

Studying the Effects of Conditional Conservatism and Lack of Information Asymmetry on the Cost of Capital of the Accepted Companies in Tehran Stock Exchange

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Abstract : One of the methods in avoiding management fraud and increasing the quality of financial information, is the notification of qualitative features of financial information, including conservatism characteristic. Although taking a conservatism approach, while boosting the quality of financial information, is able to reduce the informational risk and the cost of capital stock of commercial department, by presenting an improper image about the situation of the commercial department, raises the risk of failure in returning the main and capital interest, and consequently the cost of capital of the commercial department. In order to know if conservatism finally leads to the increase or decrease of the cost of capital or does not have any influence on it, information regarding accepted companies in Tehran stock exchange is utilized by application of pooling method from 2007 to 2012 and it included 124 companies. The results of the study revealed that there is an opposite and meaningful relationship between conditional conservatism and the cost of capital of the company. In other words, if bad and unsuitable news and signs are reflected sooner than good news in accounting profit, the cost of capital of the company increases. In addition, there is a positive and meaningful relationship between the cost of capital and lack of information asymmetry.

Keywords : conditional conservatism, lack of information asymmetry, the cost of capital, stock exchange

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