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An Investigation the Relationship between Board Efficiency and Accounting Conservatism

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Abstract

In this research, it was paid to the investigation the relationship between board efficiency and accounting conservatism of listed companies in Tehran Stock Exchange during 2006-2012. To do this study, 109 listed companies in TSE were selected in mentioned period. Pooled/panel regression analyses in software EViews 6 were applied to test of research hypotheses. Exerted independence variables are different criteria of board efficiency contain CEO Membership in Board (CEOMB), Outside Board (OB), Board Ownership (BO), Financial Specialist in Board (FSB), and No. Meetings of Board (NMB). The dependent variable is Conservatism Index (CI) based on Givoly &Hayn (2000) model in this study. Also, company size (SIZE), financial Leverage (LEV), and Market to Book Value (MTB) were applied as control variables. Findings indicate that the effect of OB on CI is positive and significant in total companies level. Other results show the positive and significant effects of SIZE and MTB on CI, and the negative and significant effect of LEV on it.

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Introduction:

Conservation is the most important conventions that limiting financial forms and denotes discretion in identifying and measuring income and assets process .undoubtedly , conservation has extremely important place in accountant's believes . In fast , some people have called it " accountancy principle " . (wolk et . al (2004) , quoted by karami and Tajik 1387) . In spit of criticism to conservation until now , conservation lasts for centuries and it seems that it this been increased in past decades.Board of directors have base role in decision making and is the most important of companion ship dominance mechanism , and management control . (duellman 2006) .

Conservation as useful tool for board of directors is taken to consideration for full execution of key duties like determining strategies , full control . on company's execution managers and assured to replying stock holders and beneficiaries in recent years . (Hoo , 2009) . conservation is making the system that prevents extra payments to managers and will be the impediment for every extreme optimism of managers . (watts 2003) . Lack of " conservative accountancy system " lead to continuing the projects with " negative present gross value , in order that , they don't report any loss in their sales . (Ball 2001) . identifying the losses more quickly , conservation helps the board of directors to identify projects with negative present gross value and prevent its continuation . Also , they pay attention to reasons of loss and take in to account with more discretion . (ahmed&dolman 2007) . in this way , managers never look for negative present gross value and won't expose stock holders interests in danger .Managers have motivation for hiding losses , in order to discharge before their end period of office . loss tolerance or accepting projects with negative present gross value can lead to discharging the managers by stock holders . conservatism application accelerates on time loss identification and create documents of inefficiency in operations for board of directors and stock holders, and give awareness to looking for loss and studying its reason. These studies can result in manager's

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discharge and remove the projects that have negative present gross value. Because of these conflicts between interests and manager's motivations, stock holders and other capital suppliers, company dominance structure works are used , in order that they decrease the representation problem, with effective controlling on contacts and management behavior.(Fame & Jensen).Searching for company dominance structure on board of director's independence or in executable roles in decreasing the problems originated from representation problem,focus by controlling and directing executive management behavior.
And designing encouragers for them(Fame & Jensen,1983). Cadbury report(1992) has advised that board of directors should be at least 3 independent member, in order to have ability for effecting on the board of director'sdecisions.
In addition to this, it is mentioned that the majority of managers should be indecent from company's management and shouldn't have any relationship(except receiving salary and stock holding right)that expose their independence in danger.Representation problems in all probability will be more sever in lock of convergent between owners and managers Increasing Interest contrast between owners and managers .if conservatism really play of convergent between role in managing representation problems, then it is expected that the demand for conservatism increases, on the other hand it has been specified that ,if ownership separates from management the convergent between owners and manager's interests will be weak. Therefore as one of qualitativefutures of financial forms, conservatism will have direct relationship with manager's ownership.Regarding the above mentioned discussion.it can be concluded that special dominance tasks like existing independent members in board of directors with controlling management works or managers ownership can be considered as methods on saving stock holder's interests with converging owners and manager's interest.In this manner, the companies with more suitable company dominance structure show high degree of conservation.(Garsiala et.al 2009).this is means that output senility to bad news is more than good news in companies stronger companionship dominance structure.
The board of directorssearch for conservative accountancy system becauseconservatism is useful tool for controlling decisions.As mentioned before this research will consider the effect of board of director's efficiency on accountancy conservatism amount in accepted company in "Tehran Bourse". In fact the main problem of present research is the study of this subject that whether board of director'sefficiency will result in more accountancy conservatism .or not?If different scales of board of director's efficiency don't result In more accountancy conservation measurement . accountancy information and financial reporting don't have high quality and assurance .

Antecedent investigation:
Conservatism was taken into consideration in accountancy theory from past time, and it has used as one of supporting tool for owners right in making financial forms.Permanent and continued attention to this concept and give importance to it in compiling accountancy standards can be indicated that accountancy process application has contraction feature of interest onexpenditure .We can mention some of conservatism advantage in financial reports as follow :
1. accountancy decreases probable extra bonus to managers by mentioning the extra assets and benefits . (watts 2003) .
2. accountancy send out symptoms to managers , that by way of it , identifies projects with negative present gross value more quickly and have useful action for limiting losses .
3. accountancy is as the decreasing factor for management motivation for participating in projects with negative present gross value .
Companionship dominance plays important role in using accountancy. Companionship dominance is the group of processes that applies for gaining assurance to effective usage of company's assets and absence of their application in inconsistent aims with beneficiary's aims .strong companionship dominance structure will result in better management control , on time accountancy information production and increasing the identification pace of bad news for informing board of directors and doing necessary action . conservatism also has all of above mentioned advantages . (Garcia Lara et.al 2009) .The weak companionship dominance structure lead to weak board of directors and it allows managers to have more risk on company's beneficiaries , and invest in different projects dauntlessly . with this interpretations , suitable companionship dominance structure , specially effective board of director ; has positive relationship with conservatism in accountancy .Anon company collapse in 2001 , attract attentions forward impression of uncharged manger's action in board of directors .From representative theory approach , attendance of in dependuncharged

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managers in in companies board of directors and their controlling actions as in depend people , has considerable contribution in decreasing the contrast of existing advantage between company's stock holders and manager in board of director's sessions . of course it should be considered that company's board of director play important role in making suitable compound of charged and uncharged , among board of director's member . theexistence of such compound of main elements is not considered as a effective board of director . because , while charged managers give worthy information's about company's activities , uncharged managers judge about mentioned manager's decisions , with professional and unbiased view point . so , with specialty , independence and necessary legal power , company's board of director is considered as potential powerful task of company's dominance . Company's strategic part (board of director's members) give information to capital market . because the expenses of manager's presence for revealing (commitment expenses) will be less than controlled expenses of non – member people(control expenses) ,

In representation theory it is supposed that member stock holders rather than leaving the control possibility to non – member people , like to reveal information . according to representation , independent uncharged managers can decrease the expenses originated from the space between ownership and control . organizing and conducting the board of director's meeting is in charge of the board of director's head . in many countries , managing director plays the board of director's head role at the same time . for example , in %70 - %80 American companies , managing director and the head of board of directors are the same person . but common company dominance procedures in Europe . separatedthese two roles and only in 10% of English company , managing director is the head of board of director at the same time . (kles et . al 2001) . Asia is between America and Europe situation .From theoretical view , when managing director stand in head of board of director , it results in interest conflict . also in this manner, the control performance of board of director decrease . The composition of managing director and head of board of director role determines that control and supervision don't separate from management (Fama& Jensen 1998).Regarding the importance of relationship between board of directors efficiency and accountancy conservatism amount and lack of same local research in this field. We have this question that "IS there any relationship Between board o director's efficiency and accountancy conservatism amount? If the answer is "yes", How is its type and effect? Which factors have effect on this relationship and which factor's effect is more?The main goal of this research is answering to above questions .so.this research studies the relationship between board of director's efficiency and accountancy conservatism amount in Tehran Bourse. Regarding thatany research hasn't been done about relationship between board of director's efficiency and accountancy conservatism , this research can solve the problem of this important financial issue and give related experimental documents in this field.

Results of some previous external and internal research that in some extent is same as the subject of this research, are as follow :

"Ahmed &Duellman"(2013) study the company in 1993-2009,and predict that moaners with extra confidence(optimist),incline to delay in identification and as a whole.in conservatismaccountancy have less conditional. They also consider this subject that whether feignercontrolling mechanism lead to decrease the negative effect of extra management confidence on conservatism amount in financial reporting or not? They used either conditional or unconditional conservatism , in order to measure conservatism, and they concluded that is negative relationship between both types of conservatism and extra confidence of management they also concluded that foreigner control mechanisms don't lead to decrease the negative effect of extra management confidence on conservatism amount in financial reports . "Xia & Zhu" (2009) found that the more financial lever level, the more conservatism amount. They indicated that the board of director's independence hasn't any effect an conservatism level in accountancy and companies with governmental and that are under different degree of director has the least effect on conservatism.

Garcialaet.al(2009).Ahmed and Duelman (2007) and Ahmed et.al(2002) found documents about conservatism advantage in liability contacts and company dominance subject.

Garciala et.al(2009) consider the economical determiner factorsof conditional conservatism.according to previous researches ,they found that revealing contact lead to conditional conservatism and revealing lawsuit lead to conditional and unconditional conservatism.

"Li(2009) studied conservatism accountancy advantages in international financial markets, and found that companies in countries with more conservatism markets, and found that companies in countries with more conservatism system, importantly have less liability expense and capital expense.

"Hu"(2009) studies the board of director's feature and its relationship with conservatism in accountancy. This study that was done money 716 Malaysia Bourse Company", Studied the 5 relationship of board of director's

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features that include charged and uncharged members of board of directors managing director and head of board of director separation,board of director's meeting number and owner ship by board of director's members with three measuring accountancy scales including scale based on liability item ,scale based on market value ,and scale based on the relationship of stock output and interest.

The research result indicates:

The negative relationship among board of director's charged members with conservatism:

The negative relationship of board of director's measure with conservatism and using powerful board of director from conservatism accountancy In comparing this research with Anglo Sac son's Countriesresearches, we should refer to institutional and organizational investment company system In Malaysia.

In research using big sample composed of 14786-year American company in 2004-1944,"Lafond and ruychodari"(2008),studied is that if ownership percent relationship with conservatism .their approach is that if manager's ownership is less and their interest convergent decreases, representation expenses increases and as a result the demand for conservatism increases. They used from "Basu" model ansit's reduced model by "Rugchodari and watts"(2007) as conservatism scale. They also considered the effect of two different management ownership: managingdirector's ownership and five best manager of company. Their criterion in choosing the 5 best manager was amount of received bonus from company.

Regarding that their interest convergent with stock holders decrease and representative expenses increase, their findings were showing that however manager's ownership percent become less, the demand for conservatism increases. After controlling groups of growth opportunity on conservatism, their result didn't change.

Using the sample of about 750 company year,"Ahmed&Duellman"(2007) ,studied the relationship of conservatism the five characteristics of uncharged manager's ownership percent,average member attendance number in director's duty and head of board of director, independent manager's ownership percent and board of director's size as board of director's power parameter and studied their relationship with conservatism. They also used from company size. Liability and growth opportunities as controlledvariables. Using 3"Baso" (1997) time asymmetry scale ; "Giyoli and Hain (2009) commitment items and "Biyor&Rian"(2000)market

values indicated that:

High percent of executive managers (charged) in board of directors lead to conservatism reduction. there is positive and meaning full relationship between ownership percent of Board of director's uncharged members.

There is'nt any meaningful relationship among manager's ownership and average member's attendance in other companies board of director, lack of incumbency of managing directorand board of director's head at the same time board of director's size and measured conservatism in every three scale.

"Ahmed et.al(2009)" considered the conservatism role as conventional effective mechanism for decreasing conflict between stock holders and debentures owners on politics of cash benefit division. They state when liability contacts impose limits based on accountancy items.in interest distribution among stock – holders, moreconservatismaccountancy, will reduce the payment possibility of extra stock benefit to stock holders. Liability contracts have effect at least in two ways on conservatism .First liability owners can explicitly request conservatism accountancy. Second managers may undertake this methods for win fame about using conservatism reporting methods. Using "Bur a Rayan" partial element scale and "Guil&Hain" compiling undertaken items scale, they indicated that with increasing conflicts originated from cash payment growth conservatism also increases. They also found when these two scales report high degrees of conservatism, liability expense is less.

"Kahneman&Lovallo"(1993) concluded that revers effect of extra management confidence can reduced and deactivated with introducing a supervisor and external controller.

"Hassani"(1388),has studied the relationship of board of directors combination and ownership percentage of board of directors uncharged mangers with conservatism in accountancy. This research that has been done among 72 company samples from Tehran Bourse, indicated the relationship between two board of director characteristics named uncharged member percent and uncharged manager's ownership , as independent variable with conservatism scale in " basu " time asymmetry model . theresearch results shows that there is positive meaningful relationship between ownership percentage of board of director's percentage and

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conservatism , and there is negative and meaningful relationship between uncharged member of board of directors and conservatism .
" Behramfar andHassani (1388) studied the relationship between board of director's composition and uncharged manager's ownership present of board of directors with conservatism in accountancy . Their research results indicated that there is meaningful and positive relationship between board of director's uncharged members percent and conservatism .
Rahmani and GolamzadehDeldari (1388) in one research studied the effect of public ownership in capital market on conservatism in financial reporting they states that one of financial reporting quality improvement parameters is conservatism observance. The result indicated that conservatism in company's financial reporting that accountancy amount reduction is like reduction in financial reporting quality research findings with demand hypothesis that states accepted companies in bourse give good quality financial reporting that demanded by investors is not compatible.

Hypothesis:
As it was explained, the present research eats to define the board of director's efficiency on conservatism accountancy in accepted companies in Tehran bores, regarding this introduction this research has 5 main hypothesis as follow :
1.There is relationship between managing director's attendance in board of director's company and conservatism parameter.
2.There is relationship between uncharged members in board of director's and conservatism parameter.
3.There is relationship between companies board of director members and conservatism parameter.
4.There is relationship between financial specialist attendance in company board of director's and conservatism parameter.
5.There is relationship between number of meetings of board of directors during year and conservatism parameter.

Research variables:
In order to hypothesis test this research's variables divides to depend ante independent and controlling.
Independent variables:
This project's independent variable is board of director's efficiency that was used from 5 scales for its measurement.
Membership in board (CEOMB).
This variable is virtual variable and its amount is equal toif managing directors is the member of board of director attends in board company the board will be more effective.
Outsideboard(ob): this variable is obtained by dividing outside board on that number of board In final financial year if there is more outside board In company the board will be more effective.
Board ownership: this variable obtained by dividing stock amount in authority of board on company's whole stock in final financial year.it seems that if there is ownership board in company the board will be more effective.
Financial specialist in Board (FSB):This variable is also artificial variable and its amount is equal to one.If financial specialist in Boardcompany, there wise its amount is equal to zero.it seems that if financial specialist attend in board , the board will be more effective.
No meeting of board: This variable is obtained by natural logarithm of No.meeting of board in final financial year: it seems that the more effective board will hold, more meeting number during financial year.

dependent variable:
The dependent variable in this research is the conservatism indicator that for it'smeasurement we use Giulli and Hagn (2000) model as following (Giulli and Hang,2000,3000):

$$CI_{tt} = \frac{OAcit}{TA} \times (-1)$$

That
CL_{tt} = is the conservative indicator at the end of financial period for I company:
OAC_{tt} = operational commitment items at the end of financial period for I company;
TA_{H-1} = sum of wealth's at the end of financial period t-1 for I company.

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Operation commitment items has been gained by comparison between net in comeand operation cash process and also depreciation expense.
Due to Hayn and (2000), the commitment items progress can be an index of vary in accounting conservatism degree in a long term period. In other words if the commitment items increase in that condition conservatismdecrease and vise .The high conservation index in BaniMahd studies (1385), maharani and etal(1388) and Ahmad and Dolman (2007) were used too.

controlled variables:
Controlled variables as other effective factors on conservatism accounting are as following:
1.Ratio of market value to clerical value of stock holders salary : for computing this ratio the market value of stocks holders income were used from multiplication of stock number in market price of every stock at the end of financial period and then it has been divided to the clerical value of stock holders total income.
2)finical lever : for computing financial lever we use the ratio of sum of liabilities to sum of wealth's at the end of financial year.
3)Company size: it is used for calculating the size of company by normal logarithm of total wealth at the end of financial year.

Community and statistical model:
This research statistical community was about all of the accepted companies in Tehran burse between 1384 to 1391(8 years period) which had the following condition:
1)Up to the end Stand mount1383 it was accepted in Tehran burse and their financial year was ending to the end of esfandmonth every year.
2)Companies should not change their financial year during the periods.
3) The companies had continual activity during the research period and their stocks were studied too.
4)it should present the financial information which is necessary for doing this research during 1384 to 1391
5)it should not be part of capital com[anies , banks financial agent.
6)they must be calculated during research period.
The sampling method in this research was riddle method or armfulomitting , so because so this companies which have the statistical conditions choose and other burse companies did not include in the analysis.
Due to the criteria's which were mentioned above, about 109 companies were recognized. All of the data which were necessary for this research were gathered from information banks of Tehran burse, RahAwardNovena Software and burse journals.

Research method:
Research method in this research is "eminent" or after event this kind of research method is used for doing research are investigating the reason or reason of fixed relation which happened in the past time and finished .this kind of research method is highly acceptable because of reaching to the cause and effect relation between research factors. I this kind of research because of some reasons it is impossible to handle the change or itio impossible to create "artificial" conditions or laboratory condition.(seyyedAbbasside, 1380,171).this research because of performance is as corrected researches Also deepened on aim, this research is applicable. Research hypothesis will be test deepened on composing /combining data.
Statistical analysis were done by the use of Eviews6 , 7 data analyzing method and hypothesis experiment .
In this research , between the existed analyzing methods , we use " composing / combining data " method . this technique " composing / combining " todays has been used extensively by researchers . we use this method in Conditons that we can't analyses the issues level by level and quick or when the amount of data are less .
In this research for analyzing the research hypothesis it means that for analyzing the relation between board of directors indexes and conservativeness of 5 rigersiuni model has been estimated as composing /

combining condition as follows :

$$CI_{tt} = \beta_0 + \beta_1 * BE_{tt} + \beta_2 * MTB_{tt} + B_3 * LEV_{tt} + \beta_4 * SIZE_{tt} + E_{tt}$$

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That in this model we have :

CI_{tt} = the amount of consolation at the end of financial period t for I company
BE_{tt} = the board directors workable I at the end of financial year t that for it'smeasurement we use five different factors .
MTB_{tt}= the market value to the clerical stock holders value at the end of financial period t for I company .
LEV_{tt} = the amount of financial lever at the end of financial period t for I company .
$SIZE_{tt}$ = size of company at the end of financial period for I company .

It is better to mention that before estimating regression models in all the above conditions for hypothesis test of research , we tried to find out suitable pattern for regression model .
First of all by the f test lamer we will pay attention to the choose of composing model against combining data model .
While the amount of statistical probability of F limer is less than meaning ful level %5 , and use of composing data it is suitable .
If we don't choose composing data model against combining data , we will pay attention to doing Hamsun test as choosing stable effects pattern against . coincidental effects pattern .
Wile the amount of statistical probability of Hamsun is less than meaning ful level of %5 , we don't have enough reason to rejest stable effects pattern and for testing this hypothesis we should use stable effects pattern . other wise if meaning ful level is more than %5 , it is suitable to use coincidental effects pattern .
So , we can estimate suitable model by the use of different tests . after choosing suitable model we mast be sure about stable ness of time periods and non liernes of regression (Baltagi , 2005 , 49) .
In all of the statistical techniques we use EXCEL and E views software's .
To deter mine that research variables are normal in views software we use from Jerk – Bra statics , so that if this statistics probability for a variable is more than %5 that normal variable's distribution is normal and in other condition it is ab normal .
8 ,Analyzing research data

Analyzing stability of research variables:

Research variables stability results are presented in table:

Based on unique origin test kind of Luin ,lin and cho test , because the amount of p – value was less than %5 , all of the variables in the research were at the 8 table level . stability means that variables mean and variance in time rivals and variable covariance were stable during different years. Doing stability test for metaphorical variables is unclear so we didn't present that one.

Table 1, variable stability test during research period:

variables	Kindoftest	The statistical amount of loin , line and chop	The statistical probability of luin , lin and cho
Conservation		-21.71	0.0000
Directors presence in the board of directors CEOMB		---	---
The board of directors non-salaried members relation OB		-11.60	0.0000
The board of directors non-salaried members ownership BO		-130.32	0.0000
Financial specialists presence in the board of directors FSB		---	---
The board of directors session numbers NMB		-16.04	0.0000
Company size		-11.33	0.0000
Financial lever LEV		-18.75	0.0000
Market value relation to clerical value MTB		-60.52	0.0000

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Analyzing research variables descriptive static :

Research quantities variables descriptive static is shown in table 2 .

Change coefficient of quantities independent variables are shown in table 2 – 4 , that between mentioned variables , the board of directors non salaried members and the board directors session numbers had the less change coefficients and distribution , so less change coefficients and distribution so less stability were during the research. This issue shows that companies which were analyzing have special differences because of the board of directors members ownership and they didn't have any specialdifferences because of the board of directors seeing numbers and it was some how stable.

Also results show that the board of directors independent variables in comparison with dependent variables(conservation)have less distribution and change coefficient so they were more stable during the mentioned period. This issue shows that companies conservation should be effected by not only board directorsworkability but also other factors that in this research we mentioned some of them as controlled variables.

It is necessary to mention that companies which we were analyzing them had following conditions financial levers amount %65 , %4 the board of directors members ownership , about 59% the board of directors non salaried members also the average of market value to clerical value was 2.02 .

Statistical result of jark Bra shows the normality of conservations dependent variable of company during the research period . Normality of dependent variable is one of the anticipations of regression models of minimum squares .

Table 2. Descriptive statistic of research quantities variables:

criteria's variables	number	mean	middle	maximum	minimum	Standard deviation	Changes coefficient	jark Bara Statistic	Jark Bara probability
Conservation C1	763	0.01	0.01	0.49	-0.45	0.04	4	3.40	0.182
The board of directors non salaried member relation OB	763	0.59	0.60	0.86	0	0.20	0.34	77.3	0.000
The board of directors members ownership BO	763	0.04	0	0.25	0	0.07	1.75	370	0.000
The board of directors session numbers NMB	763	2.79	2.71	3.56	2.39	0.31	0.11	185	0.000
Company size	763	13.43	13.26	19.62	9.80	1.41	0.10	109	0.000
Financial lever LEV	763	0.65	0.67	0.89	0.12	0.17	0.26	47.1	0.000
Market value relation to clerical value MTB	763	2.02	1.48	13.7	0.51	1.71	0.85	646	0.000

Distribution of plenty of quantities variables in all the companies during the research period is shown in table 3 .It is necessary to mention that only in %8 of year – companies which were analyzing(61 year – company) , director , were part of board of director . Also in %43 year – companies which were analyzing , financial specialist in companies board of director , were existed .

Table 3. distribution of plenty of researches quantities variables between all the companies.:

Quantities variables	**Independent plenty**	**Proportional plenty**
Directors presence in board of director CEOMB	**61**	**0.08**
Financial specialists presence in board of director FSB	**328**	**0.43**

correlation between research variables:

Correlation between research variables is shown in table 4.

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Correlation result between different factors of directors workability with companies conservation is because of somehow weak correlation but meaning ful- 0.094 between conservation and presenceof financial specialist in board of director. This subject shows that is companies with financial specialists in board of director.

Amount of conservation in financial reports were Sdmehawe low.

There is negative correlation between financial lever and conservation but it is significant, and there is positive correlation between the market values relation to clerical value and conservation. This subject shows that in companies with high level of liability in capital structure amount of conservation in financial report is less.This happens in a condition that in companies with high relation of market value to clerical value amount of conservation is high.

Existence of negative and sign faint relation of board of directorsnon salaried members relation with financial lever andpositive and significant correlation of non salaried members with directors members ownership showsthat in companies with high percent of non salariedmembers of board of director amount of use of debit of capital structure was less. Also in companies with high percent of the board of directors nan salaried members amount of board of head master ownership was high too.

Negative and significant correlation of existence of financial experts in the board of director with board of directors session numbers and size of company shows that in companies with existence of financial expert in the board of director they had less board of directors sessions.

Also big burse companies had less financial expert in there board of directors.

Existence of passive and significant correlation of board of directors members ownership with relation of market value with clerical value and the negative and significant correlation of board of that in comoapaies with high portion of market value to clerical value amount of board of directors members ownership, high and also these companies had less board of directors sessions during the research. Rest of the correlation results are shown in table4.

Table 4. correlation between research variables:

criteria's / variables		CI	CEOMB	OB	BO	FSB	NMB	SIZE	LEV	MTB
Conservation CI	Correlation amount	1	-0.005	0.051	-0.019	-0.099	-0.001	0.053	-0.126	0.103
	sig		0.881	0.161	0.607	0.009	0.968	0.145	0.001	0.004
Presence of director in board of director CEOMB	Correlation amount		1	0.009	-0.024	-0.019	-0.027	0.058	0.006	-0.028
	sig			0.788	0.501	0.694	0.452	0.112	0.867	0.439
The board of directors non salaried members relation OB	Correlation amount		1	0.073	-0.103	-0.015	0.049	-0.096		0.046
	sig			0.045	0.004	0.673	0.173	0.008		0.206
The board of directors members ownership BO	Correlation amount				1	-0.089	-0.022	-0.014	-0.067	0.076
	sig					0.013	0.544	0.698	0.093	0.035
Existence of financial experts in board of directors	Correlation amount					1	-0.074	-0.141	0.022	-0.022
	sig						0.047	0.000	0.549	0.543
Board of directors session numbers NMB	Correlation amount						1	0.038	0.066	-0.153
	sig							0.290	0.068	0.000

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Company SIZE	Correlation amount		1	0.056	-0.064
	sig			0.102	0.078
Financial lever LEV	Correlation amount			1	0.033
	sig				0.359
Market values portion to clerical value MTB	Correlation amount				1
	sig				

Research hypothesis test:

Before we test research hypothesis we played attention to choose suitable paten for Regressionmodels. For of all by the of F lamer test we played attention to choose composing data model against combining data model. Amount of statistical probablity for F limer in all the condition was less than meaningful level %5 , there fore for testing the hypothesis using from composing data are enough. Because of not choosing composing data model against combining data we payed attention to doing Hams man test as stable effects paten against accidental effects pattern. Also amount of Hamsun statistics probability in all the conditions were less than significant level %5 as there is not enough reasons for stable effects patterns rejection and for testing research by thesis we have to use stable effects pattern.

1) There is a relation between directorspresence in board of director of company and conservation index.

Regression model stable effects the effects of directors presence in the board of director on companies conservation index during the 7 years research is shown in table 5.

Result in table 5 show that the effect of directors presents on board of directors on companies conservation indexes was positive (0.01).

But duet statisticalprobability t(0.5392) it doesn't become significant this shows that directors presence board of director has an effect on companies conservation index.in other words amount of conservation of burses companies which are independent from presence in board presence of director in board of director significantly has an effect on conservation.

Also result show that the effect of financial lever on conservation was negative and meaning ful,and the effect of company size and portion of market value to clerical value on conservation was positive and meaning ful.this shows that companies which are big buries and companies with high portion of market value on clerical value have high amount of conservation in their financial reports this is in a condition that the high level of debit in capital structure Which is cause of conservation in burses companies financial reports . Results which are related to statics show that model in totally meaningful and due to Watson – camera static it doesn't have correlation problem .

Furth one , results which are related to coefficient to make adjust shows that in period of research about %19.4 of change of companies conservations were affected by director in board of director and research controlledvariables . Reminder amounts of regression model had Jarkstatistics were equal with 2.56 and Jark Bra statistics probability were equal with 0.28 which shows the normality of regressionreminders .

Due to this issue that director has meaningful effect on board of director on companies conservation index , first main hypothesis of research doesn't conform in all the companies .

2) there is a relation between board of directors non salaried members and conservation index .

Regression model of combining stable effects and the effect of board of directors nan salaried members on conservation index of companies during the 7 years period of research , is shown in table 6 .

Results which ore in table 6 show that there is positive relation on the effect of nan salaried peoples ina board of directors on companies conservation index (0.09) and due to tacticalprobability t (0.0192) it is meaning ful . this issue shows that the portion of no salaried members in board of directors conservation index of companies has direct effect , in other words amount of conservation in burses companies increases by increase of no salaried members portion in board of directors .

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Also results show that the effect of financial lever on conservation was positive and significant .this issue shows that big burses companies and also companies with high market value to clerical value , has high amount of conservation in financial reports .
This is in a condition that high level of liability in capital structure , is cause of conservation decrease in burses companies financial reports .

Table 5 .the effect of directors presence in board of director on companies conservation index .

statistics / variables	**Regression coefficients**	**Statistical amount t**	**Statistical probability t**
Stable amount	0.58	-2.90	**0.0039**
Presence of director in board of directorCEOMB	0.01	0.61	**0.5392**
Company size	0.05	3.61	**0.0003**
Financial lever	-0.26	-4.55	**0.0000**
Market value portion to clerical value MTB	0.02	4.69	**0.0000**

Determining coefficient	Coefficient of determining the adjustment	Amount of jank Bra reminder	Probability of Jank Bra reminder	Statisticprobability f	**Watson Durbin statistic**
0.227	0.194	2.56	0.28	0.0000	**2.066**

Result related to F statistics show that the model totally is meaningful and due to WatsonDurbin it doesn't have self – correlation problem .
The fore , results related to coefficient for determining adjust show that in whole of the research period about %21 of changes about companies conservation were affected by non salaried members of board of directors and researches controlledvariables .
Regression model reminders which have jark Bra statistics are equel with 2.11 and jark Bra statisticprobability was equal with 0.35 which shows normality of regression models reminders .
Due to this issue that the effect of non salaried members in the board of director on conservation index of companies is meaningful , main second hypothesis has been conformed in all the companies .

Table 6 .the effect of board of directors non salaried members on companies conservation index :

statistics / variables	**Regression coefficients**	**Statistical amount t**	**Statistical probability t**
Stable amount	-0/64	-3/21	**0/0014**
Presence of director in board of directorCEOMB	0/09	2/35	**0/0192**
Company size	0/05	3/66	**0/0003**
Financial lever	-0.26	-4.56	**0.0000**
Market value portion to clerical value MTB	0.02	4.59	**0.0000**

Determining coefficient	Coefficient of determining the adjustment	Amount of jank Bra reminder	Probability of Jank Bra reminder	Statisticprobability T	**Watson Durbin statistic**
0.233	0.210	2.11	0.35	0.0000	**2.075**

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3) there is a relation between companies board of directors ownership and conservation index .

Regression model combining stable effects of amount of companies board of directors ownership on conservation index during 7 years of research ,is shown in table 7 .
Results which are in table 6 show that there is a positive effect on amount of companies board of directors ownership and conservation index (0.06) but due to statistical probability t (0.604) it is not meaningful . this issue shows that the portion of companies board of directors ownership on conservation index of companies has no effect . in other words amount of the conservation in burses companies which are independent from board of directors ownership and amount of board of directors ownership in a companies , did not effect the amount of conservation significantly .
Also results show that the effect of financial lever on conservation , is negative and meaningful and the effect of company size and the portion of market value to clerical value on conservation was positive and meaningful .
Results related to the F statistics show that model is totally meaning ful and due to Watson – Durbin statistics it doesn't have self correlationproblem .
There fore results related to the coefficient for determining adjust show that in whole of the research about %19.5 of changes about companies consecrations were affected by financial experts in board of directors and researches controlledvariables .
Regression model reminders which have jarkBaro statistics are equal with 2.23 and jark Bara statisticprobability was equal with 0.33 which shows normality of regression models reminders .
Due to this issue that .the effect of financial experts presence in the board of directors on conservation index of companies is meaningful , main forth hypothesis of research has not been conformed in all the companies.

statistics variables	**Regersiuni coefficients**	**Statistical amount t**	**Statistical probablity t**
Stable amount	-0.58	-2.90	**0.0038**
Presense of director in board of directorCEOMB	0.06	0.52	**0.6064**
Company size	0.05	3.61	**0.0003**
Financial lever	-0.26	-4.53	**0.0000**
Market value portion to clerical value MTB	0.02	4.54	**0.0000**

Determining coefficient	Coefficient of determining the adjustment	Amount of jank Bra reminder	Probablity of Jank Bra reminder	Statistic probablity T	**Watson durbin statistic**
0.227	0.194	2.16	0.34	0.0000	**2.064**

5) there is a relation between companies board of directors sessions during the year and conservation index .

Regresiuni model of combining stable effects and the effect of companies board of directors sessions on conservation index of companies during the 7 years period of research , is shown in table 9 .
Results which are in table 9 show that there is positive .relation on the effect of companies board of directors sessions on companies conservation index (0.02) but due to statistical probablity t (0.4426) it is not meaningful . This issue shows that the board of directors sessions during the year has no effect on companies conservation index . In other words , amount of conservation in bursues companies is indepenent from board of directors sessions during the year and number of board of directors sessions , doesn't significantaly effect the amount of conservation .
Also results show that the effect of financial lever on conservation is negative and the effect of company size and the portion of market to clerical value on conservation was positive and meaning ful .

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Results which are related to F statistics show that modat was totally meaningful and due to watson – camera

statistics variables	Regersiuni coefficients	Statistical amount t	Statistical probablity t
Stable amount	-0.55	-2.78	**0.0057**
Presense of director in board of directorCEOMB	-0.02	-0.94	**0.3490**
Company size	0.05	3.55	**0.0004**
Financial lever	-0.26	-4.58	**0.0000**
Market value portion to clerical value MTB	0.02	4.53	**0.0000**

Determining coefficient	Coefficient of determining the adjustment	Amount of jank Bra reminder	Probablity of Jank Bra reminder	Statistic probablity T	**Watson durbin statistic**
0.228	0.195	2.23	0.33	0.0000	**2.068**

static it doesn't have any correlation problem .

Furth more results related to coefficient for determining adjust show that in whole of the research period about %19.4 of changes about companies conservation were affected by board of directors sessions during the year and researches controlled variables .

Regression model reminders which have jark Bra statistics are equal with 1.83 and jark Bra statistic problity was equal with %40 which shows the normality of regresiuni model's reminders .

Due to this issue that effect of board of directors sessons in a company during the year on companies conservation results is meaning ful , main hypothesis of research has not been conformed in all the companies .

9) Discussion and conclusion

In this research we payed attention the effect of dirctorcsworkablity on companies conservation , which were in tehran cost paper burses during 1385 to 1391 time trivals . for research hypothesis testing we used combining regersiuni models with stable effects during the research . In the whole resuls are as table 10 as follows :

Table 10 : Summary of research results:

NO	Hypothesis and controlled variables	Kind or relation	Significant or non significant	Rejection or acceptance of hypothesis
1	The effect of directors presence an board of director on conservation index	Positive	Non significant	Reject
2	The effect of non salaried member of board of director on canservation index	Positive	Significant	Accept
3	The effect of members ownership on canservation index	Positive	Non significant	Reject
4	The effect of financial expert in board of director on conservation index	Negetive	Non significant	Reject
5	The effect of session numbers of board of director on conservation index	Positive	Non significant	Reject
6	The effect of company size on conservation indey	Positive	Significant	__ __ __
7	The effect of financial lever on conservation index	Negetive	Significant	__ __ __
8	The effect of marke value portion on clerical value on canservation index	Pasitive	Significant	__ __ __

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Results in relation with direct effect of non salaried members relation in board of director on conservation index of companies shows that burses companies conservations significantly increase with increase of non salaried members relation in board director .This is sue show that non salaried members in board of directors capability for increasing financial reports quality by conservations . Results about direct effect of non salaried members relation in board of director on companies conservationindex , are in agreement with Ahmad and Duel man's previous research (2007) , Huvo (2009) and Behrman and Hassani (1388) and they are inconsistent with previous result of research of khia and Zhue(2009) and Hassani(1388).

Results in relation with this part that director has no effect on board of director on companies conservation index, is agreement with Ahmad and Duel man (2007) previous research.

Result in relation with non of the members ownership effect on companies conservation index are agreement with Ahmad and Deulman(2007) research and inconsistent with Lafond and Ruychevdari (2008) and Hassani(1388) previous researches.

Results in relation with this part that dirctor has no effect on board of dirctor on companies conservation index is because of same research non emistance in this field so is not in comparison with previous research result.

Results in relation with the issue that dirctorspresense has no effect in board dirctor amount of boadr of dirctors members ownership presense of financial expert in board of dirctor and number of board dirctors sessions during the year on companies conservation is because of this that burses companies amount of conservations are independent from these factors are for board of directors capablity .

And existance of these factors , significantly , doesn't effed amount of conservation . This issue shows that directors presense in board of directors members ownership , presence of financial experts in board of directors and board of directors session numbers during the year had enough capablity .

Results about vise relation between financial lever and conservation , is inconsistent with previous researches results khia and zhoo (2009) and mehraniou and et . al (1389) .

Results about direct relation between company size and companies canservations , were inconsistance with previous results of researches shahrari (1387) and mehrani and et .al (1389) .

Results about direct relation between the marke value portion to clerical value and conservation , because of nan of existance of similar research in this field , it is not camparable with previous researches results . it is necessary to mention that existance of this relation is completely clear . why in campanies with high level of conservation , clerical value was less and financial reports high quality is be cause of conservation , which is a reasonfor buying more capital of companies with high conservation and market value of these companies increases too .

Suggestions:

By paying attention to results of this research we can present following sugestions :

1. by paying attention to this issue that board of directors have no major effect as board of directors sessions during the year , presence of financial experts in board of director and amount of members ownership on conservations financial reports , seems that board of director in bursues companies has not necessary capability for increasing the conservation in financial . Also for users of companies financial data which are accepted in tehran cost papers bursues especially for stock holders which payedattentiont evaluation of financial reports quality , which is for decision making for capitalization in mentioned companies that in majority of burses companies board of director didn't have enough capablity for progressing financial reports quality .

2) Due to the direct effect of non salaried members of board of director on conservation in companies financial report , it seems that non salaried members of board of burses companies have enough capability for increasing financial reports . Also , it suggests for users from accepted companies financial data in tehran cost papers bursues and especially for stock holders , which want to increase financial reports quality . they have possitive step in increasing non salaried members .

3) due to the direct effect of non salaried members . in board of directors on conservation in companies financial reports , it has been suggested to the Tehran cost paper burses , which is in the way of increasing the financial reports quality , and so progressing markecapitat capabilities , and says to bursues companies that they should in cleasenon salaried members in board director .

4) Due to the direct effect of company size on companies conservations , it seems that big bursnes companies have high financial reports which are due to paying attention to conservation . So , it has been

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suggested that users of bursues companies financial information and especially stock holders , for deta mining companies financial informations reports , payed attention to their size .
5) Due to vise effect of financial lever on companies conservation it seems that companies with high amont of debit in capital structure , has less canservations in financial reports , and it has less information quality ; so , it has been suggested that bursues companies financial information users , for being sure about their debt form and for having more debt for burses companies they must pay attention their amount of debit . These following words are for

Future Researches :

1)analyzing the effect of economical conditions as financial problem … on the relation between board of directors relation and amount of conservation in companies financial reports .
2)analyzing and testing the relation between capability of board of directors and amount of conservation in companies financial reports about companies which have loss not benefit .
3)analyzing the relation between board of directors capability and amount of conservation in companies financial reports in different levels of beneficial companies .
4) using from other factors of board of directors capablity in analysing the relationship between board of directors capability and amount of conservation in companies financial reports .

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