

Contents

1	Introduction	3
1.1	Introduction	3
1.2	Statement of the Problem	9
1.3	Need for the Study	11
1.4	Objectives of the Study	15
1.5	Hypotheses for the Study.....	16
1.6	Research Methodology	17
1.7	CHAPTERIZATION SCHEME.....	22
2.1	The Tehran Stock Exchange	25
2.1.1	History	25
2.1.2	Industry Affiliations:	27
2.1.3	Structure:.....	27
2.1.4	Trading Platform.....	28
2.1.5	Market segmentation.....	29
2.1.6	Economic Sectors:	30
2.1.7	Membership in International Organizations	33
2.1.8	Capital and Shareholders	33
2.1.9	Roles of the Tehran Stock Exchange	33
2.1.10	Definition used in the Tehran Stock Exchange	34
2.1.11	Bodies of the Company in the Tehran Stock Exchange	35
2.1.12	Financial Regulations in the Tehran Stock Exchange	35
2.1.13	Goal of the Tehran Stock Exchange.....	38
	2.1.13.1 The following are required to attain the first goal:.....	38
	2.1.13.2 To attain the second goal, the following are emphasized upon:	38
	2.1.13.3 The following are required to obtain the third goal:	39
	2.1.13.4 To attain the fourth goal, the following are required:.....	39
2.2	Financial Reporting Quality and Investment Efficiency	40
2.2.1	Definition of Financial Reporting.....	40
2.2.2	Objectives of Financial Statements	42
2.2.3	Standards and Regulations.....	43
2.2.4	Quality of Financial Reporting.....	44

2.2.5	Methods of Measurement of Financial Reporting Quality	45
2.2.5.1	Accrual Models.....	45
2.2.5.2	Value Relevance Models	46
2.2.5.3	Focusing On Specific Elements In The Annual Report.....	47
2.2.5.4	Methods Operationalizing the Qualitative Characteristics.....	47
2.2.6	Cash Flow Statement:.....	47
2.2.6.1	Purpose of Cash Flow Statement:	48
2.2.7	Theoretical Perspectives	49
3	Review of Literature.....	55
3.1	Quality of Financial Reporting.....	55
3.2	Financial Reporting Quality and Economic Growth.....	64
3.3	The Effect of Concentration and Structure of Ownership on Financial Reporting Quality	65
3.4	Financial Reporting Quality, Audit Committee and Board Monitoring.....	72
3.5	Investment Efficiency and Investment Inefficiency.....	74
3.6	Financial Leverage, Financial Constraints and Over / Under Investment.....	77
3.7	Investment Inefficiency, Corporate Governance and Capital Structure.....	85
3.8	Financial Reporting Quality and Investment Efficiency	87
4	Research Methodology	96
4.1	Financial Reporting Quality	97
4.2	Investment Efficiency	102
4.3	Descriptive Statistics	106
4.3.1	Descriptive Statistics of Financial Reporting Quality	106
4.3.2	Descriptive Statistics of Investment Efficiency	112
4.3.3	Descriptive Statistics of Residuals	116
4.3.3.1	Descriptive Statistics of Financial Reporting Quality Residuals	116
4.3.3.2	Descriptive Statistics of Investment Efficiency Residuals	118
4.3.3.2.1	Descriptive Statistics of Under investment Residuals (Negative Residuals).....	120
4.3.3.2.2	Descriptive Statistics of Over investment Residuals (Positive Residuals)	122
5	Data interpretation and Analysis	127
5.1	Financial Reporting Quality	127
5.2	Investment Efficiency	140

5.3	Finding and Results of Hypothesis Tests	151
5.3.1	Association between financial reporting quality and underinvestment	151
5.3.2	Association between Financial reporting quality and over investment	155
5.3.3	Association between the firm size and financial reporting quality;	159
5.3.4	Association between the sales volatility and financial reporting quality;	162
5.3.5	Association between the financial leverage and financial reporting quality;.....	165
5.3.6	Association between the book to market value and financial reporting quality;.....	169
5.3.7	Association between ownership diversity and financial reporting quality;.....	172
5.3.8	Association between ownership diversity and investment inefficiency;.....	173
6	Summary of Findings, Conclusions and Suggestions.....	176
6.1	Summary of findings	178
6.1.1	Introduction.....	178
6.1.2	Financial Reporting Quality	179
6.1.3	Investment Efficiency	182
6.1.4	Findings Based on Hypothesis.....	185
6.2	Suggestions	187
6.3	Conclusion.....	190
6.4	Scope for Further Research.....	194
7	BIBLIOGRAPHY	195
8	Appendix	211
8.1	Variable Definitions	211
8.1.1	Investment Efficiency.....	211
8.1.1.1	Measures of Investment.....	211
8.1.1.2	Measures of Investment Efficiency	211
8.1.1.3	Firm Investment Predictor	212
8.1.1.3.1	First Model (Richardson):	212
8.1.1.3.2	Second Model (Grow Opportunity):.....	212
8.1.2	Financial Reporting Quality	213
8.1.2.1	Measures of Accrual.....	213
8.1.2.2	Measures of Financial Reporting Quality.....	213
8.1.2.3	Financial Reporting Quality (Accrual) Predictor	213
8.1.3	Other Variables	214
8.2	Tables	215

