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Research Article

A STUDY OF THE RELATIONSHIP BETWEEN OVERVALUED EQUITIES AND AUDIT FEES EMPHASIZING ON THE ROLE OF EARNING MANAGEMENT IN FIRMS ENLISTED IN TEHRAN STOCK EXCHANGE

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ABSTRACT
This research is the investigation of the relationship between overvalued equities and audit fees with emphasis on the role of earning management in firms enlisted in Tehran Stock Exchange. The present research is applied in goal it is post incidental regarding methodology. Statistic population in this study involves firms enlisted in Tehran Stock Exchange. 97 firms were selected as research sample by using a systematic elimination for the time period between the years 2008 to 2012. The data collection was carried out by a library study and to test the research hypotheses, we used a multiple variable linear regression. Overvalued equities is measured by using the criteria such as: price to earnings per share ratio, market to book value ratio per share, and abnormal return and artificial earning management along with the discretionary accruals and real earning management along with the abnormal cash flow, abnormal product costs, and abnormal discretionary costs. The results of this research showed that there is not a meaningful relationship between overvalued equities and audit fees. Also, earning management does not affect the relationship between overvalued equities and audit fees.

Keywords: *Overvalued Equities, Audit Fees, Artificial Earning Management, Real Earning Management, Auditor Tenure*

INTRODUCTION
When the market value of a stock is shown higher than its real value, the stock is overvalued. Overvalued equities mean that the firm would not be able to present a performing reason to approve the market value of the stocks. In other words, if a firm can approve the value of stocks, there would not be overvalued equities (Marcio and Varma, 2007).

Nowadays many organizations exploit the services rendered by audit entities and refer to tenders to determine the price of auditing services and this contradicts with the auditing profession that demands an independent judgment. A business look at auditing is deemed as a complete damaging outlook. Independent auditing prepares a basis for economic transparency, public trust, and the trust of society to capital market and also it is considered as a basis for responsiveness of the governments against the people. Thus, it should not be treated like usual commodities or services. Therefore, a low fee and unhealthy competition harm the foundations of the newly established auditing profession (Mohammadi, 2007). If the validation procedure of financial reporting and trustworthiness are going to be completed appropriately for the users of financial statements and the outstanding role of auditing is going to be observed, the fees paid to the auditor should fit the profession and t should be in a position that satisfies the requirements and importance of this activity. Responsiveness to the public is the requirement of practicality of democratic processes and one of the main responsiveness tools within the realm of economic activities is auditing (Naziri, 2013). Homez & Scants (2010) believed that firm managers are not necessarily aware of the outcomes of overvaluation and firms with high values tend to use accruals extensively for earnings management. Rhodes-Kropf *et al.*, (2005) assessed the relationship between overvalued equities and audit fees and showed that it is positive. The results of a research by Chi & Gupta (2009) among American firms showed that there has been a positive relationship between discretionary accruals and overvalued equities in firms. In other words, overvalued equities entailed earnings' increase or earning management. Researchers such as Bell *et al.*, (2008), Charles *et al.*, (2010), and Habib *et al.*,

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(2013) believe that increasing audit fees can have some important economic outcomes such as the reduction of risk of the employer and it can avoid overvalued equities.

Theoretical Foundations and Research Literature

Managers can use discretionary accruals and real earning management before committing fraudulent actions in financial statements in order to report the demanded performance report by the market. Managers can also invest and issue stocks more than their real values and absorb the attentions of other firms in order to maintain overvalued equities. Since such activities increase firm's risk, we can suppose that external audits should demand high fees to compensate for the risk increase (Marcio and Varma, 2007).

Overvalued Equities

When the earnings of a company are manipulated through opportunistic activities of management, the desirable earnings of managers would be higher than the real earnings and it would set the ground to exchange stocks for a price higher than the market value of the stocks and this result in stocks of a firm being overvalued (Marcio and Varma, 2007).

Audit Fees

It includes cashes paid for the auditing services rendered and it is paid based on the agreement or contract to the auditor or an auditing entity. The economic benefits of audits are supplied through fees earned through contracts with employers. Audits use different factors to price their auditing services. The descriptive factors considered in most studies include: risk factors, volume, and the complexity of the operations of a business unit being investigated (Naziri, 2013).

Artificial Earning Management

The purposeful interference within external financial reporting process aiming at gaining personal benefits is called earning management. Earning management happens when a manager reports different amounts to the stockholders regarding the real earnings. If earning increase results in a negative perception of earning quality, managers should establish a balance between the two. The criterion to measure artificial earning management is discretionary accruals posed by the adjusted model of Jones (1991).

Real Earning Management

Real earning management refers to the opportunistic timing and structuring of operational exchanges, financing, and investment by the management in a business unit in order to affect the profit reported in a certain direction that causes the firm to incur costs and future economic outcomes. In this research real earning management has been measured by using Roychowdhury's (2006) model (Habib *et al.*, 2013).

Audit Tenure

Audit tenure refers to the time period through which an audit carries out auditing activities within a firm. The phenomenon of audit tenure has led to pose reasoning on the part of proponents and opponents. The proponents of less audit tenure emphasize the independence of an audit and it is a new outlook towards auditing that claims the relationships among the auditors and employers may be damaged if the duration is too long. On the other hand, the opponents emphasize at the information faults of an audit during the short auditing period and believe that the obligatory cycling results in information faults of an audit and thus, it increases information asymmetry among the audit and employer and auditing quality reduces (Sajjadi & Naseh, 2003).

Mousavi *et al.*, (2012) studied the effect of overvalued equities on earning management in firms enlisted in Tehran Stock Exchange. To do so, they tested the effect of overvalued equities on excessive earnings management during the forthcoming periods through collecting the financial data of the years between 2004 and 2008 for 60 firms enlisted in Tehran Stock Exchange by using correlation analysis, regression analysis and testing the average differences. Results of their research showed that overvalued equities have had a positive and meaningful relationship with excessive earnings management of the forthcoming periods.

Research Hypotheses

First major hypothesis: there is a relationship between overvalued equities and audit fees.

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First minor hypothesis: there is a relationship between the coefficient of price to earnings per share and audit fees.
Second minor hypothesis: there is a relationship between the coefficient of price to book value per share and audit fees.
Third minor hypothesis: there is a relationship between abnormal return and audit fees.
Second major hypothesis: artificial earning management affects the relationship between overvalued equities and audit fees.
Fourth minor hypothesis: artificial earning management affects the relationship between price coefficient on earnings per share and audit fees.
Fifth minor hypothesis: artificial earning management affects the relationship between price coefficient to book value per share and audit fees.
Sixth minor hypothesis: artificial earning management affects the relationship between abnormal return and audit fees.
Third major hypothesis: real earning management affects the relationship between overvalued equities and audit fees.
Seventh minor hypothesis: real earning management affects the relationship between price coefficient on earnings per share and audit fees.
Eighth minor hypothesis: real earning management affects the relationship between price coefficient to book value per share and audit fees.
Ninth minor hypothesis: real earning management affects the relationship between abnormal return and audit fees.

MATERIALS AND METHODS

Methodology

Research Method

The present research is a descriptive one and regarding the research goal it is considered as an applied research. This study has been carried out by using a post incidental approach.

Statistical Population and Research Sample

The location range for this research was firms enlisted in Tehran Stock Exchange during the time period between 2008 and 2012. In this research and regarding the conditions for variables a systematic elimination sampling method was used to get the sample and the criteria to choose our sample have been as follows:

- The fiscal year of the firms should have ended at the end of Esfand (21st March) in order to increase comparability.
- The stocks of the firms should have been exchanged almost actively after entering Tehran Stock Exchange.
- Firms selected should not have been from among investing, holding, insurance companies or banks due to the nature of their activities.
- The data of the firms in the sample should be accessible within the time period under investigations.

After applying the conditions and limitations above, 97 firms were selected as the statistical sample in the present study.

Testing the research hypotheses was carried out by using EVIEWS software.

The Model and Research Variables

In this research we have used the following models to test research hypotheses:

$AF = \alpha + \beta_1 P/E + \beta_2 TENAU + \beta_3 SIZE + \beta_4 MTB + \beta_5 LEV + \beta_6 ROA + \beta_7 LOSS + \beta_8 SG + \epsilon_i$

$AF = \alpha + \beta_1 P/B + \beta_2 TENAU + \beta_3 SIZE + \beta_4 MTB + \beta_5 LEV + \beta_6 ROA + \beta_7 LOSS + \beta_8 SG + \epsilon_i$

$AF = \alpha + \beta_1 ABR + \beta_2 TENAU + \beta_3 SIZE + \beta_4 MTB + \beta_5 LEV + \beta_6 ROA + \beta_7 LOSS + \beta_8 SG + \epsilon_i$

$AF = \alpha + \beta_1 P/E + \beta_2 AEM + \beta_3 P/E*AEM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

$AF = \alpha + \beta_1 P/B + \beta_2 AEM + \beta_3 P/B*AEM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

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$AF = \alpha + \beta_1 AR + \beta_2 AEM + \beta_3 AR*AEM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

$AF = \alpha + \beta_1 P/E + \beta_2 REM + \beta_3 P/E*REM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

$AF = \alpha + \beta_1 P/B + \beta_2 REM + \beta_3 P/B*REM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

$AF = \alpha + \beta_1 AR + \beta_2 REM + \beta_3 AR*REM + \beta_4 TENAU + \beta_5 SIZE + \beta_6 MTB + \beta_7 LEV + \beta_8 ROA + \beta_9 LOSS + \beta_{10} SG + \epsilon_i$

Audit fees (AF): it is the dependent variable and would be measured as the natural logarithm of fees that would be paid by the company for audit services during the year.

Price coefficient to earnings per share ratio (P/E): the independent variable that is calculated through price per share divided by earning per share before unexpected items.

Price coefficient with book value per share ratio (P/B): the independent variable that is calculated through price per share divided by book value per share.

Abnormal return of stocks (AR): the independent variable that is calculated through the difference between stock's unexpected return and stock's market return.

Tenure of audit (TENAU): the control variable that represents the natural logarithm of the number of years of auditing by an audit entity.

Firm size (SIZE): the control variable that is measured through the logarithm of book value of firm assets.

Growth opportunity (MTB): the control variable that is calculated by dividing market value to book value of stocks.

Financial leverage (LEV): the control variable that can be calculated by dividing the debts into assets.

Return on assets (ROA): the control variable that is gained by dividing earning before unexpected items into average assets.

Loss capability (LOSS): the control variable that would equal to 1 before unexpected items or else, it would be equal to 0.

Sales growth (SG): the control variable that is calculated by the difference between current year sales and the previous year sales.

Artificial earning management (AEM): it is a balancing variable extracted from Jones's adjusted model (1991). Jones (1991) has defined accruals (TA) as follows:

$TA_{it} = (\Delta CA_{it} - \Delta CASH_{it}) - (\Delta DCL_{it} - \Delta STD_{it}) - DEP_{it}$

Where,

ΔCA_{it}: change in current year assets compared to the previous year

$\Delta CASH_{it}$: change in cash of current year compared to the previous year

ΔDCL_{it}: changes in debts of current year compared to the previous year

ΔSTD_{it}: change in short-term part of the long-term debts of current year compared to the previous year

DEP_{it}: depreciation costs of tangible and intangible assets of the current year

$$\frac{TA_{i,t}}{A_{t-1}} = \propto_1 \left(\frac{1}{A_{t-1}}\right) + \propto_2 \left(\frac{\Delta REV_{i,t}}{A_{t-1}}\right) + \propto_3 \left(\frac{PPE_{i,t}}{A_{t-1}}\right) + \varepsilon_{i,t}$$

Where,

A_{t-1}: total assets of the year t-1

ΔREV: change in net revenue of the firm

PPE: properties, possessions, and equipments of firm i in year t

Non-discretionary accruals (NDA) it calculated through the following formula:

$$NDA_{i,t} = \propto_1 \left(\frac{1}{A_{t-1}}\right) + \propto_2 \left(\frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{t-1}}\right) + \propto_3 \left(\frac{PPE_{i,t}}{A_{t-1}}\right) + \varepsilon_{i,t}$$

Where,

ΔREC: change in accounts receivable in a firm

Discretionary accruals are calculated through the difference between total accruals and non-discretionary accruals.

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Real earning management (REM): the adjusting variable whose measurement criteria are as follows:
1- **Abnormal operational cash flow (ACFO):** it is calculated through the use of the formula below:
Abnormal operational cash flow = real operating cash flow – normal operating cash flow
The normal operating cash flow in a company is calculated through the following equation (Habib *et al.*, 2013):

$$\frac{CFO_{i,t}}{A_{i,t-1}} = \propto_1 \frac{1}{A_{i,t-1}} + \propto_2 \frac{Sales_{i,t}}{A_{i,t-1}} + \propto_3 \frac{\Delta Sales_{i,t}}{A_{i,t-1}} + \varepsilon_{i,t}$$

Where,
CFO_{it}: operating cash flow during the current year
A_{t-1}: accruals of the previous year
Sales $_{it}$: sales during current year
$\Delta Sales_{it}$: changes in sales
2- **Abnormal production costs (APROD):** it is calculated by using the following formula (Habib *et al.*, 2013):
Abnormal production costs = real production costs – normal production costs
The normal level of production costs is estimated by using the following equation:

$$\frac{Prodcost_{i,t}}{A_{i,t-1}} = \propto_1 \frac{1}{A_{i,t-1}} + \propto_2 \frac{Rev_{i,t}}{A_{i,t-1}} + \propto_3 \frac{\Delta Rev_{i,t}}{A_{i,t-1}} + \propto_3 \frac{\Delta Rev_{i,t-1}}{A_{i,t-1}} + \varepsilon_{i,t}$$

Where,
$Prodcost_{i,t}$: cost of goods sold ($COGS_{i,t}$) + the difference between inventory at the start and end of the period ($\Delta Inv_{i,t}$)
$Rev_{i,t}$: firm sales
$\Delta Rev_{i,t}$: the difference between sales of current year and the previous year's sales
3- **Abnormal discretionary expenses (AEXP):** it is calculated by using the following formula (Habib *et al.*, 2013):
Abnormal discretionary expenses = real discretionary expenses – normal discretionary expenses
The normal level of sales costs, common costs, and official costs is estimated by using the following equation:

$$\frac{DisExp_{i,t}}{A_{i,t-1}} = \propto_1 \frac{1}{A_{i,t-1}} + \propto_2 \frac{Rev_{i,t-1}}{A_{i,t-1}} + \varepsilon_{i,t}$$

Where,
$DisExp_{i,t}$ = sales, common, and official costs
It is important to know that on the whole the real earning management can be calculated using the following formula:
Real earning management = abnormal operating cash flow – abnormal production costs + abnormal discretionary costs
It should also be noted that the absolute amount of (abnormal) discretionary items extracted from each of the regressions above has been used as an index of artificial and real earning management.

RESULTS AND DISCUSSION

Results

The Descriptive Statistics of Research Variables
The statistic indexes of the research have been presented in table (1).
➢ The most fundamental central tendency is the average that shows the balance point and the cornerstone for the distribution and it is considered as a good index to show the data centrality. For example the average amount for the variable of audit fees (AF) equals 5.547 and it shows that most data were focused over this point.
➢ The amount of standard deviation parameter for the variable growth opportunity (MTB) equals 1.057 and it is equal to 0.1002 for the variable of return on assets (ROA) and it shows that among the research variables, growth opportunity (MTB) and return on assets (ROA) have had the highest and the lowest dispersion amounts, respectively.

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Table1: The statistic indexes of the research

Variables	Average	Maximum	Minimum	Standard Deviation
AF	5.547	6.868	4.000	0.4173
TENAU	0.4555	0.8450	0.000	0.269
SIZE	5.959	8.014	4.825	0.5417
MTB	1.754	7.987	0.0119	1.057
LEV	0.5649	0.9712	0.0405	0.1797
ROA	0.1353	0.8019	-0.0577	0.1002
SG	0.2460	5.212	-0.7189	0.5168
AEM	0.0905	0.8010	0.0002	0.1018
REM	0.0980	0.9305	0.0001	0.1094

Table 2: The frequency of the loss variable (LOSS) in firms

Frequency percentage	Valid percentage	Percentage	Frequency		
98.6	98.6	98.6	478	0	
100.0	1.4	1.4	7	1	**Valid**
	100.0	100.0	485	total	

Table (2) shows that the total data related to the loss in firms included 485 data and 478 of them was equal to 0, while 7 of them was equal to 1. The percentage evaluation showed that %98.6 of the data was 0 in value, and %1.4 of the data appropriated the number 1 for themselves.

Testing the Normality of Research Variables

The results of Kolomogorov-Smirnov's (K-S) test have been presented in table (3):

Table 3: The results of Kolomogorov-Smirnov's (K-S) test

Research variables	AF	TENAU	SIZE	MTB	LEV	ROA	SG
Z statistic	1.340	4.740	1.678	6.226	1.138	2.303	4.437
P-value	0.055	0.000	0.007	0.000	0.150	0.000	0.000

The meaningfulness level of the variable of audit fees (AF), as the dependent variable in the research equals 0.055, and it is higher than %5 in amount; thus, with an assurance of %95, it can be claimed that the variable above has had a normal distribution.

Testing the Incongruence of Research Hypotheses

The data represented in table (4) show that the probability of testing the research models has been less than %5. Thus, the convergence hypothesis has been rejected and the divergence of the variance of the interfering sentences has been accepted.

Table 4: Results of testing the divergence of variances in research hypotheses

Research hypotheses	Harvey's test	
	F	p-value
First minor hypothesis	1.491155	0.1578
Second minor hypothesis	1.315162	0.2335
Third minor hypothesis	1.491318	0.1577
Fourth minor hypothesis	1.295947	0.2298
Fifth minor hypothesis	1.358329	0.1969
Sixth minor hypothesis	1.746272	0.0682
Seventh minor hypothesis	1.515341	0.1306
Eighth minor hypothesis	1.303111	0.2258
Ninth minor hypothesis	1.122927	0.3428

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F-Limer Test and Haussmann's Test

In table (5), and regarding that the amounts of P-Value of Haussmann's test for all research hypotheses has been less than %5, the fixed effects model has been accepted.

Table 5: Results of F-Limer test and Haussmann's test

Hypotheses	**F Limer's test**		**Haussmann's test**		**Effects**
	F	**p-value**	**F**	**p-value**	**method**
First minor	1.871466	0.0000	16.078307	0.0413	fixed
Second minor	1.886891	0.0000	15.945591	0.0432	fixed
Third minor	1.887308	0.0000	15.859264	0.0444	fixed
Fourth minor	1.954541	0.0000	39.876091	0.0000	fixed
Fifth minor	1.938043	0.0000	37.403176	0.0000	fixed
Sixth minor	1.926132	0.0000	35.884885	0.0001	fixed
Seventh minor	1.880350	0.0000	18.626416	0.0453	fixed
Eighth minor	1.901468	0.0000	25.017621	0.0053	fixed
Ninth minor	1.889920	0.0000	18.458201	0.0477	fixed

Testing Research Hypotheses

In table (6), the first minor hypothesis shows that the Prob. of the variable of price coefficient to earnings per share ratio (P/E) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.

Table 6: The summary of regression results of testing the first minor hypothesis

Variables	**β coefficient**	**t statistic**		
		t	**prob. t**	
α	4.482372	19.35273	0.0000	
P/E	-0.028413	-0.670656	0.5028	
TENAU	-0.072116	-0.992999	0.3212	
SIZE	0.168971	4.582392	0.0000	
MTB	0.009469	1.110196	0.2675	
LEV	0.093310	0.777409	0.4373	
ROA	0.144956	0.561649	0.5746	
LOSS	0.034448	0.208942	0.8346	
SG	0.028679	0.738196	0.4608	
Durbin-Watson	**Identification coefficient**	**Adjusted identification coefficient**	**F statistic**	**Prob. F**
1.758877	0.056551	0.039666	3.349204	0.000973

The second minor hypothesis shows that the Prob. of the variable of price coefficient to book value per share ratio (P/B) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis. The third minor hypothesis shows that the Prob. of the variable of abnormal stock return (AR) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.

The fourth minor hypothesis shows that the Prob. of the variable of price coefficient to earnings per share and artificial earning management ratio (P/E*AEM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis. The fifth minor hypothesis shows that the Prob. of the variable of price coefficient to book value per share and artificial earning management ratio (P/B*AEM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis. The sixth minor hypothesis shows that the Prob. of the variable of abnormal stock return and artificial earning management ratio (AR*AEM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.

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The seventh minor hypothesis shows that the Prob. of the variable of price to earnings per share and real earning management ratio (P/E*REM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.
The eighth minor hypothesis shows that the Prob. of the variable of price to book value per share and real earning management ratio (P/B*REM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.
The ninth minor hypothesis shows that the Prob. of the variable of abnormal stock return and real earning management ratio (AR*REM) has been higher than %5 and it has not been meaningful. This means the rejection of the hypothesis.
There has not been a meaningful relationship between audit tenure (TENAU), growth opportunity (MTB), financial leverage (LEV), return on assets (ROA), firm's losses (LOSS), and sales growth (SG) and audit fees (AF). Also there has been a positive and meaningful relationship between firm size (SIZE) and audit fees (AF).

Conclusion and Research Suggestions

Regarding the results of analyzing research hypotheses, it can be stated that there has not been a relationship between overvalued equities and audit fees and there has not been a relationship between overvalued equities and audit fees in firms with artificial earning management. Also there has not been a relationship between overvalued equities and audit fees in firms with real earning management.
Information asymmetry can be considered as one of the causes of overvalued equities phenomenon. Thus, it results in a probable misuse on the part of managers to manipulate earnings. Since such activities increase risk in a firm, it can be presupposed that external audits should demand a high amount of fees to compensate for risk increase.
The increase of audit fees can have important economic outcomes such as the reduction of employers' risk and the avoidance from overvalued equities. Firms that have life cycles during growth and development stages would have a high amount of P/E, P/B, and abnormal return and these firms have a high risk of consistency in this stage of life cycle and such a high risk demands high amounts of efforts and auditing activities. Now, regarding the earning management in these firms in which audit's activities increase tremendously, it is expected that the presence of earning management will intensify the relationship between overvalued equities and audit fees.
Results of the present study have contradicted with those in a research by Habib *et al.*, (2013) (regarding the meaningful relationship between overvalued equities and audit fees). Since there has not been any local researches carried out on the close relationship between the variables, it would be impossible to compare the research results in a domestic domain.

Regarding an approach towards the research findings we can propose the following suggestions:

1- There has not been a relationship between overvalued equities and audit fees; it means that in firms having overvalued equities, the auditor did not risk on information asymmetry and the increase of audit risk and does not do more auditing to validate financial statements and thus audit fees do not increase. This is a danger for validation duty of an audit. Therefore, it can be suggested to inform the investors of this issue and make them aware of the high risk of investment in such firms and the low level of validity of financial statements in such firms. Also it can be suggested to the audits to consider this issue regarding the theoretical foundations.
2- Results of foreign researches show that the most important reason for overvalued equities phenomenon is information asymmetry; thus, it can be suggested to bourse organization and audit organization in Iran to oblige firms to consider it by legal obligations and standardization to have enough disclosure and to present complete and transparent information for decision making by the investors and for their assessment and to reduce the authority of managers to manage earnings as much as it is possible.
3- Although the results of research hypotheses did not lead to discover the relationship between overvalued equities and audit fees and it was contradictory with the theoretical foundations of the research, it can be suggested to the creditors, investors, analysts, and other beneficiaries to pay more attention to overvalued equities and take it into consideration in their decision making models.

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4- Earning management (artificial or real) did not have any relationship with audit fees and it did not affect the relationship between overvalued equities and audit fees; this means that in firms that manipulate financial statements, the auditor has not reached a high risk feeling level and does not do much to validate financial statements and overvaluations accompanied by earning management do not stimulate the auditor's reaction along with a high risk feeling and do not require high auditing activities. Thus, the auditing filter cannot approve the relationship between overvalued equities and earning management phenomenon in firms that suffer from overvalued equities due to information asymmetry. Here the investment risk cannot be reduced through overworking of the auditor. Thus, it can be suggested to investors to pay more attention to auditing risk and auditing activities in investment decisions in firms having overvalued equities and thus in those firms audit fees and audit organization and the formal association of accountants should be referred to for guidelines to enhance the quality of auditing services and auditing activities appropriate with auditing risks.

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