"Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"

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Abstract:

The purpose of this study was to determine compliance with disclosure laws in Iran and IOSCO's disclosure provisions, and to investigate the extent to which disclosures reported by companies listed on the Tehran Stock Exchange. We also examine the effect of communicating new management reports to the general meeting on increasing disclosure rates for these companies. This study focused on two hypotheses: first, 117 cases of compulsory disclosure in accordance with the rules of the Tehran Stock Exchange with IIS regulations, and second, the performance of Iranian stock exchanges in disclosing 117 obligatory disclosures of the stock exchange Tehran for the years 2018 and 2019. Finally, a non-parametric binomial test was used to analyze how to reveal information in the old and new forms of the board's reports to the General Shareholders' Meeting, which has been communicated to the corporations since 2019. Data analysis for the first hypothesis revealed that the disclosure standards of the Tehran Stock Exchange and the AIS laws are incompatible, with only 44% of disclosure cases being consistent. Regarding the second hypothesis, companies generally comply with the mandatory disclosure requirements and analysis of the third hypothesis showed that the new form of the report of the board has had a significant impact on the level of disclosure of companies admitted to the Tehran Stock Exchange. The conclusions of this study are significant for Tehran Stock Exchange directors to try to comply more with the International Disclosure Regulations' disclosure regulations, and the results may vary over time and at the level of the industry surveyed.

Key words: Effectiveness, Adequacy, Disclosure Arrangements

Introduction

One of the most important factors for the sustainable development of the country's economy is the provision of basic infrastructure to attract domestic and foreign investment. Considering the investment potential of Iran, the country needs a comprehensive and effective information disclosure system to meet the information needs of investors, so that the system can provide the disclosure requirements. Substantial information beyond domestic users to foreign investors and users.Brought up each business unit needs the appropriate growth platforms both at the domestic and international levels. In the disclosure category, the main requirement for the growth of the business unit is the coherence and accountability of reporting with international companies, in order to obtain the credibility of the foreign investor as to the accuracy of their reports. Investors and creditors, both domestic and foreign, need more information about the status of companies than anything else. Information that has the qualitative characteristics of accounting information and disclosed to the entity in a timely manner. This discussion requires a precise and systematic monitoring system, in which the stock exchange organization in Iran is responsible for the preparation, formulation and approval of disclosure laws and directives. In recent years, it has been working hard to harmonize disclosure in accordance with internal accounting standards, and in the meantime, with an international view of the disclosure of measures such as the creation of a capital market law and the compulsion of companies adhering to the disclosure rules, as well as the formulation of new forms Board of Directors report. It is worth noting that the presentation of the new form of the report of the board of directors by companies, as discussed in this study, is an important step towards more complete disclosure and many of the shortcomings of the old form of the report of the board of directors to the general assembly Has agreed. In this study, the efficacy of such forms has been evaluated in terms of better corporate disclosure.

Literature and history of research

Stock markets are always one of the most diversified investment environments in the world. If we want to divide the activists into this market, we can categorize them as main shareholders and shareholders. Stakeholder culture has always been sought out among all walks of life, and wisdom shareholders can more easily invest in the stock market. Investment security can not be achieved unless there is transparency and timely and reliable information provided by the supervisory body through the formulation and monitoring of enforcement. One of the most important regulations to be observed by the supervisory bodies in each jurisdiction is the disclosure provisions. It is always the case that international organizations try to ensure the best possible disclosure in their jurisdictions to ensure transparency of information. The supervisor in each jurisdiction or area is required to protect the shareholders of the wisdom. Today, international organizations are in place to harmonize regulations in support of micro-equity, which has accepted many countries as

Rahim Jafar Mahammad Sharif   "Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"

members. Membership in these organizations is an advantage for each country's regulatory authority, and this can be seen as an opportunity for Use the rules to formulate and monitor the implementation of the rules best. In addition to identifying the most prominent international microfinance organization, the International Commission on Securities Stock Exchange (AICC), this study seeks to make a comparison between internal regulations and the organization's regulations. And show the distance between internal regulations and that international organization.

Among the countries of the International Commission on Securities Exchanges (IEC), there are different requirements for the type and level of disclosure in annual reports. Some countries require a detailed and comprehensive annual report, and in some countries this discrepancy in disclosure is far less visible. In order to increase the efficiency of the information disclosure system, and because of the importance of periodic reports, the IEC Technical Committee has developed a set of principles that are necessary for the periodic disclosure of listed companies, regardless of the specific regulatory approach in member countries. The purpose of these principles is to facilitate agreement on common principles, providing guidance for countries that are progressing or revising their disclosure requirements for listed companies. (Ico, July 2009).

Blackwell (2000) implies disclosure of the minimal presentation of information in the company's reports so that it can be used to assess the relative risks and relative value of the company and provide users with information in this regard. Helped (Kuwait Poor, 2008).

The American Accountants Association (1977) defines disclosure as the flow of information from a specific domain to the public domain (American Association of Accountants, 1977)

Disclosure of accounting information has been at the center of attention since the 1960s. In general, information disclosure research can be divided into two groups. The first group of research is a questionnaire in which researchers have implemented indicators for ranking disclosure, design, and statistical tests related to disclosure rankings. Surf's research (1961), Dissing and Desai (1971), and Busby (1974) are part of this research group whose results showed that users of financial statements for different items of disclosure have different values. The second group of these studies uses a kind of index to measure disclosed information. Cooke (1992) and Wallace et al. (1994) are examples of the second group (Sagawati and Rezazadeh, 2003).

Singuo and Desai (1971), focused on the financial disclosure of companies and the results of his research showed that large companies have better disclosure than smaller companies.

Aladdad (2009) explores the relationship between transparency and disclosure with the size and ratio of market value to book value of companies in listed companies in Tehran Stock Exchange. The results of this study show that the size of the company, in terms of the natural logarithm of assets and in terms of the natural logarithm of the corporate market value, is related to the level of transparency and disclosure, and this is also direct; that is, the larger the company is, the greater the transparency. The company will be more and vice versa. In this research, the effect of disclosure on the size of the company has been studied, but in the present study, we examine the relationship between the disclosure and the value of the company. Also, this study focuses on compulsory disclosure, but in the present study, in addition to compulsory disclosure, it also deals with the effect of optional disclosure.

Malekian (1998) examined the relationship between the comprehensiveness of annual reports and the financial characteristics of companies. The results of the research showed that:

1- Compliance with the standards of disclosure in the preparation and presentation of the balance sheets of listed companies in the stock exchange is 95%.

2- Compliance with the standards of disclosure in the preparation and presentation of the profit and loss account of companies admitted to the stock exchange is 90%.

3- Compliance with the standards of disclosure in the preparation and presentation of the cash flow of the funds of the listed companies in the stock exchange is 75%.

4- Finally, according to the results of each financial report, it was concluded that the level of disclosure standards in the preparation and presentation of financial statements of listed companies in Tehran Stock Exchange is 90%.

Akbar Zavaree Rezaei (2001), following the publication of the statement of accounting guidelines, conducted a study entitled "Review of the Accounting Statement Statements Statement by Companies Listed in Tehran Stock Exchange". The main purpose of this research is to determine the compliance rate of accounting standards in the period under review (1998-1999) by companies. The results of this research mainly indicate the rejection of test assumptions (using accounting standards developed and published by the audit organization) in the period under review. Also, the results of the study showed that among the 13 statements of the accounting guidelines, only 7 guidelines were followed by companies admitted to the Tehran Stock Exchange.

Hypotheses

Rahim Jafar Mahammad Sharif   **"Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"**

In order to answer the research question, two hypotheses were designed and tested experimentally:

Hypothesis 1: Disclosure provisions for companies admitted to Iran have a significant difference with the International Disclosure Ordinance (IEC).

Hypothesis 2: Disclosure provisions are observed in listed companies in Tehran Stock Exchange.

Research Method

This research is applied in terms of classification of research based on purpose. An applied research is a research that uses theories, rules, principles and techniques to solve actual and actual problems. The data gathering tool at the first stage is the checklist prepared in accordance with IEC requirements and its adaptation to the requirements of the Stock Exchange. In this regard, initially, transparency and disclosure levels are prepared using the IEC model in the checklist, and then its compliance with the internal disclosure requirements will be measured. On the other hand, compliance with the internal disclosure requirements of the companies approved by the listing checklist, which is prepared in accordance with the law of the capital market and the form of the report of the board of directors, will be adapted. To test the hypotheses, the ratio test (binomial) is used. A binomial binomial test is a non-parametric test that evaluates success and failure based on a quantity or attribute. The purpose of success and failure is the existence or absence of a variable in the population under study. Therefore, for the existence or absence of a variable, the binomial test is used. In this test, since we deal with a variable, descriptive hypotheses are used. This test is the same as the T parameter test. A binomial test is used to represent a series of events or experiments that have the following characteristics:

The consequences of each experiment can be divided into two classes (two modes), one of which is considered to be a success and the other one is considered.

The consequences of experiments are independent. The probability of success in all tests is constant.

Note that item 1 does not mean that there are only two consequences, but it means that only the consequences can be divided into two classes. The binomial distribution test statistic is as follows:

$$Z = \frac{\frac{m_1}{n_1} - \frac{m_2}{n_2}}{\sqrt{\hat{p} \cdot \hat{q} \cdot (\frac{1}{n_1} + \frac{1}{n_2})}} \qquad \hat{p} = \frac{m_1 + m_2}{n_1 + n_2} \qquad \hat{q} = 1 - \hat{p}$$

Determine the Critical Area:

To determine the level of significance of the test criterion, the equal is considered and the critical area is specified by the following relationship:

$$W(u \leq u_{\frac{\alpha}{2}}, u \geq u_{1-\frac{\alpha}{2}})$$

Sometimes, this test, as well as the mean of a single population, is used to determine the effect or lack of effect on a particular phenomenon. Usually, in the design of the assumptions of this test, the hypothesis of zero or H0 indicates that the variable is not influenced and the assumption against H1 represents the effect of the variable, which in the present study is also the design of the hypotheses as above.

Statistical population and sample

In this research, the sample size is determined according to the researcher's goals among the companies accepted in the securities and stock market which have the following characteristics.

1- The financial statements of the companies have been fully submitted to the stock exchange organization during the period of 2018-2019.

2- Typical companies are the main companies in the first market.

3- Company information available.

Therefore, after applying the above limitations, the number of sample companies selected was 68.

Data Analysis:

The First Hypothesis:
In the first hypothesis, it was found that disclosure for companies admitted to Iran has a significant difference with the International Disclosure Ordinance (IEC). First, the disclosure requirements at the international level and in Iran are divided into five categories of disclosure, summary of records, balance sheet items, profit and loss items, and accounting methods and explanatory notes. After the breakdown, the subject of the clauses of each class of the disclosure rules in Iran is compared with the rules of disclosure at the international level. In the event that the clause in the disclosure provisions in Iran with the clauses in the corresponding class in the IEC regulations is identical or similar in terms of the same, they shall be regarded as common between the two provisions otherwise unconventional. After

Rahim Jafar Mahammad Sharif "Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"

reviewing each item in the corresponding classes, the two existing rules were summarized as follows:

Table 1: Investigating similar cases of disclosure laws in Iran with ISCO

Description	Number of similar cases	Number of dissimilar cases
All disclosures	3	18
Summary of records	6	12
Balance sheet items	16	3
Profit and loss items	13	10
Accounting methods and explanatory notes	14	24
Total	52	67

As you can see, similar items are less than items of non-similar items. The above table means that out of 119 disclosure rules in Iran, only 52 cases are similar to the international disclosure provisions and a total of 67 non-identical provisions. To determine the hypothesis of this hypothesis, the following hypothesis is developed:

The proportion of non-comparable items of disclosure provisions in Iran is much higher than those of the IEC regulations. $H_0 : P_1 \leq P_2$

The proportion of items similar to the disclosure provisions in Iran is higher than those of the IEC regulations. $H_1 : P_1 \geq P_2$

The results of the above test are summarized in the following table:

Table2: Ratio test output

Description	Number of items viewed	Frequency observed	P-Value

Rahim Jafar Mahammad Sharif   **"Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"**

	52	%44	
similar items (P1)			
Dissimilar cases (P2)	65	%56	0/199
Total	117	%100	

For this test, binomial test was used.

In this section, with the possession of information about the quantitative value of the test criterion as well as the critical area, it has been commented on the rejection or acceptance of each of the hypotheses. You can also use **P-value** values.

As you can see, the **P-value** is more than 5%, as a result of the zero hypotheses, that is, the proportion of similar cases of disclosure in Iran is less than that of the IEC regulations. As a result, it can be said that the disclosure provisions in Iran have a significant difference with the International Disclosure Ordinance (IEC).

Table 3: Test results of the first hypothesis

NO	hypothesis	Disclosure class	similar items		Dissimilar cases		meaningful level	Result
			No	%	No	%		
1	First-Sub	All disclosures	3	14	17	86	0.149	Reject
2	Second-Sub	Summary of items and report of the board of directors to the assembly	6	33	12	67	0.238	Reject
3	Third-Sub	Balance sheet items	16	84	3	16	0.004	Accept
4	Fourth-Sub	Profit and loss items	13	57	10	42	0.008	Accept
5	Fifth-Sub	Accounting methods and explanatory notes	14	37	23	63	0.144	Reject
	The first main hypothesis		52	44	65	56	0.199	Reject

The above review was carried out based on the five classes introduced, the results of which are presented in Table 3. As you can see, there is a balance between the provisions of the disclosure of Iran and AISC in the balance sheet items and the profit and loss, but in the general disclosure categories, the report of the board of directors and the accounting methods and notes accompanying the compliance rate between the disclosure requirements

of Iran and the issues of the AISC have been low. And their hypothesis is rejected. Accordingly, it can be said that the rules of the Iranian stock exchange are not in accordance with the ISCO disclosure provisions and may be due to the lack of sufficient disclosure of the absence of a codified instruction in accordance with international standards. Therefore, the amount of information disclosure in the financial statements of listed companies in Tehran Stock Exchange is less than global on the one hand and inconsistent with it, in which case it is necessary for other measures to be disclosed to the investors more closely (for example, to make the matching Most of the IRC and international regulations).

The Second Hypothesis:
In the second assumption, we consider the disclosure provisions in listed companies in Tehran Stock Exchange.
In this way, the hypothesis is formulated as follows:
The proportion of items of non-compliance with the disclosure provisions in companies listed on the stock exchange is greater than the observance of this law. $H_0 : P_1 > P_2$
The proportion of items that are subject to disclosure regulations in companies listed on the stock exchange is more than the items of non-compliance with this law. $H_1 : P_1 \leq P_2$
To investigate this hypothesis, firstly, financial statements of the sample companies were evaluated in terms of compliance with the rules of disclosure regulations and were scorecarded. The way of scoring is that if any of the disclosure clauses were followed by the company, then that company would receive a score of one, and if it did not comply, the zero bonus clause would be deducted. As a result, a company that has complied with all 119 disclosure rules in its financial statements has a maximum score of 119 and a zero score is granted if none of the provisions of the disclosure regulation has been complied with.
The results of this hypothesis are summarized in the following table:

Table 4: Results of companies' observance of disclosure regulations in Iran

Total number of companies	Description	Number of items viewed	Frequency observed	P-Value
	Observed items (P1)	4845	59%	0.00
69	Cases of non-compliance (P2)	2366	41%	
	Total	8211	100%	

As you can see, the values of P-Value are less than 5%, so the zero assumption is rejected. That is, the proportion of compliance items under the rules of disclosure is more than the non-compliance. The result of this hypothesis is that accepted companies tend to disclose laws and regulations, and out of 119 of these checklist, about 59% of it is adhered to by companies. The results of this hypothesis are also evident in the following diagram: companies tend to comply with the rules rather than complying with them.

Table 5: Test results of the second hypothesis

NO	hypothesis	Disclosure class	similar items		Dissimilar cases		meaningful level	Result
			No	%	No	%		
1	First-Sub	All disclosures	831	60	549	40	0.000	Accept
2	Second-Sub	Summary of items and report of the board of directors to the assembly	1037	83	205	17	0.000	Accept
3	Third-Sub	Balance sheet items	1132	86	178	14	0.000	Accept
4	Fourth-Sub	Profit and loss items	809	51	776	49	0.451	Reject
5	Fifth-Sub	Accounting methods and explanatory notes	1035	41	1378	59	0.06	Reject
The second main hypothesis			4845	59	3366	41	0.000	Accept

This hypothesis was also studied based on the above five categories and the results are presented in Table 5. As we can see, the companies listed in the Tehran Stock Exchange well disclosed general disclosures, stock summaries and reports of the board of directors to the general meeting and balance sheet items, but disclosed in the disclosure of items of profit and loss and accounting methods and notes The disclosure does not go about adequately. Therefore, the total disclosure is sufficient. The disclosure above may be due to the mandatory disclosure by the stock exchange, in which case the mandatory disclosure hypothesis will be accepted. Considering that the most disclosures of the instructions are observed by the companies, but until full disclosure (disclosure of all 117 cases of disclosure) by the companies admitted to the exchange is far away and may be subject to new regulations with a guarantee from the stock exchange to help with this issue. In any case, investors can ensure that more disclosure of the required items from the stock exchange is adhered to by companies listed on the Tehran Stock Exchange and can ensure the disclosure

of information by the companies and based on which they make their decisions Take the future of the company

Conclusion

According to the results, it can be concluded that the disclosure standards for financial statements are not in line with international standards and are in line with their special procedures in Iran. Secondly, the disclosure of information is appropriate according to existing standards but it has not yet reached its full potential and, finally, the response of the directors of the companies responsible for preparing the financial statements is fully consistent with the disclosure through the issuance of the instructions and regulations and the application of the guidelines in order to increase the level And the disclosure quality in the listed companies in Tehran Stock Exchange is fully effective. The results of this study are similar to the research by Esfandiar Malekian (1998), which relates to the comprehensiveness of annual reports and financial characteristics of companies. In this research, the disclosure rate of companies in the balance sheet of the year 95 is 90% in the profit and loss account and 75% in the case of cash flow. Also, the results of the present research in the first hypothesis are consistent with the results of Rehman (2000) and Nasser and Nasibi (2003), which have addressed the adequacy of disclosure in ASEAN member countries.

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Rahim Jafar Mahammad Sharif   "Disclosure's Effectiveness And Adequacy Arrangements Of Financial Statements Reporting In The Tehran Stock Exchange"