

The Study of Accounting Information for Economic in Stock Exchange Iran

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1. INTRODUCTION

The planning, economic decision-making and optimal allocations of resources are important matters and Countries try to optimize their resources through Economic decision-making and increasing the relative welfare in their society. Decision making needs useful information and without information, economic decision-making and optimal distribution can not take place.

The accounting profession provides useful financial information by accounting information systems. It is one of the sciences that help the economy units of any country. Economic Units are an ongoing process, and are vital to financial information for decision making.

Decision making is easy if useful information is prepared in economic entity. When economic unit consists of efficient accounting systems, it provides useful information. Therefore, financial information of accounting systems plays an important role in economic units.

In this study is investigated a question: Can Accounting information help economic of Iran?

It seems, accounting information of listed companies in Iran stock exchange helps economic if it would be useful for users. In other words, when accounting information is useful, it can affect users of financial statements in market. some researchers investigated it.

Ole. K. H, Wayne. B. T and Glyn. W, 2009, investigated relation between geographic earning disclosure and the trading volume. Their results suggested that decreased public information reduce the ability of investors to utilize or generate private information in conjunction with the public announcement of quarterly earning, which dampens trading.¹

Oliver Z. Li, Hong Xie and Weihong Xu, December 2003, examined the association between the trading volume and the magnitudes of accruals around quarterly earnings announcement dates. They showed that the trading volume is positively related to the magnitudes of accruals around quarterly earnings announcement..²

Atiase, Rowland K. and Bamber, Linda Smith, April 2002, provided empirical evidence regarding the effect of annual accounting earnings announcements on investors' trading behaviour. They found that the magnitude of trading volume reaction is an increasing function of both the magnitude of the associated price reaction and the level of predisclosure information asymmetry.³

Bamber, Barron, and Stober's (1997) investigated the trading volume in around announcements of accounting information and stated if the trading volume and investor disagreement are positively related, trading can be viewed as a costly economic consequence of investor disagreement. In assessing the costs and benefits of the ability of financial reports to produce agreement, the relation of these aspects of disagreement and the trading volume around anticipated earnings announcements will be a stimulating area for future research.⁴

M. Newman (January 2010) analysed relation between the trading volume to GDP in Stock Exchange Market of Mania. They show that trading volume can affect on GDP.⁵

2. OBJECTIVES OF RESEARCH

- -To recognize financial information of listed companies in stock exchange (total assets, cash flows from operating

¹ -Ole. K. H, Wayne. B. T and Glyn. W, 2009, Geographic Earnings Disclosure and Trading Volume, Journal Homepage: www.Elsevier.Com/locate/jaccpubpol.

² -Oliver Z. Li, Hong Xie and Weihong Xu, December 2003, Heterogeneous Valuation of Accruals and Trading Volume, University of Notre Dame.

³ -Atiase, Rowland K. and Bamber, Linda Smith, April 2002, Trading volume Reactions to Annual Accounting Earning Announcements, Journal of Accounting and Economics, Volume 17, page. 309-329.

⁴ -Bamber, Barron, and Stober's , 1997, trading volume and different aspects of disagreement coincident with earning announcements, Accounting Review. 72. 4, page 575-597.

⁵ - ALAN M. NEWMAN, January 2010, pictures of Stock Exchange Mania, <http://www.cross-currents.net/kudos.htm>.

activities, sales and EBIT) as effective factors on decisions of users.

- To recognize trading volume of ISE as an effective factor on Economic of Iran.

3. HYPOTHESES OF RESEARCH

This research has five hypotheses that are included:

1. There is a positive relation between total assets and the trading volume of ISE.
2. There is a positive relation between sales and the trading volume of ISE.
3. There is a positive relation between EBIT and the trading volume of ISE.
4. There is a positive relation between cash flows from operation and the trading volume of ISE.
5. There is a positive relation between the trading volume of ISE and GDP.

4. RESEARCH METHODOLOGY

Statistical community of research includes listed companies of the Iran Stock Exchange Market (ISEM). Usually they have an important role in the country because most of the companies of Iran are include in it. Until 2007 there were 390 companies listed on the Stock Exchange. Some of the companies that were active during the chronological period of this research have been selected as statistical community of research (220 companies). Regarding the volume of statistical community, 66 companies are chosen as statistical sample and become the basis of providing research data. Researcher has selected two five-year plans that show more events of macro-decisions in ISEM. Nevertheless, the chronological period of the research is form 20 March 1996 to 20 March 2006 (10 years).

Statistical analysis system software (SAS) has been used to analyses the research data and used correlation coefficients, T-test and P-Value.

The Correlation coefficients of each hypothesis are tested as follows:

-Hypothesis No. 1, 2, 3 and 4, is:

$$H_0: C(AA, AI) = 0$$

$$H_1: C(AA, AI) \neq 0$$

AA = The trading volume of Iran Stock Exchange

AI = Sales, EBIT, Total assets and Cash Flows from operating activities

-Hypothesis No.5:

$$H_0: C(AA, AI) = 0$$

$$H_1: C(AA, AI) > 0$$

AA = Gross Domestic Production (GDP)

AI = The trading volume of Iran Stock Exchange

5. RESULTS & CONCLUSION

There is a significant positive relation between items of financial statements to the trading volume of ISE and also between the trading volume of ISE to the GDP. It means the financial information of listed companies in ISE is helped Economic. This shows that:

1. There is a significant positive relation between the trading volume of Iran Stock Exchange and total assets.
2. There is a significant positive relation between the trading volume of Iran Stock Exchange (ISE) and total sale.
3. There is a significant positive relation between the trading volume of Iran Stock Exchange (ISE) and EBIT (Earning Before Interest and Tax).
4. There is a significant positive relation between the trading volume of Iran Stock Exchange (ISE) and cash flows from operating activities.
5. There is a significant positive relation between the trading volume of ISE and the GDP.

Significant relation between financial information (total assets, cash flows from operating activities, sales and EBIT) with the trading volume of ISE indicates that when financial information (total assets, cash flows from operating activities, total sale and EBIT) are increased, investors react positively to it and their attitude is to trade more in ISE. In contrast, when financial information (total assets, cash flows from operating activities, total sale and EBIT) are decreased, investors decrease their trading volume on the ISE. This shows that accounting information affects on users of financial information and they use it in their decisions.

Also, significant relation between trading volume and GDP of Iran indicates that increase in trends of the trading volume coordinate to increase in trends of GDP. It means increasing the trading volume has a positive effect on GDP. In contrast, when the trading volume is decreased, GDP of Iran decreases.

Therefore, increasing financial information (total assets, cash flows from operating activities, total sale and EBIT) has lead to increasing in the trading volume of ISE and GDP. On the other hand, financial information can help Economic of Iran by the trading volume. This result is obtained through the following hypotheses analysis:

Analysis of Results of Hypothesis No.1: Significant relation between total assets to the trading volume of ISE means that when total assets are increasing, investors have a positive reaction to it and tend to trade more on the ISE. Therefore,

total assets of financial statements increase the trading volume of ISE and also have a positive effect on economic conditions.

Analysis of Results of Hypothesis No. 2: Significant relation between sales to the trading volume of ISE reflects that investors have a positive reaction to increasing sales and tend to trade more on the ISE. Therefore, sales amount has increased the trading volume of market. This result can have a positive effect on economy conditions because when users are motivated to invest, it will be better conditions than other conditions.

Analysis of Results of Hypothesis No.3: Significant relation between EBIT with the trading volume of ISE indicates that EBIT is an effective factor on transactions. Therefore, EBIT increase the trading volume of ISE and has a positive effect on economic conditions.

Analysis of Results of Hypothesis No.4: Significant relation between cash flows from operating activities and the trading volume of ISE shows that when cash flows from operating activities are increasing, investors have a positive reaction to it and tend to trade more on the ISE. Therefore, cash flows from operating activities affect on the trading volume of ISE and also have a positive effect on economic conditions.

Analysis of Results of Hypothesis No.5: The significant relation between the trading volume of ISE and GDP shows that trading volume of ISE is an effective factor on GDP of Iran. When, the trading volume of ISE is increasing, GDP increase and has a positive effect on the economic conditions of Iran.

6. RECOMMENDATION

Regarding the results, the suggestions of research are included:

- a. Thorough careful preparation of accounting information by accounting system of listed companies in ISE and also ISE should to be seeing on it.
- b. Set up more regulations for providing of accounting information that is useful, reliable and efficient by the ISE.
- c. Come up more control methods for accounting information by ISE and providing it to investors.
- d. Thorough careful preparation of accounting information on the basis of current principle as supplement of financial statements.

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