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ABSTRACT: The present research investigates the relationship between the restated accounting figures and persistence of financial performance of the companies listed in the Tehran Stock Exchange. In order to measure the persistence of financial performance three ratios of quick ratio, leverage ratio, and profit margin ratio are used. To measure the value of restated figures, the difference between the absolute value of reported current asset and restated current asset, and between the reported current liability and restated current liability, and between the reported profit and restated profit are used. The statistical population includes 79 member companies of the Tehran stock exchange and the time period is between 2007 and 2011. The applied statistical model is simple and multivariate regression. The results show that there is not solely significant relationship between the absolute value of restated current asset, current liability and profit, and the persistence of financial performance. The results also show that when the financial leverage enters into the model as a control variable, the significant relationship is created between absolute value of restated current asset in the first hypothesis, and the absolute value of restated profit in the third hypothesis and the persistence of financial performance in the domain of assets and profit, so that both factors have positive relationship with the persistence of financial performance. It means that by increasing accounting changes, the persistence of financial performance increases, while increasing financial leverage results in reduction of the persistence of financial performance.

Key words: Restated Financial Statement, Persistence of Financial Performance

INTRODUCTION

Restated financial statements of the previous periods have numerous negative consequences. As a result of inaccurate stating of the profit and modifying it in the next periods, namely after making related decisions; it will have the economic and financial effects for various people (Nikbakht and Rafiei, 2012). Therefore, the most important point is to inform the users of financial statements that the last years published information which was the base of their decisions is justified (Sajadi, 2004). After restating financial statements, the figure of net profit and current assets or the current liabilities are changed. And they are used for calculating important financial ratios to evaluate the company's financial performance. Considering the point that the financial ratios are the most common methods of analyzing financial information, they are used in cases like predicting and evaluating financial performance, profitability continuity, and continuity of the activities of business units (Barandan, 2012). In this research, we investigate the impact of restating financial statements figures of the companies on their persistence of performance based on financial ratio.

A Review on Research Literature: Nikbakht and Rafiei (2012) dealt with the factors influencing on restating financial statements in Iran. Investigating the correlation between restated financial statements and factors influencing on it indicates a relatively strong correlation between restated financial statements, profitability, financial leverage, management change in the company, and auditor change.

Dabo (2012) in a research entitled as a probabilistic model for restated profit by using financial ratios, asset turnover, receivable accounts turnover, net profit margin, cash flow obtained from operations to net profit, introduced a probabilistic model for the restated profit. Chin-Fook (2013) in order to specify the persistence of financial performance by using financial ratios of 180 industrial companies in Malaysia studied in three different industries. The used financial ratios included financial ratio, the profit before interest and tax, current asset turnover, cash flows to total assets, cash to current liability, total liabilities to funds obtained from shareholders' investment. The results showed that all the ratios except cash flow to total assets had the persistence of performance for all three industries.

Bourne (2008) by using receivable accounts variables to the sale, gross profit margin, sale growth ratio, quality of assets (total assets)/net fixed assets + current assets and total accruals, offered a model for prediction of the restated financial statements.

MATERIAL AND METHODS

The under study statistical population in this research was companies listed in the Tehran stock exchange. These companies attended in the stock
exchange from 2007 to 2011 and had the following conditions:
The under study companies had to restate their financial statements.
- The financial year had to be terminated to the March (29th Esfand), and the companies should not change the financial year in the period under investigation.
- The investment, financial, and mediating companies were eliminated from the selected sample, because they had different financial ratios compared to other companies.
- Those companies which sustain loss were not considered in this research and they were eliminated from the selected sample.

With regard to the above conditions, among the 510 member companies of the Tehran stock exchange, 79 companies were investigated.

Main hypothesis 1: there is a significant relationship between absolute value of restated current assets and the persistence of financial performance of company in the current assets domain of companies listed in the Tehran stock exchange.

Main hypothesis 2: there is a significant relationship between absolute value of restated current assets and the persistence of financial performance of company in the current liabilities domain of companies listed in the Tehran stock exchange.

Main hypothesis 3: there is a significant relationship between absolute value of restated profit and the persistence of financial performance of company in the profit domain of companies listed in the Tehran stock exchange.

First hypothesis model:
\[ Y_{ijt+1} = \beta_0 + \beta_1X_{1jt} + \beta_2X_{4jt} + \beta_3X_{5jt} + \beta_4X_{6jt} + \varepsilon_{jt} \]

Second hypothesis model:
\[ Y_{ijt+1} = \beta_0 + \beta_1X_{2jt} + \beta_2X_{4jt} + \beta_3X_{6jt} + \varepsilon_{jt} \]

Third hypothesis model:
\[ Y_{ijt+1} = \beta_0 + \beta_1X_{3jt} + \beta_2X_{4jt} + \beta_3X_{5jt} + \beta_4X_{6jt} + \varepsilon_{jt} \]

Independent Variables:
- **X1jt**: Absolute value of restated current assets: the reported figure of current asset minus restated current assets (Abdoli and Darabi, 2009).
- **X2jt**: Absolute value of restated current liabilities: the reported figure of current liabilities minus restated current liabilities (Abdoli and Darabi, 2009).
- **X3jt**: Absolute value of restated profit: the reported figure of profit minus restated profit (Abdoli and Darabi, 2009).

Dependent Variables:
- **Y1jt+1**: The first model, the company’s persistence of performance in current assets domain: the financial ratio based on current asset that the liquidity ratio – quick ratio is used (Herbe, 2012).
- **Y2jt+1**: The second model, the company’s persistence of performance in current liabilities domain: the financial ratio based on the liabilities that the leverage ratio – liability ratio is used (Herbe, 2012).
- **Y3jt+1**: The third model, the company’s persistence of performance in the profit figures of company: the profitability ratios that the profitability ratio – profit margin is used (Herbe, 2012).

Control Variables:
- **X4jt**: The size of company: it shows the size of company obtained by using natural logarithm of the company’s total assets ratio (Nikbakht and Rafiei, 2012).
- **X5jt**: The financial leverage of company (Nikbakht and Rafiei, 2012).

Note: since we used the dependent variable of financial leverage in the second equation related to the liabilities, we cannot use this variable as control variable on the other side; thus, in the second equation the control variable of financial leverage is omitted.

RESULTS

The results of table 1, comparing the average of independent variables show that the companies' current liabilities have higher value compared to other variables. It can be concluded that the companies performed the greatest change in the current liabilities. The skewness coefficients of research variables show that the persistence of performance variable of current liabilities has negative coefficient and skewed to the left, but other variables skewed to the right. In terms of compliance and in respect of symmetry (0.5) with normal curve, the persistence of performance of companies’ profit has more compliance with normal curve, and it does not have that much difference with normal distribution. Elongation coefficient of research also indicates that the persistence of performance variable of current liabilities has negative elongation coefficient. Thus, it is shorter than the normal curve, but other elongation coefficients compared to the normal curve are longer, considering the point that their coefficients are positive. Investigating the percentile of research variables shows that all variables have one positive domain.

The results of table 2 show the significance coefficients test of the first hypothesis with control variables. The level of coefficients is significant; hence, H1 hypothesis which states that the impact of variables on the persistence of performance in the companies'
current assets domain is significant is accepted with more than 95% assurance, and $H_0$ hypothesis is rejected. The results analysis of Beta coefficients (standardized) of the company’s size variable and financial leverage show that they have negative and significant impact on the persistence of performance in the companies’ current assets domain. These results show that provided that the company’s size and the financial leverage increase up to 1 unit, the persistence of performance in the company’s current assets domain decreases. It means that the more the company’s size and the financial leverage increase, the persistence of performance in the company’s current assets domain decreases. The results show that the coefficient of auditor’ comment type and absolute value logarithm of restated current assets variables are not significant. But on the other hand, they can change dependent variable in the direction of their coefficient, in a way that the auditor’ comment type decreases the dependent variable and absolute value logarithm of restated current assets increases the dependent variable.

The results of table 3 show the significance coefficients test of the second hypothesis with control variables. The regression coefficient of the absolute value logarithm of restated current assets is not significant; thus, it can be admitted that the absolute value of restated current liabilities does not have significant impact on the persistence of performance in the companies’ current liabilities domain. Hence, $H_0$ hypothesis is accepted and $H_1$ hypothesis is rejected. Moreover, the results of standard coefficient (Beta) of the absolute value variable of restated current liabilities show that this variable has negative impact on the persistence of performance in the current liabilities domain. It means that the more restated current liabilities decreases, the persistence of performance of current liabilities increases, but this impact is not significant.

The results of table 4 show the significance coefficients test of the third hypothesis with control variables. The coefficient of financial leverage variable has significant relationship with persistence of performance in the companies’ profit domain; hence, $H_1$ hypothesis which states that the impact of variables on the persistence of performance in the companies’ profit domain is significant is accepted with more than 95% assurance, and $H_0$ hypothesis is rejected. Investigation of regression coefficient results (Beta) of financial leverage shows that this variable has negative and significant impact on the persistence of performance in the companies’ profit domain. These results show that provided that the financial leverage increases to 1 unit, the persistence of performance in the standard deviation of companies’ profit domain decreases. It means that the more the financial leverage increases, the persistence of performance in the companies’ profit domain decreases.

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>76</td>
<td>76</td>
<td>79</td>
<td>73</td>
<td>73</td>
<td>73</td>
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<tr>
<td>Mean</td>
<td>30266.17</td>
<td>0.8</td>
<td>60418.89</td>
<td>21776.6</td>
<td>0.15</td>
<td>0.15</td>
</tr>
<tr>
<td>Median</td>
<td>3184</td>
<td>0.8</td>
<td>6009</td>
<td>2002</td>
<td>0.12</td>
<td>0.12</td>
</tr>
<tr>
<td>SD</td>
<td>105589.36</td>
<td>0.26</td>
<td>200498.08</td>
<td>78202.97</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Skewness</td>
<td>5.03</td>
<td>0.05</td>
<td>4.96</td>
<td>5.17</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Std. Error of Skewness</td>
<td>0.28</td>
<td>0.28</td>
<td>0.27</td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>26.29</td>
<td>0.11</td>
<td>26.38</td>
<td>28.1</td>
<td>-0.19</td>
<td>-0.19</td>
</tr>
<tr>
<td>Std. Error of Kurtosis</td>
<td>0.55</td>
<td>0.55</td>
<td>0.54</td>
<td>0.56</td>
<td>0.56</td>
<td>0.56</td>
</tr>
<tr>
<td>Range</td>
<td>662988</td>
<td>1.3</td>
<td>1324921</td>
<td>520367</td>
<td>0.37</td>
<td>0.37</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
<td>0.19</td>
<td>152</td>
<td>0</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Maximum</td>
<td>662988</td>
<td>1.49</td>
<td>1325073</td>
<td>520367</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Model 1</th>
<th>Unstandardized</th>
<th>Standardized</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.119</td>
<td>0.312</td>
<td>6.798</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Size of company</td>
<td>-0.08</td>
<td>-0.024</td>
<td>-3.29</td>
<td>0.002</td>
<td>0.631</td>
</tr>
<tr>
<td>Financial leverage of company</td>
<td>-0.586</td>
<td>-0.215</td>
<td>-2.73</td>
<td>0.008</td>
<td>0.971</td>
</tr>
<tr>
<td>The type of independent auditor's comment</td>
<td>-0.009</td>
<td>-0.018</td>
<td>0.17</td>
<td>0.87</td>
<td>0.98</td>
</tr>
<tr>
<td>Absolute value of restated current assets</td>
<td>0.015</td>
<td>0.142</td>
<td>1.06</td>
<td>0.293</td>
<td>0.626</td>
</tr>
</tbody>
</table>

Dependent Variable: persistence of performance in current assets ($Y_{t+1}$)
DISCUSSION

The results of first hypothesis showed that when the control variables enter into the model, a significant relationship is created between absolute value of restated current assets and the persistence of performance in the companies' current assets domain indicating the importance of financial leverage variable role. In Wu's research, it was said that failure in accurate registration of assets will result in restated financial statements and the companies with high degree of financial leverage have high motivation for restated financial statements which corresponds with this hypothesis. The results of second hypothesis showed that there is not a significant relationship between absolute value of restated current liabilities and the company's persistence of performance in the liability domain. Adding control variables does not result in making significant the relationship between independent and dependent variables indicating that changes in the current liabilities cannot have significant impact on persistence of performance of liabilities. The results of third hypothesis showed that when control variables enter into the model, a significant relationship is created between absolute value of restated profit and the company's persistence of performance in the profit domain of companies. The research results both in the first hypothesis and in Abdoli, M. & Darabi, S. (2009). "Investigating Cultural Backgrounds of Auditors' Behavior and their Impact on Discovering Accounting Errors". Journal of Accounting, 5, 3, 23-34. Barandan, S. (2012). "Comparing the Increasing Information Content of Cash and Accruals Ratios for Evaluating Companies' Financial Performance with the Approach of Data Mining", Journal of Financial Accounting Research, Fourth Year, No. 2 Serial No. 12. the third hypothesis correspond with the results of (Nikkakht and Rafiei, 2012) research which mentioned financial leverage as one of the factors of restated financial statements. In both hypotheses it was shown that while by increasing financial leverage the persistence of performance in the current asset and profit is decreasing, by increasing accounting changes, it is tried to increase the persistence of performance.

Suggestions for Future Researches:
Considering the results of first and third hypotheses, it was shown that the accounting changes in the companies with high financial leverage can decrease the companies’ persistence of performance; thus, it is suggested to consider this important point when investigating companies' performance and in decision-makings.

With regard to the second hypothesis, and as the relationship between changes of current liabilities and the persistence of performance by using financial leverage ratio was not significant, it is suggested to use activity ratios instead of leverage ratio and investigate its results.

It is suggested to investigate profit management when the financial leverage ratio in accounting changes and restated financial statements is high.

REFERENCES