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IMPACT OF JOINT BOARD ON DISCLOSURE LEVEL AND EARNINGS QUALITY IN FIRMS LISTED IN TEHRAN STOCK EXCHANGE

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ABSTRACT

Board of directors is one of the main elements of the strategic system of the firm which is responsible for management of daily operations and business process. The main responsibility of the board is developing effective leadership on the firm's affairs in line with interests of the stakeholders and balance in interests of various stakeholders including customers, staffs, investors and local communities and providing independent supervision over performance of administrative managers and challenging strategy and business decisions of the executive management. One of the controversial issues in board structure area is joint board member. This work investigates effects of joint board on disclosure level, tax evasion, corporate performance and earnings quality. In Iran's environment where joint board is common, it is investigated during a seven-year period (2004 - 2010) in Tehran Stock Exchange. Findings show joint board is negatively related to disclosure level and positively related to earnings quality and performance. According to previous studies, firm size, and independent director is positively correlated with the level of disclosure. Joint Board does not impact significantly on tax evasion. From an accounting perspective, this study provides evidence that policies and laws limiting joint board may be unnecessary.

Keywords: *Joint Board, Disclosure Level, Corporate Performance, Tax Evasion, Earnings Quality*

INTRODUCTION

The board is the highest authority of decision making in the organizations, whether large or small, main part of outcome of their decisions influences their wealth. Selection and deposition of the highest administrative authority of the organization as well as approval of most main decisions of the organizations and supervision of them are done by the board (Salaki, 2008). In fact, the firm is run under direction and leadership of its board members. Then leadership is transferred from the board to directing manager, from directing manager to top managers in order to management and organizing daily affairs of the firm. Thus, the board as agency of the firm's stakeholders performs supervision and control. Administrative managers are responsible for daily peroration and business process (Aghaee and Chalaki, 2008). Also, the board is ultimate responsible for financial operation and health of the firm. The main responsibility of the board is developing effective leadership on the firm's affairs in line with interests of the stakeholders and balance in interests of various stakeholders including customers, staffs, investors and local communities and providing independent supervision over performance of administrative managers and challenging strategy and business decisions of the executive management. On the other hand, according to the studied in 20th century, one of the controversial issues in accounting area is joint members in board structure (Richardson, 1987). Joint members of the board mean a percent of the board members which are present in the board of the other firm simultaneously (Reppenhagen, 2010; Aksu, 2006). While, board members certainly play crucial role in the organization (Fama & Jensen, 1983), performance of the joint members of the board brings positive and negative outcomes for the organization (Brown, 2011; Barth *et al.*, 2008). Results of the studies in Malaysia showed a limited number of joint members in the structure of the board create motivation for their hard-working supervision, since they have knowledge, experience, skill and motive for active supervision for managerial actions and it leads to increase earnings quality (Hasim and Rahman, 2011). Santella *et al.*, (2009) found firms which include board structure with joint members are vulnerable to insidious purposes. For example, in these firms, there is always transaction between firms with joint board, which do not occur in normal conditions

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(transactions with dependent people). Also, according to studies by Silva & Majluf (2008), the higher is number of joint members in the board structure, the firm tends more to waste value and investment on projects with negative value, and their decisions have inverse effect on firm's performance (Berger *et al.*, 2006) and probability for experiencing bankruptcy increases. On the other hand, earnings quality and financial reports quality is interested by those who use financial reports for decisions on investment and setting different contracts. In investment perspective, low earnings quality is not optimal, because it reflects presence of risk in resource allocation to that sector and causes reduction of economic growth through inappropriate allocation of capitals. On the other hand, low earnings quality causes distortion of resources from the plans with real return to the plans with unreal returns, which leads to economic growth decrease (Salaki, 2008). Thus, investors and other users of financial statements generally deal with doubt with the information published by firms which have lower earnings quality. In addition, one way for information transfer is its disclosure through financial statements. The main role of financial reporting is effective transfer of information to the individuals out of the organization in a reliable and timely manner. However, if the managers do not disclose their awareness on the firm's business activities optimally, they mislead investors in their decisions. Joint members in the board tend more to prevent from information disclosure due to personal motivations. Based on adjustments in discussion related to corporate governance, high emphasis is put on increasing independence of the board members, separating tasks of managing director from tasks of chairman of the Board, since it increases the size of voluntary disclosure and earnings quality in the firm.

Bushman *et al.*, (2004) found there is no significant relationship between characteristics of the board such as size, independence of members and the duality of the CEO job and believability of earnings forecast by management. Borgatti and Foster (2003) investigated relationship between corporate governance and earnings manipulation through transaction with dependent individuals. They found corporate governance quality affects lack of use of transactions with dependent individuals in order to earnings manipulation. Garsia *et al.*, (2009) studied relationship between board characteristics and conservatism using a sample composed of 193 Spain firms during a six-year period (1997 - 2002). In order to investigate strategic system, external criteria such as Gompers index and internal criteria such as separation of chairman of board from CEO, ratio of non-executive directors and number of board meetings were used. They noted strong corporate system has significant role in use of conservatism for warning stakeholders in order to investigate reasons. Hanlon and Heitzman (2010) investigated relationship between corporate system mechanisms including shares percent of managers, separation of CEO from chairman of board, board size and ratio of internal managers to conservatism in 716 firms in Malaysia Stock Exchange. They found conservatism is increased by increase in board size and conservatism is increased by increased ratio of external management. Francis *et al.*, (2005) studied relationship between five corporate system mechanisms including separation of board chairman tasks from CEO tasks, use of five great auditors, board size, audit committee, and independence of board with conservatism in financial statements. Their findings on Australian firms suggest poor relationship between corporate system and increased conservatism in financial statements. They found audit committee independence and board size has no effect on increased conservatism in financial statements. Using five great independent auditors has trivial effect on increased conservatism. Separation of board chairman tasks from CEO tasks and board independence has limited effect on conservatism. Bushman *et al.*, (2004) studied relationship between ownership of managers and conservatism. Their findings represent that firms with lower ownership of managers declare more conservatism earnings. These findings show demand of stakeholders for higher conservatism in financial reporting as a mean for reducing the agency problems. If managers have greater conflict of interest with other stakeholders, conservatism will be used as a mean for reducing such conflict. Agency problems are increased by reduction in ownership of managers, which cause increased demand for conservatism. Results of this research work show evidence for demand for conservatism from stakeholders. Considering decision of Joint Committee FASB and IASB on leaving conservatism and shifting to neutrality because of its higher benefits for users of financial reports, results of this research are inconsistent with view of the Joint Committee, and indicate importance of conservatism in reduction

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of agency costs between managers and stakeholders. Barth *et al.*, (2008) were among the first scholars who addressed relationship between conservatism and characteristics of the board. They used samples from England and using time asymmetry of earnings (Basu method) they observed firms with higher ratio of non-executive directors in composition of the board are more probable for rapid identification of bad news than good news (conservatism). Mindzak (2013) examined relationship between joint board, voluntary disclosure and earnings quality in Canadian Firms and found negative relationship between joint board and volume of voluntary disclosure. Also, there is a positive relationship between the joint board and earnings quality. Results obtained for investigation of earnings quality aspects showed firms with higher relevance and higher earnings reliability have higher earnings response coefficient and explanatory power of the cost - benefit regression compared to firms with low relevance and earnings reliability. Hejazi *et al.*, (2009) investigated income smoothing, income tax evasion and information content of earnings. Findings of this research show firms with higher income smoothing do activities which lead to tax evasion (have higher tax evasion level). Income smoothing also causes reduction of earnings information content, because managers achieve specific tax goals by income smoothing and probably distort information about earnings. They found significant relationship between institutional ownership and institutional ownership focus and relevance of accounting information value; however, direction of these relationships is different. Increase in institutional ownership increases relevance of Profit and Loss Statement's information value; however, relevance of balance sheet information value is reduced. Increased institutional ownership focus reduces quality of accounting information contained in Profit and Loss Statement and thus relevance of Profit and Loss Statement's information value, but it increases relevance of value of information contained in balance sheet. Foroughi *et al.*, (2009) investigated relationship between effect of composition of shareholders (influence of institutional and individual shareholders) on accruals in firms listed in Tehran Stock Exchange. Their findings suggested firms that their shareholders composition is mainly composed of institutional shareholders have higher accruals quality compared to firms that their composition is mainly composed of individual shareholders. Ahmadpoor (2008) studied effect of non-executive managers and institutional investors on earnings behavior (threshold based earnings management). Non-executive managers and institutional investors were used as monitoring mechanisms of corporate system. Earnings management behavior, which is specified based on threshold model and through reaching reported earnings to optimal thresholds of profitability in this work, includes incremental earnings management and decreasing earnings management, decreasing earnings management, and abnormal working capital accruals. Using information for 185 firms listed in Tehran Stock Exchange during 2002-2005 and through combination of time series and cross-sectional data, findings of research showed abnormal accruals cannot justify changes in future profitability and cannot be considered as signal to profitability in the coming years. Also, monitoring role of corporate system mechanisms in earnings management denote that if there is high motivation for manipulation of earnings, non-executive directors and main institutional investors will have weak role in reducing abnormality of abnormal accruals. Sinaee and Davoodi (2008) investigated mechanisms of corporate system on performance of firms listed in Tehran Stock Exchange. Ratio of non-executive members' presence in the board composition, presence of internal audit and information transparency were considered as internal mechanism and institutional investors as external mechanisms of corporate governance system, and Tobin Q ratio and net profit growth were used as an indicator of firm performance. Findings suggest ratio of non-executive members' presence in the board composition and information transparency have no effect on the firm performance and there is direct relationship between presence of internal audit and institutional investors and firm performance. Alavi and Kurdistani (2009) studied effect of significance threshold and incentives available to managers on disclosure in firms listed in Tehran Stock Exchange and found effect of disclosure variables except volume of capital provided by the firm including importance threshold, profit sensitivity coefficient, proprietary costs on disclosure in financial statements. Ghaemi and Alavi (2011) proposed a model for describing relationship between corporate governance and earnings quality. In investigation of relationship between six factors of corporate governance and earnings management indexes it was

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specified there is no linear significant relationship between corporate governance factors (percentage ownership of board members, the percentage of institutional ownership, auditor type, property type, originality of firm and percentage of free float) and earnings quality indexes. On the other hand, findings of this research show that firms with adequate corporate governance have high earnings quality compared to firms with inadequate corporate governance. In addition, firms with weak corporate governance necessarily do not have lower earnings quality compared to firms with strong corporate governance. Overall, results suggest that the adequacy of corporate governance has a significant relationship earnings quality compared to the ability of corporate governance. Mashayekh and Esmaeeli (2005) studied tax evasion in value added tax system. Aim of this work is theoretical expression of factors affecting formation and development of tax evasion in value added tax system. According to model proposed in this work, it is inferred tax evasion is increased by increase in cost payments subject to value added tax. In other words, tax compliance will decrease. Increased probability of addressing and discovering tax evasion and increased rate of penalty for cases that do not address the tax records lead to increased tax compliance and reduced tax evasion. These findings which have good theoretical support can help authorities and executives of value added tax system in adopting policies and selection policy variable in preventing from tax evasion.

In recent years, corporate governance has taken considerable attention because of great scandals of Enron and Worldcamo. The managers may select projects which have great personal benefits for them, but they may not be beneficial for the firm and stakeholders. Corporate governance reduces agency cost and possibility of the investment of managers in negative net present value projects is decreased (Nourvash *et al.*, 2004). Thus, investment risk in the firm is reduced. Currently investors acknowledge that promoting corporate governance principles may lead to stability of financial markets, encouraging investment and economic growth because of reduced investment risk. The firms have concluded that proper implementation of corporate governance may help them in competition. One of the groups that play a key role in promoting corporate governance principles is the board. According to corporate governance principles, if board members are member in two or more firms simultaneously, decisions are made and contracts are concluded which ultimately create problem for the firm because of agency issue. Considering above fact, it is attempted to investigate effect of joint members in the board on disclosure level and earnings quality in the firms listed in Tehran Stock Exchange.

MATERIALS AND METHODS

Methodology

Applied research purpose is developing applied knowledge in a specific field. In other words, applied research directs toward practical application of knowledge. Current work is descriptive in terms of methodology. Descriptive research work includes a collection of methods; aim of which is describing conditions or phenomena under study. It is an event research. On the other hand, it is a confirmatory research in terms of theoretical issues and it is inductive in terms of reasoning. Also, it is a quasi-experimental research in financial accounted research field. In fact, quasi -experimental studies are used for approaching research to actual experiences in some cases which it is not possible to control or apply all related variables. In this type of research, the author should conduct its work considering all limitations. All research studies known as field studies, practical and executive studies and more complex forms of applied research studies (in which relative control of the variables is possible) are quasi -experimental research studies. Disclosure level, earnings quality, firm performance and tax evasion are dependent variables, and joint board is regarded as independent variable. Of course, this independent variable is defined as virtual variable. If the firm includes joint board members, 1 is assigned; otherwise, 0 is assigned. Stock Exchange Organization publishes rating of the firms listed in Stock Exchange in three-month reports based on score of publishers' informing. In this research work, rating report of all firms at the end of years 2006 to 2010 is used, and firms with score above 50 were classified at good level and those with scores smaller than 50 were classified at weak level (Kamalian & Niknfs, 2010). In this research model, a virtual variable is used for disclosure level measurement as follows: figure 1 is

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considered for firms with disclosure score above 50 (good disclosure level), and figure 0 is considered for firms with disclosure score below 50 (weak disclosure level). Accruals were used for earnings quality measurement based on D. Chu Model. Accruals in this model include discretionary accruals resulting from management manipulation. It is attempted to distinguish discretionary accruals and non-discretionary accruals in this model, and effect of economic conditions of the business unit on non-discretionary accruals is controlled. In the first step, total accruals for a specific time period, known as event period, is estimated with sales and property, plant and equipment variables as follows:

$$1) \frac{TA_{it}}{A_{it-1}} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta REV_{it}}{A_{it-1}} \right) + \alpha_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon_{it}$$

In this relation, TA represents total accruals (difference of net profit and cash flows from operations), A denotes total assets, REV is total revenue (sale), and PPE is properties, machineries and gross equipment. Following estimation of parameters of Model (1), non-discretionary accruals (NDA) is calculated for estimation period using time series and cross sectional data:

$$2) NDA_{it} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta REV_{it}}{A_{it-1}} \right) + \alpha_3 \left(\frac{PPE_{it}}{A_{it-1}} \right)$$

At the last step, discretionary accruals (DA) are calculated as follows:

$$3) DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Modified Jones model and included changes in receivables in the original Jones model as follows:

$$NDA_{it} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} \right) + \left(\frac{PPE_{it}}{A_{it-1}} \right)$$

Where, REC represents receivables.

Success of the firm in using resources under its ownership is called performance. Return on equity (ROE) was used in this work for its measurement.

ROE is obtained from net profit divided by the sum of shareholders' equity.

$$ROE = \frac{\text{net profit}}{\text{sum of shareholders' equity}}$$

The firm's tax risk (tax evasion) is dependent variable of the research. The term risk in financial literature is used for indicating dispersion or uncertainty. Risk concept in tax field suggests uncertainty related to expected tax payable considering the earnings before tax. In other words, the lower is paid tax than expected tax payable, tax risk will be higher. In previous works, the main method for tax risk measurement was cash ETR.

Thus, this method is used for tax risk measurement as follows:

$$\text{Cash ETR}_{it} = \frac{\sum TXP_{it}}{\sum (EBT - SPI)_{it}}$$

Where:

CashETR_{it}: Cash effective tax rate for firm i in year t;

TXPD: paid tax;

EBT: earnings before tax;

SPI: specific in Profit and Loss Statement

In summary, for calculation of cash ETR, total cash paid for tax in five years (since t-4 to t) is divided by total earnings before tax in five year (since t-4 to t) and specific cases are deduced from Profit and Loss Statement. Considering there is interval between declaration date (tax declaration) and total tax reception date in Iranian tax system, above method is used so that paid tax is equivalent to declared earnings.

Following models were used for testing research hypotheses in this research work:

- H1: Joint board influences disclosure level in firms listed in Tehran Stock Exchange.

The model used for testing this hypothesis is as follows:

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$$PD\ Score = \alpha_0 + \alpha_1 Interlock + \alpha_2 Size + \alpha_3 BSize + \alpha_4 VOL + \alpha_5 INDChair + \alpha_6 LEV + \alpha_7 BKMK + \alpha_8 Industry + \mu$$

Where:

Interlock: is virtual variable. Figure 1 is assigned if the firm includes joint board members; otherwise, 0 is assigned. PD Score: shows firm's disclosure level. It is a virtual variable, figure 1 is considered for firms with disclosure score above 50 (good disclosure level), and figure 0 is considered for firms with disclosure score below 50 (weak disclosure level).

- H2: Joint board influences earnings quality in firms listed in Tehran Stock Exchange.

The model used for testing this hypothesis is as follows:

$$DA = \alpha_0 + \alpha_1 Interlock + \alpha_2 Size + \alpha_3 BSize + \alpha_4 VOL + \alpha_5 INDChair + \alpha_6 LEV + \alpha_7 BKMK + \alpha_8 Industry + \mu$$

Where:

Interlock: is virtual variable. Figure 1 is assigned if the firm includes joint board members; otherwise, 0 is assigned. DA: earnings quality criterion. D. Chu model (1995) (DA) is used for measurement of earnings quality.

- H3: Joint board influences performance of firms listed in Tehran Stock Exchange.

The model used for testing this hypothesis is as follows:

$$FP = \alpha_0 + \alpha_1 Interlock + \alpha_2 Size + \alpha_3 BSize + \alpha_4 VOL + \alpha_5 INDChair + \alpha_6 LEV + \alpha_7 BKMK + \alpha_8 Industry + \mu$$

Where:

Interlock: is virtual variable. Figure 1 is assigned if the firm includes joint board members; otherwise, 0 is assigned. FP: is firm performance. ROE is used for its measurement.

- H4: Joint board influences tax evasion in firms listed in Tehran Stock Exchange.

The model used for testing this hypothesis is as follows:

$$Tax\ Risk = \alpha_0 + \alpha_1 Interlock + \alpha_2 Size + \alpha_3 BSize + \alpha_4 VOL + \alpha_5 INDChair + \alpha_6 LEV + \alpha_7 BKMK + \alpha_8 Industry + \mu$$

Where:

Interlock: is virtual variable. Figure 1 is assigned if the firm includes joint board members; otherwise, 0 is assigned. Task Risk: task risk resulting for tax evasion. Cash ETR is used for its measurement. Most financial issues require data and information, like other academic issues which use statistical methods in their research works. These information are developed over a period of time. It is clear if the data belong to a longer period of time, results obtained would enjoy higher accuracy. Research time horizon is a seven-year period from 2004 to 2010. Local scope of the research includes all firms listed in Tehran Stock Exchange. Easy access to information of these firms, standard and homogenous information were criterion for inclusion of these firms as research statistical population.

This research study seeks for effects of audit quality on accrual management and actual activities and long-term abnormal return at the time of Initial Public Offering (IPO). Research sample includes firms listed in Tehran Stock Exchange which were selected as the sample following imposing these limitations: 1. Financial information of the firm is available for the research time period, 2. Their fiscal year ends to March, 3. They are not investment or financial and insurance and banking agency firms, 4. They have not changed fiscal year during research time period. Data collection methods can be classified into two classes: library methods and field methods. In this research, part of information were collected which mainly were used for investigating theoretical foundations and review of literature (provided in second chapter). This information was collected in library method. To this end, nooks, academic theses, and foreign and domestic papers were used for studying and investigating literature. The other part of information was needed for testing research hypotheses. This information was collected using field studies (i.e. CDs and software). The sources used for collecting needed data were financial statements of the firms. Collected data were modified and classified using Excel software and final analysis was done using SPSS software. In order to investigate reliability of data, different variables should be examined in terms of validity and reliability. To this end, collected data were compared to data obtained from other databases. In order to test reliability, data collected through information published by Stock Exchange were gathered by two separate persons and compared and their identical results were confirmed. In this

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work, ANAOVA test and F statistics were used for examining regression significance in addition to descriptive statistics.

RESULTS AND DISCUSSION

Results

Table 1 shows descriptive statistics related to research independent variables.

Table 1: Descriptive statistics of independent variables

<i>Variable</i>	Kurtosis	Skewness	SD	min	Max	Mean	Symbol
<i>Joint Board Member</i>	-2.02	-0.08	0.5	0	1	0.52	Interlock
<i>Firm size</i>	0.36	0.62	1.03	11.05	16.23	13.02	Size
<i>Board size</i>	2.60	1.09	0.06	0.25	0.59	0.4	Bsize
<i>Firm's Profit Volatility</i>	4.64	1.90	0.54	-0.82	2.60	0.23	VOL (β)
<i>Separation of CEO tasks from board chairman's tasks</i>	2.14	-2.03	0.35	0	1	0.85	INDchair
<i>Leverage</i>	2.91	0.73	0.25	0.06	1.72	0.06	Leverage
<i>Book value to market value</i>	4.67	1.49	0.63	-1.04	3.23	0.72	BKMK

As mentioned and observed in Table 1, joint board members and separation of CEO tasks from board chairman's tasks are variables of corporate governance and they are as virtual or dummy variable. Thus, according to above table, their max is 1 and min is 0. Board size variable is the other variable of corporate governance, which is obtained from natural logarithm of number of board members divided by firm assets.

Table 2 shows descriptive statistics related to dependent variables.

Table 2: Descriptive statistics related to dependent variables

Variable	Kurtosis	Skewness	SD	min	Max	Mean	Symbol
<i>Disclosures Level</i>	-2.03	-0.03	0.5	0	1	0.51	Disclosures Level
<i>Earnings Quality</i>	2.86	0.1	0.11	-0.41	0.45	-0.01	DA
<i>Return on equity</i>	9.73	-1.61	0.32	-1.41	1.43	0.3	ROE
<i>Tax Risk</i>	69.97	8.30	0.87	-0.32	8.14	0.2	Tax Risk

In dependent variables, disclosure level variable is virtual and it is calculated based on disclosure score of firm (published by the Tehran Stock Exchange).

According to results, coefficient of joint board member variable is -0.215, which is significant at confidence level 90 percent (error level 10 percent) given Sig. level (0.066). That is, there is negative relationship between disclosure level of firms which is calculated through disclosure score and joint board member.

Performance of joint board members may have positive and negative consequences for the firm. On the other hand, a limited number of joint members in the board structure may create motivation for stricter monitoring for them, since they have knowledge, experience, skill and motive for active supervision for managerial actions and it leads to increase earnings quality.

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Table 3: Results for testing H1

Result	Sig.	T statistic	Coefficient	Symbol	Sample number	Variable
-	0.568	0.573	1.211	α	144	Constant factor
**	0.066	-1.855	-0.215	Interlock	144	Joint Board Member
-	0.949	-0.064	-0.006	Size	144	Firm size
-	0.441	-0.772	-1.811	Bsize	144	Board size
*	0.014	2.506	0.195	VOL	144	Firm's Profit Volatility
-	0.172	1.374	0.197	INDchair	144	Separation of CEO tasks from board chairman's tasks
-	0.495	-0.743	-0.196	Leverage	144	Leverage
-	0.474	-0.718	-0.073	BKMK	144	Book value to market value
0.372	coefficient of determination (R^2)		3.422	F statistics		
0.294	Adjusted coefficient of determination (Adj. R^2)		0	Sig.		
1.584	Durbin Watson Statistics		*	Result		

* and ** is significance at error level 5 and 10 percent, respectively.

On the other hand, firms which include board structure with joint members are vulnerable to insidious purposes. Results for this test shows one of the outcomes of joint board in structure of the board is reduction of firms' disclosure level.

Table 4: Results for testing H2

Result	Sig.	T statistic	Coefficient	Symbol	Sample number	Variable
-	0.452	-0.754	-0.416	α	144	Constant factor
**	0.079	1.77	0.054	Interlock	144	Joint Board Member
-	0.415	0.817	0.021	Size	144	Firm size
-	0.915	0.114	0.07	Bsize	144	Board size
-	0.141	1.444	0.029	VOL	144	Firm's Profit Volatility
-	0.387	0.868	0.33	INDchair	144	Separation of CEO tasks from board chairman's tasks
-	0.959	0.051	0.004	Leverage	144	Leverage
-	0.346	0.945	0.025	BKMK	144	Book value to market value
0.168	coefficient of determination (R^2)		1.171	F statistics		
0.125	Adjusted coefficient of determination (Adj. R^2)		0.288	Sig.		
1.901	Durbin Watson Statistics		-	Result		

* and ** is significance at error level 5 and 10 percent, respectively

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It is consistent with results of some similar foreign works such as Mindzak (2013). Among control variables, only Firm's Profit Volatility variable is significant at error level 5 percent (with coefficient 0.195) and other variables do not have significant coefficients. F statistics (3.442) is significant at error level 5 percent error level (Sig. = 0.0000). Hence, the model is significant. Coefficient of determination (R^2), strength for describing dependent variable by the independent variables and the adjusted coefficient of determination (Adj. R2) is 0.372 and 0.264, respectively. It is acceptable considering similar research studied in this area. For example, coefficient of determination in Mindzak's model (2013) is 0.445. Given these results, H1 is supported. That is, joint board influences disclosure level in firms listed in Tehran Stock Exchange and this influence is as an inverse relationship. According to results, coefficient of joint board member variable is 0.054, which is significant at confidence level 90 percent (error level 10 percent) given Sig. level (0.079). That is, there is positive relationship between earnings quality, which is calculated through accruals, and joint board member. It shows that joint board in the board structure has positive outcome in terms of earnings quality and it leads to increased earnings quality in the firms. It is consistent with similar studies in Malaysia such as work by Hasim and Rahman (2011), while other control variables have no significant coefficient. Coefficient of determination (R^2), strength for describing dependent variable by the independent variables and the adjusted coefficient of determination (Adj. R2) is 0.168 and 0.125, respectively. Considering these results, H2 is supported. That is, joint board influences earnings quality in firms listed in Tehran Stock Exchange and this influence is as a direct relationship.

Table 5: Results for testing H3

Result	Sig.	T statistics	Coefficient	Symbol	Sample number	Variable
*	0.000	5.043	6.608	α	144	Constant factor
*	0.007	2.726	0.196	Interlock	144	Joint Board Member
*	0.000	-5.077	-0.304	Size	144	Firm size
*	0.000	-4.053	-5.893	Bsize	144	Board size
-	0.283	-1.078	-0.052	VOL (β)	144	Firm's Profit Volatility
-	0.441	0.773	0.069	INDchair	144	Separation of CEO tasks from board chairman's tasks
*	0.036	-2.12	-0.346	Leverage	144	Leverage
-	0.299	-1.043	-0.065	BKMK	144	Book value to market value
0.405	coefficient of determination (R^2)		3.952	F statistics		
0.030	Adjusted coefficient of determination (Adj. R ²)			Sig.		
1.773	Durbin Watson Statistics		*	Result		

According to results, coefficient of joint board member variable is 0.196, which is significant at confidence level 95 percent (error level 5 percent) given Sig. level (0.007). That is, there is positive relationship between firm performance, which is calculated as return on equity, and joint board member. It shows that joint board in the board structure leads to increased return of the firms. This finding is consistent with similar studies in Malaysia such as work by Hasim and Rahman (2011). Among other control variables, firm size with coefficient -0.304, board size with coefficient -5.893 and leverage with coefficient -0.346 are significant at error level 5 percent. F statistics (3.952) is significant at error level 5 percent error level (Sig. = 0.0000). Hence, the model is significant. Coefficient of determination (R^2),

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strength for describing dependent variable by the independent variables and the adjusted coefficient of determination (Adj. R²) is 0.405 and 0.302, respectively. Given these results, H3 is supported. That is, joint board influences performance in firms listed in Tehran Stock Exchange and this influence is as a direct relationship.

Table 6: Results for testing H4

Result	Sig.	T statistics	Coefficient	Symbol	Sample number	Variable
**	0.051	-1.974	-7.988	$\rho\alpha$	144	Constant factor
-	0.878	0.154	0.034	Interlock	144	Joint Board Member
-	0.102	1.647	0.305	Size	144	Firm size
*	0.05	1.979	8.886	Bsize	144	Board size
-	0.705	0.38	0.057	VOL (β)	144	Firm's Profit Volatility
-	0.64	0.469	0.129	INDchair	144	Separation of CEO tasks from board chairman's tasks
-	0.196	1.299	0.656	Leverage	144	Leverage
-	0.619	0.499	0.097	BKMK	144	Book value to market value
0.228	coefficient of determination (R ²)		1.717	F statistics		
0.098	Adjusted coefficient of determination (Adj. R ²)		0.037	Sig.		
2.380	Durbin Watson Statistics		*	Result		

* and ** is significance at error level 5 and 10 percent, respectively.

According to results, coefficient of joint board member variable is 0.034, which is not significant given Sig. level (0.878). That is, there is no relationship between firm performance, which is calculated as return on equity, and joint board member. Among other control variables, only board size variable with coefficient 8.886 is significant at error level 5 percent. F statistics (1717.) is significant at error level 5 percent (Sig. = 0.037). Hence, the model is significant. Coefficient of determination (R²), strength for describing dependent variable by the independent variables, and the adjusted coefficient of determination (Adj. R²) is 0.228 and 0.098, respectively. Given these results, H4 is rejected. That is, joint board does not influence tax evasion in firms listed in Tehran Stock Exchange.

Discussion and Conclusion

Policy makers currently acknowledge that promoting corporate governance principles may lead to stability of financial markets, encouraging investment and economic growth because of reduced investment risk. The firms have concluded that proper implementation of corporate governance may help them in competition. One of the groups that play a key role in promoting corporate governance principles is the board. According to corporate governance principles, if board members are member in two or more firms simultaneously, decisions are made and contracts are concluded which ultimately create problem for the firm because of agency issue. Considering above fact, it was attempted to investigate effect of joint members in the board on disclosure level and earnings quality in the TSE. Summary of research findings is given in Table 7.

Research Article

Table 7: Summary of research findings

Hypothesis No.	Relationship Type	Test Result	Main Independent Variable	Dependent Variable
1	Inverse	Supported	Joint Board Member	Disclosure Level
2	Direct	Supported	Joint Board Member	Earnings Quality
3	Direct	Supported	Joint Board Member	Firm Performance
4	No relationship	Rejected	Joint Board Member	Tax evasion

According to results taken from testing H1, joint board influences disclosure level of the firm and it is inversely. According to results taken from testing H2, joint board influences firm's earnings quality and it is influenced directly. According to results taken from testing H3, joint board influences firm performance and it is influenced directly. According to results taken from testing H4, joint board does not influence tax evasion in firm. Considering research findings, authorities of Stock Exchange and all those involved in process of development and modification of bylaws related to corporate governance structure are recommended to consider negative impact of joint board on disclosure level. Also, managers, shareholders and auditors of the firms are suggested to pay attention to outcomes resulting from joint board members in terms of different aspects including earnings quality, firm performance, firm risk and information disclosure level. Future authors are recommended to study joint board presence effect on future performance of firms and stock price behavior.

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