

Investigate the relationship between transparency of earnings and cash holdings in companies admitted to the Tehran Stock Exchange

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Cash inventory is an important asset for companies. The sufficient amount of cash holding or surplus of it, is in accordance with the management decisions and in order not to encounter the risks of information asymmetry. The disclosure of firm financial information transparently through key financial statements is an important factor in reducing information asymmetry between managers and owners. Information asymmetry leads to an increase in the risk and expected return of investors. Hence, companies keep more cash in order to avoid increasing their costs. For this reason, the main purpose of this study is to examine the relationship between Earnings Transparency and Corporate Cash holdings of firms listed on the Tehran Stock Exchange. This study is a descriptive type research and the goal is application. Statistical population encompasses the companies listed in Tehran stock exchange in the period between 2012 and 2016. Financial data gathering for hypothesis test is performed using audited statements of companies available in RahavardNovin software. Then, hypotheses are analyzed using proper statistical tests by Eviews software. Findings indicate that there is a significant negative correlation between Earnings Transparency and Corporate Cash holdings or companies with lower Earnings Transparency tend to have higher cash holdings. This relationship is more significant in companies with growth opportunities, research and development costs, and more financial constraints. The research also states that there is a negative relationship between the value of cash holdings and Earnings Transparency.

Keywords : Keywords: Earnings Transparency, cash holdings.

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