

Evaluation of Conservatism and Capital Cost Relationships in Companies with Free Cash Flow Problems

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Conservatism has been used by accounting professionals for many years as one of the limiting principles of accounting, and despite its many criticisms, it has always maintained its place among other accounting principles. So that the durability and survival of conservatism against the criticisms over the long years can be regarded as the cornerstone of this principle. Therefore, in this study, the relationship between conservatism and capital cost in companies with a problem of free cash flow in the stock exchange Tehran Stock Exchange assesses Tehran's securities. In order to examine and test the relationship between variables, the 5-year information of 100 companies accepted in Tehran Stock Exchange between 1390 and 1394 has been investigated. For statistical analysis, the regression model of panel data and software viva has been used. After analyzing the data, the results of the research indicate that there is no significant relationship between cost of capital and conservatism on the basis of the asymmetric time-rate of earnings, but on the other hand, the cost of capital and conservatism based on the market value criterion to the positive value book value. Therefore, it can be argued that the reason for the different reaction of cost of capital to the two conservatism criteria is the difference in the structure of these two criteria. Because the asymmetric time criterion of profit is a profit and loss criterion, while the ratio of market value to book value is a balance sheet criterion.

Keywords : conservatism, dividend policy, capital cost, free cash flow, asymmetry time profits, market value to book value of shares

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