Considering the Standard and Optional Disclosure of Internal Control Weaknesses Economic Results of Companies Listed on the Tehran Stock Exchange

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ABSTRACT
The aim of this study was to evaluate the company’s internal control weaknesses features companies listed on the Tehran Stock Exchange. The aim should be to achieve theoretical and research about corporate governance and the financial crisis were discussed to provide the required information. In this regard, the literature related documents, frameworks and approaches for evaluating the enterprise features and components of internal control weaknesses were examined, in this study, according to various models presented in the assessment of the components of internal control weaknesses That collect information related to the characteristics of the company and internal control weaknesses of the financial companies that, with the use of statistical tests the extent of the relationship between them about assessment and evaluation. The population of Delvara Exchange listed companies Tehran. The sample used in the analysis were 117 companies listed on the Tehran Stock Exchange. According to the dependent variables and variable data needs, reliable and available resources extracted and used to test research hypotheses. The research method is applied. This quasi-experimental research design using post-hoc approach (from the past) is. Much of the information on the financial statements of Software "Rahvardvyn" were extracted. The relationship between weak internal controls and corporate performance are (Confirmation first hypothesis). There is a significant relationship between the weakness of internal controls and age (Confirmation second hypothesis). Weaknesses in internal controls and there is no significant relationship between firm size (The third hypothesis is rejected). The relationship between weak internal controls and financial leverage (Confirmation fourth hypothesis). The relationship between weak internal controls and financial growth there (The fifth hypothesis is rejected).

KEYWORDS
Optional Disclosure, Internal Control Weaknesses, Economic Results, Tehran Stock Exchange

INTRODUCTION
Earnings manipulation by Enron, WorldCom and others that the motives of preparing Sarbanes-Oxley is. This law requires companies to assess and disclose the effectiveness of internal controls over financial reporting has (paragraphs 302 and 404) of this Act, an effort in order to reduce fraud and restore the integrity of the financial reporting process has been (Morris, 2011).

Since respond to users’ data, requires reliable information and Qabyt reliance on information Atkast many reasons independent of the producer need to review their personal information, the auditor audit information is fundamental to the process of accountability to users. In the process of accountability, auditing information through authentication, provides added value. On the other hand, economic and resource allocation decisions, without valid and reliable information is not possible. When the inflow of capital flows towards greater economic activity that owners of capital investment decisions based on timely information, is relevant and reliable. In this process, audit plays a vital role to determine the validity of information (nikkhah azad, 1379). Section 302 of the law Sarbynz - Excel is required.

Chief executive officer and chief financial officer, has evaluated the effectiveness of internal control and internal controls to expose any weakness in them. Section 404 of the law also required that the company management assessment of internal control system design of performance capture and record, as well as the calls for this policy is that the auditor will comment separately on evaluating your management and assessment of internal control offer (Ittonen, 2009).

Independent auditors as part of an integrated audit of internal controls and financial statements, management
The auditor’s report on internal control, provides reasonable assurance about whether effective internal control in the company of all major aspects of the financial statements is retained or not. The audit report of this reasonable assurance whether the financial statements of financial position, results of operations and changes in cash flows to provide fair or not (Callaghan, al, et, 2007). Auditor to identify and assess the risks of material misstatement due to fraud or error in the financial statements and to design and perform further audit procedures have sufficient knowledge of the entity and its environment, including internal control, the acquisition of (standards audit the 315, paragraph 2).

Internal control systems, when reasonable assurance regarding the achievement of the objectives of the organization to provide management and the board of directors of the five pillars of COSO framework in which they work together. In order to assess the quality of internal control systems should be implemented, monitored over time (Ionescu, 2011). If you have weak internal control company financial data at the end of the fiscal year will further disrupt (Ashbaugh-Skaife, 2007).

Independent auditor should audit the internal control relevant to know. Obtaining an understanding of internal control involves evaluating the design of controls and determining whether its execution is carried out. The control design assessment of the ability of control, alone or in combination with other controls, effective in preventing or detecting and correcting distortions is important. Implementation and application control means control by the entity's existence. Independent auditors to review the controls designed to highlight the need to evaluate its implementation. Inadequate control may be a sign of weakness in internal controls the entity is important.

Some researchers investigating the troubled company's internal control system, which is considered their common characteristics such as these include: Ge and McVay (2005) after studies found a company that reported weaknesses are more complex, smaller and less profitable than companies that do not report major weaknesses (Ge & McVay, 2005). Doyel and colleagues (2007) before adding content, they were as companies that have reported internal control weaknesses, the young, rapidly growing or have undergone restoration. (Doyel et al., 2007).

Ashbaugh-Skaif and colleagues (2007) reported that the companies that reported ineffective internal control audit risk are broader, more complex operations, they have fewer resources to invest in internal control and audit highlighted the possibility of using in them the most (Ashbaugh-Skaife et al., 2007). Zhang et al (2007) found in their research companies that they audit committee financial expert under other accounting and financial expertise, auditor independence and auditor changes have less and, more recently, with weaknesses in internal control will be more likely he (Zhang et al., 2007).

Research done in this regard, pointing out that the reports show that companies reported internal control weaknesses and the weaknesses in the internal control system showed that companies report the weaknesses of the internal control system, financial quality lower companies are free from weaknesses in the internal control system (Shi & Wang, 2011).

**Research History**

Dong Ji et al (2014) in a study entitled determinants and economic consequences of voluntary disclosure of internal control weaknesses in China in the years 2011 to 2010 do concluded that weak internal controls have been disclosed, negatively and significantly profit by a factor of accountability and reporting related internal controls.

Lin et al (2011) in their study on the impact of employees on internal controls showed that strong controls over financial reporting is honest and decent staff to help manage and reduce problems in the application of internal control in the organization.

The result of Certified Public Accountants Association of America on the causes of fraudulent financial reporting, internal controls were weak. It can be concluded that the internal controls in the public sector is weak and has built strong, the result will be to provide reliable financial reports (Petrovist et al. (2011)).

Doyle et al (2007) Ge and McVay his research (2005) has approved and in addition, showed that firms with weak internal controls and growing younger or are under restructuring.

Doctor Hamid Reza Vakilifard in 1391, the relationship between the weakness of internal controls and systemic risk in the listed companies in Tehran Stock Exchange during the years 1384 to 1389 examined and using the statistical data in panel 1, a sample of 162 selected company in the form of a correlation is tested. The findings showed that in the presence of weakness and failure in the system of internal controls, systematic risk index increases.

Razvan Hejazi in 1392, to impact systems, enterprise resource planning Brasbkhshy internal controls over financial reporting, and came to the conclusion that companies with systems for enterprise resource planning compared with the control group companies lack the systems, enterprise resource planning less likely that internal control weaknesses Have. Companies that loss had been educated in M & A activity, market value have life in them was shorter than the deployment of enterprise resource planning systems, are less likely to have weaknesses in internal control systems and weakness experienced lower levels they do.

**Hypotheses**

1. There are weaknesses in internal controls of the company's performance is affected.
2. There are weaknesses in internal controls of age affected.
3. Internal control weakness affected the size of the company.
4. Leverages the company's internal control weakness affected.
5. There are weaknesses in internal controls of the company's growth is affected.

The population under study:
The population is listed firms in Tehran Stock Exchange.

Sample:
The sample of companies listed in Tehran Stock Exchange that meet the following conditions:

1. Companies that prior to 1390 are listed in the Tehran Stock Exchange (the reason for panel data analysis used in this study, companies must be accepted in all the years of research on the stock exchange).
2. Companies that from 1390 to 1393 were present in the Tehran Stock Exchange (since for analysis of panel data used in this study, companies must be accepted in all the years of research on the stock exchange).
3. Companies that fiscal year ended 29 March (for the results can be generalized, it must be homogeneous sample, which is one of the homogeneity of the sample).
4. Companies that do not change the fiscal year.
5. Companies that data are available to them (if not altogether that year - the company can not be considered in the analysis of panel data and thus can not be used).
6. Companies that the banks and financial institutions (investment companies, financial intermediaries, holding companies, banks and leasing) not (because mechanisms and their assets and liabilities varies with other companies to reduce the generalizability of results).

The time domain is studied from 1390 to 1393.

Models and variables and how to test the hypotheses:

According to the dependent variables and variable data needs, reliable and available resources extracted and used to test research hypotheses. After data collection and determine the model, the normality test data on the dependent variable is done and then regression coefficients F and t, correlation coefficients and coefficients of determination to test the hypotheses and decide on the level of 5 percent (95 percent confidence) will be presented and test data correlation, using statistics, "Durbin-Watson" is performed. Hausman test for fixed effects model or random model will be used.

The aim of this study was to categorize study on the basis of the type of applied research. Applied Research study that theories, laws, principles and techniques for solving administrative problems and is real. This research study is a practical emphasis on correlation and analysis. In multiple regression research aimed at finding independent variables and the dependent variable either alone or jointly predict (Bazargan, 1384)

Much of the information on the financial statements of Software "Rah avard novin" were extracted. Part of the information from the database of "Tadbir pardaz" were extracted. In some cases also faces financial firms through the website of the Center for Research and Islamic Studies at Tehran Stock Exchange as well as the organization's database was used. Some information was extracted from the software Rah avard novin. The information gathered will be compiled in Excel data files and then perform the calculations required for the analysis summary is prepared.

The research model:

In this study, using the following logistic regression model to examine the possibility of disclosure of internal control weaknesses in the internal control report and consider all possible factors that could affect the weakness of internal controls companies, including the characteristics economic, mechanism Office corporate governance, ownership structure and state inspectors checked.

\[(WEAK)_{it}=a_1+\beta_1 ROA_{it}+\beta_2 AGE_{it}+\beta_3 SIZE_{it}+\beta_4 LEV_{it}+\beta_5 GROWTH_{it}+\beta_6 RETURN.DEV_{it}+\beta_7 BRD.SIZE_{it}+\beta_8 BRD.IND_{it}+\beta_9 DUALITY_{it}+\epsilon\]

In model 1, we examine the factors affecting internal control weakness:

WEAK: when the Company's internal control weaknesses in the auditor's report are Brabryk otherwise is zero.

In this model, the following variables for firm characteristics including the financial performance of ROA, size (SIZE), the number of years that the company is listed on the stock exchange (AGE), growth (GROWTH), leverage (LEV).

ROA: net income or total profit after tax divided by total assets.
Size: The size of the logarithm of total assets.
AGE: Age is calculated based on the number of years served.
LEV: measurement leverages a company which is equal to the total liability divided by total assets.
GROWTH: Based on the changes of total sales revenue divided by the size of the total sales revenue.
RETURN.DEV: risk measure is calculated based on the standard deviation of monthly returns over the twelve months of the fiscal year.

Corporate governance variables we use the following: (A) the size of the board (BRA SIZE), (B) the size of the Supervisory Board (SUPERVISE), (c) the independence of the board (BRAND), (d) the independence of the supervisory board (SUPERIND), (e) the duality of CEO / Chairman (duality), BRAND indicates the ratio (%) of independent directors on the board is. BRA SIZE logarithm of the number of directors to represent the size of the board of directors. DUALITY equal to one if the CEO is also the chairman of the board, otherwise it is zero.

In inferential statistics to test the hypotheses used panel data. In the combined data and compilation of the F Limer panel to choose between methods used. If you select a panel of tests, test Hausman fixed effects and random effects methods to choose from done. Then test the reliability of variables, homogeneity of variance test, integration test and Durbin Watson are studied. Calculations and mathematical operations research, using EXCEL software and Eviews will be done.
**DESCRIPTIVE STATISTICS**

As stated previously, descriptive statistics describing the purpose of the computation of the society and the community. Quantities offered, including mean, median, maximum, minimum, and standard deviation and the number of observations that are presented in the following table:

<table>
<thead>
<tr>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Middle</th>
<th>Average</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.41723</td>
<td>0.00000</td>
<td>1.00000</td>
<td>0.00000</td>
<td>0.22393</td>
<td>WEAK</td>
</tr>
<tr>
<td>0.12363</td>
<td>0.34</td>
<td>0.62678</td>
<td>0.09838</td>
<td>0.11060</td>
<td>ROA</td>
</tr>
<tr>
<td>7.2776</td>
<td>4.00000</td>
<td>45.0000</td>
<td>14.0000</td>
<td>14.3931</td>
<td>AGE</td>
</tr>
<tr>
<td>1.27766</td>
<td>10.1048</td>
<td>18.4545</td>
<td>13.5965</td>
<td>13.6741</td>
<td>SIZE</td>
</tr>
<tr>
<td>0.21539</td>
<td>0.01796</td>
<td>2.07750</td>
<td>0.63714</td>
<td>0.63099</td>
<td>LEV</td>
</tr>
<tr>
<td>0.69095</td>
<td>-1</td>
<td>13.2777</td>
<td>0.08639</td>
<td></td>
<td>GROWTH</td>
</tr>
<tr>
<td>0.68696</td>
<td>9.00000</td>
<td>7.22757</td>
<td>0.28358</td>
<td>0.40974</td>
<td>RETURNED</td>
</tr>
<tr>
<td>1.01869</td>
<td>5.00000</td>
<td>9.00000</td>
<td>5.00000</td>
<td>5.35555</td>
<td>BRDSIZE</td>
</tr>
<tr>
<td>0.26109</td>
<td>0.00000</td>
<td>0.80000</td>
<td>0.60000</td>
<td>0.49468</td>
<td>BRIND</td>
</tr>
<tr>
<td>0.45202</td>
<td>0.00000</td>
<td>1.00000</td>
<td>1.00000</td>
<td>0.71453</td>
<td>DUALITY</td>
</tr>
</tbody>
</table>

Companies surveyed, 117 company.

A brief information about each of the explanatory variables as follows:
Average internal control weaknesses in the company equal to 22% of the sample that represents on average 22% of the sample companies be internal control weaknesses are.
Average return on assets equal to 11% of the companies in the sample that represents on average 11% of total assets, companies can profit from their example.
The average age in the sample companies equal to 14 years.
The average size equal to 5.3% of management staff that represents the average number of board members of companies of five people.

Average independence that represents management staff 49 percent, on average, half of the board members are non-executive Nadir sample of companies.

The average duty of the duality of Chairman and Managing Director of the company is equal to 71 percent of the sample that demonstrates that it is the task of the Chairman and Managing Director at 71 percent of the companies in the sample one.

The company's financial leverage average about 63% is equal to the study and this means that 63 percent of the total assets were bought by borrowing from and then invested in the company, anhar.

Average 13.59 13.67 middle and represents the natural logarithm of the corporate assets end of period indicates that the sample selected companies in a wide range of large and small companies and corporate domain homogeneous being preserved.

**Reviews of being normal:**

One thing that is usually given to it by examining the data, the data is normal. When the study is based on empirical data and sampling certain limitations exist, the issue may not normally be given. However, when the number of observations is large, the central limit theorem to justify the data is not normal. Jarque-Bera (JB) test for data normalization - to (JB) is used.

In this study, to test data normality test Jarque-Bera (JB) statistical theory each test is given below:

Statistical hypothesis test Jarque-Bera (JB):

\[ H_0: \text{normal data} \]
\[ H_1: \text{the data are not normal} \]

Normality test results are presented in the table above:

As seen in the above table, the data is not normal, that this problem is through the central limit theorem because it assumes that the data above the normal 30.

**TESTS AND ANALYZING THE RESULTS**

Regression model study results presented in the following table:

<table>
<thead>
<tr>
<th>Variable</th>
<th>DUALITY</th>
<th>BRIND</th>
<th>BRDSIZE</th>
<th>RETURNED</th>
<th>GROWTH</th>
<th>LEV</th>
<th>SIZE</th>
<th>AGE</th>
<th>ROA</th>
<th>WEAK</th>
<th>JB statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>117.3543</td>
<td>104.444</td>
<td>1882.043</td>
<td>119477.3</td>
<td>127040</td>
<td>922.095</td>
<td>138.738</td>
<td>740.5069</td>
<td>77.9693</td>
<td>172.506</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td></td>
</tr>
</tbody>
</table>

Regression model study results presented in the following table:

<table>
<thead>
<tr>
<th>Result</th>
<th>Significance level</th>
<th>Z statistic</th>
<th>Factor</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
test Hasmer-Imesho results Venice percent prediction accuracy of the table (4) is provided, given that the prediction accuracy for the amount to the value of 1 and 0 (the dependent variable) and the relatively high percentage of the overall prediction accuracy 14/95, so the utility model is confirmed. On the other hand, probability and Hasmer-Imesho statistics Andrews is more than 05/0, the result can explain the null hypothesis is accepted and desirable model will be accepted.

The above table shows that the prediction accuracy average of 93.7 percent for companies with internal control weaknesses, and for companies without internal control weaknesses 96.5 percent and 95.1 percent correctly predicted the total.

**TEST HYPOTHESES AND ANALYZE RESULTS**

According to the results, coefficient, statistic Z and the significance level for the first hypothesis, respectively, 1.16- 0.204434 and 0.587889 and 0.042181 are. Since the significance level is greater than 05/0, thus confirming the null hypothesis and the alternative hypothesis that there is a significant relationship between weak internal controls and financial leverage is admitted (Confirmation first hypothesis).

According to the results, coefficient, statistic Z and the significance level for the second hypothesis, 0.69- and 0.5263 respectively and are 0.042-. Since the significance level is greater than 05/0, thus confirming the null hypothesis and the alternative hypothesis that there is a significant relationship between weak internal controls and financial leverage is admitted (Confirmation fourth hypothesis).

According to the results, coefficient, statistic Z and the significance level for the fifth hypothesis, 0.69- and 0.5263 respectively and are 0.042-. Since the significance level is greater than 05/0, thus confirming the null hypothesis and the alternative hypothesis that there is a significant relationship between weak internal controls and financial leverage is admitted (Confirmation fourth hypothesis).

**SUGGESTIONS FOR FUTURE RESEARCH:**

1. investigate the relationship between crisis and non-crisis financial and internal control weaknesses.
2. Examine the relationship between internal control weaknesses and crisis and the financial crisis.
3. Examine the relationship between internal control weaknesses and manipulating corporate profits.
4. The evaluation of internal control weaknesses and risks related to sudden falls in share prices.
5. Internal control weaknesses and to investigate the relationship between financing through debt contracts and manipulate the earnings management and corporate profits.

**REFERENCES**


