

The Impact of Income Smoothing on Earnings Quality in Market

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This research deals to measure effect of income smoothing on earnings quality in the market in companies listed on the Tehran Stock Exchange. The aim of this study was to investigate the relationship between earnings and efficiency, measuring the impact of audit ability, corporate governance and also income smoothing on the relationship between earnings and returns. In this study stock returns are considered as dependent variable and dividends, income smoothing, corporate governance and audit capabilities as independent variables as well as company size and financial leverage as control variables. This research in terms of target is applied and an experimental study. In this study, to collect data is used both library and field method. The study population consisted of all companies listed on the Tehran Stock Exchange and sampling using systematic elimination method that finally, 105 companies during the period 2009 to 2013 that were estimated. In this study used the main assumptions of regression contains data normality test, stability test, the significance of the fixed effects model, heterogeneity of variance test that finally, with the approval of all the assumptions regression was conducted to test hypotheses. The results showed that relationship between earnings and returns in companies with income smoothing is more than companies lacking income smoothing. Furthermore, the impact of audit capabilities and corporate governance on the relationship between earnings and returns in companies with income smoothing is more than companies lacking income smoothing. As well as income smoothing on the relationship between earnings and return has a significant effect.

Keywords : Stock Returns, Dividend, Income Smoothing, Corporate Governance, Audit Capability, Firm Size, Leverage

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