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Research Article

STUDY OF THE RELATIONSHIP BETWEEN SELECTIVE CRITERIA OF CORPORATE GOVERNANCE AND TIMELINESS OF EARNING NEWS IN TEHRAN STOCK EXCHANGE

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ABSTRACT
The main purpose of this study was to investigate the relationship between some corporate governance mechanisms and timeliness of earnings news. Board of directors' size, number of independent directors in board of directors, and institutional investors were used as corporate governance system mechanisms. The intended data was collected from a selective sample consisting of 90 companies listed in Tehran stock exchange during 2007-2011 intervals. Hypotheses have been tested by multivariate regression and Eviews software. Overall results of the study showed that a significant relationship exists between board of directors' size and timeliness of well reflected news of earnings.

***Keywords**: Corporate governance system, Board of directors' size, Independent directors, Institutional investors, timeliness of earnings news*

INTRODUCTION
Financial reporting is one of the most important elements of accounting system and providing necessary information for evaluation of performance and profitability in economic agencies is one of the major objectives of financial reporting. Financial statements form one of the most crucial elements of financial reporting. Earning is one of the most basic elements of profit and loss statement that has been always attracted by all beneficiaries that is used as a criterion to evaluate continuity of an activity, performance of a business unit, measurement of profitability and anticipation of future activities of the business unit. Accounting earning is one of fundamental criteria in economic decisions; however, various estimations and methods in accounting hurt validity and reliability of this earning. Earnings with poor qualities can cause inefficient source assignments and consequently inappropriate capital transfer. Availability of high quality earning needs a suitable corporate governance system at corporate levels so that it limits profit-seeking and opportunistic behavior of directors and results in greater assurance of investors. Therefore, powerful corporate governance causes improvement in quality and reliability of financial reporting, especially in accounting earning (Mehrani & Safarzade, 2011). In addition, there are some areas, such as conflict of interests between directors and owners of corporates, the increases doubts over the reliability of earning. Corporate governance, which includes some mechanisms and works on leadership of corporate affairs, supervises activities while promoting corporate affairs and consequently, causes to minimize fulfillment of personal needs of corporate directors. Hence, it is expected to increase quality of corporate financial reporting and its generated profit through execution and reinforcement of corporate governance mechanisms (Arab Salehi & Ziaei, 2010). Purpose of the corporate governance is to reduce conflict of interests between directors and owners. Thus, it may be a relationship between corporate governance and financial reporting. It is expected that corporates with effective corporate governance have a higher quality reporting and earning. Evaluation of earning quality helps users of financial statements to judge assurance of current profit and predict the future (Richardson et al, 2004). According to above, in the present study, the researcher intends to answer the main question: how corporate governance influence timeliness of earning news?

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THEORETICAL FRAMEWORK AND GENERALIZATION OF HYPOTHESES

Information content of earnings

Theorists of stock exchange markets view financial reporting as the most important informative sources of investors. Financial reporting must provide information that is useful for investors, present and future creditors, and others in decision making on investment, credits grant, and similar decisions. It is clear that the information must be available in a comprehensive way to provide information needs of all of the users with proper understanding of economic activities. For this reason, information content of accounting figures and research in this field is one of the most important issues of accounting literature. There is a difference between effective factors of profitability that influence shares price and declaration of interest. Accounting income of a corporate can represent factors, such as cash currents that are an effective factor on shares price and increases unusual return rate without declaration of interest and transfers information to market. The reason may be that according to the efficient market hypotheses, the market may also receive information from other sources. Therefore, in a case of a relationship between changes in monthly earning of corporate and unusual return rate, it can be concluded that earning is a factor influencing shares price but it does not mean that earnings actually transfer information to the market (Khosh Tinat & Barari Nokashti, 2006).

Information content of accounting figures means that financial reporting transfers new and suitable information to market and causes change in investors' expectations and as a result, investors respond to this information. Investors' response to issuance of information indicates information effect on their decisions; that is, accounting information has information content. There are incremental, proportional, and differential information content in accounting figures of accounting literature.

In differential comparisons, researcher seeks for a criterion that has more information content and selects it when there is an option to choose. Incremental comparisons are used when a need is felt to choose between one or more accounting criteria. In many cases, studies do not deal with whether information content of a disclosure is beyond other; however, it concentrates on which of them provides more information. In other words, when information content are compared or when classification is based on the intended information content, differential information content will be more desirable than incremental information content (Gary et al, 1995).

Earnings Response Coefficient (ERC)

Experimental studies indicated that unexpected shares return after declaration of earning of some corporates is greater than other corporates. This issue causes to pose the question: why does a corporate show greater response to the bad and good news of some corporates than some other corporates? One of the most important guidelines of experimental studies on financial accounting in this area is to know and explain different responses of market to the earning information. This is called earnings response coefficient (Scott, 2003). Earnings response coefficient has been used as an index for information content of accounting earning in the literature because it represents the profit efficiency (Salehi et al., 2012). Earnings response coefficient, which measures market response to changes in earning per share, is one of the best methods to evaluate the quality of earnings and is obtained by price regression and earning per share. In addition, it indicates that to what extent the information related to earning influences stock price (Ahmadpour & Ghahramani Saghir, 2009).

Corporate governance

Corporate governance is a series of control and leadership mechanisms in corporates. Corporate governance system is distribution of rights and responsibilities of corporate governance of complex system of control mechanism influencing management behavior that is for protection of increase in owners' shares value and is an influential system in decreasing agency costs, which has been established as a result of separation of ownership and management (Demirbas and Yukhanaev, 2011). This system, which determines laws and procedures to identify dicision-making processes in corporate, including goal-

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setting, designing tools to achieve objectives and designs of control systems, has a close relationship with the ways, in which suppliers of financial sources apply to ensure their capital return. Corporate governance system is a series of instructions, structures, processes, and cultural norms through which, corporates will achieve goals of transparency in work processes, responsiveness against beneficiaries, and observance of their rights. Corporate governance mechanisms cause to decrease agency problems in corporates. The quality of these mechanisms is a relative thing and varies from company to company (Karimipour Ardakani, 2012). In order to achieve the main purpose of the study, the following main hypothesis is presented and tested by dividing into sub-hypotheses:

H1: There is a significant relationship between corporate governance and timeliness of earning news.

Corporate governance mechanisms

Board of directors' size

Theoretical literature has presented two different perspectives on the role played by board of directors' size in corporate performance. The first perspective states that the smaller size of board of directors causes to promote corporate performance. When board of directors is composed of several members, the problems of the agency increase because some members of the board of directors may act as useless individuals. When the number of board members is excessive, control and supervision on managing director shall not be effective. Moreover, planning, team coordination, decision making, and holding regular meetings are difficult for a great board of directors. Too large board of directors loses its' ability to perform duties efficiently and places in a symbolic place. On the other hand, the second hypothesis states that the smaller board of directors is deprived of the advantages and benefits of specialized and various ideas and suggestions that exist in a larger board. In addition, a larger board of directors has advantages on areas, such as experience, skill, gender, nationality, and so forth. Moreover, a smaller board of directors uses less independent directors in its combination and has less time to perform its supervisory duties and decisions (Dalton and Dolton, 2005). According to above discussion and materials on information content and earning response, the following hypotheses could be put forward:

H1a: There is a significant relationship between board of directors' size and timeliness of bad reflected news into earning.

H1b: There is a significant relationship between board of directors' size and timeliness of well reflected news into earning.

Independent members of board of directors

From the perspective of agency theory, presence of independent directors in board of directors of companies and their supervision performance contribute significantly to decrease conflict of interests among shareholders and companies' directors in board of directors meetings. Of course, it should be noted that executive directors of corporate play an important role in producing an appropriate combination of dependent and independent directors among the members of the board of directors. Agency costs (supervision, contract, and the remaining losses) is tolerated in order to control agency problems so that conflict of interests between owner and representative is decreased. One of the supervision costs for controlling agency is to employ independent members to supervise directors' behavior. Independent members are professional directors with specialization on controlling decisions whose duty is to control agency activities and serious problems between independent members and shareholders, such as condition of reward of executive and inspection directors and supervise to replace senior managers. In addition, university literature indicates that independent members protect better interests of shareholders in a better way and are better representatives for them. For this reason, independent members control agency problems and reduce information asymmetry between director and shareholders through a better and higher quality disclosure (Lim et al, 2007). Therefore, it can be stated that:

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H1c: There is a significant relationship between independent directors and timeliness of bad reflected news into earning.
H1d: There is a significant relationship between independent directors and timeliness of well reflected news into earning.

Institutional investors

Institutional investors play a crucial role in corporate governance system. They can supervise corporate management by their sufficient knowledge and experience in the respective financial and specialized areas. This can be a basis to align the interests of management with of shareholders group in order to maximize shareholder wealth. However, ownership of institutional shareholders can have both negative and positive effects, such as access to private information that causes asymmetric information between them and smaller shareholders. In addition, institutional shareholders can intensify conflicts in representatives due to their presence at the position of the major owner. They can resolve brokerage problems due to their ability for having mere economic advantage scale and diversification potential. Thus, it seems that institutional shareholders cause separation of ownership and control whereas their increasing involvement in corporates and focus on corporate ownership produces a way to supervise corporate management (Solomon et al., 2003). Therefore, the following hypotheses could be stated:
H1e: There is a significant relationship between institutional investors and timeliness of bad reflected news into earning.
H1f: There is a significant relationship between institutional investors and timeliness of well reflected news into earning.

REVIEW OF LITERATURE

Jiang et al. (2008) investigated relationship between corporate governance and earning quality through 4311 observations of American corporates during 2002 to 2004. Results indicated that if levels of corporate governance increased, degree of discretionary accrual items would decrease and earnings quality increase. Firth et al. (2007) studied effect of corporate governance on information content of earnings. The study was conducted on 5189 observations of Chinese corporates during 1998 to 2003. Information content of earnings was measured by earning-return relationship and discretionary accrual items. Results showed that focus of ownership, presence of foreign shareholders, ownership of real parties, type of major shareholders ownership, supervisory board, and independent directors influence earnings response coefficients and discretionary accrual items. Habib and Azim's (2008) results on corporate governance and value relationship of accounting information indicated that corporates with powerful corporate governance exhibited greater value relationship of accounting information. Further results demonstrated that corporate-specific economic components were considered as important components in this information relationship. Ferreira et al. (2011) examined the effect of information content of shares price on board of directors' structure. Results indicated that there was a negative relationship between information content of shares price and independence of board of directors. In other words, corporates with high information content of prices demand fewer board of directors' structure. Boubaker and Sami's (2011) study on the effects of multiple large shareholders on earnings information content showed that earnings information content has a positive relationship with amount of owner's cash current. Leventis and Dimitropoulos (2012) dealt with the role played by corporate governance in managing earnings. The study was conducted on USA banks during 2003 to 2008. Results indicated that banks with efficient corporate governance had fewer earning management. Hou et al. (2013) investigated impact of state ownership on information content of shares price through specific criteria of shares division reform. They studied 9871 observations of Chinese corporates during 2001 to 2008. Results showed that reforms would benefit information environment and minority shareholders in China stock market. Ebaid (2013) examined corporate governance and investors' perceptions of earnings quality. Results indicated that investors in corporates with strong corporate governance would have a greater

understanding of the quality of earnings. Siagian et al. (2013) investigated effect of corporate governance and reporting quality on the value of corporate. Results showed that corporates with strong corporate governance have higher value. In addition, reporting quality is inversely related to the corporate value.

METHODOLOGY

This study intends to examine the relationship between corporate governance and timeliness of earning news. Therefore, this is a post-event and applied research (from the past information), and is correlational according to the investigation of variables relationship. Library approach was used to collect information related to theoretical discussions, such as review of literature, and different databases, particularly Novin Rahavard software, databases of Tehran stock exchange, and also corporates financial reporting were used to gather data related to the research variables. Population of the study is all corporates admitted in Tehran stock exchange that have been active in exchange from the beginning of 2007 to the end of 2011. Systematic elimination method was employed to select the population, which is an appropriate representative for the intended population of the study. For this reason, five criteria were considered and if a corporate achieved all criteria, it would select as one of the corporates of the research sample. Criteria are as follows:

1. It is a member listed in stock exchange from 2007 to 2011.
2. Corporate fiscal year leads to the end of March.
3. It does not have a financial interruption over 70 days.
4. It does not among investment firms or financial intermediation.
5. Information required by the corporate is available.

After considering all above criteria, the number of the intended sample reached 90 corporates. In this study, descriptive statistics, including indices of central tendencies and distribution were used to describe the population and the studied sample. Moreover, regression approach based on combination data was used to analyze data related to the research hypotheses. Excel software was employed to prepare data and Eviews software was used to perform statistical tests.

EVALUATION OF VARIABLES AND PRESENTATION OF RESEARCH MODEL

Table 1 summarizes research variables with their abbreviation in the model.

Table 1: A summary of the research variables

Description	Abbreviation
Corporate board of directors' size	$BDSIZE_{it}$
Corporate institutional investors	INI_{it}
Number of corporate independent directors	$OUTDIR_{it}$
Earnings per corporate share	EPS_{it}
Return of corporate share	R_{it}
Virtual variable of share return (if return is negative, it is 1 and otherwise, it is 0)	D_{it}
Virtual variable of board of directors' size (if the number is greater than the sample median, it is 1 and otherwise, it is 0)	$DBSIZE_{it}$
Virtual variable of institutional investors (if the number is greater than the sample median, it is 1 and otherwise, it is 0)	$DINI_{it}$
Virtual variable of independent members (if the number is greater than the sample median, it is 1 and otherwise, it is 0)	$DOUT_{it}$
Corporate financial leverage (ratio of total debts to total corporate assets)	LEV_{it}
Corporate size (normal algorithm of total assets of corporate)	$SIZE_{it}$
Corporate growth opportunities (ratio of net market value of corporate assets to their book value)	$GROWTH_{it}$

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Studies indicated that corporates with both continuous increase in earning and income have higher quality earnings than corporates with just continuous increase in earning and consequently, they have greater response coefficients ERCs (Ghosh et al., 2005). According to Basu's (1997) study, quality of earning can be measured by relationship between earning and shares return. Following model is a reflection of this model:

$$EPS_{it} = b_0 + b_1R_{it} + b_2D_{it} + b_3R_{it} * D_{it} + b_4DBDSIZE_{it} + b_5D_{it} * DBDSIZE_{it} + b_6R_{it} * DBDSIZE_{it} + b_7R_{it} * D_{it} * DBDSIZE_{it} + b_8DOUT_{it} + b_9D_{it} * DOUT_{it} + b_{10}R_{it} * DOUT_{it} + b_{11}R_{it} * D_{it} * DOUT_{it} + b_{12}DINI_{it} + b_{13}D_{it} * DINI_{it} + b_{14}R_{it} * DINI_{it} + b_{15}R_{it} * D_{it} * DINI_{it} + b_{16}LEV_{it} + b_{17}SIZE_{it} + b_{18}GROWTH_{it} + e_{it}$$

In where:
EPS is earning per corporate share; B, return of corporate share; D, virtual variable of share return and equal to 1 if return is negative and otherwise, it is equal to 0; DBDSIZE, virtual variable of board of directors' size and equal to 1 if the number is greater than the sample median and otherwise, it is equal to 0; DOUT, virtual variable of independent members and equal to 1 if the number is greater than the sample median and otherwise, it is equal to 0; LEV, financial leverage that is the ratio of total debts to total assets; SIZE, the corporate's size that is normal logarithm of total assets of corporate; GROWTH, growth opportunities that is the ratio of market value of corporate owners' rights to its book value; and e, error value of regression equation.

RESEARCH FINDINGS

The first and second hypotheses

Table 2 shows the results of testing the first and second hypotheses. According to the results of table 2 and value of Durbin – Watson statistic (2.19), it can be stated that there is no autocorrelation between independent variables. Moreover, according to the degree of adjusted determination coefficient, it can be said that independent variables in this model can explain 56% of the changes in dependent variable.

Table 2 : Results of regression model for the first and second hypotheses

$EPS_{it} = b_0 + b_1R_{it} + b_2D_{it} + b_3R_{it} * D_{it} + b_4DBSIZE_{it} + b_5D_{it} * DBSIZE_{it} + b_6R_{it} * DBSIZE_{it} + b_7R_{it} * D_{it} * DBSIZE_{it} + b_8LEV_{it} + b_9SIZE_{it} + b_{10}GROWTH_{it} + e_{it}$			
Significance	t-statistic	Variable coefficient	Variable
0.45	0.75	420.05	Width from origin
0.5	0.68	-0.25	R
0.04	-2.04	-128.96**	D
0.1	1.64	-3.57***	R*D
0.92	-0.11	-8.98	DBSIZE
0.4	0.84	126.93	D*DBSIZE
0.08	1.73	1.67***	R*DBSIZE
0.29	1.06	5.13	R*D*DBSIZE
0.99	-0.009	-0.01	LEV
0.93	-0.09	-8.28	SIZE
0.62	-0.5	-1.1	GROWTH
Adjusted R^2: 0.56			F-statistic: 6.81
Durbin – Watson: 2.19			Significance: 0.000
* P < 0.01, ** P < 0.05, *** P < 0.10			

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According to above table, with regard to the first hypothesis and coefficients of variables R*D and R*D*DBSIZE as the earning response to the bad news, it can be stated that negative coefficient of variable R*D (-3.57) that is significant at confidence level of 90%, which indicates timeliness of bad news reflection into earning. However, coefficient of variable R*D*DBSIZE is 5.13 that is not significant according to the t-statistic (1.06) and significance level (0.29), regression coefficient calculated for this variable at error level of less than 0.5%. Therefore, according to the results, the first hypothesis on the significance relationship between board of directors' size and timeliness of bad reflected news into earning could not be confirmed at error level of less than 0.5%. In addition, considering to the second hypothesis and coefficients of variables R and R*DBSIZE as the earning response to the good news, its results are analyzed. Of these, positive coefficient of variable R (-0.25) is negative that is not significant at confidence level of 0.95%. However, coefficient of variable R*DBSIZE is (-1.67) indicates a direct relationship between board of directors' size and timeliness of good reflected news into earning. In other words, corporates with the board of directors greater than mean number of board of directors of the research sample provide good news more timely. Moreover, according to the t-statistic (1.73) and significance level of above variable (0.08), regression coefficient calculated for this variable at error level of less than 0.10% is significant. Hence, statistical hypothesis H0 can be rejected at confidence level of 90%. Therefore, according to the results, the second hypothesis on the significance relationship between board of directors' size and timeliness of well reflected news into earning could be confirmed at error level of less than 0.10%.

The third and fourth hypotheses

Table 3 shows the results of testing the third and fourth hypotheses. According to the data in table and value of Durbin – Watson statistic (2.23), it can be stated that there is no autocorrelation between independent variables. Moreover, according to the degree of adjusted determination coefficient, it can be said that independent variables in this model can explain 56% of the changes in dependent variable.

Table 3: Results of regression model for the third and fourth hypotheses

$DOUT_{it} + * D_{it}* DOUT_{it} + b_7R_{it}* DOU_{it} + b_6R_{it}* D_{it} + b_4DOUT_{it} + b_5D_{it}*EPS_{it} = b_0 + b_1R_{it} + b_2D_{it} + b_3R_{it}$ $b_8LEV_{it} + b_9SIZE_{it} + b_{10}GROWTH_{it} + e_{it}$			
Significance	T-statistic	Variable coefficient	Variable
0.4	0.84	472.75	Width from origin
0.28	1.07	0.53	R
0.16	-1.41	-106.79	D
0.48	-0.71	-1.92	R*D
0.84	0.21	13.11	DOUT
0.84	0.2	23.73	D*DOUT
0.17	-1.38	-0.97	R*DOUT
0.87	-0.17	-0.64	R*D*DOUT
0.94	-0.08	-0.1	LEV
0.84	-0.2	-18.97	SIZE
0.41	-0.83	-1.84	GROWTH
Adjusted R^2: 0.56			*F-statistic: 6.69*
Durbin – Watson: 2.23			*Significance: 0.000*
$* P < 0.01$, $** P < 0.05$, $*** P < 0.10$			

According to above table, with regard to the third hypothesis and coefficients of variables R*D and R*D*DOUT as the earning response to the bad news, it can be stated that negative coefficients of these

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two variables are -1.92 and -0.64, respectively, which indicates lack of necessary significance and timely bad news reflection into earning. Therefore, according to the results, it could not be confirmed the third hypothesis on the significant relationship between the number of independent directors and timeliness of bad reflected news into earning at error level of less than 0.5%. In addition, with regard to the fourth research hypothesis and coefficients of variables R and R*DOUT as the earning response to the good news, the results are analyzed. Of these, coefficient of variable R (0.53) is positive that is not significant at confidence level of 0.95%. However, coefficient of variable R*DOUT is (-0.97) that is not significant according to the t-statistic for this variable (-1.38) and significance level of above variable (0.17), regression coefficient obtained for this variable at error level of less than 0.5%. Hence, statistical hypothesis H0 could not be rejected at .95% of confidence level. Therefore, according to the results, the fourth hypothesis on the significance relationship between the number of independent directors and timeliness of well reflected news into earning at error level of less than 0.5%. In other words, corporates with the number of independent directors greater than mean research sample, no improvement is shown in rapidity of good news declaration into earning. This effect can result from more conservatism of these corporates.

The fifth and sixth hypotheses

Table 4 shows the results of testing the fifth and sixth hypotheses. According to the data of Table 4 and to the obtained value of Durbin – Watson (2.24), it can be stated that there is not an autocorrelation between independent variables. Moreover, according to the degree of adjusted determination coefficient, it can be said that independent variables in this model can explain 55% of the changes in dependent variables.

Table 4: Results of regression model for the fifth and sixth hypotheses

$$EPS_{it} = b_0 + b_1R_{it} + b_2D_{it} + b_3R_{it}* D_{it} + b_4DINI_{it} + b_5D_{it}* DINI_{it} + b_6R_{it} * DINI_{it} + b_7R_{it}* D_{it}* DINI_{it} + b_8LEV_{it} + b_9SIZE_{it} + b_{10}GROWTH_{it} + e_{it}$$

Significance	t-statistic	Variable coefficient	Variable
0.43	0.79	444.14	Width of origin
0.39	0.87	0.44	R
0.08	-1.75	-147.75***	D
0.26	-1.14	-2.91	R*D
0.98	0.025	2.18	DINI
0.44	0.77	90.85	D*DINI
0.29	-1.06	-0.74	R*DINI
0.79	0.26	1.03	R*D*DINI
0.86	-0.17	-0.22	LEV
0.89	-0.14	-13.49	SIZE
0.41	-0.83	-1.85	GROWTH
AdjustedR^2: 0.55			F-statistic: 6.53
Durbin – Watson: 2.24			Significance: 0.000
* P < 0.01, ** P < 0.05, *** P < 0.10			

According to above table, considering the fifth hypothesis and coefficients of variables R*D and R*D*DINI as the earning response to the bad news, it could be stated that coefficients of no variables are not significant at error level of 0.5% and it could indicate the absence of institutional investors and timeliness of bad reflected news into earnings. Hence, statistical hypothesis H0 could not be rejected at .95% of confidence level. Therefore, according to the results, the fifth hypothesis on the significance relationship between institutional investors and timeliness of bad reflected news into earnings could not be confirmed at error level of less than 0.5%.

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In addition, considering the sixth hypothesis and coefficients of variables R and R*DINI as the earning response to the good news, the results are analyzed. Due to the lack of significant coefficients of both variables with probability (0.30 and 0.29), respectively, it can be stated that statistical hypothesis H0 could not be rejected at .95% of confidence level. Therefore, according to the results, the sixth hypothesis on the relationship between institutional investors and timeliness of well reflected news into earnings could not be confirmed at error level of less than 0.5%.

DISCUSSION AND CONCLUSION

The first hypothesis on relationship between board of directors' size and timeliness of bad reflected news into earnings was put forward and tested. Results indicated lack of a significant relationship between these two variables. Lack of a significant relationship between board of directors' size and timeliness of bad reflected news into earnings can result from inefficiency of existing laws requiring board of directors for timely disclosure of bad news because if there are laws with necessary efficiency, and the number of directors is great, it can result in lower likelihood of consensus among all members to delay bad news. The second hypothesis on relationship between board of directors' size and timeliness of well reflected news into earnings was put forward and tested. Results showed that a significant relationship exists between these two variables. A significant relationship between board of directors' size and timeliness of well reflected news into earnings means that with increase in the members of board of directors, timeliness of good news also would be increased. This can be due to increasing tendency of board of directors to present a desirable picture of their performance to shareholders and investors. Ahmad and Duellman (2010) have mentioned a direct relationship between board of directors' size and conservatism but Roslinda (2009) found no relationship between board of directors' size and conservatism.

The third hypothesis on relationship between the number of independent directors and timeliness of bad reflected news into earnings was put forward and tested. Results indicated lack of a significant relationship between these two variables. Lack of a significant relationship between board of directors' size and timeliness of bad reflected news into earnings could result from inadequacy of existing rules for financial transparency and requiring board of directors to timely disclosure of bad news and also independent directors' weakness in imposing the expected duties because in this case, increase in the number of board of directors' independent members could lead to more timely disclosure of bad news. The fourth hypothesis on relationship between the number of independent directors and timeliness of well reflected news into earnings was put forward and tested. Results indicated that a significant relationship does not exist between these two variables. From the perspective of agency theory, presence of independent directors in board of directors of companies and their supervision performance contribute significantly to decrease conflict of interests among shareholders and companies' directors. Absence of a significant relationship between independent directors and timeliness of well reflected news into earnings could result from lack of motivation in independent members of board of directors to present a desirable picture of their performance to shareholders and investors. This means that due to the greater independence of the members in board of directors, tendency to maintain management position and job survival have been reduced and consequently, there is no motivation to give timely good news. Studies of Moradzade et al. (2011), Beekes et al. (2004), and Jang (2007) indicates a positive correlation between conservatism and the number of independent members of board of directors. The fifth hypothesis on relationship between institutional investors and timeliness of bad reflected news into earnings was put forward and tested. Results indicated that there was no a significant relationship between these two variables.

The sixth hypothesis on relationship between institutional investors and timeliness of well reflected news into earnings was put forward and tested. Results indicated that there was no a significant relationship between these two variables. Absence of a significant relationship between institutional investors and timeliness of reflected news (either good or bad) into earnings could be the result of inefficiency of existing laws for requiring board of directors for timely news disclosure and inefficiency of supervisory

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mechanisms of institutional investors because possibility of timely news disclosure (either good or bad) will be increased if an effective supervision of institutional investors and laws with necessary efficiency exist. Moradzade Fard et al. (2011) and Mehrani et al. (2010) found that there was a significant relationship between institutional investors and conservatism. It could be mentioned that due to having opportunities, supervision sources and capabilities, and impact on directors, institutional investors have an active supervisory role in corporate decisions and prevent imposing incremental profit techniques and making non-conservative decisions by corporate management. However, Wuchun et al. (2009) found a negative relationship between these two variables.

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