

Investigating the Relationship between the Type of Auditors and Disclosure Domain Quality among Pharmaceutical Companies Listed in Tehran Stock Exchange

Alireza Hiran¹ & Mahmoodreza Rakhshani²

¹Department of Economic, Khash Branch, Islamic Azad University, Khash, Iran

²Department of Accounting, College of Humanities, Zahedan Branch, Islamic Azad, University, Zahedan, Iran

Correspondence: Alireza Hiran, Department of Economic, Khash Branch, Islamic Azad University, Khash, Iran.

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Abstract

This research examines the relationship between the type of auditor's report and disclosure domain quality of the pharmaceutical companies listed in the Tehran Stock Exchange. The research method is inductive and is categorized in applied research according to research purpose. Research method and data analysis method is done using multiple correlation coefficient models and multiple regression. The statistical population of this study was all pharmaceutical companies listed in Tehran Stock Exchange during the years 2010-2014, which 488 companies have been selected. In this research, CD-ROMs and statistical software of Tehran Stock Exchange and other software available in Tehran stock exchange have been used to collect data in the present research. To document the results, statistical analysis and presenting final solutions, the researcher analyzed the questions and hypothesis using a statistical method as well as 7 Eviews software. The results of the main hypothesis of research show that there is a significant relationship between the type of audit report and disclosure domain quality in pharmaceutical companies. Given that disclosure domain quality of accounting information, documentation and clarification by the client after the issuance of the draft report and the client's attempt to justify the auditor are effective factors in disclosure domain quality, since increased disclosure quality has improved the financial reporting as well as the quality of the auditors' opinion. Increasing the quality can provide the necessary background for ease of implementation of the audit process, reduce audit risks, and ultimately reduce the auditors' pessimism to the investigative body, each of which can more accurately report auditors' reports more qualitatively. The results also show that Audit Report has a higher degree of desirability to the extent that managers cooperate with the auditors in providing relevant and quality information and provide realistic and accurate information without any distortion or fraud and will show audit reports more qualitatively.

Keywords: auditor's report, disclosure domain quality, pharmaceutical companies

1. Introduction

According to investors and financial analysts, there should be changes in the auditor's reporting to improve the information value of the auditor's report to help make investment decisions. These users believe that providing more information about financial statements and auditing will create more value. The general objectives of audit report are the objectives used by the auditor to assess the design of the internal control system, test the controls, determine the type and nature of the scheduling, the domain of the content tests and obtain the basis for opinions and to achieve these goals, they should, of course, have sufficient, relevant, and credible evidence to justify their opinions. The disclosure of important corporate information is essential for the performance of capital markets. The main purpose of any auditing is that the auditor, by examining the results obtained from the examination of the offices and documents on which the final financial statements of the institution are being relied upon and based on various information and explanations received during these proceedings, a professional opinion is specified for the correctness of financial statements. This opinion is presented in a report called the Audit Report or the Auditor's Report or the Auditor's Report as the person or authority that has delegated the audit to the auditor, which may be issued in one of two short or detailed forms as required. The points in the auditor's report are based on the type of audit, the domain of the review, and, ultimately, the purpose of the audit. However, the auditor's report shall, in any case, be based on the results of the proceedings and give its explicit statement of reasons for confirmation or contingent approval or refusal of the financial statements. In the present study,

the relationship between the type of auditor's report and the quality of disclosure quality in pharmaceutical companies admitted to Tehran Stock Exchange is examined. In this chapter, the research has attempted to provide general research including the statement of the problem, purpose, hypotheses, research method, statistical society and research keywords.

2. Subject Explanation and Problem Statement

The main purpose of disclosure is to assist users in making investment decisions, changing corporate finances, evaluating management performance and forecasting future cash flows. The principle of disclosure requires that all facts of the importance of the economic unit should be adequately and fully disclosed so that decision making can be provided and the confusion of users of financial statements can be avoided. The set of financial statements is based on legal, contractual, or customary requirements and is designed to meet users' information needs. The underlying financial statements must contain all important, relevant, and timely information, and provide this information in a comprehensible and comprehensible manner in order to allow users to make informed decisions. The disclosure principle, in addition to the application of quantitative information, includes non-quantitative descriptive information, as well. Information such as major accounting procedures and liabilities and contingent liabilities requires proper disclosure due to the fact that the information is relevant for decision making by users of financial statements (Hosseini, 2008). Accounting information and corporate disclosure are critical to the efficient functioning of a capital market. Companies provide disclosure through legal financial reports, financial statements, appendix notes, discussion and management analysis, and other statutory provisions. In addition, some companies conduct legal disclosure through volunteer communications such as management forecasts, telephone conversations and analytics, media releases, web sites, and other corporate reports. Eventually, corporate disclosure can be done through information brokers such as financial analysts, industry experts, and financial press (Haley and Palpa, 2001).

A key challenge for advanced economies is the optimal allocation of savings to investment opportunities. There are usually many companies and innovators who are willing to attract household savings to implement their business ideas. While both savers and those specializing in companies tend to do business with each other, the implementation of savings into business investment opportunities is very complicated for two reasons. First, corporate executives and managers have better information about the value of investment opportunities than savers, and they are motivated to overestimate the value of the company. As a result, savers have an information problem when investing in a company. Second, when the saver (investor) has invested his money in the company, managers have the incentive to use their mistakes and the problem of representation is created (Haley and Palpa, 2001; Colleagues, 2010).

Disclosure of financial information is necessary for investors in conditions of uncertainty (environmental risk). Companies are trying to provide high-quality exposures to attract investors and increase confidence. Various corporate, environmental and economic factors make it impossible to completely eliminate information asymmetry and agency issues and fully disclose information. In this research, it has been tried to examine the relationship between the type of auditor's report and disclosure domain quality of pharmaceutical companies. Corporate executives are trying to provide the best policy on disclosure on the basis of corporate, environmental and economic factors and the environmental conditions of the company where they operate. On the other hand, management can disclose information misleadingly regardless of the company's desirable performance, which this information increases the disclosure quality of the company. But this desirability disclosure has nothing to do with the company's future performance. Auditing as a social mechanism is to help supervise and control the behavior of managers and as a regulatory tool for governments. What the community expects from the audit profession is to provide audit reports that increase the reliability and timeliness of the disclosure of accounting information. This is an added value that only the audit firm can add to the financial information of the companies. Therefore, if auditing is a monitoring tool that carries out the various roles, the auditor's report on financial statements over time as a monitoring mechanism should, with the constant hypothesis of other conditions, improve the quality of disclosure by increasing timely accounting information (Yasaya, 2010). The types of auditor's statements in accordance with Iran's auditing standards include, but are not limited to, the following: accepted opinion, contingent opinion, no opinion and rejected opinion. The results of Panshin's research, such as Kollinan et al. (2012), suggest that the type of auditor's opinion as an effective monitoring mechanism and tool increases the quality of information and, consequently, the quality and domain of disclosure of companies.

For this purpose, the relationship between the type of auditor's report and the quality of disclosure of the listed pharmaceutical companies in Tehran Stock Exchange will be investigated in this study.

3. Research Objectives

3.1 Main Purpose

- Recognition of the relationship between the type of auditor's report and the quality of the domain of disclosure of pharmaceutical companies.

3.2 Applied Objectives

Obviously, following any research, the effort is to make the results obtained by the interested people to be effective and efficient in making effective decisions, so this research will not be the exception. On the other hand, the results of the research for the corporate executives themselves will be significant to bring more positive results. Therefore, the results of this research can be used for the following groups:

- Private sector investors, people and government
- Shareholders of listed companies in Tehran Stock Exchange, especially pharmaceutical companies
- Managers of companies, especially directors of pharmaceutical companies
- Financial and Credit Institutions and Investments
- Financial experts and analysts
- Researchers and students.

- **Research Questions**

Question: Is there a significant relationship between the type of auditor's report and the quality of disclosure in pharmaceutical companies?

- **Research hypotheses**

Research main hypothesis: There is a positive and significant relationship between the type of auditor's report and the quality of disclosure in pharmaceutical companies.

Review of literature is a summary of the theories, definitions and empirical research carried out in books, prestigious scientific journals that describe the past and present status of the subject under study. The literature organizes the research into subjects and documents the need for studying the topic proposed by the researcher. For a number of reasons, a review of the literature is necessary, including (Rahimian, 23, 2008):

- 1) Researchers must document the research literature review to show how their research adds to existing literature.
- 2) By reviewing the literature, researchers report evidence of the need for research and the importance of the issue.
- 3) The relationship between research variables is better understood and the conceptual framework of the research is further developed.

As discussed in the first chapter, the study of management incentives about different qualities of disclosure and its relationship with financial characteristics and corporate performance is very important. As a result, we have reviewed 3 sections, along with theoretical foundations and empirical research in this chapter:

- 1) Part One: Accounting Disclosure
- 2) Part Two: Theoretical Basis of Auditing
- 3) Section 3: internal and external literature review

In the first part of the study, we examined the definitions of disclosure quality, the importance of accounting disclosure in capital markets, compulsory disclosure and the reasons for the supporters and opponents of financial reporting and accounting disclosure monitoring. In the second part of the study, we examined theoretical basis of the audit. At the end, other studies and studies conducted within the country in the field of disclosure will be mentioned.

4. Research Background

4.1 Foreign Research

1. Rottman et al. (2014) investigates the mandatory disclosure of audit reports and the results of their research show that the documentation provided for accounting information, including the actual information contained in the reported financial statements, if it is compulsorily and without the wishes of the companies, reflects nonrealistic reports, and there is no direct relationship between these two variables.
2. Rhinnan et al. (2014) examined the relationship between the quality of disclosure of information and financing. They came to the conclusion that companies are pushing for more qualitative disclosure in order to increase the value of their company and reduce their financing costs.
3. Joe and Kim (2012) examined the subject of the audit report and the domain of disclosure and transparency. The results of their research in the companies reviewed confirmed the results of previous studies that there was an inverse relationship between the audit report and the domain of disclosure.

4. Chiang and Lien (2012) explored the quality of disclosure and audit reporting, and their results indicate that another factor in the quality of disclosure is the skill and expertise of the auditor in the industry that the client is engaged in, and this expertise can lead to increasing the quality of disclosure and there is a significant relationship between disclosure quality and audit reporting.
5. Wang & Woo (2011) in a study examines the quality of the domain of disclosure and financial reporting, and the results show that companies that have revised their financial statements for the past year have more qualitative financial information than non-revised companies.
6. Shukri and Nelson (2011) examined the role of the quality of the audit report on the company's performance and the results show that if the auditor's report is actual and without any significant distortion, it shows company's genuine financial performance, which has led to an increase in the number of its shareholders.
7. Gutman (2010) in his study examined the types of audit reports with the type and timing of information disclosure. The research results showed that the audit report is related to the type and content of timely disclosure of information.

4.2 Internal Research Background

1. Mullahiani (1985) investigated the relationship between reliability of information and delay in audit analysis and its results showed that there is no relationship between the independent variable ranking of companies disclosure quality and delays in the issuance of audit reports. Also, among the control variables, size of the company, size of the audit firm, having good or bad news and the amount of company debt, only the size of the company with a delayed variable at the time of issuing the audit report has a significant and negative relationship, and the other variables lack any meaningful relationship.
2. Moradi (1985) investigated the relationship between the independent auditor's opinion and the rating of disclosure of corporate financial statements. The results show that this research has two hypotheses. The first hypothesis examines the relationship between the type of auditor's opinion and disclosure quality. The second hypothesis analyzes the relationship between the change in auditor's opinion and disclosure quality. To measure the quality of disclosure of financial statements, the disclosure quality of listed companies in Tehran Stock Exchange has been used. The statistical software R has been used to measure the relationship between variables and analyze the model. Considering the acceptance of the first hypothesis, it was concluded that there is a significant negative relationship between the auditor's opinion and the disclosure quality of financial statements, and the other results of this research are that there is no significant relationship between the change in the auditor's opinion and the disclosure quality of the financial statements.
3. VakiliFard et al. (1985) examined the quality of the audit report and the auditor's change, and states that there is a significant relationship between the independent auditor's change in the quality of the audit report and, in discussing the auditor's change, the hypothesis test results also indicate that there is no significant relationship between the type of independent auditor's change with the audit report in the companies surveyed.
4. Yadavar (2011) explores the relationship between audit report and timely disclosure of information and the results indicate that timely disclosure of information affects the type of corporate audit report.
5. Chadegani et al. (2011) showed that there is a significant relationship between the issuance of contingent audit reports and the auditor's disclosure capability in examining the factors affecting the auditor's report and the type of disclosure in Iranian companies.
6. Nargeszadeh (2012) examined the effect of the auditor's report and legal reviewer on improving the financial reporting of companies listed to the Tehran Stock Exchange. The purpose of auditing financial statements is to enable the auditor to comment on whether the financial statements are prepared in all material respects in accordance with accounting standards. The study population is the group of manufacturing companies listed in Tehran Stock Exchange from 2006 to 2010.

For this research, a main hypothesis and seventeen hypotheses are considered. Since the research data were all abnormal, Kruskal-Wallis test was used to test them. The results of the research confirm that the provisions of the auditor and legal inspectorate's report in each year have not been reduced in relation to the same issue since the previous year. The main conclusion of the research is that the auditor's report and legal inspector's report have not been effective in reporting on the financial statements of the manufacturing companies listed in Tehran Stock Exchange.

5. Research Method

The present study is applied in terms of purpose-based classification. The purpose of applied research is the development of applied knowledge in a particular context. Also, the present study is a correlation in terms of method and the nature of research. In this research, the goal is to determine the relationship between variables. For this purpose,

appropriate indicators are available in terms of measuring variables. Research method is an inductive argument in which theoretical foundations and research background have been collected through the library, article and internet, and the inductive argument in generalizing the results has been used to reject or substantiate the research hypotheses by employing appropriate statistical methods. Therefore, the research has been carried out within the framework of inductive-deductive reasoning. This means that in theoretical foundations and research backgrounds, through library research, other sites, articles in the deductive framework and information gathering to confirm or reject hypotheses in the form of induction are done.

6. Research Model and Operational Definition of Variables

Considering that in this research the relationship between the type of auditor's report and the quality of the domain of disclosure of pharmaceutical companies is investigated, so, based on the following model, we can evaluate the effect of each independent variable on the dependent variable of the research:

$$DD_{it} = \beta_0 + \beta_1 AO_{1it} + \beta_2 AO_{2it} + \beta_3 AO_{3it} + \beta_4 Size_{it} + \beta_5 Growth_{it} + \beta_6 Age_{it}$$

DD: Disclosure domain quality

AO1: Acceptable report

AO2: Contingent Reporting – Obviating from Accounting Standards

AO3 Contingent Reporting - Important Restrictions on Domain Conduct

QD: Disclosure quality of Control variables

Size: Size of the company

Age: Life (age)

Growth: Growth of the company

The definition of these variables is described as follows:

7. Research Variables

Variables are those conditions or characteristics that the researcher manipulates, controls or observes. In other words, the variable is a feature, attribute, or factor that is common to people in the community and can have a small amount and different values.

7.1 Dependent Variable

A variable that is influenced by other variables and usually the effect of other variables on it is investigated (Khaki, 2008).

The dependent variables of this research are:

Disclosure Domain Quality (DD): In this research, in accordance with Penn et al. (2015), research's disclosure domain quality is five levels of Disclosure of compliance, disclosure of timeliness, disclosure of the accuracy of disclosed financial disclosure, disclosure of annual financial statements and disclosure of information through the company's website, measured through the standard checklist, as follows:

Table 7.1. Components and research items

Description		The corresponding question in the checklist
Disclosure Domain Components of	Disclosure Domain	Question 1 to 93
	Compliance with Financial Information Disclosure	Question 1 to 10
	Timely disclosure of financial information	Question 11 to 29
	Disclosure of Precision Forecast of Financial Information Disclosed	Question 30 to 33
	Disclosure of annual financial reports	Question 34 to 73
	Disclosure of information through the company's website	Question 74 to 93

According to the checklist, the score of disclosure domain and its components for each company are calculated from the total of "yes" answers from the total number of questions.

7.2 Independent Variables

An independent variable is the variable through which the dependent variable is predicted. It is also called

variable-stimulus or intra-data. It is also a variable that is measured or manipulated by the researcher to measure its effect or its relationship with another variable (Khaki, 156, 1988). But the independent variable that is being studied is as follows.

Audit reports: Auditor Report Type.

AO1 = (Acceptable Report): Artificial Variable If the company's audit report is acceptable, the number one is otherwise set to zero.

AO2 = (Contingent Report-Deviation from Accounting Standards) is an artificial variable if the company's audit report is contingent on the condition clause of the kind of deviation from the importance of accounting standards. The number one, otherwise, is a zero (NorzadDolatabadi and Jederi, 2011).

AO3 = (Contingent Report - Limit Important in the Domain of Compliance) is an artificial variable if the company's audit report is contingent on the condition clause of the type of constraint that matters in the domain. Number one, otherwise, is a zero (NorzadDolatabadi and Jederi, 2011).

7.3 Control Variables

In one study, the effects of all variables on each other cannot be simultaneously examined. Therefore, it should control the effectiveness of some variables or neutralize them, which are called control variables. In this regard, the study of the effect of independent and artificial variables should evaluate the effect of the above variables on the control variable that includes company size and firm life (age), company growth, financial leverage, and profitability.

1. Size of the audit company: The accounting institutions are divided into two groups of accounting organizations (large accounting institutions with high accounting quality) and small accounting institutions (small audit firms with low audit quality). One of the most important quality criteria for an audit report is the size of the auditing company, which the larger the size, the greater the audit quality. In order to calculate the size of an audit firm, if the audit firm is an audit firm and an audit organization, the number is 1 and the other ones is considered zero.
2. Age (life) The age of the company is calculated from the difference between the date of establishment and the period under review.
3. Company Growth: To control the company's growth, we use QTobin (the company's economic growth index), which is the company's daily value, as well as the value of its debt to the total book value of the company's assets.

8. Analysis

Using appropriate statistical techniques that are compatible with the research method and type of data, the collected data are categorized, analyzed and finally tested by the research hypotheses. In general, the purpose of describing the statistical sample is familiarity with the sample, and the purpose of analyzing data and hypotheses is to study the exact phenomena and relations of research variables. Using hypothesis test, the probability and confidence level is expressed in parameters. The most important determinant factor in data analysis is method choice and appropriate analysis tools. In this research, descriptive statistics method was used to describe variables and inferential statistics, especially regression analysis and econometric methods, for analyzing data and related tests to verify data quality and test hypotheses. In this research, data is a time-series combination in a panel which is analyzed by econometric method.

8.1 Descriptive Statistics of Data

In Table (8.1), descriptive statistics show research variables during the study period. Descriptive statistics of variables, measured using data from pharmaceutical industry companies during the test period (2010-2014), includes mean, median, standard deviation, minimum and maximum. As can be deduced from Table 8.1, mean, median, standard deviation, minimum and maximum type and content of the disclosure range are equal to 0.5527, 0.5530, 0.8209, 0.2680 and 0.9115, respectively. Since the median domain of disclosure of companies is slightly larger than its average, content distribution of disclosure domain among statistical sample is slightly is chute to left.

Regarding company size, mean, median, standard deviation, minimum and maximum, company size is equal to 27.048, 6.2885, 1.2132, 24.600, and 32.419 respectively. Since mean size of companies is lower than that of its average, the distribution size of company among statistical range is chute to right.

Table 8.1. Descriptive statistics of research variables

Variable	Description	Average	Mean	Standard deviation	Minimum	Maximum
DD	Disclosure domain quality	0.5527	0.5730	1.8209	0.2680	0.9115
AO1	Acceptable report	0.2040	0.0000	0.4032	0.0000	1.0000
AO2	Contingent Report-Avoidance of Accounting Standards	0.4321	1.0000	0.7764	0.0000	1.0000
AO3	Contingent Report - Limit Important in the Domain of Compliance	0.1087	1.0000	0.7764	0.0000	1.0000
Size	Company size	27.0486	26.8857	1.2132	24.6004	32.4191
Age	life (age) of company	18.4978	21000.	109.3671	12.000	57.000
Growth	company's growth	0/568	106.11	68.89	112.88	0/692

8.2 Inferential Statistics

Regression hypothesis

Test normality

This test is used to check normal distribution of dependent variables. The above test is known as the Kolmogorov-Smirnov test. The output table for this test (KS) in the Eviews software presented in Table 8.2 shows the results of this test as follows: Since the significance level for the dependent variable in the table above and according to the Z statistic, Kolmogorov Smirnov, is greater than 0.05, H0 hypothesis is confirmed and it can be stated with 95% certainty that our dependent variable has a normal distribution.

Table 8.2. Kolmogorov-Smirnov test

Variable name	Z Kolmogorov-Smirnov	Significance level	Result
DD Disclosure domain quality	1.4010	0.1013	Distribution is normal

Errors independence test

Serial correlation between the remaining (regression error) is performed by the Durbin-Watson test. The hypothesis of this test are as follows:

H0: There is no correlation between errors.

H1: There is correlation between errors.

The results of this test at the error level of 5% are presented in Table 8.3. Since the value obtained by Durbin-Watson statistic in the regression model of research is greater than that of the critical value at error level of 0.05, it can be concluded that the uncertainty of consistency of serial or residual variables in research regression model is confirmed at a significant level of 0.05.

Table 8.3. Error Independence Test

research regression model	Critical Values (5% Error Level)		Durbin-Watson Statistics
	du	DI	
	1.984	1.513	2.173

8.3 Variances Heterogeneity

The variance of the heterogeneity means that in estimating the regression model, the values of error sentences have unequal variances. And this is one of the important and meaningful issues. In order to obtain and estimate the heterogeneity of variance in this research, a test called White test was used. The results of this test are presented in Table 8.4.

Table 8.4. Results of variances heterogeneity

Regression model	White Statistics	P-value	Test result
	2.332	0.195	Lack of heterogeneity

The results of the White test (F statistics) presented in Table 8.4 show that F regression model at 0.05 error level is not significant; therefore, it can be concluded that zero hypothesis is based on the existence of heterogeneity of variance among model data at error level of .050. According to the results obtained from this test, we can use OLS regression model.

8.4 Independent Variable Coherent Test

Considering the numbers obtained from Table 8.5, we can conclude that there is no coincidence between independent variables because the level of tolerance and the variance factor for all independent variables is greater than 0.2 and the factor of inflation variance is also very close to 1 (Much less than 5), thus the hypothesis of the lack of a coherence between independent variables is confirmed.

Table 8.5. The coherency test between independent variables

Variable name	Tolerance	Factor of variance inflation
AO1 Acceptable report	0.887	1.127
AO2 Contingent Report-obviating from Accounting Standards	0.310	3.227
AO3 Contingent Report - Limit with Importance in Compliance Domain	0.900	1.111
Size Company size	0.491	2.036
Age life (age) of company	0.815	1.226
GR company's growth	0.376	2.482

8.5 Variables Reliability Test

After performing the above tests, this section examines the stagnation or reliability of research variables. In order to verify the reliability or stagnation of the variables, Im, Pesaran and Shin (1997) and Lin and Levin (1992) tests are used, and the results of this test are shown in Table 8.6.

Table 8.6. Im, Pesaran and Shin tests (IPS)

Variable	W-stat	p-value
DD Disclosure Domain Content	73.1791	0.0019
AO1 Acceptable report	23.4715	0.0060
AO2 Contingent Report-Obviating from Accounting Standards	45.7645	0.0031
AO3 Contingent Report - Limit with Importance in Compliance Domain	42.9107	0.0033
Size Company size	35.8974	0.0040
Age life (age) of company	33.3704	0.0043
GR Company's growth	32.286	0.0038

8.6 Determining the Appropriate Model for Estimating the Regression Model

F Lemer Test

Test results for the regression model of present study are shown in Table 8.7. Regarding the regression model, considering the significance level, the hypothesis (integrated model) is not confirmed, ie, the slope and the width of the origin for the different time intervals are not the same. Due to intercept heterogeneity, panel data (panel) method should be used to determine the regression model of research (confirmation of H1 hypothesis). In the next step, the panel model type (with random effects or constant effects) should be determined by the Hausman test.

Table 8.7. Chow test

Test result	Probability	F statistics	Research Regression model
Panel model Rejecting zero hypothesis	0.0037	38.7936	model

8.7 Hausman Test

After confirming H1 hypothesis and accepting the use of panel model, the method used to estimate the model (fixed or random effects) should be determined, which is used for this purpose by a test called Hausman test. In Hausman's test,

H_0 hypothesis is the absence of a relation between disturbance related to intercept and the explanatory variables against H_1 hypothesis that there is a correlation between disturbance and explanatory variables.

Table 8.8. Hausman test

research regression model	χ^2 Statistics	Probability	Test result
model	54.5373	0.0026	Rejecting zero hypothesis Panel with fixed effects

Results of the Hausman test for regression model of research are shown in Table 8.8. Results show that χ^2 statistics of Hausman test for research regression model is 54.353, which is significant at 99% confidence level, which confirms the hypothesis. Therefore, according to the results of this test, fitting the regression model of research is appropriate using panel data model with a fixed effect method.

Results of fitting the regression model and hypothesis testing

$$DD_{it} = \beta_0 + \beta_1 AO1_{it} + \beta_2 AO2_{it} + \beta_3 AO3_{it} + \beta_4 Size_{it} + \beta_5 Growth_{it} + \beta_6 Age_{it} + E$$

After testing regression hypothesis and ensuring their establishment, results of fitting regression equation are presented in Table 8.9. The value of F 38.7936 statistic also indicates significance of the whole regression model. As shown in the bottom of Table 8.9, determination coefficient and modified determination coefficient of the above model are 56.3% and 49.7% respectively. Therefore, it can be concluded that in the regression equation, only about 49.7 percent of variability in the audit report of the companies investigated by independent variables and control are explained. In this table, the positive (negative) numbers in the column indicate the amount of coefficient representing the direct (reverse) effect of each variable on the domain and disclosure domain quality of the pharmaceutical industry companies.

Table 8.9. Results of fitting regression equation

Variable name	Variable coefficient	coefficient amount	statisticst	Significance level	result of hypotheses test
constant number	β_0	0.623	2.102	0.00	Confirmed
Acceptable report	β_1	0.177	2.487	0.0241	Confirmed
Contingent Report-Obviating from Accounting Standards	β_2	0.304	2.244	0.02	Confirmed
Contingent Report - Limit with importance in Compliance Domain	β_3	0.422	2.597	0.014	Confirmed
Company size	β_5	0.497	2.677	0.02	Confirmed
Life (age) of company	B9	0.403	2.138	0.04	Confirmed
company's growth	β_0	0.123	3.22	0.02	Confirmed
determination coefficient	0.563	Statistics F		10.313	
Adjusted coefficient of determination	0.156	Significance)P-Value(Durbin-Watson statistics		0.000	1.926

8.9 Hypothesis Test

There is a significant relationship between the type of audit reports with disclosure domain quality of pharmaceutical companies.

9. Test Result

According to Table 8.9, significance level (sig) of the acceptable report variable (0.0241) is lower than that of the significance level considered in the current study (5%); also, the t-value of this statistic is larger (2.487) of the t statistic obtained from the table with the same degree of freedom. Therefore, H0 hypothesis is rejected at the 95% confidence level and H1 hypothesis confirms that there is a significant relationship between the acceptable audit report and the type and quality of disclosure domain of pharmaceutical companies. According to Table 8.9 of the fourth chapter, the significance level (sig) of contingent audit report with condition clause of the type of significant deviation from accounting standards (0.02) are less than that of the significance level considered in this study (5%); Also, absolute value of t-statistic of this variable (2.424) is greater than that of t statistic obtained from the table with the same degree of freedom. Therefore, H0 hypothesis is rejected at 95% confidence level and H1 hypothesis that there is a significant relationship between the audited report and the condition clause is the type of significant deviation from the accounting standards with the type and quality of disclosure domain of pharmaceutical companies. According to Table 8.9 of the fourth chapter, the significance level (sig) of the audit report of company is contingent on the condition clause of the type of restriction with significance in the domain of consideration (0.0144) is less than that of the significance level considered in the current study (5%). Also, absolute value of t-statistic of this variable (3.22) is greater than the t statistic obtained from the table with the same degree of freedom. Therefore, H0 hypothesis is rejected at the 95% confidence level and H1 hypothesis is confirmed that there is a significant relationship between the contingent audit report with the condition clause of an important limitation type in the domain of consideration with the type and quality of disclosure domain of pharmaceutical companies is confirmed.

The significance level (sig) of the company's growth variable is equal to 0.02, which is less than that of the significance level considered in the current study (5%); also, the t-value of this variable (3/22) is greater than that of t statistic

obtained from the table with the same degree of freedom. Therefore, the coefficient obtained for the above variable is significant in the regression model at 95% confidence level. At the end, the results show that there is a significant relationship between the type of audit report and the quality of disclosure domain of pharmaceutical companies. In other words, the hypothesis is accepted.

9.1 Research Overall Conclusion

According to results of the tests carried out on this research hypotheses, it is considered that the purpose of accounting and financial reporting is to meet the users' information needs and demands. The general purpose of auditors is to protect the interests of shareholders against material misstatements and errors in the financial statements. Auditors seek to increase the quality of audit reporting in order to maintain profession's reputation, professional reputation and avoidance of legal claims against them. The quality of disclosure domain of accounting information, documentation and clarification by the owner after the issuance of the draft report and the client's attempt to justify the auditor are the factors influencing the quality of the audit report, as increased disclosure quality has improved the financial reporting as well as the quality of the auditor's opinion. Increasing the quality can provide the necessary background for ease of implementation of the audit process, reduce audit risks, and ultimately reduce the auditors' pessimism to the investigative body, each of which can more accurately report auditors' reports more qualitatively. Finally, this auditor's report is considered as a useful information in the decision making process of users of financial statements. Due to the fact that the type of audit opinion and report on financial statements affect the desirability and disadvantage of financial statements, and usually the type of statements of audit reports, the amount and disclosure of information disclosed by the financial statements are shown by the companies, therefore, to the extent that managers cooperate with the auditors in providing relevant and high-quality information and provide realistic and non-fraudulent information, audit report will have a higher degree of desirability. The disclosure of financial information to MBOs is a task, and based on the fact that investors and shareholders take steps towards investing in companies according to this information. Therefore, the distortion of information should be avoided and focus on a quality audit report that has somehow come up with a realistic disclosure of information. Therefore, hypothesis results of this research show that there is a significant relationship between the type of audit report and the quality of the disclosure domain of pharmaceutical companies.

10. Suggestions

Suggestions are presented in two parts as follows:

10.1 Suggestions Based on Research Results

1. Use of experienced and professional institutions (large audit firms, such as the organization) to provide better quality audit reports.
2. Use of Stock Exchange from the major audit institutions to select trusted institutions
3. Optional disclosure of realistic financial statements to better serve the financial statements
4. Investing in stocks of companies whose audit and accounting reporting quality is higher in order to avoid higher risk
5. Appropriate, complete and complete disclosure of accounting information quality in financial reports for the purpose of exploiting financial information users such as auditors, investors, shareholders and creditors for making informed decisions.
6. Considering the quality and disclosure requirements of these items in accounting standards, in order to reduce the workability of the accounting standards developers.
7. The obligation for listed companies to provide timely information on accounting information and audit reports separately in the form of computerized reports and summarized financial statements.
8. The requirement for companies to provide and disclose veracity of realistic financial statements

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