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Examining the Relationship between Financial Misstatements and Legal with Tax Policies in the Listed Companies in Tehran Stock Exchange

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ABSTRACT: Tax revenues from legal entities are one of the important sources in state tax revenues. Since these entities record their revenues in valid documents for providing financial statement than individuals, it is necessary to attend approaches of calculation, determination and collection of tax. But it may there is a difference between profit subjected tool tax and profit subjected to decisive tax of legal entities for some reasons. Along with increasing dissatisfaction of these entities, it leads to postpone and last paid taxes and tax organization consumes it's time for resolving these problems, in turn, increase collection costs. This research tries to seek the relationship between legal and financial distortion with tax policies in accepted companies in Tehran Stock Exchange. 120 companies among accepted companies in Tehran Stock Exchange were surveyed in a period of six years from 2006 to 2012. The results of research hypotheses indicate that the companies have high tax, legal and financial distortions; there is greater difference between tool tax and diagnostic tax. In other words, the results of hypotheses show markedly the role of distortions in tax evasion.

Key words: Tax distortions, Financial distortion, Difference between tool tax and diagnostic tax

INTRODUCTION

Extensions increasingly of business units, IT development and conflict of interest have been led to be regulatory requirements. Economy globalization and information revolution have been exited control even from states' authority. These condition have been led audition profession tries gradually to move forward in consistent of technology changes and society's needs. In this environment, users need different information to make decision about business units including financial information. Financial statements are considered as the most important set of financial information. But important topic is about reliability of the information which resulted from conflict of interests. In addition to conflict of interest, other factors such as lack of direct access of users to information have been needed to demand for independent audit services. In fact, the role of auditing is to assess information quality for users (Sajadi and Naseh, 2003). The emphasis of current approaches in tax reform is to minimize the distortional effect of tax policies for keeping economic competitiveness. New approaches of tax reform plans consist of reduced variety of tax rates for reducing unwanted distortions in relative prices, attention to horizontal justice than instead of vertical justice, development of tax bases, reduced variety of rates, limiting the role of taxes and so on. Simplification of tax systems is one of the key goals in many of tax reform plans in different countries. This is not only for the effects of complexity of the system on compliance costs and tax invasion, but also income tax system is considered as a big obstacle against justice and efficiency (Govinda, 2000).

The difference of expressed tax with diagnostic tax: Companies based on own managers 'knowledge and personal deduction of financial laws attempting to regulate tax return and determining the costs and tax liability and report them in the profit and loss and balance sheet but the investigation that done by tax office auditors based on their deduction and cognition of financial lows and circular that may be even financial managers be unaware of it, assess the taxes of companies. In most companies these two items of costs as to debt of companies' tax are different with each other every year. These two differences are called the difference of expressed and diagnostic tax. This information is exposed the note of tax Reserve of companies (safari, 2006).

Financial Misstatements: Usually, Claims about the ability of the audit profession are discussed to meet the needs of its users, but at the end of the last century and especially in the 1980s, these debates intensified. Before 1977, the accepted accounting principles of the United States, Emphasizes this point that common tests are performed to present assessment about Financial Statements Cannot be utilized and sufficed for embezzlement discovery or Deliberate distortion by management. The auditor only when was responsible for detecting fraud that failure to detect that fraud led to the unconformity with accepted accounting principles. But in 1977, the standards were revised and based on the revised AICPA auditing standards the auditors were emprise the responsibility of investigation and research about mistakes. In this research the purpose of financial misstatements, is deviation of companies from accounting and financial standards. To measure amount of performed financial Misstatements in the company, the independent auditor's report are used. If in the auditor's report the deviation from accounting standards is hinted and as for its importance, Conditional and unacceptable remark is issued, for this variable value of one and otherwise, a value of zero is considered.

Legal Misstatements: One of the tasks of the independent auditor and specially legal inspector of the company, is check the status of legalities and Regulations (Including business law, cheque law and so on) of state that providing deviation of them auditor or legal inspector require to present report of non-compliance with legalities and regulations to board of directors and General Assembly. For operational definition of this variable, a dummy variable is used as if there are legalities (laws misstatement) in the report of auditor or legal inspector, value of one and otherwise, a value of zero is considered.

Tax Misstatements: In this research, the intent of tax misstatements is Non-compliance with laws and tax Regulations that mainly is related to tax evasions, concealment of income and so on. The main source of data collection is related to tax misstatements of audit reports of companies. Thus if audit reports contain provisions about tax misstatements of companies, this variable value of one and otherwise, a value of zero is considered.

Other Misstatements: If in the audit reports or legal inspection report of company, there are cases related to other misstatements (except financial misstatements, tax and legal), for this variable the value of one and otherwise, a value of zero in the research model is considered.

The quality of audit: According to Titman and Truman audit with more quality improves accuracy of the presented information and allows investors to obtain more accurate estimate of firm value. Due to the various definitions discussed in past studies on audit quality, its framework can be represented in this case: The quality of audit is good reputation and professional cares of auditor. As a result, the auditor's good reputation adds to the credibility of financial statements and his professional supervision and cares, increase the quality of information of financial statements (Norvash et al., 2009).

The type of auditor's opinion: Types of audit opinions are divided into four kinds: acceptable, conditional, rejected, Disclaimer of Opinion.

1. Acceptable opinion should be expressed in cases that the auditor concludes that the financial statements were represented fairly from all important aspects according to accounting standards. Acceptable opinion implicitly explains that any changes in accounting principles or in the method of application of these principles and their effects were determined appropriately and were written in or revealed in financial statements.

2. Conditional opinion: The auditor should present conditional opinion when:

A. With obtaining sufficient and appropriate audit evidence, comes to the conclusion that misstatements, individually or in the aggregate than financial statements, is important but not inclusive; or

B. unable to obtain sufficient and appropriate audit evidences for opinion, but comes to the conclusion that the possible effects of undiscovered misstatements on financial statements can be important but it isn't inclusive.

3. Disclaimer of opinion: If the auditor is unable to obtain sufficient and appropriate audit evidences for opinion, and comes to the conclusion that the possible effects of undiscovered misstatements on financial statements can be important and inclusive, should do disclaimer of opinion**.** In very rare circumstances that there are various uncertainties, in spite of obtaining sufficient and appropriate evidences about each of these uncertainties, due to their relationship with each other and total of possible effects of these cases on financial statements, , the auditor should do disclaimer of opinion.

4. Rejected opinion: If the auditor with obtaining sufficient and appropriate audit evidences, comes to the conclusion that misstatements, individually or in the aggregate than financial statements, is important but not inclusive, should represents rejected opinion (Audit Organization, 2010). If in the period of investigation kind of opinion of auditor was generally acceptable it was given the number of one otherwise zero.

Longevity and age of companies: This variable refers to the number of years of companies' activity that are disclosed in the note of the financial statements of companies.

Going Concern: This variable refers to the amount of deficit based on business law more than capital and bankruptcy and its going concern is associated with the main uncertainty.

Background of research

Lanis and Richardson examine effects of composition of board of directors on bold and reductive tax policy. Logit regression results for selective sample of 32 companies which includes 16 firms that have tax bold behaviors and 16 firms without tax bold behaviors and show that existence of high share of external members of board of directors, reduce the possibility of bold and reductive behaviors. The least squares of regression that indicates the sensitivity of the cross-sectional analysis of 401 firms, confirm the main results about the composition of the board of directors and tax bold behaviors.

Alastair and other expressed the effects of large audit firms on the abnormal accruals of investigated units in comparison the effects of small audit firms on the abnormal accruals of investigated unit have not important different.

Steijver and Niskanen examined and studied the effect of sovereignty and ownership of executive Senior Managers (Composition of the board of directors) on decisions and tax bold behaviors in the privately held Corporations. The data have been collected with examination of 600 small business units and the average of tstock and none- stock between the periods of 2000 to 2005. In this article, it was concluded that privately held Corporations than privately none-stock Corporations have less tax bold and reductive behaviors.

Shamsi jamkhane (2009) in assessing the reasons and factors of making difference between expressed Taxable Revenue of Merchandising Company and taxable Revenue Assessed by Tax Affairs Offices Using information of tax files relating to the years of 2005 to 2006 of active Merchandising Company in the General Department of Tax affairs and statistical methods and softwares concludes that there is a significant relationship between expressed taxable revenue of merchandising company and taxable revenue assessed by tax affairs offices, In addition, causes of this difference also each one alone is significant in the Sightly confidence level.

Shamszadeh and zakoori (2008) in their research with title of identifying causes of difference between expressed taxable revenue and certain taxable revenue of legal persons conclude that there is a different between expressed taxable revenue and certain taxable revenue and the most effective factor in the failure state offices, had been non-compliance with legal offices writing bylaws and the contrast between accounting standards and tax laws in the acceptable state offices cause not a significant difference. Although caused trivial difference from unacceptable excess costs had been on determinant quorum in law.

MATERIAL AND METHODS

The method of descriptive statistics including average, Variance, Standard Deviation and quartiles will used for indicating variables. Moreover F, T and regression tests also are used for assumptions test but the default regression tests such as data normality and non-autocorrelation of variables and so on will be used as well as. In investigation of given information first, we will do to examining the descriptive information and then hypotheses testing. Also, in order to analyze collected data from Excel software and for hypotheses testing used from "panel data method"; because to investigate the relationship of auditors properties and type of report of independent auditors, Independent and dependent variables are examined from two different aspects. On the one hand, this variable between various firms and on the other hand, are tested during the period of 2006 to 2012.

RESULTS

Theory 1: In companies that financial misstatements are higher, by controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern, the difference of expressed tax with diagnostic tax is higher.

Leven test for equality of error variances for Measurement equality error variances of the difference of expressed tax with diagnostic tax between companies with financial misstatements and firms without financial misstatements shows the control variables. In this test significant level value of favorable research should be greater than 0/05. If this amount be less than 0.05, this means that variances of research are not equal and we have offended from variance assumption of two group's error which is equal with each other.

As can be seen, Significance level of the test Leven is greater than 0.05 (sig=0.318). It means that we have not offended from assumption of equality variances; thus it is the error variance of complex and non-complex companies and the difference between them has not been observed.

The investigation results of covariance analysis table show that significant level of variable of financial misstatements is greater than 0.05 (sig>0.05), that is, there is not a significant difference between the disparity of expressed and diagnostic tax of companies with greater and less financial misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern. Therefore, the null theory (H0) is accepted and the H_1 theory is rejected. Also, Effect size or common Variance that has shown by eta squared quantity for independent variable of financial misstatements is 0.03. This value shows that how much of the dependent variable Variance has explained by independent variable. That is financial misstatements of companies can only explain 3% of the variance the difference of expressed and diagnostic tax of Companies. Also the results related to the effects of the control variables show that the control variables in the error level of 5% have not significant effect on the difference of expressed and diagnostic tax of companies. Hence it can be concluded there is not significant effect on independent variable in the error level of 5%. According to the obtained results of covariance test can acknowledge that the dependent variable of financial misstatements influenced by other variables in the model has changed (its effect has reduced); that is, the control variables also have adjusted the effects of independent variables.

Theory 2: In companies that financial misstatements are higher, the difference of expressed tax with diagnostic tax is further. As for the results of t-test table, significant level of t statistic value is smaller than 5% (sig =0.000). So we reject the H_0 theory and accept the H_1 theory. Thus we reject the H_0 theory and accept the H_1 theory with confidence of 95%. That is, we accept the average claim of companies that have higher tax misstatements (9.178) have the difference of expressed and diagnostic tax more than companies that have less tax misstatements (7.831). Also as for the upper and lower limit of two populations have obtained negative as well as, then the difference between two samples will be less than zero. That is, the average of difference of expressed and diagnostic tax of companies with more tax misstatements is higher than companies with less tax misstatements that can also observe these results in the average of companies.

Theory 3: In companies that financial misstatements are higher, by controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern, the difference of expressed tax with diagnostic tax is higher.

The results of Leven test show that significant level value is greater than 0.05 (sig=0.064), so we have not offended from assumption of equality variances. These results explain that error variance of the companies with misstatements and without misstatements are equal and there is no difference between them.

The investigation results of covariance analysis table show that significant level of groups in this theory is smaller than 5%. That is, there is a significant difference between the difference of expressed and diagnostic tax of companies with greater and less financial misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern (sig=0.000). Therefore, the null hypothesis of research that explains no difference between companies is rejected and H_1 hypothesis is accepted. That is, the companies with more financial misstatements and the companies without financial misstatements have significant difference of the disparity of expressed and diagnostic tax. Effect size or common Variance of dependent variable (financial misstatements) is 0.104. This value shows that how much of the dependent variable Variance has explained by independent variable. That is financial misstatements of companies can explain 10.4% of the variance the difference of expressed and diagnostic tax of companies. The investigation of results of the control variables also shows that because the significant level of covariance variables is greater than 5% (sig>0.05), thus, there is not significant relationship between covariance variables (quality auditor ,the type of auditor's opinion, the age of firm and going concern) and the difference of expressed and diagnostic tax of companies.

Theory 4: In companies that financial misstatements are higher, the difference of expressed tax with diagnostic tax is further.

As can be observed in table 4-8, the significant level of t statistic value in the error level of 5% is smaller than 5% (sig =0.003). So we reject the H_0 theory that explains the difference of expressed and diagnostic tax of companies with legal misstatements is equal with companies without legal misstatements and accept H_1 theory. Thus we reject the H_0 theory and accept the H_1 theory with confidence of 95%. That is, we accept the average claim of companies that have higher legal misstatements (8.431) have the difference of expressed and diagnostic tax more than companies that have less tax misstatements (7.117). Also as for the upper and lower limit of two populations have obtained negative as well as, then the difference between two samples will be less than zero. That is, the average of difference of expressed and diagnostic tax of companies with more legal misstatements is higher than companies with less legal misstatements that can also observe these results in the average of companies.

Theory 5: In companies that legal misstatements are higher, by controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern, the difference of expressed tax with diagnostic tax is higher.

The results of Leven test show that significant level value is greater than 0.05 (sig=0.799), so we have not offended from assumption of equality variances. These results explain that error variance of the companies with misstatements and without misstatements are equal and there is no difference between them.

The investigation results of covariance show that significant level of legal misstatements in this theory is smaller than 5%. That is, there is a significant difference between the difference of expressed and diagnostic tax of companies with greater and less financial misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern (sig=0.005). Therefore, the null hypothesis of research that explains no difference between companies is rejected and H_1 hypothesis is accepted. That is, the companies with legal misstatements and the companies without legal misstatements have significant difference of the disparity of expressed and diagnostic tax. Also the effect size or common Variance of dependent variable (legal misstatements) has obtained 0.066 which shows that how much of the dependent variable Variance has explained by independent variable. That is legal misstatements of companies can explain 6.6% of the variance the difference of expressed and diagnostic tax of companies. Also, the investigation of results of the control variables shows that because the significant level of covariance variables is greater than 5% (sig>0.05), thus, there is not significant relationship between covariance variables (quality auditor ,the type of auditor's opinion, the age of firm and going concern) and the difference of expressed and diagnostic tax of companies.

Theory 6: In companies that other misstatements are higher, the difference of expressed tax with diagnostic tax is further.

The investigation of results test of the fourth hypothesis shows that significant level of 95% of t statistic value in the error level of 5% is smaller than 5% (sig =0.049). So we reject the H_0 theory that explains the difference of expressed and diagnostic tax of companies with other misstatements is equal with companies without other misstatements and accept H_1 theory. Thus we reject the H_0 theory and accept the H_1 theory with confidence of 95%. That is, we accept the average claim of companies that have higher other misstatements (8.427) have the difference of expressed and diagnostic tax more than companies that have no other misstatements (7.117), Also as for the upper and lower limit of two populations have obtained negative as well as, so the difference between two samples will be less than zero. That is, the average of difference of expressed and diagnostic tax of companies with more other misstatements is higher than companies with less other misstatements that can also observe these results in the average of companies.

Theory 7: In companies that other misstatements are higher, by controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern, the difference of expressed tax with diagnostic tax is higher.

The results of Leven test show that significant level value is greater than 0.05 (sig=0.736), so we have not offended from assumption of equality variances. These results explain that error variance of the companies with misstatements and without misstatements are equal and there is no difference between them.

The investigation results of covariance show that significant level of other misstatements in this theory is greater than 5%. So, there is not a significant difference between the difference of expressed and diagnostic tax of companies with other misstatements and without other misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern (sig=0.08). Therefore, the null hypothesis of research that explains no difference between companies is accepted and H_1 hypothesis is rejected. That is, the companies with other misstatements and the companies without other misstatements have not significant difference of the disparity of expressed and diagnostic tax. Also the effect size or common Variance of dependent variable (other misstatements) has obtained 0.027 which shows that how much of the dependent variable Variance has explained by independent variable. That is other misstatements variable of companies can explain only 2.7% of the variance the difference of expressed and diagnostic tax of companies.

Also, the investigation of results of the control variables shows that because the significant level of covariance variables is greater than 5% (sig>0.05), thus, there is not significant relationship between covariance variables (quality auditor ,the type of auditor's opinion, the age of firm and going concern) and the difference of expressed and diagnostic tax of companies.

According to the obtained results of covariance test can acknowledge that the dependent variable of other misstatements influenced by variables entered into the model has changed (its effect has reduced); that is, the control variables also have adjusted the effects of independent variables.

Table 1. The results of Loon test (equal variances assumption)

F-statistics	First DF	Second DF	Sig.
1.005	1	118	0.318

Table 2. Analysis of covariance variable of difference of expressed tax and diagnostic tax

Source	SS	DF	MS	F Value	Sig.	Eta square	Power
Auditor' quality	.136	1	.136	0.40	.841	.000	.055
Type of auditor' opinion	.658	1	.658	.195	.659	.002	.072
Company age	.119	1	.119	.035	.851	.000	.054
Going concern	.365	1	.365	.108	.743	.001	.062
Financial misstatement	11.725	1	11.725	3.483	.065	.030	.457
Error	383.724	114	3.366				
Total	8492.410	120					

Table 3. The results of independent T test of difference of expressed tax with diagnostic tax

Variable	Financial misstatement	N	Average	T Value	Sig.	Confidence interval		Result of test
						Upper limit	Lower limit	
Tax distortions	Have not	86	7.831	-4.557	0.000	-1.761	-1.935	Have difference
	Have	34	9.178					H0 was rejected

Table 4. The results of Loon test (equal variances assumption)

F-statistics	First DF	Second DF	Sig.
2.448	1	108	0.064

Table 5. Analysis of covariance variable of difference of expressed tax and diagnostic tax

Source	SS	DF	MS	F Value	Sig.	Eta square	Power
Auditor' quality	.000	1	.000	.000	.993	.000	.050
Type of auditor' opinion	.864	1	.864	.278	.599	.002	.082
Company age	0.31	1	.031	.010	.921	.000	.051
Going concern	.156	1	.156	.050	.823	.000	.056
Financial misstatement	40.938	1	40.938	13.165	.000	.104	.949
Error	354.510	114	3.110				
Total	8492.410	120					

Table 5. The results of independent T test of difference of expressed tax with diagnostic tax

Variable	legal misstatements	N	Average	T Value	Sig.	Confidence interval		Result of test
						Upper limit	Lower limit	
legal misstatements	Have not	20	7.117	-3.025	0.003	-0.454	-2.174	Have difference
	have	120	8.431					H0 was rejected

Table 6. The results of Loon test (equal variances assumption)

F-statistics	First DF	Second DF	Sig.
0.065	1	108	0.799

Table 7. The results of Loon test (equal variances assumption)

Source	SS	DF	MS	F Value	Sig.	Eta square	Power
Auditor' quality	.138	1	.138	.043	.837	.000	.055
Type of auditor' opinion	1.117	1	1.117	.345	.558	.003	.090
Company age	.394	1	.394	.122	.728	.001	.064
Going concern	.304	1	.304	.094	.760	.001	.061
Financial misstatement	25.985	1	25.985	8.018	.005	.066	.802
Error	369.463	114	3.241				
Total	8492.410	120					

Table 8. The results of independent T test of difference of expressed tax with diagnostic tax

Variable	other misstatements	N	Average	T Value	Sig.	Confidence interval		Result of test
						Upper limit	Lower limit	
other misstatements	Have not	36	7.710	-2	0.049	-0.003	-1.431	Have difference
	Have	84	8.427					H0 was rejected

Table 9. The results of Loon test (equal variances assumption)

F-statistics	First DF	Second DF	Sig.
0.114	1	108	0.736

Table 10. The results of independent T test of difference of expressed tax with diagnostic tax

Source	SS	DF	MS	F Value	Sig.	Eta square	Power
Auditor' quality	.063	1	.063	.019	.891	.000	.052
Type of auditor' opinion	1.733	1	1.733	.513	.475	.004	.110
Company age	.372	1	.372	.110	.741	.001	.063
Going concern	.027	1	.027	.008	.928	.000	.051
Financial misstatement	10.558	1	10.558	3.127	.080	.027	.418
Error	384.890	114	3.376				
Total	8492.410	120					

DISCUSSION

Misstatements in the financial statements can be resulted in fraud or error. "Fraud" means an intentional or dishonest act of any one or more managers, employees or third parties, for enjoying of impermissible or illegal advantage (Codification committee of auditing standards, 63:1385). Fraud, by nature is important. The main point is that regardless of the loss that have incurred or will incur in the future, the Premium existence of fraud can have great and serious risks, unless punitive action be accomplished Or at least, preventive or preventive actions to be taken. It should be noted according to the audit instruction, with attitude to risk management of Auditing, The auditor is required to, In cases that financial effects resulting from errors or misstatements are less than Materiality Constraint, but based on the Auditor's Opinion, need to include it in the report (Existence of important cases In terms of qualitative), reports the subject as emphasis of matter paragraph (after opinion) (Revision committee of audit instruction, 1368). According to the obtained results, Assumptions are explained:

The first hypothesis, the average of difference of expressed and diagnostic tax of companies with more financial misstatements is higher than companies with less financial misstatements that can observe these results in the average of companies. Financial misstatements imply the deviation of companies from accounting and financial standards. Namely, companies that have deviation from accepted principles and accounting and financial standards, financial misstatements occur. However, it can be unintentional or intentional. But in the taxes issue must be expressed many companies to show less their amount of income and pay less tax, anyhow distort accounting and auditing principles and standards and in some cases due to the lack of transparency in these standards, financial misstatements occur. To measure the amount of done financial misstatements in company, The independent auditors' reports are used. Accordingly, there is a difference between expressed tax, that is the tax which the company declares with diagnostic tax of administration tax. The result of this research is conformed to research of investigators such as Ghanbarifard (1374) and Shamszadeh and zakoori (1387) that explained there is a difference between expressed taxable profit and final taxable profit and most important factors in the failure state offices had been non-compliance with written bylaw of legal offices.

The second hypothesis, in analyzing this hypothesis should be expressed, tax misstatements, refer to non-compliance with tax laws and regulations that mainly is related to tax evasions, concealment of income and so on. Effective factors are affective in this among such as economic conditions, inflation, psychological and social factors, culture of tax evasion and so on. In fact, many companies are attempting to distort the tax laws to pay less taxes and its reason can be the lack of transparency of tax rules and regulations that would open the way for performers and companies that they carry out these actions. The main source of data collection is related to tax misstatements of audit reports of companies. According to this result of hypothesis should be expressed companies that have higher tax misstatements, that is evade the rules and regulations, their difference of expressed tax with diagnostic tax is greater. The result of this theory does not Conforms to research of Shamszadeh and Zakoori that explained the discrepancy between Accounting standards and tax laws in acceptable state of offices does not make a significant difference.

The third hypothesis, the average of difference of expressed and diagnostic tax of companies with more legal misstatements is higher than companies with less legal misstatements that can observe these results in the average of companies. On the other hand, the investigation results of covariance show that significant level of other misstatements in this theory is smaller than 5%. So, there is a significant difference between the difference of expressed and diagnostic tax of companies with legal misstatements and without legal misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern. In analyzing this hypothesis should be expressed, One of the tasks of the independent auditor and specially legal inspector of the company, is check the status of legalities and regulations (Including business law, cheque law and so on) of state that providing deviation of them auditor or legal inspector require to present report of non-compliance with legalities and regulations to board of directors and general assembly. Legal distortion imply to bypass the laws of financial rules and regulations and constitution, business law and so on that cause the context of the difference of expressed tax and diagnostic tax. In this hypothesis also should be expressed many companies due to different reasons and motivations act to distort the rules in favour of themselves that pay less tax by this way. It should be noted many factors can be affected in advancement of organization's goals in this context but not clear and transparent or in some cases, open the way of escape of laws is the most important factor of causing these misstatements. The result of this theory Conforms to researches of Rogue and Wilson (2011) that explain the lack of transparency of laws has a positive relationship with big tax evasions.

The forth hypothesis, the average of difference of expressed and diagnostic tax of companies with other misstatements is higher than companies with other misstatements that can observe these results in the average of companies. On the other hand, the investigation results of covariance show that significant level of other misstatements in this theory is greater than 5%. So, there is not a significant difference between the difference of expressed and diagnostic tax of companies with other misstatements and without other misstatements after controlling quality variables of the auditor, the type of auditor's opinion, the age of firm and going concern. Other misstatements imply to audit reports or company's legal inspector report in which be explained the report of cases except financial, tax and legal misstatements. Other misstatements imply to relationships behind the curtain, misstatements arising from the culture of tax evasion and in general moral and social misstatements of legal and natural persons for tax evasion. Auditor's duty in this regard can be very important because of has a very determinant role in disclosing these cases.

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