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The Effect of the Sale of the Company to Disclose Bad News for Companies at Different Levels of Activity Ratios

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ABSTRACT

Companies must publish financial reports on time. When market information is more important and this information is used to shape more effective decision-making. Although most companies, financial reports required by the authorities at intervals determined Speak but at the same time, it can be claimed that the delay in publishing the financial reports of a company to another company, the difference is significant The statistical sample included 116 companies in Tehran Stock Exchange during the years 2010 to 2014. In this study, the hypothesis of linear regression was used Software to analyse data and test hypotheses have been used Eviews results The research suggests that the company's sales on the disclosure of bad news affects companies as well as participate in interactive sales ratio of sales to working capital, fixed assets is effective.

1. Introduction

Investors are always interested in news that induce large changes in stock prices, and thus creating uncertainty in the market and revenue opportunities have been with the advancement of technology, investors are faced with a wide range of news Which contains a very large margins and a change in investor sentiment, and then the There is a possibility that they are at different levels for important news items. The relationship between news and changes market returns over time and thus this is a very important change [1]. Thus, according to this study presentations sales role in influencing the bad news disclosure by companies They are also investigating whether this case will be dealt with by changing the voluntary disclosure of bad news communication or not?

2. Theoretical research

Company managers have incentives to withhold or delay the release of bad news for their own company. When traders become aware of your awareness to short sellers of the stock price especially bad news about stocks that would reduce the information asymmetry between companies and foreign investors will be Which decrease benefits and increase the risk of litigation and reputation risk increases resulting from the withholding bad news [6].

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Administrators benefit from a delay in the release of bad news, there are several explanations. For example, managers may be able to pre-disclose unexpected bad news, contract negotiations Complete with more favourable terms, or may try to pre-disclose unexpected bad news, shares affect the planning.

2.1. Foreign backgrounds

Li and Zhang, explores "the relationship between sales and the disclosure of bad news" began. They focus on the disclosure of bad news. Managers avoid bad news; the stock price decline prevents but the bad news will have less impact on short sales. Because of short sales associated with favourable news. And there is little likelihood that management has volunteered to predict bad news and expose it. The results showed that the disclosure of bad news will affect sales [8].

Asmalz, in a study entitled "The relationship between feelings of news and stock market returns" to this issue. They found a significant correlation between stock returns and the type of news [10]. Gralvn and colleagues examined "the limits of sales and company news" began. They showed that limits short sales to external shocks Company news affected and they showed that short sales can increase the company's bad news. And the negative impact on stock prices is bad news and a decrease in the stock price. And also manage to avoid the costs and delays the disclosure of bad information [7]. Cheng and colleagues, they are removed exposing the bad news focus and financial companies because of the need for disclosure and accounting rules presented in various industries They are separate companies into consideration the significant differences observed in the decision to disclose this type of news. And the majority of them came to the conclusion that disclosure of bad news and sales are also affected [4].

2.2. Internal records

Christ Abadi et al. in the study, "The Effect of voluntary disclosure of information on the cost of representation of companies listed in Tehran Stock Exchange they paid. The aim of this study was to investigate the relationship between voluntary disclosure and agency costs companies listed in the Tehran Stock Exchange. Voluntary disclosure by 71 index was adapted from questionnaires used in previous studies is that adjusted by applying adjustments and parameters specified operating ratio to sales, asset turnover ratio and Tobin's Q (growth opportunities) as The criteria used to measure agency costs. The effects of firm size, leverage, board independence and ownership concentration is also controlled. The study population will comprise 124 companies listed on Tehran Stock Exchange during the years 2007 to 2013 were studied. The multivariate linear regression analysis was used to test the hypothesis. The results of tests showed that generally increase the level of voluntary disclosure of information, the agency costs reduced [9].

Park et al. about "the effects of fair disclosure of information on the timeliness of in South Korea" Investigations carried out. Seoul Stock Exchange rules, if a company's sales, operating profit or loss and net income or loss, as well as more than 30 percent over the previous year is changed, the reasons for this change should be disclosed by the Company prior to the audit. They found that more than half of are subject to the law, the reasons for changes in profit and loss and sales, nearly as timely disclosure. The result of their study showed that providing timely information disclosure and are not audited profit and loss information content is [11]. Praise and colleagues, explores "the relationship between

voluntary disclosure and performance of listed companies in Tehran Stock Exchange" began. In order to limit the negative perceptions of investors and create awareness about the future prospects of the company, it may resort to voluntary disclosure. Volunteer information about the identification, measurement and disclosure of accounting items attract investors in the financial statements and to effectively improve the financial condition and management helps companies face. The aim of this study was to investigate the relationship between voluntary disclosure and performance of companies listed on the Tehran Stock Exchange. Results based on 80 companies in the period 2003 to 2012 shows a significant relationship between voluntary disclosure of return on assets and return on equity does not exist but a significant positive relationship between voluntary disclosure and performance scores calculated by data envelopment analysis as a comprehensive measure performance [10].

Pishdar explores "the relationship between the bid and sell stocks and stock returns in Tehran Stock Exchange" pay. The aim of this study was to investigate the relationship between the bid and sell stocks and stock returns in the Tehran Stock Exchange The 111 companies over a four-year period (2008-2010) were studied. Selected approaches to hypothesis testing, regression analysis and cross-sectional data regression using panel data Signification of the models using the F and t statistics were used. The results indicate a direct relationship between bid and selling and stock returns as well as between variables control the rate of stock turnover and trading volume, a significant inverse relationship with stock returns there [9, 12].

Hutton & Associates study results showed that the market reaction to good news and bad news predictions differs. If the forecast is earnings per share higher than market expectations, the carrier is good news, and if less than market expectations, the carrier is a bad news [8].

Suleman, the "good news and bad political effect on stock market returns and volatility Karachi" pay. The results showed that good news has positive impact politically significant returns and swing it down. On the other hand, political bad news had a negative impact on returns and volatility increases. Even more interesting influence on the volatility of returns almost double bad news is good news [13].

Blaze race, but Moradi to study "the factors affecting the bid-ask spread stock as a proxy for information asymmetry "Began. In this regard, five hypotheses and to test these hypotheses, a sample of 107 firms (642 firm-year) of the companies listed on the Tehran Stock Exchange during the years 2008 to 2012 were and panel data were used to test them. The results show that the first and second hypothesis are accepted; Thus, the volume of stock trading and stock correlation between the [1].

frequency of bid-ask spread their stock but the relationship between liquidity risk, market liquidity risk and market liquidity stock with a bid-ask spread found.

3. The research hypotheses

According to theory and to achieve this goal, the following hypothesis is offered:

First hypothesis: the company’s sales on the disclosure of bad news affect firms.

The second hypothesis: Sales interact ratio of sales to working capital on the disclosure of bad news affects firms.

The third hypothesis: Sales interact ratio of sales to fixed assets on the disclosure of bad news

affect companies.

Conceptual model in Figure 1 is presented:

3.1. Analytical model

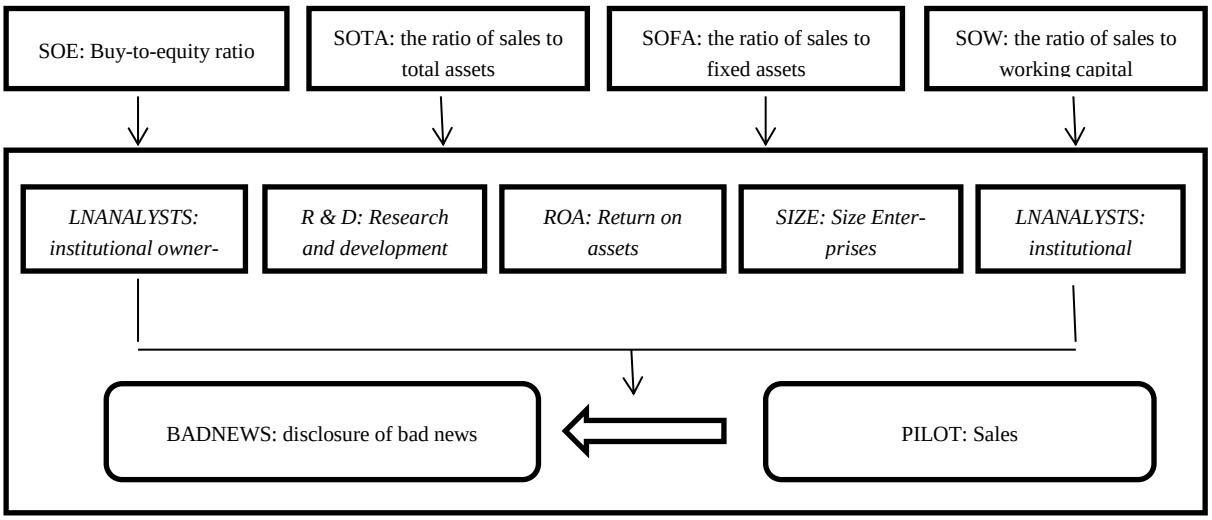

Figure 1- Conceptual model

The study used functional and design of descriptive correlational. Also, the nature of the data used to test the hypothesis, is the type of panel data. In order to gather the required information through library research and research data from the data of the selected companies refer to financial statements and notes and using software and devise new processor outcomes was collected. The study population consists of all companies listed on the Tehran Stock Exchange in the time domain is 2011 to 2015. Stages of the research in Table 1, provided:

Table 1. Sampling stages

The number of sampling stages		Number
The number of companies listed on Tehran Stock Exchange at the end of 1393		520
The number of companies that have been in the time domain out of stock		(58)
The number of companies that have been in the time domain research into stock		(72)
The number of companies that have been in the time domain of the fiscal year		(11)
The number of companies that have financial investor and broker		(50)
The number of companies in the time domain continuous research for more than 3 months are transactional		(110)
The number of companies that have their fiscal year 29/12 does not end		(103)
The number of 116 sample companies		116

According to those provided in the table 1, 116 and 580 input-year company, has been selected to test

the statistical hypotheses.

4. Models and variables

In this study was to test the hypothesis of the following models are used:

First hypothesis: the company's sales on the disclosure of bad news is firms

$$BADNEWSit=\alpha+\beta1PILOTit+\beta2SIZE\ it+\beta3\ ROA\ it+\beta4\ RD\ it+\beta5\ MTB\ it+\beta6\ LNANALYSTS\ it+\dot{\varepsilon}\ it \quad (1)$$

The second hypothesis: Sales interact ratio of sales to working capital on the disclosure of bad news affect companies.

$$BADNEWSit=\alpha+\beta1PILOTit+\beta2PILOTit*SOWit+\beta3SIZE\ it+\beta4ROA\ it+\beta5RD\ it+\beta6\ MTB\ it+\beta7LNANALYSTS\ it+\dot{\varepsilon}\ it \quad (2)$$

The third hypothesis: the ratio of sales to assets sales in constant interaction on the disclosure of bad news affects firms.

$$BADNEWSit=\alpha+\beta1PILOTit+\beta2PILOTit*SOFAit+\beta3SIZE\ it+\beta4\ ROA\ it+\beta5\ RD\ it+\beta6\ MTB\ it+\beta7\ LNANALYSTS\ it+\dot{\varepsilon}\ it \quad (3)$$

where in:

BADNEWS: disclosure of bad news

PILOT: Sales

SIZE: Size Enterprises

ROA: Return on assets

RD: Research and development costs

MTB: ratio of market value to book

LNANALYSTS: institutional ownership

SOW: the ratio of sales to working capital

SOFA: the ratio of sales to fixed assets

ε: error of estimate

α 0: intercept of the regression

4.2.1. Dependent and independent Variables

A. Independent variable disclose bad news

Managers of economic entities as the companies tend to publish good news; the bad news is they are

trying to hide. The disclosures different motivations stem from various factors, such as bonus payments and contracts business concerns [11].

In this study, the two terms consecutively calculated dividend, dividend if changes are negative, otherwise a number is zero.

B. The independent variable:

PILOT: is equal to the amount of sales at the end of the period

C. Control variables:

SIZE: Size Enterprises

Which is calculated through the logarithm of the total assets of the company.

SIZE:LN (ASSET)

SIZE :size of the company

ASSET: total assets

LN :natural logarithm

ROA: Return on assets

Return on assets

D & R: spending on research and development

MTB: ratio of market value to book

LNANALYSTS: institutional ownership

According to the definition used in researches and Rubin and Quito, to calculate the level of institutional ownership, total shares held by the bank and insurance holding companies, investment companies, pension funds, financing companies and investment funds Organizations and government agencies and state-owned companies on the stock Released divided and the percentage or amount of institutional ownership is achieved.

(Institutional owners have in stock Total) / (Company issued stock total) (available in stock institutional ownership Total) / (Company issued stock total) = Level of institutional ownership

D-Moderator variables

The ratio of sales to working capital

The ratio of sales to working capital is an indicator that the sums of money required to show a certain level of sales.

The difference between current assets and current liabilities Working capital is calculated.

The ratio of sales to fixed assets

Sales ratio indicates that the company has fixed assets of income, how much is invested in fixed assets.

5. Data

5.1.Reliability Test Variables

In this section, only the profit shown on the unit root test results for other variables other similar species. In Table 2, the disclosure of bad news about the company's 188 years of combined data unit root test was:

Table 2. Reliability Test disclosure of bad news

Number of Views	Number of sections	The probability	The test statistic	Way
The null hypothesis: the existence of unit root (common unit root process)				
188	47	0/000	-5.20919	Levin, Lin and Chow
The null hypothesis: the existence of unit root (single unit root process)				
188	47	0/000	-.10305	Our-boys &shyn (test W)
188	47	0/000	67.66	ADF- Fisher (chi square test)
188	47	0/000	66.36	PP- Fisher (chi square test)

Table 2 shows that this hypothesis by taking common unit root process by Levin, Lin chav significance level of 5% is rejected. The null hypothesis that there is a single unit root, we test, boys and Shane, by the way Fisher ADF and PP by Fisher with 47 and 188 degree viewing all be rejected at 5% level. Unit root test effect on all variables expressing lack of root units.

5.2. Analysis breakdown of hypotheses

5.2.1. The analysis of the first hypothesis

Sales on the disclosure of bad news affect firms.

Table 3. The results of the first hypothesis

The probability of t	T-statistic	Standard deviation	Coefficients	Variable
0/2487	1/154898	0/933913	1/078575	C
0/0077	-2/675962	0/141521	-0/378705	PILOT
0/7266	-0/349861	0/067236	-0/023523	SIZE
0/000	-16/38766	0/030236	-0/495505	ROA
0/000	18/76768	0/006671	0/125202	RD
0/000	-13/57907	0/000412	-0/005593	MTB
0/000	4/677564	0/001978	0/009255	LNANALYSTS
The probability of F	Dorbin - Watson	Adjusted coefficient of determination	The coefficient of determination	
0/000	1/94	0/81	0/84	

As in Table 3, it is clear that the model is known as a negative and significant coefficient of Sales and means that the company's sales on the disclosure of bad news affect companies. Thus the first hypothesis is confirmed.

The model of Table 2:

BADNEWSit=1/078575-

0.378705* PILOT$_{it}$+0.023523*SIZE$_{it}$0.495505*ROA$_{it}$+0.125202*RD$_{it}$0.005593*MTB$_{it}$+0.009255*

LNANALYSTS$_{it}$ (4)

5.2.2. Analysis of second hypothesis

Sales in the engagement ratio of sales to working capital on the disclosure of bad news have influential companies.

Table 4. The second research hypothesis test results

The probability of t	T-statistic	Standard deviation	Coefficients	Variable
0/000	4/784443	0/129049	0/617428	C
0/0127	-2/500829	0/072972	-0/182491	PILOT
0/6269	0/486446	0/009451	0/004597	SIZE
0/0075	-3/207737	0/005907	-0/018947	ROA
0/000	18/03703	2/2402	4/0401	RD
0/000	-8/660010	0/000884	-0/007657	MTB
0/9499	-0/062908	0/000265	-1/6705	LNANALYSTS
0/0001	-3/547940	0/014033	-0/497874	PILOTit*SOWit
The probability of F	Dorbin - Watson	Adjusted coefficient of determination	The coefficient of determination	
0/000	1/98	0/971	0/984	

As in Table 3, it is clear the model is known as the coefficient of sales in the ratio of sales to working capital is negative and significant interaction and means that sales in the engagement ratio of sales to working capital on the disclosure of bad news affects firms. And therefore placed second hypothesis is confirmed.

The estimated model of the Table 4:

$$BADNEWSit=0.617428-0.182491*PILOT_{it} -0.497874*PILOT_{it}*SOW_{it} + 0.004597*SIZE_{it} -0.018947*ROA_{it} + 4.04E\text{-}01*RD_{it}-0.007657*MTB_{it}-1.67E\text{-}05*LNANALYSTS \quad (5)$$

5.2.3. Analysis of the third

Sales in the engagement ratio of sales to fixed assets on the disclosure of bad news affect companies.

Table 5. The third hypothesis test results

The probability of t	T-statistic	Standard deviation	Coefficients	Variable
0/000	4/829956	0/123198	0/595041	C
0/0046	-2/844724	0/080577	-0/229218	PILOT
0/4884	0/693472	0/009186	0/006371	SIZE
0/0031	-3/269200	0/005635	-0/018423	ROA
0/0825	1/740376	0/242410	0/421885	RD
0/000	-9/592132	0/000849	-0/008140	MTB
0/9577	0/053087	0/000238	1/2605	LNANALYSTS
0/000	10/46481	0/046993	-0/491768	PILOTit*SOFAit
The probability of F	Dorbin - Watson	Adjusted coefficient of determination	The coefficient of determination	
0/000	1/98	0/971	0/984	

As reflected in the table 5, it is clear that the model is known as the coefficient on the interaction Sales ratio of sales to fixed assets is negative and significant and means that sales in the engagement ratio of

sales to fixed assets on the disclosure of bad news has influential companies. And so the third hypothesis is confirmed.

The estimated model of the Table 5 :

BADNEWSit=0/595041-0.2292181*PILOT$_{it}$ -0.491768*PILOT$_{it}$*SOFA$_{it}$+0.006371*$SIZE_{it}$-0.0184237* ROA$_{it}$+0.421885*RD$_{it}$-0.007657*MTB$_{it}$+1.26E-05*LNANALYSTS (6)

6. Conclusion

Company managers have incentives to withhold or delay the release of bad news for their own company. Get your consciousness when traders dumped into short sellers of the stock price, especially bad news about stocks that would reduce the information asymmetry between firms and foreign investors placed Which decrease benefits and increase the risk of litigation and reputation risk resulting from the increased withholding bad news [13].

Change in disclosing bad news organizations must disclose the impact of bad news including the sale of the company to identify and organizational performance are enhanced by attention to these factors. Therefore, students, and other interested, can interact with the rest of the would clarify the factors affecting the firms are disclosing bad news. Clarify and strengthen the literature in this area. The company's requirements to provide information in addition to the usual information, for example the section entitled participate in the interaction level sales ratio of sales to working capital of enterprises is suggested. The third hypotheses Sales engage in the sale of fixed assets on the disclosure of bad news affect companies. It is recommended investors when making decisions about buying or selling their shares to the company's sales, along with other financial variables Sales of fixed assets in relation to the company's attention, because the level of engagement by the company's sales in the proportion of sales to fixed assets of the company on the disclosure of bad news, Impressive. Therefore, it is suggested topics for future research, the effect of the sale of the company Accounting Information Disclosures companies operating in Tehran Stock Exchange financial reporting quality and impact of the disclosure of bad news. Examine the impact on earnings quality disclosure of bad news.

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