

## The Impact of Profit Management on Capital Structure in the Accepted Companies in Tehran Stock Exchange

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**Abstract:** Profits, capital structure and management of strategic issues for all companies around the world is growing. Sometimes profit management for managers, provides certain trade benefits to the species that seem good at the end of the year. This study investigated the relationship between earnings management and capital structure of listed companies in Tehran stock exchange is. For this study, about 60 companies of listed companies on the Stock Exchange during 1382 to 1386 were analyzed. For data analysis, multivariate regression method was used. In this study, capital structure and discretionary accruals as the dependent variable, ROA (return on total assets ratio) and ROE (return to the ratio of total equity) as independent variable is considered. The results indicate that accruals and ROE have a significant negative relationship with their capital structure. Significant positive relationship with ROA and capital structure of firms listed in Tehran Stock Exchange has found.

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**Keywords:** Earnings management, capital structure, accruals

### Introduction:

Over the past half-century phenomenon of earnings management, accounting and finance has been a favorite subject for researchers. This phenomenon is referred to as a deliberate act to reduce the periodic oscillations, is formed. From point of view of the users of financial statements, particularly investors, one of the most important aspects of financial reporting companies, is net profit. Because of the board of directors and shareholders, net income performance measure criteria for each institution are the institution's management. On the other hand market share and earnings per share amount of the net profit amount and profitability of companies depends in many years. Annual increase in dividends to shareholders and companies the confidence of new investors to buy shares of companies and banks and other credit institutions for loans, more will be encouraged. Earnings management occurs when the "managers, judges are involved in financial reporting and organizing and Events (Hili and Vallen, 1999).

Profit management, transparency, performance, or potentially could affect the company's financial status, to the extent that decisions related to resource allocation in the absence of earnings management will be different.

### Research hypotheses:

The purpose of this study the relationship between earnings management and capital structure is in Tehran Stock Exchange. Research hypotheses are as follows:

First hypothesis: the relationship between accruals and capital structure there is a significant company.

Second hypothesis: there is a significant relationship between ROA and corporate capital structure.

Third hypothesis: there is a significant relationship between ROE and capital structure the company.

### Methodology:

This study was a correlation with data obtained from the type and number, the cumulative data analysis was performed. This information is used in corporate history. To test the research hypotheses and OLS regression method using 95% confidence level is used. Required to collect data from compressed file, which is published by the Tehran Stock Exchange and the SPSS software version 15 for data analysis Statistical tests were used to help.

### Research tools:

Data sample of 60 companies registered during the years 1382 to 1386, extracted from existing

databases and was transferred to an Excel spreadsheet. The calculation for the independent variables, the dependent variable data with calculations needed for statistical tests were stored in appropriate files. Then, using SPSS software version 15, the data were analyzed.

**Population and sample:**

Statistical community, all companies listed in Tehran Stock Exchange is. Due to population size and extent of the inconsistency between some community members, the following conditions for the selected sample is placed. Mentioned conditions are:

1. to lead the company's fiscal year end is December months each year.
2. 82 to the company during 1386, the fiscal year is not.
3. Financial information required, especially the notes accompanying the financial statements in order to extract the required data, including accruals accounts are available.
4. 60 companies were randomly selected as sample data to the management of their financial statements with accompanying notes were collected.

**Findings:**

Data sample of 60 companies registered during the years 1382 to 1386, extracted from existing databases and was transferred to an Excel spreadsheet. The calculation for the dependent and independent variables, the necessary information needed for statistical tests were stored in appropriate files. Picture number 1 shows the descriptive statistics data for this study.

The results of the regression SPSS input methods include:

- (1) All variables in the model have been used.
- (2) When using regression methods to a few points are necessary. The first reliable results of the regression fit of the regression model, the total is significant. ANOVA picture in picture (3) and F statistics in the graphs indicate 95% confidence level is significant in this model.

**Figure 1. ANOVA results**

Sig.	F	Mean of Squares	df	R Square	Model
.000	12.008	.068	3	.205	Regression
		.006	48	.273	Remained
			51	.479	Total

The next important, the independence of the error components model is fitted. This test statistic for the Durbin- Watson used. As Figure No. (3) is

considered the statistics of the 174/2, which is very close to 2, the independence of the error components regression model was fitted to be confirmed in this study.

**Figure 2: Regression Results**

Durbin-Watson	Std Error	Converted R square	square R	r	Model
2/174	.075	.393	.429	.655	1

Next, which is an important point, the normal distribution of error components model is fitted. To test the Kolmogorov - Smirnov was used. Picture number 4 shows the results of this test. In this test, the hypothesis is defined such that the data are normal. As you can see in the image indicate Z-statistics, normal distribution of error components regression model is fitted.

**Fig.3 Kolmogorov – Smirnov Results**

Kolmogorov – Smirnov Test		Standardized Residual
Normal Parameters(a,b)	M	0.00
	Std Error	.97
Most Extreme Differences	Abs	.062
	Positive	.062
	Negative	-.045
Kolmogorov-Smirnov Z		.445
Asymp. Sig. (2-tailed)		.989

As shown in Fig (3) is considered the adjusted coefficient of determination ( ) 3930. Achieved. This indicates that the model used by about 39% of the variation in the dependent variable explained. In the remaining variation in the dependent variable, the error is related to the components and the variables and factors, which come in models, have been considered.

**Fig 4. Test results of the regression equation**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. error	Beta		
(Constant)	.246	.021		11.548	.000
DA	-5.52E-005	0.00	-.224	-2.017	.049
ROA	.181	.035	1.021	5.168	.000
ROE	-.040	.008	-.942	-4.750	.000

The final model based on coefficients obtained are as follows:

$$Capitalstructure_t = /246 + (-5/52E-005)DA_t + /18ROA_t - /04ROE_t$$

**Conclusions:**

Managers of companies that undergo a major

increase in its capital structure are, on the one hand to observe the terms of debt contracts, showing the desirable performance of the company, for tax purposes, reducing investment risk and consequently a reduction in interest rates, funds received action to manage their earnings. Earnings management in companies, which are consistent with results Adabshin .this study investigated the relationship between earnings management and capital structure of companies in Tehran stock exchange were paid. In this study, accruals, ROA and ROE as independent variables and capital structure were considered as the dependent variable. Results show that the capital structure of Discretionary Accruals and ROE are negative and significant relationship between ROA and capital structure in a significant positive relationship in member companies in Tehran stock exchange.

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