lack of transparency, classification of operational activities and financing of financial and non-financial firms.

So to choose of The two samples Class and regular or systematic random sampling was used. In a class of population is divided into homologous and Congruent groups and The sample is then determined to each group. Using regular or systematic random sampling of the required elements of each group is selected homogeneous (Azar, Momeni, 2000). The systematic random sampling required sample number (n) of the total population (N) is selected.

The first sampling interval (K) are calculated as follows:

$K = (\text{The number of members of the study community} / \text{Number of members of samples})$

Then the numbers 1 to K randomly select a number and then companies, entities or individuals will be selected following distance from a number of K.

firstly, the companies listed in Tehran Stock Exchange under the various industry and groups classified on the basis of 25 active industry over a period of 5 years (2009-2013) we choose.

Then, using Cochran formula $n = \frac{Nz^2 p(1-p)}{d^2(N-1)+z^2 p(1-p)}$ and As well as using Regular random sampling (systematic) sample of 50 companies was selected. So in order to test the hypotheses, regression analysis is based on a statistical model as follows.

The main hypothesis:

Based on models used in this study Altar and Hussain (2004) has also been used by Wing Yan (2005) have been extended.

- 1) $CFO_{i,t+1} = \beta + \beta_E EARN_{i,t} + u_{i,t}$
- 2) $CFO_{i,t+1} = \beta + \beta_{CF} CFO_{i,t} + u_{i,t}$

EARN =Operating profit

$CFO_{i,t+1}$ = Cash flow from operation i at time t + 1

$CFO_{i,t}$ = Cash flow from operation i in period t

- 3) $cash\ flow_{j,t} = \beta_0 + \beta_1 EPS_{j,t} + \beta_2 (G_1 \times EPS)_{j,t} + \beta_3 (SIZE_{j,t}) + \beta_4 B.M_{j,t} + \beta_5 Debt_{j,t} + \epsilon_{j,t}$

EPS: Earnings per share of the company j in year t

G_1 : Determining earnings quality index: The index for companies with earnings quality is number 1 and the other zero.

SIZE: natural logarithm of the total assets of the company j in year t

B.M: The ratio of book value to market value of company shares

Debt: The ratio of debt to total assets of the company j in year t

Secondary hypothesis

Health hypothesis annual financial performance

- 4) $AAFP^1_{i,t+1} = \beta + \beta_{CF} CFO_{i,t} + \beta_A ACCRUALS_{i,t} + u_{i,t}$

As adjusted profit and loss

- 5) $MGL^2_{i,t+1} = \beta + \beta_{CF} CFO_{i,t} + \beta_{AR} \Delta AR_{i,t} + \beta_{INV} \Delta INV_{i,t} + \beta_{AP} \Delta AP_{i,t} + \beta_D DEPR_{i,t} + \beta_O OTHER_{i,t} + u_{i,t}$

$ACCRUALS_{i,t}$ = Total accruals firm i in period t is calculated by the following equation:

$$ACCRUALS = EARN - CF$$

ΔAR = change in account recivable

ΔAP = change in account payable

ΔINV = Change in inventory

¹ - accuracy annual financial performance

² - matching gains and losses

DEPR= The cost of depreciation of fixed assets (tangible and intangible assets amortization BARS model is broken).

OTHER= Other accruals are calculated using the following equation:

$$\text{OTHER} = \text{EARN} - (\text{CF} + \Delta\text{AR} + \Delta\text{INV} - \Delta\text{AP} - \text{DEPR})$$

Model (6) Short-term accruals (change in accounts receivable, accounts payable and changes in inventory changes) and model (7) is the only long-term accruals (depreciation) were added. But in the model (8) Short-term accruals and accruals long both have been added. discretionary accruals and income smoothing

$$6) \text{ABNDA}_{it} = \beta_0 + \beta_1 \text{PHI}_{it} + \beta_2 \text{EARN}_{i,t} + \beta_3 \text{CONC}_{it} + \beta_4 \text{MGR}_{it} + \beta_5 \text{TACCR}_{it} + \beta_6 \text{Growth}_{it} + \beta_7 \text{Debt}_{it} + \beta_8 \text{Loss}_{it} + u_{i,t}$$

Operating net profit

$$7) \text{NPO}^3_{it+1} = \beta_0 + \beta_1 \text{OPIN}_{it} + \beta_2 \text{OPIN}_{it} \times \text{PHI}_{it} + \beta_3 \text{EARN}_{i,t} + \beta_4 \text{OPIN}_{it} \times \text{CONC}_{it} + \beta_5 \text{OPIN}_{it} \times \text{MGR}_{it} + \beta_6 \text{Growth}_{it} + \beta_7 \text{Debt}_{it} + u_{i,t}$$

All variables are homogenized on the basis of average total assets.

Research Variables:

In this study, the annual financial performance, as adjusted profit and loss, discretionary accruals, cash flows from operating activities, income smoothing and operating net profit as the dependent variable and the quality of earnings as the independent variable in both high quality profits companies and low earnings quality companies considered.

Through The accruals (Change in accounts receivable, change in accounts payable, changes in inventory and depreciation), 3 The first Case of the short-term accruals, but depreciation is considered a long-term accruals.

A study by (ben Hsien Bao, 2004) as "income smoothing, quality of earnings and valuation company" Was conducted to determine the companies favor high quality of the following three criteria were used:

1. The content of cash earnings (ratio of operating cash flow ratio per share to earnings per share) more than the average of the whole sample.
2. cash flow per share from operational activities is positive.
3. Earnings per share is positive (earnings per share before items is unexpected).

If the company has three features the company's earnings quality, and if a company does not have even one of the three conditions above, revenues are low quality.

Also in this study to enhance the accuracy and allowing reliance on the results of previous research three variables based on company size, the ratio of book value to market value and the debt ratio has been considered as control variables.

Size company is intended as an alternative information environment. To control the effect on cash flows of investment opportunities, the ratio of book value to market value is used.

³ - net profit operation

Typically, this ratio as an indicator of the growth opportunities of the company. The difference between market value and book value of intangible assets in the company can be considered proof. Debt Ratio to asset One of the scale of the financial leverage of the company.

Company Size Equivalent Logarithm of the book value of assets of the company and the ratio of book value to market value Equivalent book value of the company's stock to market value is defined. Leverage by dividing the company's total debt to total assets is obtained.

Reliability test Research variables:

Before analyzing research data, the reliability of variables were examined. The reliability of variables, which means that the mean and variance variables and covariance of variables over time between different years was fixed. As a result, the use of these variables in the model, cause regression is not false. For this purpose, Levine test, eim test, pesaran and Shane and Fisher test using the results of this test are given in Table 1 shows the p-value is less than 5% for all variables.

So all variables are stable in the period studied.

Table1: reliability test results research variables

method / variable		benefit	operating cash flow	accruals	Change accounts receivable	Change accounts Payable	inventory change	depreciation expense	other accruals
Levin, Lu and Chu	T-statistics	-66/051	-6/856	-11/610	-111/134	-65/530	-131/134	-5/856	-65/051
	p-value	0/000	0/000	0/000	0/000	0/000	0/000	0/000	0/000
Eim, pesaran and shane	W statistics	-7/856	2/950	-2/752	-17/921	-13/741	-19/921	3/950	-6/856
	p-value	0/000	0/008	0/003	0/000	0/000	0/000	0/008	0/000
Fisher	C statistics	341/950	246/193	288/732	405/344	493/046	412/344	346/193	141/950
	p-value	0/000	0/009	0/002	0/000	0/000	0/000	0/009	0/000

Normal test variables

To check the normality of the variables used in this study Jarque-Bera test, the results of which are presented in Table 2. The difference between the skewness and elongation test with a series of skewness and elongation of a normal distribution measures. This statistic is calculated by the following formula:

$$\text{Jarque- Bera} = \frac{N}{6}(S^2+(K-3)^2/4)$$

K: Elongation

S: Skewness

Under the Zero hypothesis of a normal distribution, statistics Jarque- Bera distributed as X^2 with two degrees of freedom. The probability (P) report shows the probability that the observed value under the Zero hypothesis Jarque- Bera statistic exceeds. This means that a small probability (P) to reject the Zero hypothesis (normal distribution) is. Based on the above description and results, all Review variables in the research, due to the high probability of normal.

Tabl 2: Variable test results are normal

variable	benefit	operating cash flow	accruals	Change accounts receivable	Change accounts Payable	inventory change	depreciation expense	other accruals
Jarque- Bera statistics	8/148	9/172	1/761	0/072	0/122	559/883	74/089	170/428
p-value	0/201	0/450	0/321	0/261	0/331	0/221	0/510	0/312

Descriptive statistics

Table 3 descriptive statistics such as mean, median, standard deviation and other Research variables shows. Average profit, operating cash flow and accruals respectively 0/158, 0/107 and 0/051 (here accruals deducted from cash flow from operations Of the profits is), so Section the cash benefit is more than double the commitment. Standard deviation Operating cash flow (0/170) of Standard deviation accruals (0/122) more, and it means that the operating cash flow of accruals is more volatility.

Table 3: descriptive statistics research

Variable	Average	variance	standard deviation (SD)	skewness
Cash Flow	0/292	0/226	0/475	-1/935
Company Size	5/746	0/382	0/618	1/123
Earnings per share	795/42	880261/03	938/22	1/448
ratio of book value to market value	0/640	0/370	0/608	1/926
ratio Debt	0/669	0/049	0/222	2/654
EARN _t	0/158	0/025	0/159	1/232

Another method of calculating accruals, Use of balancesheet approach is (considering the components of accruals). The values in Table 4 of this method are provided. As you can see, the mean changes in accounts receivable, inventory changes, changes in accounts payable, depreciation costs and other accruals respectively 0/032, 0/026, 0/016, 0/024 and 0/033 are. The results show that the majority of accruals in the balance sheet related to other accruals and accounts payable changes are minimal.

Table 4: descriptive statistics continue variables

Variable	Average	variance	standard deviation (SD)	Middle
EARN _t	0/158	0/025	0/159	0/125
CFO _t	0/107	0/029	0/170	0/077
ACCRUALS _t	0/051	0/014	0/122	0/033
ΔAR _t	0/032	0/029	0/173	0/029
ΔINV _t	0/026	0/028	0/169	0/028
ΔAP _t	0/016	0/011	0/108	0/008
DEPR _t	0/024	0/036	0/019	0/020
OTHER _t	0/033	0/057	0/240	0/006

Correlation coefficients

There is a linear relationship between the variables to check, test, Pearson correlation coefficients were used. Test results are presented in Table 5. As can be seen, the correlation coefficient between the future cash flow from financing (accrual) and the quality of earnings

0/728 (0/578), which at 1%(1%) is significant. The correlation coefficient between the cost of depreciation (other accruals) and benefit Equal 0/167 (0/092), which at 1% (5%) is significant. The results show a significant and negative linear relationship the level of 1% between operating cash flow and accruals (-0/448) and the operating cash flow and changes in accounts receivable (-0/106) is established.

Table5: test Pearson correlation coefficients

Variable	EARN _t	CFO _t	ACCRUALS _t	ΔAR _t	ΔINV _t	ΔAP _t	DEPR _t	OTHER _t
EARN _t	1							
CFO _t	0/728*	1						
ACCRUALS _t	0/587*	-0/448*	1					
ΔAR _t	0/028***	-0/106*	0/184*	1				
ΔINV _t	0/064***	-0/024***	0/117*	0/432*	1			
ΔAP _t	-0/004***	0/040***	-0/061***	0/542*	0/544*	1		
DEPR _t	0/167*	0/221*	-0/091**	-0/169*	-0/195*	-0/164*	1	
OTHER _t	0/092**	-0/099**	0/258*	-0/703*	-0/727*	-0/368*	0/217*	1

* Significant at 1% ** significant at 5% *** insignificant

Chow test

Before the models Estimates needed The panel reviewed data. According to the test results and the possibility is given in Table 6, we can conclude that the models are combined.

Table 6: Chow test

Name statistics	Amount statistics	Possibility
Fisher statistics	0/597732	0/9977
X ² statistics	61/278258	0/9835

Dickey Fuller unit root test

Dickey Fuller unit root tests, to check the reliability of the test is the most appropriate. Dickey Fuller agreed under the zero hypothesis $p = 1$ means that the non-stationary time series has been and is rooted in the assumption that the actual process of data is no intercept. Static test with By using Dickey Fuller unit root test was performed for the variable and the results are shown in the following table:

Table 7: unit root test

Row	Variable name	Statistics value	Status	Critical value		
				%1	%5	%10

1	Future cash flow	-2/870638	first difference	-3/447866	-2/869155	-2/570894
2	Earnings per share	-8/944664	first difference	-3/446567	-2/868583	-2/570588
3	Quality of earnings	-10/31524	first difference	-3/446567	-2/868583	-2/570588

As Table 7 shows, according to the likelihood and coefficient statistic can be concluded that the variable cash flows (CASH FLOW) is not a single root and is stable at 5% error. Due to the Possibility and coefficient statistic variable earnings is not a single root and Steady. Also, due to the Possibility and coefficient statistic quality earnings can be concluded that of earnings quality index (GEPS) is not a single root, and it is reliable.

The results of the models

The main hypothesis

The results of model (1) Altar and Hussain (2004) is provided in Table8, show that the intercept of the model 0/015 and is not significant and And the interest rate is equal to 0/504, which at is 1% is significant. The coefficient of determination adjusted models, the 20/5% and indicates whether profits this year, about 20% of next year's operating cash flow explains.

Table 8: The results model (1)

Variable	coefficient	t-statistic	significance
Constant value	0/015	1/604	0/109
EARN _t	0/504	7/908	0/000
Adjusted R ²			0/205
Watson camera statistics			1/862
F statistics			132/363
Confidence level			0/000

The results of model (2) Altar and Hussain (2004) shows that the intercept (0/049) and operating cash flow ratio (0/432) both are significant at 1%. Adjusted coefficient of determination as well as the 30/8%, which is the model coefficient of determination model (1) further. Therefore, the first hypothesis that operational cash flow compared with the profits, a better predictor of future operating cash flows are not rejected.

The main hypothesis No.2 is that the expression Between of the quality of lower profit and forecast future cash flows from financing there is a significant and negative relationship. Due to the coefficient quality of earnings in the regression Research Model No. 3 (-0/000195) and the likelihood of it (0/0037) show that the second hypothesis is accepted at 95%. In other words, with increasing earnings quality companies listed in Tehran, future cash flows from financing predict better and closer to the real and nature of future cash flows from the issuance of stock.

Table9: The results model (2)

Variable	coefficient	t-statistic	significance
Constant value	0/049	6/117	0/000
Cfo _i	0/432	6/743	0/000
Adjusted R ²			0/308
Watson camera statistics			1/902
F statistics			100/805
Confidence level			0/000

Estimates Model number3:

Model 3 By using regression compound in Table 10 as follows:

$$\text{cash flow}_{j,t} = \beta_0 + \beta_1 \text{EPS}_{j,t} + \beta_2 (\text{G}_1 \times \text{EPS})_{j,t} + \beta_3 (\text{SIZE}_{j,t}) + \beta_4 \text{B.M.}_{j,t} + \beta_5 \text{Debt}_{j,t} + \epsilon_{j,t}$$

$$\text{cash flow}_{j,t} = 1/88 + 0/00057 * \text{EPS} - 0/00019 * \text{G}_1 + 0/323 * \text{SIZE} + 0/033 \text{B.M} + 0/562 * \text{Debt} + [\text{AR} (1) 0/235]$$

Table 10 Estimates model(3): mix Regression model

Abbreviations and names of variables	coefficient	Standard error	t-statistic	significant level
Constant coefficient	1/883072	0/894245	-2/105768	0/0363
Earnings per share	0/000577	7/02905	8/223361	0/0000

earnings quality	-0/000195	6/63905	-2/935662	0/0037
Company Size	0/323505	0/150439	2/150414	0/0326
Book value to market	0/033537	0/064704	0/518320	0/6047
Debt Ratio	0/0561705	0/197221	-2/848093	0/0048
Return first order	0/235199	0/081754	2/876902	0/0044
coefficient of determination	0/573019	Average variable		-0/028264
Corrected coefficient of determination	0/0471795	Deviation of the dependent variable		0/439343
SD Regression	0/319304	Total square unexplained deviations		23/65360
Fisher statistics	5/660908	Watson camera statistic		1/779610
Significant level	0/000000			

The main hypothesis (3) states that financial variables to predict the future cash flows of financing in companies that isnot benefit their quality is worse than companies that benefit their quality. When the quality of corporate profits is low, Index Quality of profits will be zero in the regression model and therefore the anticipated benefits of these firms are worse than companies that are quality. In other words, the quality of earnings increase investor confidence with respect to the anticipated future cash flows. So the hypothesis is confirmed.

Subsidiary hypothesis:

Between quality of profit and accuracy of the Annual financial performance, there is no Relationship.

The results Estimates model 4 in Table 11 are given, shows that the coefficient of operating cash flow (0/543) and the coefficient of accruals (quality gains) (0/375) both are significant at 1%. The coefficient of determination adjusted model (4) is equal to 35/9 percent.

Table11: model (4) results

Variable	coefficient	t-statistic	significance
----------	-------------	-------------	--------------

Constant value	0/018	1/897	0/058
Cfo _i	0/543	8/101	0/000
ACCRUALS _t	0/375	4/407	0/000
Adjusted R ²			0/359
Watson camera statistics			1/851
F statistics			70/810
Confidence level			0/000

Between quality of earnings and Form adjusted profit and loss, relationship does not exist.

The results Estimates model 5 in Table 12 presented. The results show that the intercept (-0/001) and the coefficient of amortization (0/813) are not significant, but operational cash flow coefficient (0/525), coefficient of variation accounts receivable (0/309), changes in inventories (0/389), changes in accounts payable (-0/545) and other accruals (0/380), all are significant at 1%. The coefficient of determination adjusted model Too to 42/1 percent. This This Issue show that adding small accruals To model that includes only cash information, Cause increasing the explanatory power of the Early model is. Therefore, this model can not be rejected. And therefore reject the hypothesis H₀ and H₁ is confirmed.

Table12: model 5 results

Variable	coefficient	t-statistic	significance
Constant value	-0/001	0/057	0/954
Cfo _i	0/525	8/327	0/000
ΔAR _t	0/309	3/639	0/000

ΔINV_t	0/389	3/921	0/000
ΔAP_t	-0/545	-5/242	0/000
$DEPR_t$	0/813	1/124	0/262
$OTHER_t$	0/380	4/098	0/000
Adjusted R ²			0/421
Watson camera statistics			1/920
F statistics			27/350
Confidence level			0/000

There is no relationship between the quality of earnings and discretionary accruals and income smoothing.

The results Estimates model6 in Table 13 states. F statistics show that the significant relationship between independent variables and the dependent. Discretionary accruals with the percentage of ownership of institutional investors significant and negative Relation. The significant and negative coefficient indicates that the increase in reported earnings will be more owned by institutional investors neutrality and thus increases the quality of earnings.. As we know with increasing earnings management, discretionary accruals increase as a result of reduced earnings quality.

The relationship between ownership concentration and positive discretionary accruals shows that by increasing the concentration of ownership, quality of earnings is reduced. As well asThe results table shows the of discretionary accruals with managers percentage shares no significant relationship; but the relationship between these variables with growth and the ratio of debt to positive and significant and with earnings quality is a significant and negative correlation, In other words, companies that grow their assets are more and higher debt ratio,and debt, the larger discretionary accruals and the relationship between discretionary accruals and losses on unprofitable companies, is reversed. The earnings quality will make the managers to mislead the users of financial statements and analysts' earnings when filing The effect of increasing earnings quality Their hands up and disgrace them.

Table13: Results of model 6

Variable	coefficient	t-statistic	significance
Constant value	0/020	1/701	0/10

PHI _{i,t}	-0/130	-3/183	0/05
EARN	-0/524	8/327	0/10
CONC _{i,t}	0/135	3/637	0/01
MGR _{i,t}	-0/013	-0/561	0/25
TACCR _{i,t}	0/949	92/009	0/01
Growth _{i,t}	0/202	20/083	0/01
Debt _{i,t}	0/051	4/956	0/01
Loss _{i,t}	-0/018	-1/714	0/10
Adjusted R ²			0/955
Watson camera statistics			1/696
F statistics			1359/688
Confidence level			0/01

There is no relation between earnings quality and operational net profit.

The results Estimates model7 in Table 14 are. F statistics in the table indicates that the fitted model is significant at level 99% confidence. Adjusted R² model is about 43/8% of the independent variables in the model explains the changes in cash flows.

This pattern is positive and significant Relationship quality of earnings and operating net profit shows a positive and significant coefficient OPIN_{i,t} × PHI_{i,t} in the 95% range shows that the relationship between operating profit and operating cash flow with increase institutional ownership increases and suggests that by increasing the percentage institutional investors ownership of this aspect of the quality of earnings (profits predictive value increases).

OPIN_{i,t} × CONC_{i,t} Variable coefficient is negative and significant at the 99% confidence level indicates that the concentration of ownership has a negative impact on the relationship between income and cash flow. In other words, this aspect of the quality of earnings by increasing the concentration of ownership is reduced. also The significant and negative coefficient variable OPIN_{i,t} × MGR_{i,t} in the table represents With Importance impact on the relationship between income and cash flow is dominated by board members. Thus, based on the regression equation predictive value and verifier benefit aspect who from different aspects of between earnings quality and accuracy of financial variables are considered, . all assumptions are significant relationship.

Table 14: Results of model 7

Variable	coefficient	t-statistic	significance
----------	-------------	-------------	--------------

Constant value	0/024	3/334	0/05
OPIN _{it}	0/762	5/705	0/01
OPIN _{it} × PHI _{it}	0/652	2/734	0/05
EARN _{it}	0/949	92/009	0/01
OPIN _{it} × CONC _{it}	-0/772	-3/771	0/01
OPIN _{it} × MGR _{it}	-0/122	-1/753	0/10
Growth _{it}	0/040	1/022	0/25
Debt _{it}	0/003	0/083	0/25
Adjusted R ²			0/438
Watson camera statistics			1/904
F statistics			47/824
Confidence level			0/01

Compared of the Estimates model to the assumptions suggest that the addition of short-term accruals to adding long-term accruals to profit model explanatory power produced model further increases the quality of earnings. This means research hypothesis is rejected.

Based on the results of the study hypothesis test, Student t and Fisher test shown that there is a significant relationship between the dependent and independent variables. Function is not solidarity with its effects. Watson camera statistic is close to 2.

5. Debate and Conclusions:

Since the financial accounting information reported is intended for use outside companies And because profit is a primary source of such information and In many cases, the current profitability levels as an Important criteria in predicting financial variables (factors) are used businesses. Although predictions financial variables based on current profitability is justified But the Failures in income measurement (subjectivity of estimates and financial projections issues of accrual accounting and the choice of management in determining accounting practices in the timing of transactions) Possible differences between Accuracy financial variables and reported earnings. In such circumstances reduced the predictability of variables and optimal use of the element models are difficult to predict. To solve this problem the earnings quality have been raised. Considering that the quality of earnings can affect decisions and results of users of financial statements is reasonable. Lobo (2012) concluded that the actions of investors financial for analysts and at more important needs, such as reducing the quality of available profits. However, it is also true that managers incentives to manipulate (fraud) in their profits. The method can lead to lower quality benefits that are sometimes seen as a result of opportunistic

managers. Use of The increase that is intended to mislead Users. many Studies of the relationship between features and benefits anticipated financial variables there. This study expectations offers the quality of higher profits (by providing more useful information to analysts) enables analysts to provide more accurate forecasts. However, earnings quality literature raises the possibility that the benefits of lower quality may be associated with correct predictions. The results of this research suggests that Trust managers on the benefits of lower quality when on analyst forecasts may lead to fewer differences between the expected and benefit of the report.

Since the company by manipulating the accounting information to profit reported to Adjust the closer to the forecasts of analysts, earnings quality is reduced. As a result, the difference between the predicted and actual reduction in reported profits, forecasts show correctly. Therefore, The aim of this study was to investigate the relationship between earnings quality on the accuracy of financial forecasts In particular, the forecast future cash flows resulting from the financing of the companies listed in Tehran Stock Exchange is to help users of financial analysts. The range of accounting, forecasting future cash flows is one of the most important research focus has attracted many researchers is renowned accounting. Among the reasons that the importance of research in this area has been the use of the research by the users of the financial statements and investors to predict cash flows and the company's stock is pricing. Projected cash flows from this is important for investors to assist them in making economic decisions and makes investors and analysts to more accurately rate their companies. The impact of various factors on the model and the ability to predict, making the results of previous research includes different responses and will not mislead Users. after claiming Financial Accounting Standards Board in 1978 that the profit to cash flows better indicator of expected future cash flows provide, Researchers like Greenberg et al. (1986), Bowen et al. (1987), Barth et al. (2001), Altar and Hussain (2004) and Wing Yan (2005) and others in the field of research comparing the ability to profit and current cash flow projections of future cash flows that Inconsistent results obtained from this study are a motivation to researchist at The first hypothesis is that current cash flows compared to current earnings, future cash flows are better predicted using statistical models and test review. For this purpose, models (1) and (2) were estimated. The results showed that the coefficient of determination adjusted for model (1) 20/5% while the coefficient of determination adjusted model (2) 30/8%, which is the determining coefficient model (1) is higher. In other words, the current cash flow compared to current profits in relation to the expected future cash flows is more explanatory power. The results of the test the following first hypothesis the claims Accounting Standards Board confirmed and the research of other scholars such as Greenberg and colleagues (1986), Barth et al. (2001), Altar and Hussain (2004) and Wing Yan (2005) match have But with Research Bowen et al (1987) are not compatible. Therefore, investors should not rely only on profits But also the quality of earnings, which is a measure of the sustainability of profits Consider them not to cause confusion.

According to model 2 and 3 Companies that benefit their With quality Lower risk for investors attract in order to financing. Hence The suppliers of companies resources looking to invest in companies that are Quality benefits are eligible. In fact, investment and financing for

institutions and companies that have earnings quality is easier Because a reasonable assurance of the investors to create the desired output. In addition, companies that benefits low-quality or Without-quality experience to attract investors have a higher rate of return than other companies to provide them. Thus, the rate of return from the perspective of investors and suppliers of funds and the rate of cost of capital of companies, institutions saw increases. The results of the test two hypotheses raised in this study confirms explanations.

also Research has 5 sub-hypothesis was that the models were evaluated. In the first sub-hypothesis that the model is 4. The results showed that the between the quality of earnings and annual financial performance relationship and accuracy of the coefficient of determination adjusted to 35/9 percent. The results of its research Yazdi Arab Mazar (1995) and Nvrvsh and mashayekhi (2004) and foreign scholars such as Barth et al. (2001) and Wing Yan (2005) corresponded perfectly.

The second sub-hypothesis that the model 5 of the relationship between earnings quality and if income was adjusted. The results showed that the model coefficient of determination adjusted to 42/1 percent. The results of the research Barth et al. (2001), Altar and Hussain (2004) and Wing Yan (2005) were well correlated.

The results Estimates model 6 were significant and negative relationship between earnings quality 6 and discretionary accruals and income smoothing is that The model also adjusted coefficient of determination of 95/5 percent.

The results Estimates model7 were positive and significant relationship between the quality profit and operating net profit, which is are adjusted model coefficients of determination equal to 43/8 percent.

Thus, according to the models, it can be concluded that the quality of the health benefits and contributed to the financial variables To help investors and funders, users of financial statements and analysts, and Of misleading them has been made, which reduces management and income smoothing. So by increasing the quality of earnings, anticipated increased financial variables and their accuracy is confirmed.

6. Offers

1. Due to various factors such as the characteristics of the company on the predictability of future cash flows model, which in this study have not, Users in the use of models financial and commitment necessary To forecast cash flow impact of these factors on the ability to predict the prognosis is considered to be more accurate and based on the most efficient models.

2. The financial analysts use statistical models based on financial statement items used to predict cash flow and results as an indicator to measure its forecast and implement performance management. Also, it is suggested that the results of statistical models based on accruals for expected future cash flows of the company is used and the data obtained as a basis for determining the base price used in the stock market.

3. Due to the commitment of additional models in predicting future cash flows to the cash model, it is recommended that investors and financial analysts pay more attention to their accruals. Also to The users of financial statements, market analysts and investors are advised to pay more attention to their cash flow Statements. Most of the information needed to predict

future cash flows at the cash flow Statements and adjusted operating cash is hidden. The use of models to predict cash flow and pay more attention to the financial statements, especially cash flow Statement, users will lead to more rational decisions.

4. It is recommended to investors in the stock market investment companies that have profits are high quality.

5. investors pay attention to the quality of corporate profits in the financial variables to predict especially the future cash flows from financing effective.

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