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THE RELATIONSHIP AMONG FINANCIAL AND NON-FINANCIAL CHARACTERISTICS AND DURATION OF IMPLEMENTATION AND COMPLETION OF THE AUDIT OF LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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Abstract:
Timeliness is one of the most important qualitative characteristics of financial information; Timeliness means that information should be available to users in the shortest possible time and the fastest recommended. Whatever the interval between the end of the financial year and the date of publication of financial statements of business units is shorter, is increases the benefit from the annual financial statements of business units. Increasing the time interval between the end of the fiscal year and date of publication of the financial statements, increases disclosure of information to benefit of users and that is the detriment of others. The purpose of this research, examines the relationship between some characteristics of company with duration of implementation and completion of the audit. The population consists of companies listed on the Tehran Stock Exchange during the period 2006 to 2014. The results of tests that has been done on the research hypothesis showed that the Five independent variables in this research, including size, debt-to-equity ratio, profitability, the type of audit opinion that provided financial statements and company life cycle, there is a significant relationship with duration of implementation and completion of audit.

Keywords: timeliness, company size, company life, duration of implementation and completion of the audit

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1. Introduction

Responsiveness that its origin is respect for human rights, is proposed at national levels and commercial firms. Managers in front of investors, creditors and other interested parties, are required to provide timely information, transparent and reliable, aware them of the use of economic resources and results of operations business unit and to provide decision-making ability and rational judgment for them. [2]. Rational economic decisions and efficient allocation of limited resources towards the top activities, it is not possible in the absence of timely, valid and reliable information.

In a statement of accounting theory, relevance and dependability, as two important qualitative characteristics of financial information, are the most important issues of financial reporting literature and has been attention and emphasis of professional institutions, law enforcement and use of financial information. Timeliness means that information should be available to users in the shortest possible time and the fastest recommended. Whatever the interval between the end of the financial year and the date of publication of financial statements of business units is shorter, increases the benefit from the annual financial statements of business units. Increasing the time interval between the end of the fiscal year and date of publication of the financial statements, increases disclosure of information to benefit of users and is the detriment of others.

Another important quality attributes, is expressed reliability of financial information. Helping to make decisions and protection of interests of investors, creditors and other stakeholder groups as well as determined legal requirements in many countries has led audited financial statements prepared and implementation by someone who is independent of the information producers.

Although, the benefits derived from audited financial statements, is obvious, however, implementation and completion of the audit duration can be effected on the provided timeliness of financial information and timeliness financial reporting is the function of many factors. These factors may be related to the auditor and the audit or is related to the characteristics of the entity.

2. Affecting factors on timeliness financial reporting

In previous researches, the most important affecting factors on timeliness financial reporting and duration of implementation and completion of the audit are as following:

Firm size, profitability, complexity of the operation and the type of industry, the risk (leverage), Company life, date of the end of the fiscal year, the rate of employee engagement employer of Auditors, audit time budget, internal control systems, presence or absence of internal auditing and the audit committee of the company, size of audit firm, science and technology that used in the company as well as the auditing firm, the type and amount of services provided to the client, environmental factors (economic conditions, profit rates, inflation, competition and political and legal considerations), the auditor's expertise and personality, presence or absence of extraordinary items in the company, the type of audit opinion on the financial statements, the company on the stock exchange, the number of shareholders, presence or absence of subsidiary and affiliate company, and etc. [5]. [6]. [8]. [11]. [18].

In the present research, has been examined the relationship between different affecting factors of financial reporting among the duration of implementation and completion of the audit:

A. The size of the company

In most previous studies that were conducted in abroad, has been approved the significant relationship between the timeliness of financial reporting with firm size. Most researchers believe that large companies earlier than small companies, executes and complete the audit. Because firstly, due to the establishment of strong internal control systems on large firms, is reduced the possibility of an (inadvertent or intentional) in the financial statements and as a result, auditors can provide greater reliance on internal control system and to substantially reduce the volume of content tests.

Secondly, large companies due to high financial resources are capable of having accounting staff expertise with and higher education as well as to serve more advanced information systems. On the other hand, these companies by appointing staff to the auditors and do the part of the audit work and applying effective audit firms and pay higher audit fees, done their audit financial statements in a short time after the end of the fiscal year.

Thirdly, large firms are more sensitive than small firms. Larger companies have political costs than smaller firms. The large company has a large number of stakeholders with a highly sensitive followed up operation of the company. Therefore, managers of large companies tend to reduce the delay in the implementation and completion of accounting practices and financial reporting. Because they strongly from investors, creditors, regulatory agencies and other users of its financial statements are under pressure to deliver timeliness financial Statements. Therefore, there is an impression that there is a significant relationship between firm size and duration of implementation and completion of audit. [15].

B. Debt-to-equity ratio

It is possible, companies that have high debt-to-equity ratio; have a tendency to hide their level of risk. For this purpose, they may seek to its annual financial statements that delayed publishing. On the other hand, high debt-to-equity ratio to the rights of stakeholders increases the possibility of disability of the company to repayment of debt and fulfillment of commitments. In such cases, the auditors have less concern about the company's debt. So auditors to alleviate their responsibility in the face of possible future claims, planning a complete investigation and audit procedures are designed and implemented in such a way that ensure the completeness of recorded. Doing these actions by the auditors, cause long time delay in completing the audit and financial statements and will be delays in the publication of financial statements. [19].

C. Profitability

The profitability of the company as one of the variables that affecting the duration of the implementation and completion of the audit that has been investigated. There is a negative correlation between the profitability with a time delay in the implementation and completion of the audit of company operations is imaginable. This means that profitable companies’ earlier than loss companies complete and runs their accounting practices. [10]

Profit or loss report can be a good or bad news should be considered about the results of the annual performance of the company. In the case of loss companies, corporate executives tend to have delayed publication of annual financial reports to avoid the consequences of bad news. Also in loss firms, auditors do audit with professional care and more caution. Especially, when the risks of financial failure, bankruptcy, discontinuation activity or fraud managers exist in companies. In contrast, profitable companies to publish a good news reluctant to publish their audited annual financial statements prematurely. Therefore, show interest toward the rapid completion of the audit process and avoid delays in the completion of the audit. Also in profitable companies, so what profit margin or rate of return is higher than the industry average will benefit by publishing this good news, and benefits of market forecasts and users decisions about the company. The positive performance of companies will have effect on stocks value [10]. [15].

D. Audit opinion types

Time delay in the implementation and completion of the audit is considered as the type of auditor's opinion. Accordingly, is pointed that, companies provided an acceptable audit opinion on the financial statements of the firm, probably sooner than companies that receive inauthentic comment, execute and complete the audit. In other words, the average delay in the implementation and completion of accepted accounting practices for companies of all received comments, is less than the companies that received inauthentic comments. [11]

Inauthentic comments intended as bad news and declined to publish audited annual financial statements of company. In addition, the disagreements between the auditor's and company that mentioned about condition report clause, increased time delay in the implementation and completion of the audit of company. [11]

4. Research Methodology

4.1 Statistical population

The statistical population includes productive companies listed on the Tehran Stock Exchange. Among all companies that were members of the population of under qualify, were investigating:

A) Companies with at least from the beginning of 1998 are listed in the Tehran Stock Exchange.

B) Companies that to be carried out audited annual financial statements for the specified period by audit firms that approved by the stock exchange.

C) Companies that needed information to calculate research variables in the studied period which are reliable and available information.

152 companies were qualified. The required data directly has been extracted from the annual financial statements and presented financial reports by companies to the Tehran stock exchange, database exchange, software Dena, cash management and compact disc of financial information.

4.2 Research model and calculate variables

The dependent variable in this research, are the duration of implementation and completion of the audit of company operations and five independent variables of this research includes size (total assets), debt-to-equity ratio, profit or loss of the company, the type of audit opinion to the proposed financial statements and life of the company.

According to research aims to check the hypotheses, multiple regression models used is as follows:

$$y = \alpha + \beta_1 ASSETS + \beta_2 \frac{D}{E} RATIO + \beta_3 PROFIT + \beta_4 OPINION + \beta_5 LIFE + \varepsilon$$

That:
Y: Duration of implementation and completion of the audit (updated)
α : The width of the source
Assets: natural logarithm of average total assets
D / E Ratio: The average debt-to-equity ratio to the rights of share holders
Profit: profit or loss of the company (net income or loss after deduction of taxes)
Opinion: The proposed audit opinion on the financial statements
Life: firm Life (according to the acceptance date of participation in stock Exchange)
ε: The random error

β_1 β_5 و β_4 ، β_3 ، β_2 ، are independent variables. In fact, third independent variable is the dummy variable coefficients (virtual) is determined to the extent that, $\beta_3 = 1$ (if the company is profitable) $\beta_3 = 0$ and (if the company is loss). The fourth independent variable coefficient (the type of audit opinion on the financial statements) is determined also is such that if $\beta_4 = 1$ (if provided audit opinion on the financial statements of the company is acceptable) and $\beta_4 = 0$ (if the type of presented audit opinion about the company's financial statements are acceptable).

4.3 Hypothesis testing and analysis of results

A. First hypothesis analysis

The first hypothesis was formulated as follows: "*There is significant relationship between firm size and duration of implementation and completion of the audit firm*."

According to Table (1), Pearson's correlation coefficient between the logarithm of total assets and the total time of the audit is equal to 0/184 and the probability of a significant investigation ($H_0 : \rho = 0$) is equal to of 0/026, which is smaller than 0/05. Thus, with 95% confidence is approved a significant correlation. The probability associated with statistic (T) to evaluate the statistical null hypothesis that there is no relationship between independent variables and the dependent variable ($H_0 : \beta_1 = 0$) is equal to 0/037 which is smaller than 0/05 and with 95% confidence, can be seen a significant relationship between two variables. Thus, first research hypothesis of researcher is confirmed. Comparing the results of this hypothesis with the results of previous research, this is consistent with Ferest and Ponal research and, Anse, Heslin and Doghan et al. in term of the relationship between firm size and duration of execution and completion of the audit process.

But the relationship type between firm size and duration of performing audit procedures in previous research was reverse however; in this study, the nature of this relationship is directly expressed.

B. Second hypothesis analysis

The second hypothesis was formulated as follows: "*There is a significance relationship among the company's debt-to-equity ratio and duration of implementation and completion of the audit*".

According to Table (1), Pearson's correlation coefficient between independent variables of debt-to-equity ratio and duration of implementation and completion of the audit is to 0/191 and likely probability of its significant ($H_0 : \rho = 0$) is equal to 0/022. Therefore, with 95% confidence can say that there is a direct and significant correlation among them.

The probability associated with statistic t (T) to evaluate the statistical null hypothesis that there is no relationship between independent variables and the dependent variable ($H_0 : \beta_2 = 0$) is equal to 0/028. So, with 95% confidence can be seen that positive correlation between the two variables. Therefore, the second research hypothesis is confirmed.

The results of this hypothesis are consistent with Aderzin and Ahmad, Heslin and Dughan.

C. The third hypothesis analysis

"*Profitable companies sooner than Loss Company execute and complete the audit...*"

As can be seen in Table 1, Pearson's correlation coefficient between independent profitable or loss variables and the time delay is equal to -0/186 and the amount of probability related to investigation significant ($H_0 : \rho = 0$)is equal to 0/025. Therefore, with 0/95 percent of confidence can say that there is a direct and significant correlation.

The probability associated with statistic t (T) to evaluate the statistical null hypothesis that there is no relationship between independent variables and the respondent variable ($H_0 : \beta_3 = 0$) is equal to 0/023. Therefore, with 95% confidence was observed the significant relationship between the two variables. The average time of implementation and completion of audit firms in loss companies is decuple of 95/7 days and in profitable companies is decuple of 98/6 days. So third hypothesis is confirmed.

The results of this hypothesis are consistent with the results of Anse, Heslin, Dughan et al., Adrezin and Ahmad, Liontis et al.

D. The fourth hypothesis analysis

"The companies that their provided audit report is unqualified earlier than companies that receive their inauthentic audit opinion execute and complete the audit."

Pearson's correlation coefficient between independent variable of audit and the time delay is equal to 0/207 and the amount of probability related to investigation significant ($H_0 : \rho = 0$)is equal to 0/013. Therefore with 95% confidence was confirmed the significant relationship.

The probability associated with statistic t (T) to evaluate the statistical null hypothesis that there is no relationship between independent variables and the respondent variable ($H_0 : \beta_4 = 0$) is equal to 0/025. Therefore, with 95% confidence was observed the significant relationship between the two variables. The average time of implementation and completion of audit firms about inauthentic opinion is equal to 90/5 days and in acceptable opinion is equal to 83/8 days, so fourth hypothesis is confirmed.

The results of this hypothesis are consistent with the results of Heslin, Dughan et al., Adrezin and Ahmad, Liontis et al.

E. The fifth hypothesis analysis

"There is a significant relationship among the company's life (the date of acceptance of the exchange) and time of implementation and completion of the audit..."

Pearson's correlation coefficient between dependent variable of company life and time of implementation and completion of the audit is equal to 0/243 and the amount of probability related to investigation significant ($H_0 : \rho = 0$) is equal to 0/003. Therefore with 95% confidence was confirmed the direct and significant relationship.

The probability associated with statistic t (T) to evaluate the statistical null hypothesis that there is no relationship between dependent variables and the respondent variable ($H_0 : \beta_1 = 0$) is equal to 0/002. Therefore with 95% confidence this hypothesis is rejected and was observed that the significant relationship between the two variables. So the fifth hypothesis of this research is confirmed.

The results of this hypothesis are similar to the Ense research.

Table 1: The results of conducted tests to evaluate the hypothesis

Independent variables	Pearson's correlation coefficient	Spearman correlation coefficients	The possibility of independent variables	Coefficients of independent variables in the model	Test result
Asset	0/184	0/175	0/037	4/554	Accepted Hypothesis
D/E Ratio	0/191	0/211	0/028	0/912	Accepted Hypothesis
Profit	-0/186	-0/174	0/023	-5/714	Accepted Hypothesis
Opinion	0/207	0/217	0/025	5/264	Accepted Hypothesis
Life	0/243	0/283	0/002	0/460	Accepted Hypothesis

Fitted model is:

$$Y = 62.072 + 4.554_{\text{LOG}}\ \text{ASSETS} + 0.912_{\text{D}}/\text{E RATIO} - 5.714_{\text{PROFIT}} + 5.264_{\text{Opinion}} + 0.460\ \text{Life}$$

Determining model coefficient is equal to 0/512 and adjusted coefficient of determination is equal to 0/482 is the adjusted coefficient of determination. This means that that approximately 48% of the variation in the dependent variable is explained by the dependent variables.

The probability of statistic (F) Fisher to investigate the inadequacy of the model ($H_0 : \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$), is equal to 0/005.

Thus, with 95% confidence the research has sufficient quality to investigate the hypotheses.

5. Conclusion

Delay in the publication of financial statements, due to several factors. Annual audited financial statements as one of these factors that is notable. After accepting the fact that audit financial statements could explain these delays, took part in the publication of the financial statements to understand the factors that caused the delay in the implementation and the completion of the audit, and they are important. Generally, the factors which cause delay in the implementation and completion of the audit will be placed into two general groups. The first group examined the factors that are related to the properties and characteristics of the company. The second group are those related to the auditors and audit.

In this research, considering the first group of these factors, has been examined the relationship between the five selected features such as size, company life, debt-to-equity ratio, profitability, audit opinion with duration of implementation, and completed the audit in selected companies. The results of the performed tests in this research shows that all of the five selected features, has a significant relationship with the duration of implementation and completed the audit. The mean of total duration of implementation and completion of the audit that is 90/32 days, about 50% is justified by these five factors.

In this research, only five independent variables were investigated. There are other variables that may be effective in the duration of delay in the audit. So, generalizing the results and findings of this survey is facing with this limitation. Also participating in this study to determine the size of the company has been used the criteria of total assets that stated in the balance sheet. Using this criterion due to the reflection of the assets based on historical cost and different book values and historical cost of assets at current values associated with restriction.

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