THE IMPACT OF MANDATORY VERSUS VOLUNTARY AUDITOR SWITCHES ON STOCK LIQUIDITY IN IRAN ECONOMIC

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Abstract. The main objective of this study is to determine the effect of changing auditors for the mandatory audit on stock liquidity and the stock liquidity. Due to the nature and method used in this study, it is a descriptive correlational study. Research in terms of empiricist epistemology, it argued systems, inductive and from the study, is the archival field. The population of this research in terms of geographical scope is limited to firms listed in the Iran economic and the time included from the 2011 to 2015. The results showed that the liquidity of the stock of companies that change their auditors, the auditor materially from those companies that do not change, is different. The results showed that the liquidity of the stock of companies that Hsabrsshan because System auditors alter, importantly than firms to change auditors, is different.

Key words: Mandatory Auditor, Voluntary Auditor, Liquidity

1 Introduction

Increasing economic entities, development of communication technology and the existence of conflicts of interest, creates monitoring needs. The issue of economic globalization and the information revolution, the state has even lost control (Boone, 1988). This situation makes the audit profession and gradually try to keep pace with technological change in order to remain behind moves to community needs. In this environment, users make decisions on various information such as financial information about businesses need (Acharya, 2005). Financial statements as financial information is the most important collections. But the important thing is the uncertainty about the reliability of information that stems from a conflict of interest. In addition to conflict of interest issues, including the lack of direct access to information users has resulted in demands for independent audit services. In fact, the role of auditors is to assess the quality of information for users (Amihud, 2002). De Angelo audit also emphasized that the mistake is discovered and reported, the independent auditor literally. Therefore, by definition, Angelo Di audit quality, increasing the ability to detect distortions in accounting and auditing and auditor independence assess the ability of the market. When De Angelo used these concepts, the basic assumption was that he market, which reflect the actual quality audit quality audit understands (Li, 2015). Obviously, depending on the place and role of audit firms in the decisions of users, the existence and independence of auditors and audit firms improve the working quality as key factors considered in the preparation of the audit report (Kwon et al., 2014). be audited. The bankruptcy of companies such as Enron, World Com and Parmalat as well as major banks such as Lehman Brothers, Northen Rock and in recent years has led to finger pointing to the accounting profession. In this case the requirement of periodic audit firms to change their employers as a solution to improve auditor independence was considered. Because many lawmakers believed in people, especially long-term relationships the auditor and auditee, the auditor oversight and audit quality decreases (Boone, 1988).

2 Literature Review

Accounting earnings are the most important indices of performance applied in many economic decisions such as stock evaluation, performance assessment, determination of managers' rewards and appropriation of retained earnings. These decisions affect the transfer of resources between different people and for this reason, they receive special attention in the capital market. In an economic environment with situations of conflicting interests, including those between shareholders and managers, there is always the possibility that managers attempt to manipulate earnings. Management or manipulation of earnings is a deliberate action of managers to achieve desired financial results that may exist for various reasons. In the decision-making process, investors choose companies whose earnings are of higher sustainability and of greater quality indeed. In cases where entities are economically volatile, managers influence the earnings figures reflected in the financial statements leading to the positive views of those using financial statements, particularly investors. Because information is the life resource of market and the investors take the risk of investment in the capital market, they rely on the information published by the companies and invest therein. They require timely, understandable information in analyzable forms. Accordingly, the market will have to be able to manage earnings. The ability of market in detecting earnings management has two important implications. First, potential benefits reduce earnings management due to the weakening of altered components, and the second consequence is an increase in the costs of earnings manipulation. Additionally, the separation of ownership from management creates conflicts in the representatives, which may actuate managers towards opportunism and self-interest.

The role of liquidity in stock valuation, due to illiquidity risk concept stock crystallized in the minds of buyers that can cause investors to withdraw from the investment. Due to the importance of liquidity as well as important issues related to the auditor and the auditor, in this study attempted to examine the effect of changing the auditor be paid on stock liquidity (Liu, 2006; Justin et al., 2007).

Strategic product audits of financial statements for stakeholder credibility of financial information provided by the company. In today's uncertain world, firms of auditors is expected to provide professional services to consumers, to the delivery of financial condition and performance relative calm notify them by reducing uncertainty to provide claims management

So it can be said that in addition to psychological and social influences its economic role audit control as well. Increase in the number and complexity of financial reporting and accounting rules, disagreement between the auditor and the client increases (Choi, et al., 2015). Hence, there is criticism that the increase of auditor change in recent years, exacerbated the differences and the ability to play an important role accredited auditor for fiscal damage. On this basis, it is argued that the change of auditor reduces audit quality and thus by Atbar latest financial faces. That's why some regulatory authorities are worried that the increased frequency of audit, financial reporting reliability to the users (and not just to the financial statements of the companies change auditor) reduce. We find some evidence that the IFRS-related audit fee premium is lower in countries with stronger legal regimes.

3 Methodology

The research in the field of research funding is positive. According to the historic data is used to test the hypothesis, the research team tested overnight.is descriptive correlational study. Research in terms of empiricist epistemology, it argued systems, inductive and from the study, is the archival field.

The literature regarding the voluntarily or mandatory rotation of auditors is wide and approaches numerous aspects of this type of action: the auditing costs, the opportunities of such a rule, the implications on the quality of the accounting information, the investors' reaction, the difference between voluntarily and mandatory rotation, the probability of frauds, the effects on the auditor's independence and objectivity, the effects on the financial market, the difference between the auditors affiliated to

Big4 and the other auditors, the negotiation between the auditing companies with the clients.

As for the costs that are supported by the auditing company, and, implicitly, by the audited company, an accepted approach is that it ends up with their increase, justified by the efforts the auditing companies must make to understand the business and the organizational model of the audited company, as well as the effects of this initiation on the management of the audited company (PCAOB, 2011; Ho, 2010). GAO (2003) cites estimations of the auditing companies considering that the auditors' rotation will increase the auditing costs by 20%. Said & Khasharmeh (2014) propose a literature review and notice that, generally, one reaches an increase of costs, both for the audited companies and the auditors from 20% up to 50%. This, in fact, represents, a constant for the auditors that takes a company, irrespective of the fact that it is about rotation or about a mission received due to other reasons – the first audit year is always more expensive than the other years (GAO, 203). Also, the existence of an indirect relation between the period of the engagement and the auditing costs was proven. On the other side, mandatory rotation can also have an effect, namely the decrease of some auditing fees by the companies that wish to obtain a financial auditing mission (Barton, 2002 identifies such a situation for the Italian auditing companies).

4 Results

We test the predictions in H1 and H2 by estimating a model that explains credit ratings in the final year of the mandatory regime (2003) and the initial year of the voluntary regime (2004) for the companies that keep the audit and the companies that opt out of the audit.
Hypothesis of 1: Liquidity stock companies change auditor, the auditor materially from those companies that do not change, is different.

H0: liquidity stock companies change auditor, the auditor materially from those companies that do not change, is not different.

H1: liquidity stock companies change auditor, the auditor materially from those companies that do not change, is different.

Table 1: The main research hypothesis

	Beta	s.e	t	Prob
SWITCH	-0.1738	0.054355	-3.1975	0.0000
Size	-0.3995	0.14276	-2.7984	0.0000
Lev	-0.3847	0.172357	-2.232	0.0000
ATURN	0.14685	0.05159	2.8465	0.0335
ROA	0.14789	0.049321	2.9985	0.0218
SGROW	-0.15524	0.339842	-0.4568	0.3564
QUICK	0.04458	0.04124	1.081	0.2987
RETVAR	0.2215	0.025593	8.6547	0.0000
FO	-0.0365	0.023989	-1.5215	0.2256
E	0.0987	0.112942	0.8739	0.5198
RET	0.14457	0.048911	2.9558	0.0227
C	0.1359	0.072888	1.8645	0.0674
R	0.34468	DW		2.0178444
R2	0.33985			
F-statistic	34.10856			
	0.000000			

5 Discussion and Conclusion

According to compute beta coefficient ranges between +1 and 0 is for variables that show a positive relationship between the variables. In addition, Due to the significant level calculated for each of the predictors that were lower than the accuracy (0.05) is that it appears liquidity stock companies change auditor, the auditor materially from those companies that do not change, is different.

The size of audit firm has a significant influence on the relationship between earnings management and audit opinion. The level of error probability related to the null hypothesis indicating no effects of relationship between earnings management and audit opinion is 0.14, which is greater than 0.05; so null hypothesis is confirmed with a confidence level of 0.95. It can, therefore, be concluded that audit firm size has no significant effects on the relationship between earnings management and audit opinion.

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