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CEO Characteristics and Audit Market Competition on Disclosure Quality and Financial Comparability

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Abstract

Objective: Nowadays, considering the competitive environment and changing business conditions, the most important issue for companies is their credibility and level of acceptance. One of the important tools to show this is the ranking of companies. In fact, the company's ranking can be a sign of its creditworthiness. Regarding this, most countries have ranked companies listed on their stock exchanges. The study examines whether the CEO's characteristics are associated with financial information's disclosure quality and comparability.

Methodology: The research data was obtained from 119 listed companies on the Tehran Stock Exchange during 2014-2019. In this study, panel data and regression model of the data panel were used and data were analyzed using EViews.

Results: The results indicate a positive significant relationship between the tenure and disclosure quality of financial information. There is a negative significant relationship between the CEO's financial information and the quality of information disclosure, and also, no significant relationship exists between the competition in the audit market and the disclosure quality of financial information.

Innovation: Considering that the characteristics of the CEO, especially his tenure and financial information, have not been examined with important variables such as disclosure quality and financial comparability, we felt it necessary to present an article on this topic.

Keywords: CEO's characteristics, CEO's tenure, CEO's financial expertise, information disclosure quality, timeliness of information, reliability of information, information comparability

1. Introduction

Accounting is an information system that helps investors, managers and the government better decide on economic issues by providing the necessary information. Accounting has been developed to meet human needs. Accordingly, over time and along with the expansion of economic activities and increasing complexity, the goals and methods of accounting have been developed to meet the information needs since individuals require timely, reliable and comparable information to decide about suitable financial resource distribution that can be obtained through accounting.

Prasad and Green (2015) state that the output of any flexible accounting information system contains timely, reliable and comparable information when it can promote the competitive position and managers' quality of decision making in designing, implementing and evaluating the organizational strategies. Therefore, one of the most important processes run by accounting information systems is the accounting process, which consists of three stages of collection, processing, and reporting of financial information for decision-making and management of the control environment (Romney and Steinbart, 2015).

The success of any organization in reaching its goals depends on its managers. The organisation will achieve its goals if the managers do their job properly. Therefore, managers encounter problems in performing their tasks and should identify different solutions and choose the best among them. They need timely, reliable information that can be compared with other information in this field.

Information is a key element in economic decisions. In capital markets, investors use information in their decisions that is expected to be credible, timely, reliable, and highly comparable. The report provided by the company's executives is the most reliable source of information for investors, creditors and other users of corporate information. Following some financial scandals for a number of big and famous companies around the world that have reduced public confidence in corporate financial information and reporting, the need for more and better information has increased, resulting in more demand for improving disclosure quality. Information disclosure plays an essential role in investment decisions and market performance. Investors are often faced with information issues before investing and agency issues after investing, as most decisions, including investment decisions in the capital market, are carried out in conditions of uncertainty (Healy and Palepu, 2001).

Companies disclose information by publishing financial statements, explanatory notes, general assembly reports, and the media. Disclosure of information has significant differences in different companies. Various factors influence the decision-making methods for presenting or not presenting certain information by management. Research in this area suggests that disclosure is a function of two main factors: 1. internal factors related to the company's characteristics, such as the CEO characteristics and the composition of shareholders. 2. Influential external factors include product market competition, legal regulations, and industry type (Sassi and Toumi, 2018).

Given the market's competitive conditions, managers face many financial reporting challenges. On the one hand, information should be disclosed to the standard level since financial reporting, while being able to help the company's competitiveness, may also compromise its competitors by providing strategic information to its competitors. On the other hand, managers need to decide on the quality of the information they want to provide to create more competitive advantages for the company and prevent undermining its competitive position. In other words, companies active in the markets and the exclusive industries have a vague and imprecise information environment. Under such circumstances, investors cannot assess the company's performance (Daliwal and Huang, 2008). Hence, market competition is considered an effective tool for solving the representative problems and improved corporate governance, to the point where it is a stronger internal and even external governance mechanism.

Nevertheless, little attention is paid to the issue of CEO characteristics and market competitiveness as an important mechanism for accounting information and financial reporting.

According to the explanations presented in this research, we are seeking to answer whether the CEO's characteristics include tenure and financial expertise, as well as competition in the audit market, which are internal and external factors affecting the disclosure of information, resulting in the improved quality of disclosure and comparability of financial information.

Nowadays, considering the competitive environment and changing business conditions, the most important issue for companies is their credibility and level of acceptance. One of the important tools to show this is the ranking of companies. In fact, the company's ranking can be a sign of its creditworthiness. Regarding this, most countries have ranked companies listed on their stock exchanges. In Iran, the stock exchange has also ranked companies based on timely and reliable disclosure of information. According to the Financial Accounting Standards Board, disclosure is a widespread term that roughly includes the entire financial reporting process. One of the basics of accounting is the principle of disclosing relevant facts about business units' financial events and activities. The principle requires that financial statements be prepared and presented in a timely, relevant, reliable, comparable, and understandable manner for reporting purposes; that is, users can use financial statements to make informed decisions.

The importance of competition in the audit market in Iran is further felt after the adoption of Article 44 of the Constitution, i.e. the privatization and relative change in the government's approach to the economy because by implementing the process of privatization, conditions will be provided for the competitiveness of industries in government monopoly. Therefore, this can be considered one of the important mechanisms for the decision-making process of corporate executives. On the one hand, market competition requires companies in the industry to maintain critical and strategic information to the public, especially competitors for survival in the market and to increase their market share while seeking required information to decide on their rivals. On the other hand, high competition increases the likelihood of bankruptcy and is considered a serious threat to the professional security of managers and investors, which leads managers to work more towards corporate affairs (Tang and Li, 2011).

2. Theoretical background and expansion of hypotheses

2.1. Quality of financial information

Providing financial information for users inside and outside the organization in the form of financial reports is the final product of the financial accounting process. The financial reporting relates to the firm being accountable for its resources. Therefore, it provides a basis for making economic decisions. An important part of the financial reporting process in evaluating the financial position, financial performance, and financial flexibility of the firm is a financial statement that investors provide based on such financial information. Therefore, it is necessary to consider certain qualitative features in its preparation to obtain such financial information. Regarding the content presented on the qualitative characteristics of the information, as the characteristics associated with the qualitative characteristics of the information are extensive, this study tries to provide some qualitative characteristics of the information, including timeliness and reliability, which in total are considered an indicator of the quality of disclosure; we also examine comparativeness of financial information.

The users of financial information, especially investors, understand the importance of transparency of financial information of companies because they require transparent and comparable financial information to make the right decisions for investment in firms and the optimal allocation of scarce resources in the community. So, a principle of accountability and informed economic decision making. The essential requirement for developing the economy and achieving an efficient capital market is the presence of transparent and comparable financial information (Accounting Standards Committees, 2006).

Since the transparency of financial information improves resource allocation and is one of the most important factors in creating the conditions for full competition as well as equal opportunities in this market, it is also important from the economic point of view that the lack of transparency is considered one of the most influential factors in the recent failures in the capital market.

Iatridis (2011) reviewed the disclosure quality and concluded that companies with higher liquidity and profitability tend to offer high quality disclosures.

Compulsory and optional disclosure of information can have many economic implications, such as the improvement of stock liquidity in the capital market, the reduction of corporate capital costs, and increased use of information by the user, ultimately leading to an increase in the company's value.

Alzehar et al. (2015) concluded that with the increase in the quality of disclosure, the economic consequence of accounting information decreases, and the economic consequences of accounting information increase by decreasing disclosure quality.

In relation to signalling theory, Habib and Hossain (2013) state that firms in the markets lacking information symmetry propagate credible signals to maintain credibility. In a competitive market, companies that perform well have a strong incentive to report their operational results. Consequently, competitive pressures lead companies with ordinary news to report. Failure to disclose information is considered as bad news. In the meantime, companies with bad news are reporting to maintain their credibility.

Balakrishnan et al. (2014) concluded that companies do higher quality disclosure to increase their firm's value and reduce financing costs.

The timely and reliable release of financial reports is a key factor in reducing information asymmetry and improving the performance of capital markets. The delays associated with releasing financial statements increase the unreliability of investment decisions. In addition, in developing countries, disclosure of high-quality information is one of the main means to reduce the abuse of first-hand information by in-company people (Owusu-Ansah, 2000).

Kubota & Takahara (2016) concluded that companies with less information asymmetry were more inclined to disclose financial information.

Agency theory mainly refers to the conflict of interests between the manager and the owner. As companies develop, owners entrust the company administration to managers. The separation of ownership from management leads to agency problems.

Binti Hashimi and Binti Abdol Rahman (2011) found that proper corporate governance would ensure the quality of financial reporting. The information is considered high quality, relevant and timely and is associated with promoting the quality of reporting by the agent, along with the reduction of reporting breaks and eliminating the obstacles and complexity of the audit, and ultimately reduced delay in the issuance of the audit report.

2.2. Accounting comparability

According to theoretical concepts of financial reporting, financial reporting is the final product of an accounting system. The financial statement is its main part. Financial statements provide useful and reliable information for intra-organizational and external users to make wise economic decisions (Accounting Standard Development Board, 2009). This information will be useful in making decisions when they are of good quality.

According to the Financial Accounting Standards Board theory, it is necessary to provide a model to increase the information benefits and compare the performance of the firms with each other. So, the Financial Accounting Standards Board defines comparability as: "the qualitative feature of information which enables users to identify similarities and differences between two sets of economic phenomena." Therefore, it is important to measure and present the effects of transactions and other similar events within the business unit over time; for that business unit, the coordination of procedures for measuring and presenting similar issues should be observed between different business units.

De Franco (2011) concluded that the level of analysis and accuracy of predictions would improve if the financial statements presented were more comparable, and they found that more comparable financial statements increased the quantity and quality of information and based on comparable financial statements, the analysts can better explain the company's historical performance.

Choi et al. (2019) concluded that if financial information provided by companies were more comparable, they could have affected the reactions of future earnings, which resulted in increased disclosure quality.

2.3. CEO characteristics

CEOs, as representatives of individuals and groups of stakeholders, are responsible for using their financial resources, and it is expected that capable managers will reduce information asymmetry and agency costs to provide stakeholder interests and accountability by disclosing the quality of information. Therefore, powerful CEOs have a better understanding of technology and more appropriate investments in valuable projects. Increasing managerial capabilities reduces managers' opportunistic behaviors, thereby improving the quality of and increasing the level of information disclosure and comparability of information provided (Demerjan, ۲۰۱۲).

Corporate executives regarded as human capital in companies, play an important role in creating shareholder wealth. Information related to the ability of managers to use investment opportunities as well as their knowledge and experience are important and valuable aspects of companies.

Golden et al. (2018) argued that CEOs with political ideology have fewer obligations to income discretions and irregularities, show more analysis, and pay less audit fees compared to managers with no political ideology. So they concluded that the political ideology of executives had a significant effect on the financial reporting quality of companies.

Ettredge et al. (2018) concluded that executives with accounting experience and knowledge use this experience and knowledge to reduce information asymmetry in the initial public offering, resulting in lower pricing at the time of the initial public offering. The results also showed that accounting-based executives operate with long-term performance after the initial public offering.

The CEO's tenure can have an important effect on the type of decision of the CEO or senior management team. The management literature transforms the organizations for joining the high-level management team because it is familiar with the team's cohesion and the company's internal commerce (Smith et al., 2010). Therefore, a long period of employment in a position will enhance one's knowledge and experience. Both knowledge and experience significantly enhance the efficiency and effectiveness of the work.

Francis et al. (2008) concluded that an increase in the CEO's tenure created a reputation for the CEO and the reputation pushed the CEO to provide financial information with higher disclosure quality (Zhang and Werisma, 2009).

Managers in firms with more comparable financial statements have less incentive for earnings management based on accruals and are more inclined to do real earnings management since real-earnings management has a judicious nature and is far more difficult to detect. Therefore, the comparability of financial statements increases the real management of earningss and reduces earnings management based on accruals (Sohn, 2016).

Saleh et al. (2017) examined the relationship between the CEO's characteristics and the quality of financial disclosure and concluded a positive significant relationship between the disclosure quality and the CEO's tenure.

Cucculelli et al. (2018) concluded that more innovative activities were due to the product life cycle and CEO's time of execution. So, the longer the CEO's tenure, he can do more innovative activities.

Therefore, according to the presentations about the CEO's tenure, the hypotheses are as follows:

H1: There is a significant relationship between the CEO's tenure and the disclosure quality of financial information.

H2: There is a significant relationship between the CEO's tenure and financial information comparability.

2.4. CEO's financial expertise and its relation to the qualitative characteristics of financial information

The literature suggests when CEOs enter the organization, they are more focused on their own requirements and priorities and pay attention to dimensions that are in line with their own orientations and priorities, which suggests that CEOs with financial expertise pay more attention to the internal accounting and auditing sectors through monitoring the performed work, and this can make their job easy to identify and limit unusual accounting practices by other managers (Batwah et al., 2015).

Ali Kia et al. (2017) argued that information provided by corporate executives is more comparable, in which case executives replace real earnings management methods with manipulating accruals.

Salleh and Stewart (2012) concluded that CEOs with high financial expertise could easily convince an independent auditor in the annual audit negotiation process. Therefore, the faster the negotiation process is, the more timely and reliable the audit report will be (Salterio, 2012).

As management affects audit performance, a CEO with financial expertise is expected to positively affect the disclosure quality and comparability of financial reporting because financial expertise increases the value of the work of executives, particularly their role in financial reporting and internal control. Batwah et al. (2015) argued the ability of financial expertise in CEOs reduces the time of client's preparation and also reduces the time of audit, as the time needed to hide fraud or correct mistakes in the financial statements is eliminated, which assesses audit risk related to the quality of financial reporting and internal control system positive.

Batwah et al. (2015) concluded that CEOs with financial expertise are always more able to deal with financial issues and provide less incorrect reporting and uncertain estimates, so the CEO's financial expertise can improve the quality of disclosure of financial reports.

Lee et al. (2015) argued that having a master's degree and management level significantly negatively affects real earnings management, but having a CPA degree directly affects accrual management.

Engelberg et al. (2018) concluded that the more comparable the accounting information provided by companies is, the costs associated with collecting and processing information for users of financial information and legal entities will be reduced and enable them to better identify manipulation of auditing figures of the company by managers by comparing the information provided by the company with other similar companies.

Zalata et al. (2018) concluded that female CEOs with financial expertise were less related to earnings management, and male managers with financial expertise had no significant relationship with earnings management.

Therefore, according to the material presented in relation to the financial expertise of the CEO, the hypotheses are as follows:

H3: There is a significant relationship between the CEO's financial expertise and the disclosure quality of financial information.

H4: There is a significant relationship between CEO's financial expertise and financial information comparability.

2.5. Competition in the audit market and its relation to the qualitative characteristics of financial information

Studies on disclosure quality indicate that the state of competition and competitors' activity also affect the management characteristics and disclosure quality.

The environment, in which companies operate, is rapidly growing and competitive excessively. So companies face a lot of financial reporting challenges. On the one hand, lack of information disclosure and balancing reporting transparency is a must because, as it helps the company's competitiveness, it can also hurt its competitiveness by providing strategic information to its competitors. Hence, according to the competitive conditions, managers decide on the quality of information disclosure in order to create competitive advantages for the company (Daliwal and Huang, 2008).

Ghorbani et al. (2013) showed that competition in the market has a strategic effect and has a significant relationship with the quality of information disclosure, but regarding the effect of governance, the results indicate that the percentage of members of the board does not have a significant relationship with disclosure quality and competition in the market also does not improve the relationship between these two variables.

Mansourfer et al. (2017) concluded that competition results in the disclosure of the quality of accounting information, which itself results in improved information content of stock prices and the information environment. Companies with major state-owned shareholders have a lower quality of information than companies with major private shareholders due to government rents and weaknesses in evaluation and monitoring mechanisms.

Cheng (2013) concluded that there was a positive significant relationship between market competition and the comparability of financial information. Therefore, competition in the audit market is an effective mechanism for increasing the quality of information.

Lee et al. (2015) argue that market competition reduces disclosure of information through equity costs and capital market pressure and increases the costs of equity due to the presence of competitors, which reduces discretionary disclosure.

Kim (2017) concluded that competition in the audit market reduced the effectiveness of internal controls over financial reporting and impeded the improvement of corporate information quality.

Burks et al. (2018) found that increased competition in the audit market is accompanied by an increase in press releases, which in turn increases the disclosure of information voluntarily. Therefore, with regard to the content presented in relation to competition in the audit market, the following hypotheses are raised:

H5: There is a significant relationship between competition in the audit market and the quality of disclosure of financial information.

H6: There is a significant relationship between audit market competition and financial information comparability.

3. Methodology

The data required by the companies are obtained through the official websites of the Stock Exchange. In addition to these resources, Google search, the corporate website, and Codal are also used.

- The research population includes companies listed on the Tehran Stock Exchange for 6 years, from 2014 to 2019. The following conditions were considered for the companies' selection:
- They did not change their fiscal year during the return period.
- Their stock trades have not been stopped at the Tehran Stock Exchange for more than six months.
- All available data for existing companies should be available.
- It is not part of financial intermediation companies (banks, investments, and leasing).
- The financial information required for this research was fully submitted from 2014 to 2019.
- Applying the above conditions, 119 companies listed on the Tehran Stock Exchange were selected as the statistical sample.

In this study, panel data and regression model of the data panel were used and data were analyzed using EViews.

3.1. Describing the variables

Dependent variable

De Franco et al. (2011) have defined the accounting system as a system that displays economic events in financial statements and structured this idea. So, it can be shown as follows:

Financial statement = fi (Economic Events)

In the above equation, fi (Economic Events) represents the economic event of the company i. The two companies are comparable when they display the same economic events.

Relation (1) states that a company's financial statements are a function of the economic events and accounting of these events. According to this logic, we define the notion of comparability of financial statements as follows: "The two companies are comparable if they generate similar financial statements for a batch of certain economic events." Thus, with accounting comparability, two companies i, j should have the same representation of fi (Economic Events) so that for a set of certain economic events X, the company i produces financial statements similar to company j.

To put the conceptual definition of comparability in action, a simple empirical model for the accounting system of companies is provided by De Franco et al. (2011). According to Equation 1, the return on equity has been used to represent the net effect of economic events on financial statements. These economic events can be unique to companies but can shock the industry or the entire economy. Representative of the financial statements is the accounting earnings. At the same time, earnings are definitely one of the major dimensions of earnings and losses. De Franco et al. (2011) acknowledged that the only use of earnings to enclose accounting comparability is a limitation in their analysis. For each company-year, the following equation is estimated using 16 periods of previous data:

$$Earnings_{it} = \propto_i + \beta_i Return_{it} + \varepsilon_{it}$$

In the above equation, the earning represents the ratio of the six-month net earnings of the extraordinary items to the stock market value of the first period and returns represent a rate of return over six months. According to the framework of Equation 1, α_i and β_i are a representative of the fi (Economic Eventsi) for the companies i. Similarly, α_j and β_j is a representatives of the accounting function for the company j. (Estimated using earnings and return of company j)

The "proximity" of the function between the two companies reflects the accounting comparability. In order to estimate the distance between functions, for example, measurement of proximity or comparability, one of the meanings of accounting comparability is cited: if the two companies experience the same set of economic events, the more the accounting between the two companies is comparable, their financial statements are more similar. Using the estimated accounting function of the company i and j, their earningss can be predicted, assuming they have the same returns (for example, if they experienced the same economic events). Specifically, De Franco et al. (2011) have used the two accounting functions estimated for each company with a company's economic events. Their calculation is as follows:

$$E(Earnings)_{iit} = \hat{\propto}_i + \hat{\beta}_i Return_{it}$$
$$E(Earnings)_{ijt} = \hat{\propto}_i + \hat{\beta}_i Return_{it}$$

E (Earnings) iit is the expected earnings of company i, which is determined by the function of the company i in period t and E (Earnings) ijt is the expected earnings of the company j, which is determined by the function of company j and return of company i in period t. Using the company i's returns in both predictions, the economic events have been explicitly kept constant.

The comparability of companies i and j (CompAcctijt) is defined as the negative mean value of the absolute value of the difference between the expected income of companies i and j:

CompAcctijt = $-|\mathrm{E}(Earningsi.t\ i\ ) - \mathrm{E}(Earningsj.t\ i\ |$

In order to facilitate the interpretation, the mean absolute value of the difference between the expected earnings of the two companies is multiplied by -1, so larger (less negative) values represent a higher comparability of the accounting system of the two companies j and i. After estimating the comparability level for each i company and its j counterpart company, the mean company i's comparability is calculated with all j companies, which is used as a measure of the comparability of a particular company i during the period t in the tested hypotheses.

Disclosure quality

According to Setayesh et al. (2011), this study uses the rankings assigned to each company in the "Appropriate disclosure quality and information" issued by the Securities and Exchange Organization for measuring information transparency. The rating of disclosure quality and proper information is calculated based on the status of the publisher's notice in terms of reliability and timeliness of sending information. Providing timely information to the Stock Exchange and providing the required high quality information is an important criterion for determining the transparency of companies in the Tehran Stock Exchange. In addition to the 3, 6, 9 and 12 month reports, the interim and annual financial statements, as well as the boards' reports to the assembly, the timing of dividend payments, and providing important information to the Stock Exchange and Securities are required as soon as it occurs. Accordingly, in a specific formula, the timing of information provision is monitored by the stock company, and companies that even one day has passed since they provided information face negative points, and, in some cases, the deviation is to such an extent that companies receive no score. In sum, the timeliness of information constitutes two-thirds of the ranking scores, and the remaining one-third is related to the reliability of information.

The timeliness is based on the time the company sends information (earning forecasts per share, unaudited interim financial statements, portfolio situation, auditor's statements about earning forecast for each primary and six-month share, and six-month interim financial statements, audited and unaudited financial statements of end of financial period and payment schedule for shareholder's interest is calculated at the intervals specified in the disclosure instruction by considering the delay in the delivery of information. The rate of volatility and changes in the delivered forecasts as well as the differences between the expected amounts and the actual audited performance is a measure of the reliability of these calculations (Securities and Exchange Organization, 2011).

Since such scores are calculated on the basis of precise and objective indicators, such as the timing of providing relevant information and the difference between forecasts and actual results, the quantity of disclosure is not considered in their calculations. Still, the timeliness and reliability of the disclosure of information are also considered. Therefore, the criterion has enough objectivity and reliability (Setayesh et al., 2011).

Independent variables

CEO tenure: The CEO's tenure is the number of years the CEO has consistently held this position (CEO). This method has been widely used in past literature (Hazerika et al., 2012; Zhang Werisma, 2009; Batwah et al., 2015).

Financial expertise of CEO: Previous literature acknowledges the competencies of accounting in enhancing executives' understanding of financial reporting and satisfying the skills required for an accounting profession (Vafeas, 2009).

Batwah et al. (2015) identified the CEO as a financial expert with a degree in accounting or who previously served as an accountant, chief financial officer, inspector, or other related accounting affairs.

In this research, according to the rate of access to information in the Iranian environment, according to Molazadeh et al. (2016), a CEO is considered a financial specialist if he has a degree in financial affairs such as accounting, management or economy.

This variable is an artificial one. If the CEO has an academic degree in accounting, management, and economics, the number is one and otherwise zero.

Competition in the audit market

According to Zhang (2015), the Herfindahl Index will be used to measure this variable. To calculate the Herfindahl Index, the total net sales of all companies active in that industry are calculated for each of the industry members of the statistical sample each year. Then, by dividing the net sales of each company in the industry by the total sales of that industry, each company's market share is calculated. Finally, the index is obtained for that industry in a year, by summing up the square market share of companies in each industry. This index inversely shows a criterion of competition. So the smaller the mathematical number, the more competition in the industry. For this reason, the final digit will be multiplied by -1 for easy analysis of this variable. In summary, equation (2) will be used to measure the industry's competition situation variable.

$$HHI_{i,t}=-Log(\sum_{1}^{n} S_i^2)$$

Equation 2)

HHI: Competition status in the industry related to company i in year t.
S: The share of the company i market in the industry.
N: The number of companies in the industry.

Control variables

Firm size: As the risk of large firms is lower and therefore the expected returns of the shareholders and their cost of capital are less, we expect the firm size to affect the company's earning management; as the size of the firm increases, the probability of earnings management increases. In this research, the logarithm of the accumulation of assets at the end of the fiscal year is used as the measure of the firm size.

Financial leverage: Financial leverage indicates more capital for investments or restrictions on the company's investment. The debt ratio reflects the agency relation and complexity of the entity's operations through the amount of financing out of the scope of ownership. In this research, the financial leverage is obtained by dividing the company's long-term total debt into total assets.

Return on Assets (ROA): It is the indicator of the company's profitability, depending on the total assets of that company. Return on Assets is an idea of efficient management of using assets to generate earnings (productive assets) calculated by dividing net annual earnings into total company assets.

Loss: It is equal to 1 if the company reports a loss in year t; otherwise it is zero.

Industry type: The type of industry is the industry in which the company operates. Therefore, any company that operates in its related industry is 1, otherwise 0.

Fiscal year (YEAREND): It is the end of the company's financial year. If the last day of the year is the end of the company's financial year, it is 1, otherwise 0.

Research models

After calculating the variables, we use the regression model to test the first, third and fifth hypotheses as follows:

Dis Q = a0 + a1CEOTit + a2CEOFEXit +a3AudMCompti + a4SIZE + a5LEV + a6 Loss + a7 Roa+ a8INDUSTRY+ a9YEAREND +εit

εit: Model error rate

The index i and t represent the company and the year and all the variables in the model are divided into the sum of the assets at the beginning of the year to be homogeneous.

Therefore, the disclosure quality (DisQ) will be the same model error (ε) values, i.e., the disclosure quality values will be equal to the error values or the remainder of the model's estimate at cross-section of data, for each industry and per year.

To test the second, fourth, and sixth hypotheses, the regression model will be used as follows:

CompAccti = a0 + a1CEOTit + a2CEOFEXit +a3AudMCompti + a4SIZE + a5LEV + a6 Loss + a7 Roa+ a8INDUSTRY+ a9YEAREND +εit

Table 1) Defining variables

Group	Variable type	Variable name	Symbol	Calculation method
Dependent variable	Dependent	Disclosure quality	DisQ	The rating awarded to the company is based on the rating of the companies by the Tehran Stock Exchange
Dependent variable	Dependent	Comparability	Comparability	Based on the model of Franco et al., based on returns and profits
Control variables	Control	Firm size	SIZE	The natural logarithm of the total assets
	Control	Financial leverage	LEVERAGE	Total long-term debt divided by average assets
	Control	Loss	Loss	It is equal to 1 if the company reports a loss in year t, otherwise it is 0
	Control	Return on assets	ROA	The division of net annual profit by the total assets of the company.
	Control	Industry type	INDUSTRY	Each company that operates in its related industry is 1, otherwise 0 is assigned.
	Control	Fiscal year	YEAREND	If the last day of the year is the end of the company's financial year, the value is 1 otherwise 0.
Independent variables	Independent	CEO's tenure	CEOT	The CEO's tenure is equal to the number of years the CEO is in this position
Independent variables	Independent	CEO’s financial experience	CEOFEX	If the CEO has at least a bachelor's degree in financial discipline, such as accounting, management, and economics 1, otherwise 0
	Independent	Competition in audit market	AudMCompt	To measure competition in the audit market, the Herfindahl Index is calculated based on net sales

4. The results

According to Table 2, the mean and median of the variables do not differ significantly, and the distribution of variables can be considered normal. On the other hand, low standard deviation in variables also confirms this issue. But in general, it should be examined using inferential statistics (it should be noted that accounting data is not practically normal, and this is usually not examined in regression methods). All observations are presented after the removal of outlier data.

Regarding the competition in the audit market, its mean is 1.762 and the manager's expertise is 0.363. This amount is lower than the theoretical mean of 0.5, and the CEO's financial expertise in sample companies is somewhat low. The tenure is also about 3 years. The dependent variables, i.e., comparability and disclosure quality, have a mean of 1.118 and 0.711, respectively.

The financial leverage variable has a mean of 0.079 and a return on assets of 0.097, i.e. the net earnings compromises about 10% of the assets of the sample companies. The loss variable also has a mean of 0.234; in other words, about 24% of companies and sample observations are losing. About 98% of companies also have the fiscal year in March.

Table 2) Descriptive statistics of variables

Variable	Symbol	Mean	Median	Sd	Min	Max
Competition in the audit market	AUDMCOMPT_IT	1.762	1.738	0.662	0.239	4.711
Financial expertise of CEO	CEOFEXIT_	0.363	0.000	0.481	0.000	1.000
CEO tenure	CEOTIT	2.999	3.000	1.961	1.000	11.000
Comparability	COMPACCTI	1.118	0.651	2.416	-1.241	3.769
Disclosure quality	DISQ	0.711	0.751	0.202	-0.012	0.999
Specific industry	INDUSTRY	0.542	1,000	0.499	0.000	1.000
Financial leverage	LEV	0.079	0.047	0.104	0.001	0.998
Loss	LOSS	0.234	0.000	0.424	0.000	1.000
Return on assets	ROA	0.097	0.088	0.155	-1.038	0.627
Firm size	SIZE	14.193	14.021	1.45	10.352	19.149
Fiscal year in March	YEAREND	0.984	1.000	0.124	0.000	1.000

Normality of variables

As the results of Table 3 show, none of the variables follow the normal distribution despite scaling (the significance of the Jarque and Bera test for all is below 5%). However according to the central limit theorem, if the number of observations is more than 30, then data can be assumed normal.

Correlation coefficients of variables

Unlike regression, which measures the effects of variables on the whole, the correlation coefficient measures two by two and measures the correlation between the two variables. This way, the more correlation between the two variables, the better results will be achieved. According to the results of Table 4, it can be seen that because the variables used in the research are mostly affected by earnings and return, there is a good correlation between them, which also leads to improved regression conditions. Also, in the case of the direction of variables, the direction of relations should be considered for relationships, in regression, and the effect of other variables.

Hypothesis testing

The previous sections examined descriptive statistics and necessary assumptions to prepare the variables for fitting the regression and testing the hypotheses. In this section, the hypothesis test is examined. First, we examine the default tests of the two models.

As can be seen, the significance of the F-limer (Chow) test in both models is 0.000, indicating that the fitting of the models will be as the panel. On the other hand, the significance value of the Hausman test, which examines the fixed effects in contrast to the random effect, is 0.000 for both models and below 5%. Therefore, the test of both models will be done in the form of a panel with fixed effects.

Testing the first, third and fifth hypotheses

The output of Table 6 reports the results of the first, third and fifth hypotheses. According to the table, it is evident that the significance of Fisher's statistic is 0.000 and the model is linear. Also, the adjusted coefficient of determination is 0.383, showing that about 38% of the dependent variable is explained by explanatory variables. The Durbin-Watson statistics with 2.270 and being in a range between 1.5 and 2.5 represent a lack of correlation between model errors.

But in the hypothesis test, it can be seen that the significant amount of competitive variables in the audit market, the financial expertise of the CEO and his tenure is 0.164, 0.003 and 0.014, respectively, and only two variables of financial expertise and tenure are below 5%. Therefore, the third and fifth hypotheses are confirmed and there is a significant relationship between the financial expertise of the CEO and his tenure with disclosure quality. However, it should be noted that the coefficient of financial expertise is -0.051 and the coefficient of tenure is 0.004; that is, there is a reverse significant relationship between financial expertise and disclosure quality, but there is a direct significant relationship between the tenure and the disclosure quality.

On the other hand, there is also a significant relationship between loss control, return on assets, firm size, fiscal year in March and disclosure quality.

Table 3) Normality of variables

Variable	Symbol	Jarque and Bera test	Significance
Competition in the audit market	AUDMCOMPT_IT	56.032	0.000
CEO's expertise	CEOFEXIT_	121.110	0.000
CEO tenure	CEOTIT	190.570	0.000
Comparability	COMPACCTI	296732.300	0.000
Disclosure quality	DISQ	71.720	0.000
Specific industry	INDUSTRY	118.025	0.000
Financial leverage	LEV	13297.270	0.000
Loss	LOSS	190.838	0.000
Return on assets	ROA	1470.534	0.000
Firm size	SIZE	152.116	0.000
Fiscal year at March	YEAREND	111257.300	0.000

Table 4) Correlation coefficients of variables

Variable	AUDMCOMPT_IT	CEOFEXIT_	CEOTIT	COMPACCTI	DISQ	INDUSTRY	LEV	LOSS	ROA	SIZE	YEAREND
AUDMCOMPT_IT	1.000	-0.016	0.063	-0.112	-0.016	0.217	-0.101	0.045	-0.062	-0.119	0.040
CEOFEXIT_	-0.016	1.000	-0.021	0.078	-0.133	-0.134	-0.020	0.015	-0.082	0.065	0.024
CEOTIT	0.063	-0.021	1.000	-0.016	0.050	0.103	0.076	0.002	0.034	-0.029	-0.029
COMPACCTI	-0.112	0.078	-0.016	1.000	-0.018	-0.023	-0.031	-0.065	0.107	0.370	-0.002
DISQ	-0.016	-0.133	0.050	-0.018	1.000	0.009	-0.212	-0.483	0.384	-0.088	-0.066
INDUSTRY	0.217	-0.134	0.103	-0.023	0.009	1.000	-0.101	0.058	-0.018	0.034	0.045
LEV	-0.101	-0.020	0.076	-0.031	-0.212	-0.101	1.000	0.301	-0.392	0.039	0.030
LOSS	0.045	0.015	0.002	-0.065	-0.483	0.058	0.301	1.000	-0.556	0.004	0.043
ROA	-0.062	-0.082	0.034	0.107	0.384	-0.018	-0.392	-0.556	1.000	0.030	-0.009
SIZE	-0.119	0.065	-0.029	0.370	-0.088	0.034	0.039	0.004	0.030	1.000	-0.004
YEAREND	0.040	0.024	-0.029	-0.002	-0.066	0.045	0.030	0.043	-0.009	-0.004	1.000

Table 5) Default model tests

Model	Test type	Statistics	Significance
First	Chow	3.580	0.000
	Hausman	43.020	0.000
Second	Chow	1.380	0.000
	Hausman	27.090	0.000

Table 6) Results of testing first, third and fifth hypotheses (dependent variable, disclosure quality)

Dis Q = a_0 + a_1 AudMCompti + a_2CEOFEXit + a_3 CEOTit + a_4SIZE + a_5LEV + a_6 Loss + a_7 Roa + a_8INDUSTRY + a_9YEAREND + εit					
Operational definition	**Symbol**	**Coefficient**	**SD**	**T-statistics**	**Sig.**
Fixed coefficient	C	1.056	0.027	38.610	0.000
Competition in the audit market	AUDMCOMPT_IT	0.005	0.003	1.390	0.164
CEO's speciality	CEOFEXIT_	-0.051	0.017	-2.904	0.003
CEO tenure	CEOTIT	0.004	0.001	2.456	0.014
Financial leverage	LEV	0.006	0.029	0.239	0.810
Specific industry	INDUSTRY	-0.005	0.013	-0.419	0.674
Loss	LOSS	-0.207	0.018	-11.160	0.000
Return on assets	ROA	0.176	0.037	4.764	0.000
Firm size	SIZE	-0.032	0.006	-5.138	0.000
Fiscal year in March	YEAREND	-0.099	0.016	-5.971	0.000
Fisher statistics	49.565				
Fisher statistics significance	0.000				
Coefficient of determination	0.390				
Adjusted coefficient of determination	0.383				
Durbin- Watson statistic	2.270				

Testing the second, fourth and sixth hypotheses

The results of testing the second, fourth, and sixth hypotheses are reported in Table 7. According to the table, the significance of the Fisher statistic is 0.000 and the adjusted coefficient of determination is also 0.718, which shows that about 72% of the dependent variable is explained by the explanatory variables. The Durbin-Watson statistic with a value of 1.907 and a range of 1.5 to 2.5 represents a lack of correlation between model errors.

However in the hypothesis testing, it is observed that the significant amount of competition in the audit market, the CEO's financial expertise and his tenure are all 0.000 and below 5%. Therefore, all three hypotheses are confirmed and there is a significant relationship between the audit market competition, the CEO's financial expertise and his tenure and comparability of financial statements. Also, the coefficients of these variables were -0.110, -0.087 and -0.059, respectively, indicating a negative relationship between competition in the audit market and comparability, a positive relationship between the CEO’s financial expertise and comparability and a negative relationship between tenure and comparability of financial information.

On the other hand, all the control variables except for “fiscal year being in March” have a significant relationship with the comparability of financial statements.

Table 7) Test results of second, fourth and sixth hypotheses (dependent variable, comparability)

CompAccti = a0 + a1 AudMCompti + a2CEOFEXit +a3CEOTit + a4SIZE + a5LEV + a6 Loss + a7 Roa+ a8INDUSTRY+ a9YEAREND +εit

Operational definition	Symbol	Coefficient	SD	T-statistics	Sig.
Fixed coefficient	C	-1.643	0.519	-3.164	0.001
Competition in audit market	AUDMCOMPT_IT	-0.110	0.022	-4.943	0.000
CEO's expertise	CEOFEXIT_	0.087	0.023	3.815	0.000
CEO tenure	CEOTIT	-0.059	0.012	-4.702	0.000
Financial leverage	LEV	0.046	0.021	2.159	0.031
Specific industry	INDUSTRY	0.018	0.046	4.042	0.000
Loss	LOSS	0.057	0.013	4.165	0.000
Return on assets	ROA	0.074	0.028	2.586	0.009
Firm size	SIZE	0.040	0.067	5.913	0.000
Fiscal year in March	YEAREND	0.112	0.156	-0.716	0.473
Fisher statistics	11.481				
Fisher statistics significance	0.000				
Coefficient of determination	0.729				
Adjusted coefficient of determination	0.718				
Durbin Watson statistics	1.907				

5. Conclusion

The success of any organization greatly depends on its managers in achieving their goals. The organisation will achieve its goals if the managers do their job properly. Therefore, managers encounter problems in performing their tasks and should identify different solutions and choose the best solution. Therefore, managers need timely, reliable and comparable information. In economic decision-making, information plays a vital role and without sufficient information, investors cannot identify opportunities and risks appropriately. Information can only be useful to users if they are of higher disclosure quality and more comparable.

However, given the market's competitive conditions, managers face many financial reporting challenges. On the one hand, the creation of a balance between the transparency of reporting and the lack of disclosure of excessive information is imperative since financial reporting, while being able to help the company's competitiveness, may also damage its competitiveness by providing strategic information to its competitors. On the other hand, managers should decide what quality the disclosed information should have to create a competitive advantage according to the competitive condition, while preventing undermining its competitive position. Meanwhile, economists believe that the exclusivity of the products market of a company increases agency issues and problems. In other words, companies active in the markets and exclusive industries have a vague and imprecise information environment. Under such circumstances, investors cannot assess the company's performance (Dhaliwal et al., 2008). Consequently, product market competition is considered an effective tool for solving agency problems and improving firm governance. It is considered a stronger mechanism than intra-organizational and even external governance mechanisms. Nevertheless, little attention has been paid to the issue of the CEO’s characteristics and the competitiveness of the product market as an important mechanism for accounting and financial reporting.

The present study examined the relationship between CEO’s characteristics and disclosure quality and the comparability of financial information. The results of the third, fifth, fourth and sixth hypotheses that examined the relationship between CEO's characteristics including his expertise and his tenure with the quality of disclosure and comparability, are similar to those of Francis et al. (2008), Zhang and Werisma (2009), Kim et al., (2016), Golden et al., (2018), have shown that CEO characteristics are important because they affect the accounting outcomes of the company, they find most of the opposite positive features for managing the company by the CEO to maintain high-quality financial reporting. Also, CEOs with more potential and human capital can maintain the system and control the company's financial information. Therefore, companies with such CEOs are ranked higher in terms of financial reporting quality. Like Batwah et al. (2015), they argued that the CEO's tenure improves his experience and knowledge of accounting practices, especially when presenting false reports, which enables the CEO to discover and prevent any misbehavior. Also, Salehi et al. (2017) examined the relationship between the CEO's characteristics and the quality of financial disclosure. They concluded that there was a positive significant relationship between the disclosure quality and the CEO's tenure, which is similar to the current results.

The study also examined the relationship between competition in the audit market and the quality of disclosure and comparability of financial information. Hence, the results of the first hypothesis test, which examined the relationship between competition in the audit market and the quality of disclosure are also in line with the results of the research by Balakrishnan and Cohen (2011). Cheng et al. (2013) concluded that competition in the market is one mechanism that regulates financial reporting processes. Therefore, political, agency and proprietary costs are complementary factors in the relationship between market competition and the quality of accounting information. Accordingly, companies with higher costs are less competitive and vice versa. Therefore, these factors, alone or in combination, incentivise managers to disclose low-quality accounting information. Also opposed to the results of Balakrishnan and Cohen (2014), were Lynn and Wi (2014), Lee and Jean (2016), and Kim (2017), who argued that market competition reduced the disclosure of information through ownership costs and the pressure on the capital market, as well as the increased ownership costs of firms due to competitors, reduces the amount of disclosure.

The results of testing the second hypothesis, which examined the relationship between the competition in the audit market and the comparability of financial statements, similar to those of Cheng (2013), concluded that there was a positive significant relationship between market competition and comparability of financial information. Therefore, competition in the audit market is an effective mechanism for increasing the quality of information.

According to the results, since CEOs are at the top management level in the organization, it can be admitted that if the CEO plays a role in a job position for a longer term, he will know more about the processes and procedures employed by the organization. Also, if such a CEO has financial expertise, he will try to apply accounting procedures that are in accordance with accounting and auditing standards. Therefore, it is recommended that the board of directors and shareholders of companies, in addition to taking into account quantitative criteria such as earnings, pay attention to managerial characteristics, including tenure and financial expertise considering the information environment of Iran and its high volatility. Also, given the significant relationship between market competition and comparability, the audit firms and their size should be considered because it shows better comparison.

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