

The Investigate Relationship between Moral Hazard and Corporate Governance with Earning Forecast Quality in the Tehran Stock Exchange

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Abstract : Earning forecast is a key element in economic decisions but there are some situations, such as conflicts of interest in financial reporting, complexity and lack of direct access to information has led to the phenomenon of information asymmetry among individuals within the organization and external investors and creditors that appear. The adverse selection and moral hazard in the investor's decision and allows direct assessment of the difficulties associated with data by users makes. In this regard, the role of trustees in corporate governance disclosure is crystallized that includes controls and procedures to ensure the lack of movement in the interests of the company's management and move in the direction of maximizing shareholder and company value. Therefore, the earning forecast of companies in the capital market and the need to identify factors influencing this study was an attempt to make relationship between moral hazard and corporate governance with earning forecast quality companies operating in the capital market and its impact on Earnings Forecasts quality by the company to be established. Getting inspiring from the theoretical basis of research, two main hypotheses and sub-hypotheses are presented in this study, which have been examined on the basis of available models, and with the use of Panel-Data method, and at the end, the conclusion has been made at the assurance level of 95% according to the meaningfulness of the model and each independent variable. In examining the models, firstly, Chow Test was used to specify either Panel Data method should be used or Pooled method. Following that Housman Test was applied to make use of Random Effects or Fixed Effects. Findings of the study show because most of the variables are positively associated with moral hazard with earnings forecasts quality, with increasing moral hazard, earning forecast quality companies listed on the Tehran Stock Exchange is increasing. Among the variables related to corporate governance, board independence variables have a significant relationship with earnings forecast accuracy and earnings forecast bias but the relationship between board size and earnings forecast quality is not statistically significant.

Keywords : corporate governance, earning forecast quality, moral hazard, financial sciences

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