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### Examine the Relationship between the Earning Stability and the Future Stock Price Crash Risk in the Firms Listed in Tehran Stock Exchange

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#### ABSTRACT

Earning quality can be divided into three categories as; earning stability, Accruals figures levels and earning reflecting economic transactions. Earnings stability means Repeatability of the current profit. The more stability of earnings, the more ability to maintain current earnings by firm and, and It is assumed earnings quality is higher. On the other hand, the stock price crash means that, suffered a sharp decline in the under review period, the company's share price has crashed in that period. The objective of this study is to investigate the impact earnings stability on Future Stock Price Crash Risk. In order to analyze the data and testing, research hypotheses, a multivariate regression model was used. The statistical population included 86 companies listed on the Tehran Stock Exchange during the 2006-2015 time period. The results of testing the hypothesis using the first criterion (Crash) and also using the second criterion (Duvol), suggests that there is significantly negative impact on the future stock price crash risk. In other words, by increasing earnings stability, the likelihood of a stock price crash will be decreased in the future.

**Keywords:** Earning sustainability, stock price crash risk, earning quality.

#### 1. INTRODUCTION

The researchers believe that the changes in a company's stock price derive from internal information management of that company. If the management of a company, appropriately disclose the information to the capital market, the changes of stock price and stock returns of that company, will have a symmetric distribution, when hidden bad news accumulates to a certain

Threshold, it will come out all at once, resulting in an abrupt, large-scale decline in stock Price, namely, a stock price crash.

In recent years, particularly as a result of recent financial scandals, and has increasingly attracted

Considerable attention to earning quality. The earning quality is a concept having different aspects. For this reason, different definitions and different standard measurements have been introduced in relation to it; some of the most important of them are included:

Rvsayn (1999) believes that a profit is more quality that is more stable. According to Richardson et. al., (2001), earning quality is a stable degree of profit performance in the future period. White (2003) knows earning quality as the amount of applied conservatism in the reported earnings. Krskn Haytr and Mlvmad (2004) argue that a more earning quality is a profit that is closest to the value of a company and contains more information content. One of the possible reasons of variety in the definitions of earning quality can be the different views of researchers to different aspects. That is why so far any researchers have failed to provide a comprehensive definition of this concept or find a complete index for it. One of the issues in relation to the behavior of stock prices that has been widely considered by researchers is the sudden changes in stock prices that occur both in the fall and jump in the stock price. Given the importance that investors give to their stock returns, the phenomenon of stock price crash that led to a sharp decline in the stock returns is more focused in comparison with a jump that is a very large and negative change in the stock prices and occurs without the occurrence of a major economic event and is considered as a phenomenon synonymous with negative skewness of returns on stock (12).

Thus, given the importance of earning quality and stock crash, the objective of this research in the first line is examining the relationship between earning stability and on the future stock price crash risk in the firms listed on Tehran Stock Exchange.

**The theoretical foundations and research background:** Criteria and structures of earning quality are:

1. The structures of earning quality resulted from the properties of time series:
  - (A) *Stability*: In terms of investors, the stable profits are more important and durable
  - (B) *Prediction Ability*: Increases the abilities of users in predicting their favorite items. Researchers often use the annual forecasts
  - (C) *Variability*: A method in assessing profit quality, examining the uniformity of profit
2. Earning quality according to the relationship between profit, accruals, and cash:
  - (A) The ratio of cash flow resulting from operating activities to profit
  - (B) Changes in the total accrual items
  - (C) Prediction discretionary components of accrual items using accounting variables
  - (D) Predicting the relationships between cash flows accrual items
3. The concept of profit quality based on qualitative characteristics of the theoretical framework of Financial Accounting Standard Board; Relevance and reliability
4. The concept of profit quality based on the effect of accounting: this means that there is a reverse relationship between the benefits that information providers gain from the judgment and prediction and earning quality.

5. The analytics assess earning quality to determine the price of the company stock
6. The profit of the company is not derived from the inflation (2)

**The definition of stock price crash has three features:**

- (A) The crash in the stock price is a great and unusual change in the stock price that occurs without occurrence a big and important economic incidence.
- (B) So large changes are negative.
- (C) The stock price crash is a contagious phenomenon in the market. That is, the stock price crash is not confined only to a particular stock but includes all stocks on the market (20)

Each of the three above-mentioned features has a strong root in the collection of empirical and logic facts.

Some of the theories about stock prices crash:

**Leverage effects theory:** The first theory about negative skewness in stock returns is based on the opinions of leverage effects that has been stated by Black (1976) and Christy (1982). This theory states that when the stock price declined, the financial and operational leverage of a company will be increased that this leads to an increasing the fluctuation of stock return (22).

**Difference of opinion Model:** According to this model, lack of heterogeneity of investors, is the main cause of negative skewness in the stock returns (22)

**Discretionary disclosure theory:** This hypothesis suggests that managers have different degrees of discretionary for disclosing information and prefer that quickly announce the good news and disclose the bad news gradually and slowly. This managerial behavior creates a positive skewness in the stock returns (21).

**Reverse fluctuating mechanism:** According to this mechanism, entering the new information to the market, both favorable and unfavorable, lead to increase market volatility (21)

### **Research Background**

Kim et. al., (2016) in a research entitled with “**Financial Statement Comparability and Expected Crash Risk**” have studied the impact of financial statement comparability on ex ante crash risk.

They find that expected crash risk decreases with financial statement comparability, and this negative relation is more pronounced in an environment where managers are more prone to

Withhold bad news. The results of these researchers are in contrast to the findings of this research (14).

Li (2015) in a research entitled as “Comparability and the risk of future stock price crash” examined the impact of comparability on the risk of future stock price crash and also focus on the role information asymmetry intensity of this relationship. The results of his research indicated that the comparability of financial statements causes the increase of the stock price crash. Also, he concluded that in companies with less information asymmetry the impact of comparability on the risk of falling stock prices is lower. The results of Li, research are consistent with the result of the present study (17).

Chung et. al., (2014) conducted a research with a title as “The impact of stock liquidity on the stock price crash risk”. Results showed that there is a significant positive relationship between without liquidity stock and future stock price crash risk. Also, the impacts of liquidity are higher in companies that enjoying a high level of investment with a short-term horizon and companies that don’t have information asymmetry. Generally, the more without liquidity stock leads to intensified the accumulation of bad news within the company by facilitating threat to leave investors with short-term horizons. The results of these researchers are consistent with the findings of this research(23).

Hajiha et. al., (2016) in a research entitled with “examine the effect of lack of transparency and reducing the risk of earning instability on stock prices of companies listed in Tehran Stock Exchange”. In this study 124 companies were studied during the2008-2011-time period. Logistic regression was used to test the hypotheses of the model. The results indicate that a lack of transparency and earning instability has a positive and significant effect on the risk of a stock price crash (4).

Abbasi et. al., (2014) in a research entitled with “examine the effect of accounting conservatism on the risk of stocks price crash in terms of information asymmetry in Tehran Stock Exchange” have studied the impact of accounting conservatism on the risk of the stock crash. The statistical population includes 124 companies accepted in Tehran Stock Exchange during the time period of 2007-2011. In this research, they concluded that conservatism has a negative and meaningful impact on the possibility of falling stock prices.

Foroughi and Mirzaee (2012) in a research entitled with “the effect of conditional conservatism on the future stock price crash risk”. The evidence indicated that there is a reverse relationship between conditional conservatism and future stock price crash risk. In addition, in the conditions that there is an asymmetry between managers and investors, the abilities of conditional conservatism to reduce the risk of future stock price crash is more (7).

Dianti Dilmi et. al., (2012) in a research investigated the “The impact of working capital management based on the cash conversion cycle to reduce the risk of falling stock prices”. In this research 59 companies in the time period of 1999-2011 were selected and to measure the risk of the stock crash the negative coefficient of skewness is used. The results show that working capital management reduces the possibility of falling stock price risk, significantly.

Dianti Dilmi et. al., (2012), in a research, studied “the impact of institutional capital on reduction the risk of stock crash” they argue institutional investment reduces the incentive and ability to hide or delay the bad news. The results indicate that institutional investment decreases the probability of falling stock prices significantly (9)

According to the results obtained in conducting research, it can be understood that the accumulation and non-disclosure of bad and confidentiality news within the company, leads to bad news not reflected in the stock price timely and this issue increases the likelihood of falling stock price in the future. Given that the behavior of stock prices to some extent affected by the accounting information, therefore, it is expected that the characteristics of accounting information, including profit stability, affect the risk of falling stock price. According to the importance of stock price and heavy losses that price crash can lay on shareholders, in this article, we will try to study the effect of profit stable on the risk of falling stock prices.

**Research hypotheses:** Earning stability has an impact on future stock price crash risk.

**Population and the sample:** In this study, the companies of the sample population were selected by the method of systematic elimination and applying the following conditions during the time period of 2006-2015.

- Their fiscal year must be ended on March 19 of each year.
- During the study period, must not have changed their fiscal year
- Their stock transactions in Tehran Stock Exchange during the considered time period, must not have been stopped
- All required data of the study must be available for companies under study.
- The companies must not be among financial intermediate firms (banks, investment, and leasing)
- Finally, given that to calculate the independent and dependent variables of the research, the data of other industry companies were used, the industries were selected that the number of their companies is at least 6 firms.

With these restrictions, 86 companies in seven industries were selected as the sample.

### The operational definitions of the variables

**The dependent variable:** The dependent variable of the research is the risk of a future stock price crash. For this purpose, to calculate the company's particular output the time-series regression model as equation (2) is used.

$$\text{Equation (2): } R_{i,\theta} = \alpha_0 + \alpha_1 R_{m,\theta-2} + \alpha_2 R_{m,\theta-1} + \alpha_3 R_{m,\theta} + \alpha_4 R_{m,\theta+1} + \alpha_5 R_{m,\theta+2} + \varepsilon_{I,\theta}$$

In this relationship  $R_i$  represents,  $R$  represents monthly returns of the market and  $\theta$  represents the months of the year. The remnants of the equation (2), show the specific returns of the market that to close their distribution to the normal distribution the equation (3) is used.

$$\text{Equation (3): } W_{I,\theta} = \text{Ln}(1 + \varepsilon_{I,\theta})$$

$W_{i,\theta}$  represents the specific return of the company.

In this study, to measure future stock price crash risk, two criteria  $\text{Crash}_{i,t}$  and  $\text{Duvol}_{i,t}$  will be used.

The first criteria ( $\text{Crash}_{i,t+1}$ ): Is a dummy variable that if the company during the next year would have a crash course, its value will be equal to 1 and otherwise will be zero.

The second criteria ( $\text{Duvol}_{i,t+1}$ ): To measure this criterion, firstly the average of specific return of the companies is calculated then its associated data are divided into two categories of less than mean and more than mean and the standard deviation of each, separately calculated. Then to calculate  $\text{Duvol}_{i,t}$  the equation (4) will be used.

$$\text{Equation (4): } \text{DuVol}_{i,t} = \text{Log} \left( \frac{\text{Down}_{i,t}}{\text{Up}_{i,t}} \right)$$

In this relationship  $\text{Down}_{i,t}$  equals to the standard deviation of fewer observations from the mean and  $\text{Up}_{i,t}$  represents the standard deviation bigger than mean for a particular return of the I company in the upcoming year.

### Independent Variable

The independent variable of research is earning stability. An univariate regression equation was used to measure earning stability, which in this model *earnings* persistence is agent of earning stability. This model provided by Dichow. & Dichev in 2012 (10)

$$\text{Equation (1):} \quad \text{Earning}_{i,t} = \beta_0 + \beta_1 \text{Earnings}_{i,t-1} + \varepsilon_{i,t}$$

**Earning<sub>s,t</sub>**: Is the net profit of company *i* at the end of *t* year, that is divided by the value of market stock at the end of *t* year

**Earning<sub>s,t-1</sub>**: The net profit of I company at the end of the *t-1* year, divided by the value of the stock market at the end of the *t-1* year.

The test of time-series run for all companies during the study period (for 4 years). This means that to measure the profit stability in 2006, the data of 2003-2006 are used, in this model  $\beta_1$  is the independent variable coefficient, the degree of profit stability during the research period.

### The Control Variables

According to studies of Hajiha et. al., (2015), Abbasi et. al., (2014) and Foroughi & Mirzaee (2012) and Chang et. al., (2014) a collection of control variables have used in this research that at the following their type of calculation is stated:

**Return on assets (ROA)**: Is the ratio OF net profit to the total assets of the company at the beginning of the fiscal year.

**Financial leverage (LEV)**: Is the ratio of total debts to the total assets of I company at the end of *t* year.

The ratio of the market value of the book value of equity in year *t* that is shown by MTB

Average (AvrW), SD (StdW) and negative skewness (Skew) specific monthly returns during *t* year (4, 5, and 6)

**Research Model**: After calculating the variables for hypothesis testing, regression model as equation (5) is used.

$$\text{Equation (5):} \quad \text{Crash Risk}_{i,t+1} = \alpha_0 + \alpha_1 \text{ESus}_{i,t} + \sum_{q=2}^{q=5} \alpha_q (\text{Control}_{i,t}) + \varepsilon_{i,t}$$

Crash Risk is the risk of future stock price crash is to determine which the two criteria described (Crash and DuVol) are being used.

**Esus**: The sustainability of corporate profits of I in year *t*.

**Control<sub>i,t</sub>**: Are the control variables of research.

In equation 5, to study the impact of profit sustainability on the risk of a future crash of stock price, the coefficient of  $\alpha_1$  will be examined. If this coefficient is negative and significant at the 95% confidence level, the hypothesis will not reject, otherwise, it is rejected. Given that to measure the dependent variable of the research the two criteria are used, the relationship (5) with the use of each criterion will be calculated separately.

### Descriptive Statistics of Research Variables

After collecting the data and calculating the variables used in the research, descriptive parameters were calculated for each variable separate. Table 1, shows descriptive statistics of variables, also the reliability of used variables in the models of research by using the test of a single root of Levin, Lin, and Cho that is appropriate for compound data, are studied.

**Table 1**  
Descriptive statistics of the study variables

The symbol of variable	Mean	Middle	Maximum	Minimum	SD	The reliability test of Levin, Lin, and Choe	
						The statistic of the test	P-Value
Crash	0.197	0.000	1	0.000	0.398	-12.331	0.000
DuVol	-0.107	-0.098	1.029	-1.019	0.293	-22.441	0.000
ESus	0.491	0.487	0.981	-0.435	0.321	-13.546	0.000
Avr	0.000	0.000	0.000	0.000	0.000	-11.433	0.000
Std	0.084	0.072	0.788	0.000	0.069	-17.569	0.000
Skew	-0.343	-0.265	3.189	-3.178	1.074	-23.586	0.000
MB	0.797	0.706	3.249	-2.866	0.578	-15.334	0.000
Lev	0.633	0.643	1.565	0.017	0.213	-6.172	0.000
ROA	0.163	0.119	5.911	-3.797	0.433	-25.785	0.000

As Table 1 shows the average of variable ESus is equal to 0.491, indicating that more data on these variables have been centralized on this point. The middle of ESus variable is 0.487 that indicates that all data of this variable are less than this value and the others are more than this value. Given that the mean and median values of variables are close together, it can be understood that the distribution of variables is very close to a normal distribution. Among the most important indicators of dispersion that is a desirable condition to insert variables in the regression model, is the standard deviation. As also is visible, in Table 1 the standard deviation of the variables is not zero and have this requirement. The highest and lowest value of this parameter is 1.074 and 0.000 that are related to MB and Avr variables, respectively.

### The Analysis of Research Hypothesis Model

The hypothesis is that the sustainability of profits has an impact on the risk of a future stock price crash. To test this hypothesis, the model (1) is used.

$$\text{Model (1): } \text{CrashRisk}_{i,t+1} = \alpha_0 + \alpha_1 \text{ESus}_{i,t} + \sum_{q=2}^{q=5} \alpha_q (\text{Control}_{i,t}) + \varepsilon_{i,t}$$

Given that for calculating the dependent variable of (CrashRisk), the two criteria of (Crash, DuVol) are used. This model also twice individually uses any of the criteria is estimated.

### The Model Analysis of the Hypothesis using Logistic Regression

Logistic model includes anon-linear pattern that to estimate it the maximum likelihood method is used. The obtained results of estimating this model approximately are similar to the estimation of the linear regression model. With the difference that in the logistic model instead of the *t*-statistic the *z*-statistic is reported.

Also in this pattern, to examine the validity of the model and the power of justifying it, respectively, for F-statistic and justified determination coefficient, the statistics on the likelihood ratio (LR) and coefficient of determination McFadden (MacFadden) is used (Foroughi et. al., 2012). In addition, in the logistic model, to evaluate the goodness of fit test, the model of Hasmer-Lamsho is used (Foroughi & Ghasemzadeh, 2015).

The following table shows the resulting fit of the model (1) with the criteria of (Crash) using the logistic method.

**Table 2**  
**The estimation of the model hypothesis test with logistic model**

<i>The explanatory variables</i>	<i>The estimated coefficient</i>	<i>Standard error</i>	<i>Z-statistic</i>	<i>P-Value</i>
Intercept	-1.840	0.511	-3.597	0.000
ESus	-0.565	0.112	-5.045	0.000
Avr	5.310	7.940	0.668	0.503
Std	-0.181	1.852	-0.097	0.922
Skew	-0.120	0.106	-1.137	0.255
MB	-0.393	0.233	-1.618	0.092
Lev	1.405	0.628	2.237	0.025
ROA	0.408	0.244	1.668	0.095
LR statistic			20.083	
P-Value			0.004	
McFadden coefficient of determination			0.105	
Hasmer-Lamsho statistical test			5.876	
The significance of Hasmer-Lamsho			0.661	

Given that a significant level calculated for the statistic of likelihood ratio the model (LR), is less than the 5% error level, it can be concluded that the whole model is significant and has high credit. Also, the chi-square value of Hasmer-Lamsho which has compared the predicted values with the real values in 10 groups is equal to 5.876 and less than the critical value of the table. Therefore the result of Hammer shows that the prediction error is not significant and the null hypothesis based on the goodness of fit is accepted. The value of McFadden equal to 0.105 and indicates that the collection of explanatory variables, justify almost 10.5 percent of the dependent variable.

The estimated coefficient for the variable of profit stability ( $ESus_{i,t}$ ), equal to  $-0.565$  and the calculated P-value of it, is less than 5 percent error, so one could say with 95% confidence that the stability of the profit has an impact on the risk of a future stock price crash. Hence the hypothesis, using the first criteria stock price crash risk will not be rejected. However, due to the negative sign of the coefficient, it can be concluded that the stability of profits, reduces the risk of a future stock price crash.

### **Hypothesis Test the Model using Ordinary Least Squares Analysis Model**

The second criteria (DuVol), future stock price crash risk is among the continuous variables that in the estimation of the model using these criteria, the method of least squares regression was used.



### The Results by Selecting the Type of Test Data

Due to the use of combined data, to choose between using the panel and compiled data in the model estimation, the F-Limer test is used. According to the results of the F-Limer test, the observations that their likelihood test is more than 0.50, the compilation method is used and for observations that the probability of their test is less than 0.05, to estimate the model the panel, method is used. Given that the panel can be done using two models of “fixed effects” and “random effects”, when the results of F-Limer confirms the panel data, to select which one model, the Hausman model must be used. In Hausman test if the probability of the test less than 0.05, the model of fixed effects and if this value is more than 0.05 the random effects will be used. The results of conduct tests about the model are presented in the Table 3.

**Table 3**  
The results of selecting test of combined data

<i>F Limer test</i>		<i>Hausman test</i>		<i>Result of the test</i>
<i>Test statistic</i>	<i>P-value</i>	<i>Test statistic</i>	<i>P-value</i>	
1.843	0.000	64.737	0.000	Panel-fixed effects

As seen in the above table, the significance level for the F-Limer test is less than 5%. Thus the null hypothesis of this test to use of compilation data is rejected and use of panel data is accepted. Also the calculated P-Value in Hausman test is less than 5 percent and the type of data used for the model estimation is panel data and fixed effects.

### The Results of Autocorrelation Test between Residuals

For examining the lack of autocorrelation in results of regression model, Durbin-Watson statistic is used. The results of this test are given in Table 4.

**Table 4**  
The results of autocorrelation test between residuals

<i>Benchmark of stock price crash risk</i>	<i>Durbin-Watson statistic</i>	<i>Results of the test</i>
DuVol	2.095	The absence of autocorrelation

Since the value of Durbin-Watson statistic is between 5.1 and 5.2, so in the model of research, there is no problem in the autocorrelation

### The Results of Variance Heterogeneity between Residuals

In this research, in order to study the heterogeneity of variance, software Stata12 and Pagan test method is used with the command Hetttest. If the model suffers from a heterogeneity of variance to solve it generalized least squares (GLS) to estimate the model will be used. The  $H_0$  hypothesis indicate variance consistency and  $H_1$  hypothesis shows the non consistency of the variance. If the statistic probability related to the Pagan test method is less than 0.5, the  $H_0$  is rejected and in contrast  $H_1$  hypothesis is confirmed. Table 5 shows the obtained results of check heterogeneity of variance using the test of likelihood (LR):

**Table 5**  
**Test results of variance heterogeneity**

$H_0$	<i>Pagan test method</i>		<i>Result of test</i>	<i>Estimation method</i>
	<i>Test statistic</i>	<i>P-value</i>		
Variance consistency	131.47	0.000	H <sub>0</sub> rejected	GLS

Results of above table show that the significance level of non-consistency test of the model is less than 5 percent and the null hypothesis of Pagan test based on the consistency of residual variance in the model is rejected, thus in the model, there is a problem of variance heterogeneity that to address the problem the pattern of generalized least squares (GLS) is used for estimation.

### The Model Estimation Results

Table 6, shows the estimated results of model 1 related to the first hypothesis testing with a standard (Duvol) with generalized least squares method

**Table 6**  
**Estimation the model of hypothesis test with least square pattern**

<i>The explanatory variables</i>	<i>The estimated coefficient</i>	<i>Standard error</i>	<i>Z -statistic</i>	<i>P-Value</i>
Intercept	-0.340	0.064	-5.266	0.000
ESus	-1.112	0.243	-4.576	0.000
Avr	-6.500	5.030	-1.292	0.196
Std	0.507	0.208	2.433	0.015
Skew	-0.052	0.015	-3.317	0.001
MB	0.015	0.036	0.430	0.667
Lev	0.268	0.099	2.668	0.007
ROA	0.022	0.016	1.348	0.167
F statistic			1.967	
P-Value			0.000	
coefficient of determination			0.295	
The adjusted coefficient of determination			0.141	
Durbin-Watson			2.095	

As seen in this table, the calculated significance level for the F-statistic the model, is less than the 5% F level and significantly and the validity of the model is accepted. The values related to the adjusted coefficient of determination, suggests that about 14 percent changes of the dependent variable explained by the independent and control variables. The estimated coefficient for the variable of profit stability (ESus<sub>i,t</sub>), equals to -1.112 and the calculated *p*-value for it is less than 5 percent error level. So it can be concluded that the profit stability has significant impact on future stock price crash risk and the hypothesis of the study using a second measure of the dependent variable is confirmed. However, due to the negative sign of the coefficients can be concluded that the stability of profits will lead to reduce the risk of falling stock prices in the future.

## **2. CONCLUSIONS AND DISCUSSION**

This study examined the impact of earning stability on of future stock price crash risk in companies listed in the Stock Exchange of Tehran.

The first hypothesis was that earning stability has an effect on the risk of a stock price crash. To test this hypothesis, two criteria were used for stock price crash risk. The model estimation results of this hypothesis using the first criteria in Table 2 and using the second criteria Table 6, suggests that at 95 percent confidence, stable earnings have a significant negative impact on future stock price crash risk. In other words, with increasing the profit stability the chance of falling stock prices in the future will be decreased.

The obtained results of this test are consistent with results of Lee (2015) but they are inconsistent with results of Kim et. al., (2016) and Chang et. al., (2014). Also the results are consistent with findings of Abbasi et. al., (2015). They showed that accounting conservatism has a significant negative impact on the stock price crash risk. Also the results of Dianti Dilami et. al., (2012) suggest that, the existence of institutional investors reduces the probability of an occurrence stock prices crash, significantly.

## **3. RESEARCH RECOMMENDATIONS**

### **Practical Recommendations**

According to the results of research based on the effectiveness of profit stability on the risk of future stock price crash and also the importance that the accounting profit and its features have for users of financial statements, It is suggested that to be launched a special database for easy access to data from market participants and researchers, corporate executives. While in Iran, especially because of the lack of access to information on the Site, very little research has been done on this topic and still the managers in our country are a part of obscure details of the company's components.

### **Suggestions for Future Research**

1. The ability of management, in addition to profit stability can be effective on other profit, s characteristics. Therefore, it is suggested that in future researches the relationship of management ability and the features of profit on the stock futures fall be investigated.
2. The regulators and standard setters suggested that pay more attention to sustainable profits the efficient allocation of investments. Auditing organization in developing standards can specify all possible conditions in order to achieve limited harmony and whereby increase the profit stability.

### **Research Limitations**

Always walking on the way to reach the target, has some shortcomings which makes reaching the target would be slow. This study, as well as a process in order to achieve the purpose of problem-solving of research, is not an exception. Therefore in this section by providing the limitations of the research, attempts have been done to aware the reader to be more careful in generalization the results of research and about the research process will have fair judgment. In this regard the limitations of this study are as follows:

- The present study has been done using data from 86 firms listed on the Tehran Stock Exchange and investment companies, leasing and banks due to the nature of certain activities of the population have been excluded. Hence, the results are not generalizable to all companies.
- The time period of research is from 2006 to 2014. Therefore, it should be noted the results cannot be generalized to the years before 2006.
- Due to lack of homogeneous and coherent data on weekly returns of companies and industries under study, While the criteria used for the risk of falling stock prices are based on weekly returns in this study were used to calculate the measure of monthly returns.

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