THE EFFECT OF OWNERSHIP STRUCTURE ON VALUE RELEVANCE OF ACCOUNTING INFORMATION: AN EMPIRICAL EVIDENCE FROM IRAN

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Research Article

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ARTICLE INFO	ABSTRACT
	The purpose of this paper is to investigate the impact of ownership structres on value relevance of book value, earnings and cash flows in security prices given by firms listed in Tehran Stock Exchange (TSE) in Iran for the period from 2004 to 2014. The study basically use Feltham and Ohlson (1995) valuation model. The empirical results of the paper indicate that First, earning per share, book value and cash flows are value relevant, while Second, book value is the most value relevant variable and cash flows have more value relevance than earning per share in all samples. Third, incremental value relevance of book value, earnings per share and cash flows is greater in private – owned firms than in state-owned firms.

INTRODUCTION

The primary purpose of the financial statements is to provide information about a company in order to make better decisions for users (Germon and Meek, 2001). It should also increase the knowledge of the users and decision makers to predict future actions. Therefore, relevance accounting information can be described as an essential pre requisite for stock market. Value relevance is defined as the ability of accounting numbers to summarize the information underlying the stock prices, thus the value relevance is indicated by a statistical association between financial information and prices or returns. Empirical researches from the accounting area show that accounting information such as earnings and book values are significant variables in explaining stock price and price changes (e.g., Barth, Beaver, & Landsman, 1998; Burgstahler; Collins, Maydew, & Weiss, 1997). Many studies show that accounting information is value relevant. (Harris and Ohlson, 1990; Easton and Harris, 1991; Ali, 1994; Barth *et al*., 2001; Kothari, 2001;). Although the value relevance of earning, book value and cash flows individually and in a combination is widely researched in many countries, but there is a need to extend the valuation research in Iran. Few studies have examined the value relevance of these variables, Therefore, we try to extend literature in this area by providing new evidence regarding the

effect of these variables on share price in two sectors (State-owned firms & Privately-owned firms). Ownership structure could affect firms operation, profitability and then their value, large shareholders number might impact a firm performance and in turn its value. The impact of ownership structure proxied by different measures such as institutional, concentration, governmental, percentage and others on firm value has been well examined in prior studies and a mixed of significant results has been concluded and. Relationship between accounting information and market equity value (as value relevance) guide market participants in evaluating their investments in stock exchanges. This paper tries to indicate whether ownership structure matters to firm value. No previous study has analyzed the impact of ownership structure on the Value relevance of earnings, book value and cash flow. This issue is important since previous studies only of ten examined the Value relevance accounting information. According to these aspects, the study tries to address the following questions;

RQ1: *Do Earnings and book values and chash flow significantly affect on share prices?*
RQ2: *What is the most value relevant variable among book value, earnings and cash flows in firms' valuation model?*

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RQ3: Are there significant differences in perception about the value relevance of accounting information of govenmental and private firms in Iran?

The purpose of this paper is to provide great insight about the impact of ownership structure on value relevance of accounting information   among companies listed in Tehran Stock Exchange over the period of 2004- 2014. The research basically use a generalized version of the Ohlson (1995) model that cash flows have been added to the model because the paper predicts cash flow may provide additional information about firm's equity value Collins, Maydew and Weiss (1997).

The remainder of the document is organized as follows.In Section 2, we discuss relevant prior literature. section3 develops the research hypotheses. In Section 4, we describe the general research design of the study and, in particular, the valuation models employed in the empirical work, together with the statistical tests applied to these models,and we describe data sources, the measurement of the various accounting and market variables employed and the sample selection process. The basic results of our empirical work are reported in Section 5. In Section 6, we present a brief discussion of the further analyses performed. While Section 7 con

LITTERATEUR REVIEW

Concept of Value Relevance

The concept of value relevance is conceptualized in literature as the ability of the accounting variables disclose in the financial statement to explain the market price of shares. Various academicians Penman (1989), Harris and Ohlson (1990), Francis and schipper (1999), have given their interpretation of the term value relevance. The variable is value relevant if it enables the prediction of stock price by capturing the intrinsic value of the stock Harris and Ohlson (1990).

Value relevance research investigates the association between a security price dependent variable and a set of independent accounting variables Beaver (2002). Holthausen and Watts (2001) reviewed the value relevance of information and its effects on standard setting. Based on accounting theories, the value relevance of accounting variables and equity valuation has limited implications for the standard setters. Healy and Palepu (2001) investigated discretionary information disclosure by managers. They also showed that earnings, book values and other required information possess informational content. The theoretical foundation of value-relevance studies is a combination of a valuation theory plus contextual accounting arguments that allow researchers to predict how accounting variables relate to the market value of equity (Beaver, 2002).

Value Relevance of Book Value, Earnings and Cash flows

Many empirical studies of accounting have been trying to find the value relevance of accounting information in order to enhance financial statement analysis. Value relevance could so be identified as the explanatory power of accounting variables, such as earnings and book value of equity, cash flows Livnat and Zarowin(1990). The earnings per share which is a parameter that can be used to measure the earnings ability of firms is required to be disclosed by companies quoted or about to be quoted in the public security market. Value relevance of

earnings is ascertained by regressing stock returns on accounting earnings Ball and Brown (1968), A firm's earnings are more value relevant if they are permanent and less volatile. Ohlson (1995) and Feltham and Ohlson (1995) show that under certain condition, market value of a firm can be expressed as the weighted average of book value and earnings. Studies in this area of research have shown that the book value of equity in addition to earnings is associated with the market value of firms. Extant studies show that book value of equity is relevant and there is stronger association between share price and firms book value relative to earnings .(Ohlson and Penman, 1992; Collins, Maydew and Weiss, 1997: Barth, Beaver and Landsman, 1998; Sloan (1999) find that book value of equity conveys incremental information over earnings in explaining contemporaneous share prices. This supports the claim by Burgstahler and Dichev (1997) that omitting either earnings or book value in the model leads to model misspecification. Barth *et al*. (1999) investigate that cash flows provide a prediction about future earnings and book value. Number of studies have established that earnings and cash flows have differential implications for firm value (Burgstahler and Daley [1986], Ali [1994], Sloan [1996]).

 Burgstahler and Daley (1987) investigate the effect of cash flow on share prices, they find that cash flow are more value relevant than earnings. Sloan (1996) examines the information content of accruals and cash flow components of earnings. The study that accrual component has lower value relevance than the cash component. Value relevance of book value, earnings and cash flows has also been studied by Gee Jung and Kwon (2009), he stated that book value is the most value relevant variable and cash flow is more value relevant than earnings.

Ownership Structure and Value relevance

Some economists argue that, in a competitive market without significant externalities, government ownership is inferior to private ownership, among others; provided the empirical evidence for the proposition that government ownership is less efficient than private ownership. Furthermore, Megginson and Netter (2001) pointed out that privatisation results in improved performance.

Government companies has been widely criticised for the excessive intervention of government, lack of liquidity, and the continuation of bureaucratic management style (Chen and Wang, 2004, Bai *et al*., 2004). Another fatal flaw of state ownership in the listed companies is political interference. Based on the voting rights from the majority holding shares, the government exerts direct control over the corporate management. When political objectives conflict with corporate goals, the government always pursues its political interests by forcing management to compromise. And this usually comes at the expense of corporate profitability. also, government can also help monitor the management of listed companies. Agency problems (Jensen and Meckling, 1976) arise from the disparity in objectives between shareholders and managers. The economy of Iran has undergone a significant transformation in years. The main objectives for the economic reform program were; improving economic efficiency and productivity, enhancing private sector role in utilities, Privatization in broad terms involves the transfer of ownership and/or control of state-owned organizations to private investors (Kikeri, Nellis and

Shirley, 1994). In Iran many state owned enterprises have been partially or totally privatized. Governmental firms defines as a company which more than 50 percent of shares are owned by the government. Governmental firms in the Iran economy is much greater than that of non-governmental. Due to strong support from the government, governmental firms have grown to a huge size and now many Iranian firms belong to them. much of the governmental firms' business expansion comes from excessive borrowing. Theoretical and empirical research on the relationship between ownership structure and firm performance was originally motivated by the separation of ownership from control and, more recently, by agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983). Thomsen and Pedersen (2000), find that after ownership concentration has a positive relation with market to book value of equity as well as return on asset. Further, they find that ownership identity has important implications for corporate strategy and performance. Bae and Jeong (2007) examine the quality of earnings and book value provided by firms with ownership is concentrated They find that ownership concentrated firms tend to provide less value-relevant earnings and book value.

Privatization in Iran

In Iran, the privatization is the new challenge in recent decade. According to the Principle 44 of Iranian Constitution, The privatization with purpose of improving the quality of supply, reducing the price, decreasing the participation of government in industry, Although some shares of distribution companies have been transferred from government to public bodies recently, but elimination of monopoly and introduction of competition are new goals for privatization. Tehran Stock Exchange (TSE) was inaugurated in April 1968. Initially, only government bonds and certain statebacked certificates traded on the market. During the 1970s, the need for capital increased the demand for stocks. The transfer of shares of public companies to the private sector led to the expansion of stock market activity. The changes of the economy after the Islamic Revolution in 1979 expanded public-sector control over the economy and reduced the need for private capital (Mashayekhi and Mashayekh, 2008). In recent years, the Iranian government has moved towards privatization of governmental companies for the fulfillment of Article 44 of Iranian constitution; therefore, it began to sell their stocks on the stock exchange (Yegane *et al.*, 2008). Since then, the TSE has expanded continuously.

Hypothesis Development

The primary purpose of the financial statements is to provide information about a company in order to make better decisions for users particularly the investors. (Germon and Meek 2001). It should also increase the knowledge of the users and give a decision maker the capacity to predict future actions. Therefore, relevance accounting information can be described as an essential pre requisite for stock market growth. The value relevance of accounting information is primarily concerned with the role of accounting for equity valuation (Barth *et al.*, 2001). Cheng, Liu and Schaefer (1996) find that earnings decrease in value relevance and operating cash flow increase in value relevance with a decrease in earnings performance. Arce and Mora (2002) explore the valuation relevance of book value

and earnings in a levels valuation model. Burgstahler (1987) report that cash flow have incremental information content relative and in addition to that of earnings. Cheng, Liu, and Schaefer (1997) also show that estimated operating cash flows have incremental value relevance beyond earnings. Considering the mentioned issues, the study hypothesis is expressed in the following:

H1: *Earnings and book values and chash flow are significantly affected on share prices.*
Hypothesis 1.1: *There is an empirically verifiable relationship between share prices and book value.*
Hypothesis 1.2: *There is an empirically verifiable relationship between share prices and earnings.*
Hypothesis 1.3: *There is an empirically verifiable relationship between share prices and cash flow.*

Dechow (1994) document that earnings have more ability to reflect firm performance than cash flows. He finds that earnings have a stronger association with stock returns relative to net cash flows or cash from operations he also finds that earnings predict expected future cash flows better than operating cash flows. Hung (2001) examines the relationship between the use of accruals and the value-relevance of accounting measures. Her results indicate that the use of accrual accounting (versus cash flows) decreases the value-relevance of accounting performance measures. , Basing their inferences on model R^2, they conclude that earnings are more relevant than book value. Cheng, Liu and Schaefer (1996) find that earnings decrease in value relevance and operating cash flow increase in value relevance with a decrease in earnings performance. Ohlson (1995) found book value is more dominant compared to earnings in most of the studies and Collins *et al* (1997) noted a inverse relationship between value relevance of earnings and book values. Most prior literatures (Livnat and Zarowin 1990; Sloan 1996; Dechow *et al*. 1998; Landsman and Maydew 2002) document that earnings after book value are more value relevant than cash flows, so second hypothesis is expressed in the following:

H2: *earnings is more value relevant than book value and cash flows.*

Since this study attempts to capture the impact of ownership structure on the accounting information relevance, it employs the ownership (via two proxies) proposed in Ohlson model (1995). We hypothesized the impact of ownership proxies on the value relevance of individual earnings, book value and cash flows both in a combination. Hypothesis is expressed in the following:

H3: *There are significant differences in perception about the value relevance of accounting information of govenmental and private firms in Iran*

Research Design

Measurement of Value-relevance

In order to examine the effect of ownership structure on value relevance of book value, earnings and cash flows relate to equity value, the paper test hypothesis (H1-H4) using following equations (1-9). This paper basically use a generalized version of the Ohlson (1995) model. The value of a firm's equity can

be expressed as a function of its earnings and book value (Ohlson, 1995):

$$P_t = b_1 + b_2 E_t/S_t + b_3 BV_{t-1}/S_t + e_t \tag{1}$$

This paper adds cash flows to the Ohlson (1995) model because the paper predicts cash flow may provide additional information about firm's equity value. The paper uses multiple regression models of equity value and book value/earnings/cash flows to investigate relative and incremental value-relevance among book value, earnings and cash flows. This valuation model was modified by Collins, Maydew and Weiss [1997]. Cash flow per share can be interpreted as pertaining to "other information" in Ohlson (1999) model. Following Collins, Maydew and Weiss [1997].The methodology of testing the value relevance of book value, earnings and cash flows is mainly based on cross-sectional regressions of security prices on the value estimates.

$$P_t = b_1 + b_2 E_t/S_t + b_3 BV_{t-1}/S_t + b_4 CF_t/S_t + e_t \tag{2}$$

where P_t is average annual share price, E_t is the earnings per share of firm i during the year t, BV_{t-1} is the book value per share of firm **i** at the end of year t, CF_t : Operating Cash Flows in period t , S_t: Total number of shares outstanding in year t. e_t: a normally distributed error term. This study uses the adjusted coefficient of determination (adj. R^2) [1] as the unit to measure the value relevance of earnings, book value and cash flow. The following equations are estimated to analyze the explanatory power that earnings, book value and cash flow on share price individually and in a combination . To investigate our first research question, we adopt the explanatory power approach and use the R-squares from the yearly regression of the following models:

The equation **(3)** examines the relationship between price of share and book value**:**

$$P_t = b_1 + {} + b_2 BV_{t-1}/S_t + e_t \tag{3}$$

The equation **(4)** examines the relationship between price of share and earnings.

$$P_t = b_1 + b_2 E_t/S_t + e_t \tag{4}$$

The equation **(5)** examines the relationship between price of share and cash flow.

$$P_t = b_1 + b_2 CF_t/S_t + {} + e_t \tag{5}$$

The second hypothesis is to investigate the most value relevant factor among primary accounting variables. To compare the explanatory power that earnings, book value and cash flow have for prices, we decompose total explanatory power into three parts: (I) the incremental explanatory power of earnings, (2) the incremental explanatory power of book value, and (3) the incremental explanatory power of cash flow (4) the explanatory power common to both earnings, book value and cash flow . This decomposition is used in Easton (1985) and is derived theoretically by Theil (1971). We use the following model to investigate the second hypothesis:

$$P_t = b_1 + b_2 E_t/S_t + b_3 BV_{t-1}/S_t + b_4 CF_t/S_t + e_t \tag{6}$$

[1] R^2 s on a time variable was also used in Francis and Schipper (1996). We control for first-order autocorrelation in the residuals using a generalized least-squares approach developed by Prais and Winsten (1954) and described by Greene (1990).

Measurement of Value-relevance and ownership structure

The above regression models are estimated for the total sample. In this section above regresion (2) are estimated for sub samples of ownership structures. According to ownership structure, firms are divided into two groups:

1. Governmental ownership
2. Private ownershipHHH

We construct model (8) and (9) to examine the effect of ownership structure on value relevance of book value, earnings and cash flows, we estimate the model separately for two groups using pooled samples as well as yearly samples. That is, we estimate the following two models with a superscript indicating the particular ownership:

Hypothesis 3: *There are significant differences in perception about the value relevance of accounting information of govenmental and private sectors in Iran*

$$P_t^S = b_1^S + b_2 E_t^S/S_t + b_3 BV_{t-1}^S/S_t + b_4 CF_t^S/S_t + e_t^S \tag{8}$$

$$P_t^P = b_1^P + b_2 E_t^P/S_t + b_3 BV_{t-1}^P/S_t + b_4 CF_t^P/S_t + e_t^P \tag{9}$$

In this study, we code the ownership structures accordingly:

S—"**State**": State-owned firms. These firms are controlled by the Government and more than fifty percent of the shares held by the state.

P—"**Private**": Privately-owned firms. more than fifty percent of the shares held by the private sectors. respectively. While prior studies (e.g., Collins *et al*., 1997; Francis & Schipper, 1999) provided intuitive R^2 comparisons, the lack of test statistics places limitations on assessing the strength of the findings. Therefore, we use the Cramer (1987) test to examine the difference in the adjusted R^2.

Sample selection

The sample selection starts with the financial data of the companies listed in Tehran Stock Exchange for the period 2004–2014. Considering the year 2004 as a groundwork year, 96 firms were identified in Tehran Stock Exchange. The sample selection process, which is shown in Table 1, then brings this number down to 1101 firm-year observations. As a next step, For comparison, the sample is comprised of State-owned and Privately-owned firms in Tehran Stock Exchange. State-owned are controlled by the Government and more than fifty percent of the shares held by the state and Privately-owned firms that more than fifty percent of the shares held by the private sectors were chosen as statistical population. after deleting firm-year observations with missing data, sample shall be made with respect to following limitations:

1. They had been actively present during the years 2004 to 2014 in Tehran Stock Exchange,
2. For increasing comparability purposes,Their financial year ended in 20th of March
3. 3.They had no change in their main activities and their financial year,
4. Due to the difference of activities and accounting policies, it is not any financial brokerage, holding and bank industries.

Empirical results

Descriptive statistics and correlations

As we can see the descriptive statistics of the sample, including the definitions of the variables and the Pearson bivariate correlation coefficients, are presented in Tables 1 and 2 for the period under investigation (2004–2014).

Table 1 Descriptive statistics for firm-year observations for the years 2000-2014 *Panel A : Total sample (N =1101)*

Variables Mean		Standar deviation	Lower quartile		Upper quartile
				Median	
Price (P)	6.1	7.5	1.9	3.4	6.8
Earnings per share (EPS)	1.5	11.2	0.2	0.5	1.1
Book Value (BV)	2.1	1.6	1.3	1.8	2.6
Cash Flow (CF)	134.9	719.63	10.8	44.4	13.77

Notes: The sample contains 96 firms with 1101 observations for the period 2000–2014.

EPS are earnings before taxes divided by common shares outstanding and deflated by opening price; Price is average annual share price, Earnings is the earnings per share of firm iduring the year t, Book Value is the book value per share of firm **i** at the end of year t, Cash Flow (CF_t): Operating Cash Flows in period t, mean of all variables is higher than the median suggesting that the distribution of the data is positively skewed. Additionally, the standard deviation in all variables is higher compared to the mean except book value, standard deviation is lower. The larger value of cash flows is the result of the exclusion of non-cash accruals (depreciation and amortization) which reduce earnings. Moreover, the standard deviation of cash flows (719.63) is higher.

Table 2 Correlation among independent and dependent variables (2004-2014)

Variables	CFO	P	EPS	BV
CFO	1			
P	.59 .051	1		
EPS	.02 .938	.75[*] .014	1	
BV	.62[*] .039	.47[**] .000	.13[**] .000	1

[*]. Correlation is significant at the 0.05 level (2-tailed).
[**]. Correlation is significant at the 0.01 level (2-tailed).

Notes: The number of firm-year observations is 1101. Pearson correlations are in the bottom-left cells. EPS are earnings before taxes divided by common shares outstanding and deflated by opening price; Price is average annual share price, Earnings is the earnings per share of firm iduring the year t, Book Value is the book value per share of firm **i** at the end of year t, Cash Flow (CF_t): Operating Cash Flows in period t,

Table 2 presents the correlation coefficients among the sample variables. book value (BV) are positively correlated to EPS, CFO and P. Additionally, earnings per share (EPS) are positively correlated (.075) as is P It is noteworthy that the correlation between P-CFO and EPS-CFO is insignifican, the correlations between EPS-P, BV-CFO, BV-P and BV-EPS are all positive and significant.

RESULTS OF REGRESSIONS

To compare the explanatory power that earnings, book value and cash flow have for prices, we decompose total explanatory power into three parts: Eq.(3) the incremental explanatory power of book value, Eq.(4) the incremental explanatory power of earning per share, and Eq.(5) the incremental explanatory power of cash flow, and finally Eq.(6) the explanatory power common to earnings and book value and cash flow. The preliminary analysis includes the estimation of the Eqs. (3)–(6). We have applied the White (1980) test so as to control for heteroscedasticity in the error terms and we report two tail significance levels throughout the tables. As the primary metric to measure value relevance, adjusted R^2 is used (Francis and Schipper, 1999; Lev and Zarowin, 1999; Bao, 2004). The results of the pooled sample were used to accept or reject the study's hypotheses. The results are illustrated in Table 3.

Table 3 Estimating models of corporate valuation on pooled data (2004– 2014) (OLS estimation based on adjusted White's Heteroscedasticity-Consistent S.E.'S) — number of shares as the de ator.

Model (3): $P_t = b_1 + + b_2 BV_{t-1} + e_t$			
Coef cients			
Intercept	BV_{t-1}		Adjusted R2
5.980	15.170		23%

Model (4): $P_t = b_1 + b_2 E_t + e_t$			
Coef cients			
Intercept	EPSit		Adjusted R2
26.22	2.47	15.50%	
0	-0.014		

Model (5): $P_t = b_1 + b_2 CF_t/S_t + + e_t$			
Coef cients			
Intercept	CF_t		Adjusted R2
25.96	1.95		19.30%
0	-0.041		

Model (6): $P_t = b_1 + b_2 E_t/S_t + b_3 BV_{t-1}/S_t + b_4 CF_t/S_t + e_t$				
Coef cients				
Intercept	E_t	BV_{t-1}	CFt	Adjusted R2
5.89	1.01	14.86	1.2	27.50%
0	(0.035))	0	-0.027	

White (1980) t-statistics are in parentheses (two-tail test). significant at the 0.05level respectively. EPS are earnings before taxes divided by common shares outstanding and deflated by opening price; Price is average annual share price, Earnings is the earnings per share of firm iduring the year t, Book Value is the book value per share of firm at the end of year t, Cash Flow (CF_t): Operating Cash Flows in period t, cross-sectional regressions showing incremental explanatory

power of earnings, cash flow and book values. In each year, three cross-sectional regressions are run. Price is regressed on (1) earnings, (2) book values,(3) cash flow and (4) both earnings, cash flow and book values. The incremental explanatory power of book values (BV) is the explanator'y power, R^2, from regression (3). The incremental explanatory power of earnings per share (!ncr Eps) is the R^2 from regression (4), Yearly cross-sectional regressions(6) showing the total and incremental explanatory power of earnings, cash flow and book values.

The results of cross sectional regressions are shown in Table 5. Results from the estimation of Eq. (3) indicate that the book value model has an adjusted R2 of 23% (which is higher compared to Model 5 & 4's R^2), the second Eq. (4), earning per share model has an adjusted R^2 of 15.5% and the third Eq.(5), cash flow model has an adjusted R^2 of 19.3% (which is higher compared to Model 4's R^2).

This finding show that the cross-sectional variation of stock price is explained by book value, earning per share and cash flow are positive and statistically significant (tstatistic= 15.17, 2.47 and 1.95 respectively) at the 5% significance level. Also it is suggesting that book value with adjusted R^2 of 23.% have important implications for valuation purposes, thus verifying our seconend hypothesis. The estimation of the Eq. (6) indicates that the incremental information content test supports the value relevance of book value, earnings and cash flows. The last column of Table 5 reports that book value, earnings and cash flows are value relevant. these empirical results imply that book value, earnings and cash flows variables are important inputs into the valuation,

Ownership structures on value-relevance

To examine impact of ownership on value relevance of accounting information, liked the 3 hypothesis testing, In this regard, the data (year- firm) should be divided into two equal sections based on ownership structre. Results of regression assessment for government and private firms are given in Table 4.We now investigate the impact of ownership structures on value-relevance. Specifically, we examine how the ownership among firms are associated with value-relevance. Therefore, we expect firms with private ownership to provide earnings, cashflow and book value that reflects financial status and performance more accurately than firms with governmental ownership. To see the impact of ownership on value relevance, we partition the sample in two groups and report the adjusted R^2s in Table 4.

Table 4 Estimating models of corporate valuation on pooled data (2004– 2014) (OLS estimation based on adjusted White's Heteroscedasticity-Consistent S.E.'S)

Model (7): $P_t^S = b_1^S + b_2 E_t^S/S_t + b_3 BV_{t-1}^S/S_t + b_4 CF_t^S/S_t + e_t^S$				
Coef cients				
Intercept	E_t	BV_{t-1}	CF_t	Adjusted R2
3.6	2.39	15.18	1.36	31.40%
0	(0.01))	0	-0.007	
Model (8): $P_t^P = b_1^P + b_2 E_t^P/S_t + b_3 BV_{t-1}^P/S_t + b_4 CF_t^P/S_t + e_t^P$				
Coef cients				
Intercept	E_t	BV_{t-1}	CF_t	Adjusted R2
2.06	4.75	25.09	3.78	62%
0	(0.03)))	0	-0.027	

Results from testing the study's hypotheses in private and govermental sectors for the yearly and pooled sample regression are presented in Tables 4. These tables show statistically significant R^2,

Notes: Coefficient estimates are based on ordinary least-squares estimation. EPS are earnings before taxes divided by common shares outstanding and deflated by opening price; Price is average annual share price, Earnings is the earnings per share of firm iduring the year t, Book Value is the book value per share of firm **i** at the end of year t, Cash Flow (CF_t): Operating Cash Flows in period t,

We run the cross-sectional regressions during the period 2004-2014 for the private and state firms separately, and compare the explanatory power of the two groups. Instead of reporting coefficients, *t*-statistics, and adjusted R^2s, we graph the R^2s for both private and state firms in table4. What is immediately obvious from the figure is that the explanatory power of private firms is generally higher than that of state firms. the R^2s of private firms are larger than those of state firms. This result is statistically significant at the 5 percent level in the binomial test. Consistent with Table 4, private firms provide more value-relevant information. The adjusted R^2s for the two groups of firms are 31.4 and 64 percent, respectively. The explanatory power of governmental firms is 32.6 percent lower than that of private firms. All coefficient estimates of earnings, cash flow and book values for private firms are statistically significant and positive.

CONCLUSION

This study focuses on the issues of value-relevance of accounting numbers and the relationship between different types of ownership structre in TSE. The whole study has been divided into two stages. In stage one, the central task is to investigate whether the accounting information reported by Iranian listed companies is playing a significant role in explaining the market value. Stage one tries to explore: Is accounting information provided by Iran listed firms value relevant?

In stage two, the focus of the study is shifted on the ownership structure and value-relevance of accounting numbers. We used cross sectional regression to examine the value relevance of accounting information. In general, the result of cross section regression of all models indicates that the accounting information is value relevant for the investors at Tehran's Stock Exchange. The scope of the present study is to examine the relative and incremental information content of earnings, book value and cash flows within Iranian firms Therefore, the present study adds to the existing literature by examining the impact of earnings, book value and cash flows on stock price. Data analysis over a period of ten years (2004–2014) revealed that Earning per share, book value and cash flows variables are important inputs into the stock valuation. However, the book value is more value relevant (its adjusted R^2 is 23%). Earnings per share, cash flow and the book value of equity per share in this model are significant at 95% confidence level which shows the impact of accounting variables on share price. Also the results show the explanatory power of private firms is generally higher than that of state firms. The R^2s of private firms are larger than those of state firms.

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How to cite this article:

Yadollah Tariverdi *et al*.2016, The Effect of Ownership Structure on Value Relevance of Accounting Information: An Empirical Evidence From Iran. *Int J Recent Sci Res.* 7(5), pp. 10980-10987.