The relationship auditor's report and the sustainability of profits for companies listed on Tehran Stock Exchange

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Abstract:
The main objective of this study was to investigate the relationship between the auditor's opinion and the sustainability of profits at companies listed on Tehran Stock Exchange. In other words we have tried to answer this question in this study that whether the auditor’s opinion and the sustainability of profits had any effect at companies listed on Tehran stock Exchange. To answer this question a sample of 77 companies listed on the Tehran Stock Exchange, in the period from were studied. In this study dependent variable is sustainability of profits and independent variable is the auditor’s opinion and regression model at the significant level of %95 has been used. The research findings show that there is not any significant effect between the auditor’s opinion and sustainability of profits in general (In other words auditor’s opinion has no effect on the sustainability of corporate profits listed in the Tehran stock exchange) and also there is no significant relationships between the type of auditing, financial leverage, reporting losses, accruals, dividends and profits and the size and stability of the sample companies. Thus, we can conclude that there is no significant relationship between dependent and independent variables in this study. The research hypothesis is rejected and the results show that the auditor’s opinion doesn’t creates continuity and stability of earnings among companies listed on the Tehran Stock Exchange.

Keywords: Profit sustainability, auditor’s opinion, the quality of earnings, the auditor’s adjusted opinion

Introduction:
Accurate and timely decision-making in financial firms and other institutions requires a credible, transparent and comparable information. The majority of accounting information is reflected in the financial statements. Business firm manager’s for various reasons try to manage the profit of financial period through the application of different accounting methods or executive decision to offer their respective condition of the enterprise performance. One way of coping with earnings management in companies is the qualified audit process. An independent and skillful audit firm is capable of knowing misrepresentation of respected financial statement items that can be addressed correctly to have an impact on your client so as a result, reliable financial information be reported. Achieving the desired objective, is totally dependent on the characteristics of firms and these characteristics can positively or negatively be associated with audit quality [3].
In today’s competitive world, one of the characteristics of industrial countries, is that there are big companies that collect their capital from millions of people as stockholders and control economical resources over a country or internationally. Since decision makers in large organizations from one hand need reliable information for commercial decision making and on the other hand are not able to reach much firsthand information, as a result they must rely on the information that others provide and as a matter of fact in many cases the risk of receiving unreliable and untrustworthy information increases, shareholders to be aware of the process of managing their assets and to ensure the accuracy of operation and performance of managers, are able to use the audited financial statements as one of the most important means of reassuring tools. The possibility of bad faith on the preparation of the financial statements by the Board of Directors, led to the need for professional audit and independent auditor. Auditing is the process of regular and systematic collection and impartial evaluation of evidence about the allegations of economic activities and events, to determine the validity of these claims with a predetermined criteria and submit the report to the beneficiaries independent auditor’s who are elected by the general assembly of shareholders to consider the documents and evidence supporting the financial statements, discover fraud, and potential abuse flows that has a direct impact on the financial statements and utter their impartial professional opinion about the financial statements prepared by the company administrator. The aim of auditing this financial statements is that auditor’s can say whether the financial statements from all the significant aspects, in accordance with accounting standards, is prepared or not. Independent auditor's findings in a report entitled "Audit Report" in the form of "acceptable", "limited", "unacceptable" and "disclaimer of opinion" will be presented. Experience has shown that the form of audit reports, mainly in the form of conditional acceptance or rejection and lack of comment and rejected forms are less used [9].

The subject and significance of the research:
The main objective of financial reporting in accordance with the conceptual framework of accounting, is to present information that help users of financial statements at decision-making process, to make informed decisions. Accounting benefit is the most important product of financial reporting that users of financial statements have focused most of their attention on it [22]. According to the research conducted in the market of uttering earnings has been followed by the market reaction. This fact reveals the effect of profits arising from the accounting system on the decisions of users of financial statements. But the measure of interest is obtained from elements such as sales, earnings, cost etc. The measurement process of which is full of estimation, ideals of smoothing, various methods and various judgments [8]. Therefore, more attention to the profit figure may mislead users of it; that's why financial analysts and investors in determining the future cash flows, do not pay attention to the accounting profit as the only indicator but stability and reproducibility of profit is important for them [12]. Because managers can make decisions in relation to operational projects that can affect the sustainability of profits and thereby earnings quality, more proficient managers with more innate abilities can be informed promptly from the business firm which they are in charge of and their industrial activity, and choose more qualified projects with less risk. So the ability of managers
can directly impact on earnings persistence and consequently affect decisions of the users of the financial statements. Because the more company benefit from greater stability, the better prospects for the company and the higher appeal for investors.

So the study of the ability of manager on earnings persistence can be of particular importance with regards to decision making by users of financial statements [3].

Sustainable profit is one of the qualitative characteristics of accounting profit which is based on accounting information. Stability is a measure of profit that helps investors and users of financial statements in assessing the future earnings and cash flows. Earnings Persistence means continuity and repeatability of current interest. The higher the persistence of profits, the higher the company's ability to maintain current earnings, and it is assumed, that earnings quality is higher [12]. Concerning that the audit is a knowledgeable and scientific and qualified, technical and professional individual, so his reports also contain useful content for users and it is expected to that the audit activity, the users about assessing the quality of information received and ultimately influences consumers the decisions of users on the allocation of economic resources in different parts. The main objective of this study was to investigate the relationship between audit opinion and the sustainability of profits at companies listed on the Stock Exchange Tehran.

**Theoretical Foundations of literature:**

Sustainable profit is one of the qualitative characteristics of accounting profit which is based on accounting information. Sustainability of profits, is an indication that helps investors in assessing the future earnings and cash flows of company [11]. Profit sustainability means reproducibility (continuation) of current profit. The more the profit is stable, the more power companies have to maintain current profits and the assumption is that the quality of corporate profits is more. Stable profits, is part of the profits that remain and their survival continues [18]. In other words, earnings persistence, means reproducibility (continuation) of Profit flow. The more the company's earnings persistence means greater ability to maintain current earnings, and it is assumed that the quality of the corporate profits is higher. Earnings persistence is a feature of quality of earnings which is based on accounting data and is an indicator that helps investors in evaluating the company's future earnings and cash flows. Investors in estimating future earnings and expected cash flows pay more attention to stable part of benefit than unstable part of it [19]. Changes in current components of profits transferred to future earnings, represents the profit retention and therefore the quality of earnings [14].

Management efficiency in the use of resources, which has been provided for him and the sustainability of profit can show this proficiency. The more the profits earned through operational assets, the higher earnings persistence will be [11]. More efficient managers (with higher) ability (due to the better understanding of risk) may select better projects and manage the company’s operations more efficiently. This act director, is likely to have positive affection sustain ability profits in future periods, in the operating cash and accrual part [7]. Accounting profit consists of two components: cash and accrual accounting profit and the accrual component is less stable because it is subjective and estimable [23]. Subjective and estimable part of the accrual profit associates the role of subjective estimates of management. The managers of business firms based on their own imagination and recognition from the present and future conditions and also the economical environment of their operating unit, estimate accrual items and affect the reported profit figure by their judgments and estimation. The inherent abilities of
management is a factor that affects his judgment, and estimates, in conjunction with accrual items [7]. So we expect that the ability of the management effect on earnings persistence and also the audit opinion.

Transparent and comparable financial awareness is the essential part of accountability and informed economic decisions and the unique requirements of economic growth and development in the private and governmental sections. 3

No doubt making economic decisions and allocating resources is not possible without reliable information since financial statements are the major tool to transfer the information out of for profit units and are the main axis and the common factor in all financial reports, it is expected that financial information reflected on them can represent the financial condition and the operation result of for profit units so that they can meet the information needs of a wide range of, beneficiaries that have limited access to financial information offer profit units. Auditing in this process a vital role in determining the validity of information. The auditor's objective in the process of test-driven and relying on respected theory, eliminating information pollution through its increased reliance, should be a suitable infrastructures for the use of the information is in parallel with economic decision making.

Investors in comparison with other performance indicators (such as dividends, cash flows and changes in interest) have greater reliance on the information of the profit. Therefore reported earnings is one of the criteria to determine the efficiency of expected capital by investors. In order that reported profit can help the users to evaluate the proficiency and profitability of the company and investors estimate their expected output, the presentation of information should be so that previous operation evaluation be possible and effective in measuring the profitability and forecasting of future activities. Therefore, in addition to reported profit figure for investors is important and has an impact on their decisions, qualitative characteristics of profit as a benefit information dimension is of particular interest to investors [13].

Protect the public interest requires reliable and timely financial reporting of operations and the financial health of public companies. Offering favorable accounting information and financial reporting to the community will help to allocate and deploy your economical resources efficiently. This public interests, with regular annual audit by independent and certified auditor’s are carried out and, can best be maintained and those involved in economic activities that deal with large companies, including shareholders, managers, creditors, government and economic analysts take their decisions based on an independent audit opinion. Also inventors and stockholders for buying shares of stock need to consider and predict the value of company’s share in the following year. It is obvious that determining this value depends on predicting the profitability of companies and its stability in future. Companies with stable earnings, are of greater interest to investors, and are better places for investment. So the type of comment in independent audit reports and the reported profit figure is very important for investors and affect their decision making.

Dastgir and Rastgar (2011), discussed the relationship between earnings persistence and stock returns with AQ. They found that these two have a direct relationship with each other, while with a reduction in accruals quality and increase the size of accruals, stock returns increases [25]. Banymahd (2011), examined factors affecting issuing unqualified audit report on companies listed on the Tehran Stock Exchange. His research findings are suggestive of issuing unqualified audit report which is more affected by factors such as director performance, change of
ownership, privacy of audit, assessment, selection, change of auditor of a private audit firm to
another private accounting firm and the firm size under auditor's consideration. The results of his
study showed that as competition and privatization in the audit market increased, issuing
unqualified audit report increases [1]. Rahmani and Talebnia (2013), in a study examined the
relationship between the auditor and the auditor's report with earnings management index.
Research findings showed that the type of auditor doesn’t have meaningful relationship in any
industry with management index and the type of auditor’s report in car industries, basic metals,
drug products and ingredients has meaningful and negative relationship with management profit
index [21].

Moradi et al (2014), in a study examined the audit opinion and earning management with an
emphasis on uncertainty in ongoing activity. Research findings show that between earnings
management and audit contingent opinions because of uncertainty in the continuity of the
company, there is direct correlation. This is despite the fact that between earnings management
and audit contingent opinions for other reasons except going-concern, there is no significant
relationship. These findings indicate that the ambiguity about the going-concern company
increases the innate risk of audit and gives rise to the possibility of issuing a qualified opinion for
the report of earnings management increases [17]. Nikumram et al (2014), in a study entitled
“Economic consequences of the quality of accounting information with a focus on variable
earnings” persistence have studied. For a period of 12 years from 2000 to 2011. Independent
variable used in this research is profit stability criteria and independent variable is economical
consequences of the quality of accounting information that Tobin Q ratio, the average expense of
company’s capital and the ratio of market value to the ratio of book value of equity and the ratio
price to earnings of each share has been used. The research findings indicate that the criteria for
assessing for the quality of accounting information means earnings persistence to the Tobin Q
ratio, the ratio of market value to book value of equity and the ratio of price to earnings per share
has, positive and significant impact on the capital market of Iran and has the positive economic
consequences [19]. Vakili-fard and Mohammadi (2015), in their study, considered the change of
auditor and the type of audit report. The research results showed that there is a significant
relationship between the change of independent auditor and audit report and in the type of audit
change, the test results hypotheses show the relationship between type of change in independent
auditor with the audit report on the companies by check there is no significant relationship [26].

Bayat and Mir Hosseini (2015), examined the impact of accounting information on value
relevance of earnings persistence. The results indicate a significant and positive relationship
between sustainability and value relevance of information. In other words, by increasing the
reliability of accounting earnings, the value relevance of accounting information increases.
Totally, earnings instability causes a decrease in the value of profits link because shareholders
can’t rely on profits. On the other hand, increase in profit stability, increases profit prediction of
shareholders, so it can lead to an increase in the value of information communication [2]. Carey
et al (2008), in Australia found that there is a direct relationship between the auditor change and
issue of the unfit the audit report about the activity continuity. They also showed in their research
that institutions following the issuance of the unfit audit report, or through bankruptcy or through
the change of auditor by the auditee, their income decreases. But audit firms that do not issue
these report to clients with poor financial position, their income will not change and decrease [4].

Kathleen Herbohn and Vanitha Ragunathan (2008), in a research considered the relationship

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between the type of audit report and profit management. They came to this conclusion that there is a negative relationship between accrual items and unfit audit opinion and it is due to the ongoing concern of company. So commenting companies with inherent ambiguity, with stable earnings (accruals) are higher than other firms [11]. Pereira (2009), considered the relationship between corporate governance, the quality of accounting information and independent auditor's report. Logistic model was used in this study. The results of his research hypothesis test showed that there is a meaningful relationship between board of directors with the financial expertise and institutional investors by providing a qualified opinion by independent auditor’s [20]. Lai (2009), in studying the auditor's opinion and disclosure of audit fees, found that there is not any connection between audit fees and auditor's report.

However, firm’s size, profitability, unfit auditor's report in the previous year, cash flow, solvency and growth indicators affect the issuance of the unfit audit report about on the continuity of the company [15]. Choy (2010), by considering the effect of the feature of audit partners on judgment and audit opinion, found that work experience of auditor and his familiarity with the addressed Industrial Co., are the main factors affecting the issuance of the audit opinion with decreased errors. Totally the results of the study showed that characteristics such as auditor independence, experience, auditor tenure on the entity and his familiarity with industry affected the auditor's opinion [6]. Charles Cullinan et al (2012), researched and examined the relationship of improvement and timely disclosures in the auditor's opinion in Chinese companies. Since the enterprise report positive information more quickly than the negative information, this study considers the potential effect of the auditor's opinion on the timeliness of financial disclosure, by enhancing in the auditor's report which is considered as "good news“ and checks the auditor's report change from the view point of direction and magnitude and how far it is from a qualified opinion (for example, a qualified opinion with an explanatory paragraph is closer to a qualified opinion than conditional opinion). Also, the company that is experiencing improvement in auditor’s report its financial results than companies with the worse auditor’s opinion and that these effects are related to the magnitude of the change in opinion [5]. Leif and Mattias (2013), examined the impact of sustainability on profits and economic conditions related to their information value. They divided the companies in terms of stability and instability profits into two groups. The results showed that those companies that have different activities due to investment in different industries, are different investments have different values [16].

**Hypothesis**
This study aims to consider the relationship between audit opinion with earnings persistence. Considering the theoretical and background research, the following hypothesis is designed and tested:

Between a qualified audit opinion and sustainable profit there is a significant relationship.

**Research method**
From the view point of method this study is correlation and from the view point of purpose this
study is applied. Also, since this study has described the present condition without manipulation (not by force or specific recommendation) and because value judgment is light, it is considered a descriptive study in accounting. Moreover, since historical information will be used to test hypothesis it is considered quasi-experimental. Also the present study is empiricist, inductive reasoning and from the viewpoint of study it is field study, library study that uses historical information as post occurrence (ie using past data).

Community sample:
Geographic scope of this study, are all non-financial firms listed in the Tehran Stock Exchange from 2010 to 2014 for the study period. The sample judgmental method (knockout) and according to time and place of research is selected on the following criteria:
1. The financial year is the end of 29 March.
2. Is not among financial companies (such as banks and insurance companies) and investment firms.
4. During the period under consideration does not change the fiscal year.
5. Not to have negative equity.
6. The Company's shares during the period under review, is bargained.
7. Their financial information is available.
According to aforementioned standards and the specific characteristics of each company, the sample contained 385 year-companies and 77 companies for 5-year period from 2010 to 2014.

Variables:
The main objective of this study was to determine the relationship between audit opinion with stable profits. In order to test the hypothesis, the model Vichitsarawong and Pornupatham (2015) is presented as follows:

Model (1)

\[ EARN_t = \beta_0 + \beta_1 EARN_{t-1} + \beta_2 OPINION_t + \beta_3 EARN_t*OPINION_t + \beta_4 LEV_t + \beta_5 SIZE_t + \beta_6 LOSS_t + \beta_7 AUDIT_t + \beta_8 ABS ACCRUAL_t + \beta_9 DIV_t + \varepsilon \]  (1)

Independent variable: A qualified express of audit (OPINION) if the auditor's qualified opinion is expressed, value 1 is adjusted otherwise a zero value is considered for this variable.

Dependent variable: The dependent variable is the profit stability during periods of research. Univariate regression equation is used to measure the sustainability of profit of the current period in which the gain of current period is a function of profit pre-treated period. In other words, in this model continuation of profit represents earnings stability. This model was designed and presented in 2002 by Dechow and Dichov.

Model (2)
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\[ EARN_{it} = \alpha_0 + \alpha_1 EARN_{i,t-1} + \epsilon_{it} \]  
(2)

Where we have:
EARN _ (i, t) current period earnings before unexpected items;
EARN_ (i, t-1) Prior period profit before unexpected items;
\( \epsilon_{i,t} \) remaining regression model

The test is carried out via data for all years of study by the sample companies and \( \alpha_1 \) (independent variable coefficient) is earnings stability during the study period. If the current period profit coefficient is positive (negative) and significant is indicates that earnings are more stable (less). This model’s variables are deforestation by the sum of properties.

**Control variables:**
LEV: debt ratio that is equal to the ratio of debt to assets.
SIZE: The size of the company, which is equal to the logarithm of total assets.
LOSS: If a report losses is one and otherwise zero.
AUDIT: Type of auditor that is if audit is done by the National Audit Office in one and otherwise zero.

ABS-ACCRUAL: 3 measurements model is used for the value of accruals:

**Model (3)**

\[ ABS – ACC = (NET INCOME – CFO)/ASSET \]  
(3)

Which in above equation:
NET INCOME: Net income is the income statement.
CFO: Cash flow operation is the cash flow statement.
ASSET: Total assets according to the balance sheet.
DIV: It is 1 if a company is dividends and otherwise zero.

### Table 1: Operational definition of variables

<table>
<thead>
<tr>
<th>How to measure</th>
<th>Variable name</th>
<th>Abbreviation mark</th>
<th>Dependent variable name</th>
<th>Independent variable name</th>
<th>Variable type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation profit divided by assets so that if the current period profit coefficient is positive (negative) and significant it indicates that earnings are more stable(less).</td>
<td>EARNt</td>
<td></td>
<td>profit stability</td>
<td>the audit’s qualified opinion</td>
<td></td>
</tr>
<tr>
<td>If the auditor has qualified opinion it is 1 and otherwise for this variable is zero.</td>
<td>OPINION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>While loss report 1 and otherwise zero.</td>
<td>LOSS</td>
<td></td>
<td>loss</td>
<td>type of audit</td>
<td>Control</td>
</tr>
<tr>
<td>While auditing by national audit office 1 and otherwise aero.</td>
<td>AUDIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS-ACC=(NET INCOME – CFO)/ASSET</td>
<td>ABS-</td>
<td></td>
<td>value of</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Collecting and analyzing data:
This study’s literature is collected from books, Persian and English academic journals, and university theses. The research data, required information is extracted directly from the financial statements of companies. Also to determine the type of audit opinion in different years from ordinary general meetings and extraordinary audit reports of companies were used. Information on income audit firms and rating of these agencies to classify audit institutes by certified public accountants, and also visiting the community site of this institution has been collected. For the purpose of calculation of the variables and data analysis, Excel spreadsheet and social sciences statistical package was used.

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Statistical Methods:

Descriptive methods: Method of considering data is cross-sectional from year to year. In this research, for hypothesis testing, multivariate linear regression method was used. To describe data the central tendency and dispersion data such as mean, median, Variation and standard deviation, was used.

Test defaults: To consider the normal distribution of data, to assess the stability of variances and normality of remains we have used Kolmogorov - Smirnov tests and Pearson test, in other words the statistics F and t-test will be used for significant prediction of the model and model coefficients.

Determining the relationship between variables: To determine the relationship between the data and variables correlation coefficient (R), coefficient of determination (coefficient of determination R²) and linear regression compound is used.

The findings generalization: To generalize the findings of this study, if the significance level in mentioned presumption test had direct and converse correlation, it is accepted. In this part to test the hypothesis regression test is used so that if the earned F Value exceeds the F in table with a level of meaningfulness of α%, it shows that the whole regression model is meaningful. In general, this test shows that, the whole regression is significant or not. Meanwhile the acceptable confidence level in this research is 95%. In other words the probability of error of 5% is considered in this study.
Findings:

Describing Results:

Table 2: Descriptive statistics indices of the research quantitative variables

<table>
<thead>
<tr>
<th></th>
<th>LEV</th>
<th>Acc</th>
<th>Size</th>
<th>EARN_{t-1}</th>
<th>EARN_{t}</th>
<th>Earn*Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
</tr>
<tr>
<td>Mean</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Median</td>
<td>.6370</td>
<td>-.0023</td>
<td>6.1355</td>
<td>.0724</td>
<td>.0707</td>
<td>.0241</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.6494</td>
<td>-.0056</td>
<td>6.0097</td>
<td>.0430</td>
<td>.0418</td>
<td>.0000</td>
</tr>
<tr>
<td>Variance</td>
<td>.1470</td>
<td>.12016</td>
<td>.49876</td>
<td>.08203</td>
<td>.07916</td>
<td>.06040</td>
</tr>
<tr>
<td>Skewness</td>
<td>-.206</td>
<td>-.058</td>
<td>1.295</td>
<td>1.367</td>
<td>1.260</td>
<td>3.189</td>
</tr>
<tr>
<td>Minimum</td>
<td>.16</td>
<td>-.67</td>
<td>5.37</td>
<td>-.14</td>
<td>-.14</td>
<td>.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>1.03</td>
<td>.50</td>
<td>8.17</td>
<td>.39</td>
<td>.42</td>
<td>.36</td>
</tr>
</tbody>
</table>

Table 3: Descriptive statistics indices of the qualitative research variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Index</th>
<th>Percent</th>
<th>Frequency</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOSS</td>
<td>0</td>
<td>84.7</td>
<td>326</td>
<td>97.0</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2.6</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>87.3</td>
<td>336</td>
<td></td>
</tr>
<tr>
<td>AUDIT</td>
<td>0</td>
<td>59.0</td>
<td>227</td>
<td>67.6</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>28.3</td>
<td>109</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>87.3</td>
<td>336</td>
<td></td>
</tr>
<tr>
<td>DIV</td>
<td>0</td>
<td>24.4</td>
<td>94</td>
<td>28.0</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>62.9</td>
<td>242</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>87.3</td>
<td>336</td>
<td></td>
</tr>
<tr>
<td>Opinion</td>
<td>0</td>
<td>60.0</td>
<td>231</td>
<td>68.8</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>27.3</td>
<td>105</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>87.3</td>
<td>336</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 and 3 show the descriptive analysis of all compilation data and variables used in this study is at all firms respectively. The following table provides the mean, standard deviation, median, mode, variance, skewness, maximum and minimum variables, control and dependent on an annual study of the period 2010 to 2014. The average audit report for the period from 89 to 93 member companies of Tehran Stock Exchange which is equivalent to 27.3 shows that less than one-third of an audit opinion was as amended report. And according to firm size variable is equal to the natural logarithm of whole assets so these variables in the period (5.27 to 8.17) indicates that the sample companies are in a wide range of large and small firms. Because the method of time-series data combinations and sectional we used to test the research hypothesis, so the
number of observations of a year-in the company has been based on the balanced data, 385 have been observed.

Pre hypotheses test:

A) Normality of the dependent variable of the test:
One of the main assumptions of linear regression and Pearson correlation test, is having a normal distribution for residuals model (independent and dependent variables). In the case of non-normality of residuals model, the validity of tests are under question which are used for agents. The remaining distribution process for each model must be controlled. It has been assumed that in the estimating models, the remaining and consequently the dependent variable, are random. Thus, the dependent variable distribution follows the remaining distribution. In this study, data normality test was conducted by Kolmogorov-Smirnov test. Obviously, if the results of this test, has Significance level of 0.05, Normal distribution of the data is confirmed. In order to assess the normality of the dependent variable Kolmogorov-Smirnov test, the following statistical hypotheses must be tested:

\[
\begin{align*}
H_0 &: \text{ Data for variables does not follow a normal distribution} \\
H_1 &: \text{ The data for the variables follow a normal distribution}
\end{align*}
\]

To answer the question of the normal distribution of data Kolmogorov - Smirnov test should be used. In the Kolmogorov-Smirnov test if significance level was calculated by z-statistic is greater than 0.05 there is a normal distribution of variables, otherwise if the significance level is less than 0.05 distribution is not normal.

<table>
<thead>
<tr>
<th>Table 4: Kolmogorov - Smirnov test variables Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters*</td>
</tr>
<tr>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

According to the Kolmogorov-Smirnov test Output significantly level of most logarithmic variables such as the dependent variable of the study is higher than 0.05 Therefore, assuming non-normality of data sample is rejected.

B) Constancy of variance assumption:
To check the assumption of constant error variance and thus dependent variable, just draw scatter plot of the predicted values against the values of the response variable residuals (or standardized values). If the resulting graph does not constitute a specific form and process, we can accept the assumption of constant error variance. Figure 1 shows that constant error variance can be accepted:

Figure 1: plot of predicted values and standardized residuals

C) correlation between the data:
In order to determine correlations between variables Pearson correlation coefficient was used the result of which is presented in the table below.

Table 5: Correlation between data:

<table>
<thead>
<tr>
<th>Earn* opinio n</th>
<th>earnt</th>
<th>Earnt- l</th>
<th>size</th>
<th>opinio n</th>
<th>div</th>
<th>acc</th>
<th>Audit</th>
<th>Lev</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>-.071</td>
<td>-.118</td>
<td>-.231</td>
<td>.047</td>
<td>.080</td>
<td>-.008</td>
<td>-.010</td>
<td>-.009</td>
<td>.040</td>
<td>1</td>
</tr>
<tr>
<td>.196</td>
<td>.031</td>
<td>.000</td>
<td>.396</td>
<td>.142</td>
<td>.885</td>
<td>.856</td>
<td>.868</td>
<td>.470</td>
<td></td>
</tr>
<tr>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
</tr>
<tr>
<td>-.375</td>
<td>.018</td>
<td>-.007</td>
<td>-.129</td>
<td>-.779</td>
<td>-.244</td>
<td>-.212</td>
<td>.065</td>
<td>1</td>
<td>.040</td>
</tr>
<tr>
<td>.000</td>
<td>.737</td>
<td>.899</td>
<td>.018</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.236</td>
<td>.470</td>
<td></td>
</tr>
<tr>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td></td>
</tr>
<tr>
<td>-.111</td>
<td>-.183</td>
<td>-.178</td>
<td>.102</td>
<td>-.042</td>
<td>.049</td>
<td>.007</td>
<td>1</td>
<td>.065</td>
<td>-.009</td>
</tr>
</tbody>
</table>

* Pearson Correlation
  - loss
  - lev

Sig. (2-tailed)
D) The presence of linearity between the independent variables:
After reviewing the initial assumption of multiple linear regression model, we can get the estimated linear regression and equation parameters, but it must be ensured that there is no correlation between the independent variables, because the existence of a linear relationship between these variables can’t lead to the correct parameters to estimate and achieve a correct correlation between the estimated linear regression and equation parameters, but it must be ensured that there is no correlation between these variables.

Additional tests:

Table 4-6 can be used:
Available online

According to VIF and tolerance indices values that almost all are close to number one (If research variables tolerance are close to number 1 indicates a lack of alignment between variables), we can ensure that there is a lack of alignment between the independent variables.

Table 6: Results linearity and tolerance VIF

<table>
<thead>
<tr>
<th>variables</th>
<th>tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>EARN&lt;sub&gt;t&lt;/sub&gt;</td>
<td>1.149</td>
<td>0.292</td>
</tr>
<tr>
<td>EARN&lt;sub&gt;t-1&lt;/sub&gt;</td>
<td>1.291</td>
<td>0.779</td>
</tr>
<tr>
<td>EARN*OPINION</td>
<td>1.768</td>
<td>1.476</td>
</tr>
<tr>
<td>SIZE</td>
<td>1.83</td>
<td>6.83</td>
</tr>
<tr>
<td>ACC</td>
<td>1.954</td>
<td>0.813</td>
</tr>
<tr>
<td>LEV</td>
<td>1.996</td>
<td>5.81</td>
</tr>
<tr>
<td>LOSS</td>
<td>1.137</td>
<td>0.419</td>
</tr>
<tr>
<td>OPINION</td>
<td>1.023</td>
<td>0.421</td>
</tr>
<tr>
<td>DIV</td>
<td>0.954</td>
<td>0.654</td>
</tr>
<tr>
<td>AUDIT</td>
<td>1.024</td>
<td>0.258</td>
</tr>
</tbody>
</table>

E) Watson - statistic:
Durbin - Watson a lack of regression statistic is desired to 2.5 and the this range of correlation of Watson - Durbin with approximately 2 shows the lack of serial correlation of wastes.

Table 7: Test Durbin-Watson statistic

<table>
<thead>
<tr>
<th>Durbin-Watson</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.065</td>
<td>1</td>
</tr>
</tbody>
</table>

F) Variation analysis and relationships between variables:
After reviewing assumptions and co-linearity, conversions to normalize the variables, in a final version, the modified variables are used in place of the original variables. Regression model can be fitted and consider the evaluated model by using analysis of variance. Concerning the matters at the beginning of this section, multiple linear regression model is as follows:

\[
EARN_t = \beta_0 + \beta_1 EARN_{t-1} + \beta_2 OPINION_t + \beta_3 EARN_t*OPINION_t + \beta_4 LEV_t + \beta_5 SIZE_t + \beta_6 LOSS_t + \beta_7 AUDIT_t + \beta_8 ABS ACCRUAL_t + \beta_9 DIV_t + \varepsilon
\]

Thus we see that the above regression equations play an important role in the outcome of main regression relation in this study and the existence of significant relationship, Will have a major impact on research validity.

So here it is necessary to test the significant of these models. For this reason statistical hypotheses under test is recommended in this section:

\[
\begin{align*}
H_0: \quad & a_0=a_1=a_2=a_3=a_4=0 \quad \text{There is a significant model.} \\
H_1: \quad & \text{At least two of the coefficients are zero there is a significant model.}
\end{align*}
\]

In this section, in order to test the complete significant of each model, the F-test is used and if the significant level of F is less than \( \alpha = 0.05 \), the assumption of above zero at the security level of
%95 is rejected and the opposite assumption of meaningfulness of the model is accepted. As for this research models the significant level is less than \( \alpha = 0.05 \), so the significant of models is accepted.

**Inferential analysis of the variables:**

In this part of the analysis, first, the research hypothesis the relationship between variables using Pearson's correlation coefficient will be tested.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.076</td>
<td>.044</td>
<td>1.736</td>
<td>.083</td>
</tr>
<tr>
<td>Loss</td>
<td>.027</td>
<td>.016</td>
<td>.059</td>
<td>1.715</td>
</tr>
<tr>
<td>Lev</td>
<td>7.37</td>
<td>.029</td>
<td>.000</td>
<td>.003</td>
</tr>
<tr>
<td>Audit</td>
<td>-.006</td>
<td>.006</td>
<td>-.038</td>
<td>-1.129</td>
</tr>
<tr>
<td>Acc</td>
<td>-.007</td>
<td>.030</td>
<td>-.010</td>
<td>-.227</td>
</tr>
<tr>
<td>Dvi</td>
<td>-4.88</td>
<td>.008</td>
<td>.000</td>
<td>-.006</td>
</tr>
<tr>
<td>Opinion</td>
<td>-.008</td>
<td>.011</td>
<td>-.048</td>
<td>-.723</td>
</tr>
<tr>
<td>Size</td>
<td>-.009</td>
<td>.006</td>
<td>-.058</td>
<td>-1.556</td>
</tr>
<tr>
<td>Earn</td>
<td>.726</td>
<td>.043</td>
<td>.753</td>
<td>17.039</td>
</tr>
<tr>
<td>Earnopinino</td>
<td>.081</td>
<td>.070</td>
<td>.062</td>
<td>1.163</td>
</tr>
</tbody>
</table>

**Table 8: Results of regression tests auditor's report and profit stability**

As it is shown in the table, the significant level obtained for the relationship between two variables, earnings persistence and the auditor's opinion is 0.470. There is not a significant relationship between the two variables so the null hypothesis is confirmed and this means that there is no relationship between the auditor's opinion and the sustainability of profit.

**Conclusion:**

In general it can be stated as follows:

Research findings show that in general there is no significant relationship between the auditor's opinion and sustainability of benefits (ie the auditor's opinion has no effect on the sustainability of corporate profits listed in the Tehran Stock Exchange) As well as the type of audit, financial leverage, loss report, accruals, dividends profit, and the company's size and stability of profit in our sample companies, there is no significant relationship. Hence it can be concluded that there is no significant relationship between dependent and independent variables in this study. Then the research hypothesis is rejected and the results show that the auditor's opinion does not cause continuity and stability of earnings among companies listed on the Tehran Stock Exchange.
Concerning the novelty of the subject, limited research has been done in this regard and the results are in line with the results of Rahmani and Talebnia (2013) and unlike Katlen research and Ragunathan (2008).

Research limitations
Every study is affected by some limitations that makes the results to be generalized with caution. Limitations of this study are as follows:

1. Integration of a number of companies during the research and the use of information in the original company after merging.
2. Inherent limitations in the use of Internet resources, calling for the collection of data on research.
3. Macroeconomic variables such as governmental regulation on some industries as well as setting government prices in many industries the company's performance and therefore the ability of management's limited and affect the results.

References:
Available online