The Relationship Between Income Smoothing and the Cost of Debt

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Nowadays, income smoothing is one of the most controversial topic in accounting research due to investors are paying special attention to income as one of the important factors in decision making. Most of the research on income smoothing has been performed in Western countries. The results of previous research are contradictory, because each of them used different criteria to examine the income smoothing. In Iran, according to choice several acceptable accounting methods (eg. estimating the useful life and the value of asset leakage in direct line execution) there is the possibility of income smoothing through management. Considering the sensitivity of the quality of the financial statements, and especially items such as debt, which managers have great flexibility in reporting, this study examined the relationship between the income smoothing and the cost of debt in the companies listed on the Tehran Stock Exchange. The population consisted of 154 companies the companies listed on the Tehran Stock Exchange as sample over a period of 5 year (2011-2015). It is a descriptive-correlation study in terms of methodology and an applied regarding target. In order to test the hypotheses was used the combined regression models and panel data. The results of the research hypothesis indicated that there is no significant relationship between the income smoothing and the cost of debt in the companies admitted to the Tehran Stock Exchange, and the research hypothesis has not been confirmed.