Investigation of the Relation of Accounting Expertise in Audit Commission, Expectation Management and Profit Changes in Accepted Firms in Tehran Stock Exchange

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Abstract: The present research investigated the relation of accounting expertise of audit commission, expectations management and profit changes in accepted firms in Tehran Stock Exchange during 2008-2013. Statistical society of this research includes the firms which are accepted in Tehran Stock Exchange and 96 firms were selected as statistical sample in the mentioned time. In order to investigate assumption test of research, secondary information and audited financial statements were utilized. Data were analyzed in two levels of descriptive and inferential by the use of multi-variable regression analysis tests and logistic regression analysis. Results showed the meaningfulness of all research assumption tests. They also illustrated that there is a meaningful relation between achievement of expectation management and an accounting expert in the audit commission. It can be said that existence of an accounting expert in the audit commission improves expectation management. Additionally, there is a positive and meaningful relation between existence of an accounting expertise and the significance of expectation management. Furthermore, it can be notified that there is a positive and meaningful relation between confrontation exposure and or defeating income estimate of analyzers through expectation management even if an accounting expert is present.

Key words: Accounting expertise, audit commission, expectation management, profit changes, Tehran Stock Exchange

INTRODUCTION

Estimate is the key factor in economic decisions. Investors, creditors, managers and others depend upon estimates and expectations. Investors and financial analyzers use profit as one of the main criteria to evaluate companies as a result, they tend to measure future profitability so that they are able to make decision about preservation or selling their share. They judge the circumstance of a company by profit estimate because it is the difference in these estimates that determines the allocation of investment resources among various business units and sectors. In fact, this is important to potential investors. They take action to invest and allocate their investment resources by estimating cash flows and future profits. One of the most important arguments in financial management is the policy of profit division due to the fact that divided profit is indicative of major cash payments of companies and this is one of significant choices on the table for managers. That is the manager who decides how much of the profit should be distributed and how much should be saved in order to reinvest in the company. Payment of distributed profit directly includes shareholders. Besides, it affects the ability of the company in accumulating profit in order to utilize growth opportunities. Each investor, according to specific manner, buys share of a company which is believed to have a better share policy. Profit amount of suggested share by Board of Directors usually includes some information about expectation of managers in future profitability of the company. Share distribution can be discussed in two aspects: on one side, it is an influential factor in future investment of the company which means share distribution results in internal resources. On the other hand, many of shareholders want the company to distribute the profit. Therefore, managers balance between various interests of shareholders and investment profitable opportunities by maximizing wealth of the company. Thus, decision of profit distribution which are made bymanagers of companies are extremely important (Mehrani *et al.*, 2010).

Literature review: To avoid loss surprise due to loss of negative incompatible goals related to revenue, mangers

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are stimulated. To prevent surprise of negative profit there are documents and papers which show managers manipulate the revenue in upward direction or analyzers guide revenue toward downward expectation and these are tactics that are usually called game of revenue surprise by financial press and provision regulatory authority. While recent studies show that the market is doubtful about the revenue of the company which only stimulates the expectation of account owners in the post-Sarbanes Oxley period, financial managers showed by the Graham investigation that confrontation or defeating expectation of revenue remains as a significant signal in the market about future performance. Evidences of previous texts show that the quality of confrontation or defeating revenue expectation is as an extremely important signal in the company that is probably compatible with disorders of tactics which are in jeopardy to avoid loss surprise. Bedarda and Johnstone (2004) found out that there is a negative relation between accounting experts of audit commissionand upward profit management which is indicative of the fact that supervision of an accounting expert can reduce confrontation disorder and/or defeating revenue expectation relevant to profit management. The main responsibility of audit commissionis to supervise the process of financial reporting because of this, accounting expert in the commissionrestricts the estimated profit management.

Nonetheless, expectation management is only a reporting strategy and it does not have a direct effect on the quality of financial reporting. Normally the expectation management begins with optimistic estimates that analyzes subjects early in the forecast period. Then, downward revision acquires a defeatable or confrotable level as income announcement methods. In order to force forecasts of analyzers to downward revision, managers require to conduct income expectations of analyzers downward by issuing income guides and publishing the press. Therefore, considering expectation management, a group of managers who use their authority in order to reach bad short-term goals will be known while ambiguity in transferred data is created with confrontation and/or defeating expectation (Martinez and Fuentes, 2007). The vital role of audit commission of companies is to supervise the process of financial reporting. Recent revisions in the audit commission aim for increase in number of managers with financial expertise as one the most important features in the audit commission. According to the recent standards of United States of America, public companies must have a staff with accounting expertise in their audit commission (Davidson *et al.*, 2005).

Findings of Dechow *et al.* (1996) illustrates that the companies which manipulate their profit have less willing to have audit commission. Beasley *et al.* (2000) realized that dishonest companies in definite industries have less audit commission in comparison with honest ones. Many studies have been conducted to investigate the relation between audit commission s and examples of dishonesty in financial statements. Dechow *et al.* (1996) investigated the companies which were function of operational mechanisms of accounting by Securities and Exchange Commission due to violation of accepted principles in general accounting. They realized that the companies which manipulate their profit have less willingness to have audit commissions. In a same study, Abbott *et al.* (2000) found out that the companies with audit commissioncomposed of independent managers and holding two sessions a year at least have less willingness to confirm dishonest or confusing financial reporting. Findings of audit commission`s study by Sung and Windrem indicates that financial literacy of audit commissions and their activity level affects the probability of companies to follow standards of financial reporting.

Various features of audit commission were investigated in previous studies which have been about the relation between profit management and other quality criteria. Generally speaking, majority of these features were independence, expertise, activity and the size of audit commission. In many of recent studies, it has been seen that the independence of audit commission considerably has a direct relation with criteria of profit management or quality of profit (Klein, 2002; Bedard *et al.*, 2004). Moreover, many previous studies found out a meaningful relation between profit and quality of profit (Xie *et al.*, 2003; Bedard *et al.*, 2004; Davidson *et al.*, 2005) have found out that the activity of audit commissionhas a considerable relation with profit management. As mentioned, the most important part of the research is to investigate the relation of accounting expertise of audit commission, expectation management and profit changes in accepted companies in the Tehran Stock Exchange market. Audit commission is composed of 3-5 and in some cases 7 persons of non-executive board members who have accounting and financial expertise and helps Board of directors to have a close relation with independentauditors and internal auditors and it has a great important role in preventing managers from violating interior controls (Jerry and Lin, 2000). Expertise of audit commission: expertise and skill of audit commission members is another feature of audit commission that has a close relation with effectiveness of audit commission and it was considerably notified in the last research literature. It is essentially difficult for

members of audit commission to understand the financial information which they are obligated to evaluate. Additionally, managers with legal professional certificate tend to know more about their responsibilities and legal obligations about financial reporting. Expectation management: it is possible for independent auditors not to be able to cope with all group's expectations and they may cause a difference between the user's imagination about independent auditor responsibilities and imagination of audit profession about their own responsibilities.

This difference can be result of various factors that features of independent auditors can be pointed out. According to conducted researches, auditor's features can affect his/her audit report hence, it is essential to be familiar with it for understanding, evaluation and improvement of audit decisions. A good auditor should be independent, experienced, sophisticated, trustful, aware of biased judgments and naturally curious and skeptical. Profit change: it is generally believed that if current year profit of a company has been increased (decreased) compared with last year, the manager is more motivated to manipulate the profit (Zhang *et al.*, 2007). Ghaemi and Kiani worked in a research titled as efficiency of share and unwanted changes of profit: market level compared with company level".

This research aimed for investigation of behavioral feedback of investors to reported seasonal news of profits by accounting system across all the market. Results show that there is no meaningful relation between seasonal efficiency of the market and profit change and the news of seasonal notifications of profit by companies don't result in meaningful reaction of total market index. Ahmadzadeh *et al.* (2013) worked in a research titled as ''investigation of expectation distance between independent auditors and institutional investors in evaluation of audit report''. The result of assumption tests is indicative of the fact that auditors and institutional investors disagree with each other about massages in the report which are about validity or fraud discovery, audit process and reasonability of information evaluation criteria. Mashayekh *et al.* (2013) worked in a study titled as" investigation of profit management motivations". Now a days investors take profit amount into account specifically as one of the most important factors in decision making as a result, profit management is one of the controversial and attractive subjects in accounting researches. According to difference between circumstance and the environment of Iran's economy and other countries and also the difference in the structure and the size of companies in the stock exchange, it can be said that profit management measurements in Iran and
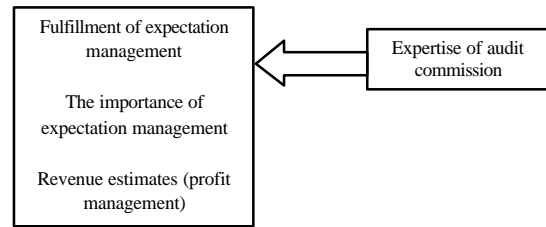

Fig. 1: Conceptual model of the research (Liu *et al.*, 2014)

other countries are approximately close to each other. Sajadi *et al.*, 2012) have conducted a research as '' the effect of main shareholders and profit change on the process ofsmoothing the profit in the companies in the stock exchange". This research aims for investigating the effect of profit change and main shareholders on the process of profit smoothing in the Tehran Stock Exchange market.

The results show that if the company's profit increases (decreases) with respect to the last year, the company smoothes company's profit by the use of arbitrary committedness options downward (upward). The second assumption investigates the role of the cmain shareholders in profit smoothing. Danescu and Cristian (2012) has worked on a research titled as challenge and incompatibility of profit amounts in European Social Fund report about financial works in Romania''. Its result showed that specific feature of operational European Social Fund in the mutual management frame, accounting and technical information about thousands of financial support contracts were verified in the research market to reach specific and ideal criteria.

The conceptual model of this research was retrieved from research model that was acquired from the study by Liu *et al.* (2014) and scientific discussions. This model indicates that how expertise of an audit commission affects fulfillment of expectation management, the importance of expectation management and revenue estimates (profit management) (Fig. 1).

Research hypotheses:
- There is a meaningful relation between expectation management fulfillment and an accounting expert in the audit commission
- There is a meaningful relation between the importance of expectation management and an accounting expert in the audit commission
- There is a meaningful relation between confrontation exposure and/or defeating revenue estimates of analyzers and an accounting expert in audit commission

Table 1: Research variables

Title of variable	Symbol	Method of calculation in the present research
Existence of accounting expertise	AEXP	It is one if the company has an accounting expertise in the audit commission, otherwise it is zero
Confrontation exposure or defeating revenue estimate	EXM	It is one if the initial estimate is more than real revenue of each share and the latest estimate prior to revenue announcement is less than the real profit of each share, otherwise it is zero
The importance of expectation management	WLKDN	This is the initial estimate of analyzers for three months that is calculated in the first three months through all property and is multiplied by 1000 at the end
Expectation management	EXMMBE	It is one if the real income of each share is less than the first estimate of analyzers but it is equal or greater than the latestestimate of analyzers, otherwise it is zero
Surprise in non-negative income	MBE	It is one if the actual income of each share is equal or greater than the estimates of the analyzers, otherwise it is zero
Natural logarithm of the number of board members	BDSZ	It is the natural logarithm of the number of board members
The natural logarithm of the number of directors on the audit committee	ACSZ	It is the natural logarithm of the number of directors on the audit committee
The percentage of independent directors on the board	BDIND	It is the percentage of independent directors on the board of directors of the company of directors of the company
Average management of foreign managers	OTHBD	It is average management of foreign managers
Percent of the companys common stock owned by institutional investors	INSTOWN	It is percent of the companys common stock owned by institutional investors
Percent of the companys common stock owned by Foreign managers	DIROWN	It is percent of the companys common stock owned by foreign managers
Percent of managers on the board	DUAL	It is one if the CEO of the company serves as Chairman of the Board. Otherwise, it is zero
Percent of the companys common stock held by CEO	CEOOWN	It is percent of the companys common stock held by CEO
The natural logarithm of the total assets of the company	AT	It is The natural logarithm of the total assets of the company in the first three months
The ratio of market value to book value	MTB	The ratio of market value to book value
The book value of the companys equity/short-term and long-term debt	LEV	The book value of the companys equity/short-term and long-term debt that is measured in the first of three month
Existence of damage	LOSS	It is one if a company reports a damage in the first three months. Otherwise it is zero
The standard deviation of stock returns	VOL	It is the standard deviation of daily stock returns in thetotal of three months
Internal/external operation	SOX	It is one if the activity of the company ends during three months. Otherwise, it is zero

- Between occupational exposure or overcome analysts earnings forecasts by an expert committee of accounting and audit firms among different companies is prone to manipulation

Research variables: In order to determine the method of calculation and measurement of dependent, independent control variables in Table 1, every variable is defined here:

MATERIALS AND METHODS

The population of the study is defined as a collection of individuals or units having at least one common trait (Abasi *et al.*, 2006). In the present study, according to the subject and its application, the statistical population includes all companies listed on the Tehran Stock Exchange. The reason for this choice was ease of access to information. In the study population by the end of the study period (2008-2013), 461 companies have been working in 36 industries. Therefore, the study population consisted of listed companies in Tehran Stock Exchange meeting all the following conditions:

- The financial year terminates on March each year
- During the period of investigation (2008-2013), their fiscal year has not changed

- They should have been present in Tehran Stock Exchange since the beginning of 2008 until the end of 2013
- Their financial information should be available to be extracted
- They should not be among the investment firms group (due to their types of activities which is different from other companies)

The sampling method used in this research is systematic omission sampling. Since the study population includes companies listed on the stock exchange, all companies were considered in the first stage; however, because of limitations in investigating the study population, such as spending time and resources, sampling was used. In the second phase of the research, regular or systematic random sampling was used and the main study sample was extracted. Among the study sample population, firms meeting above conditions were a total of 190 firms. In the final stage, a sample of 96 firms was extracted.

RESULTS AND DISCUSSION

Classic assumptions of test hypotheses
Autocorrelation test: The results of the Breusch-Godfrey test (Table 2) with a significant level of 0.5421 which was greater than the error value of 0.05 show that the model errors are not correlated:

Table 2: Breusch-Godfrey test

Factors	Values	Factors	Values
Result of Breusch-Goofrey test			
Statistics F	7/5412	Significant level of F statistic	0/5421
Chi-square statistic	9/3218	Significant level of Chi-square statistic	0/1248

Table 3: Stability test of variances using Glejser test method

Factors	Values	Factors	Values
Glejser test results			
Statistics F	14/6541	Significant level of F statistic	0/0013
Chi-square statistic	11/3251	Significant level of Chi-square statistic	0/0031
The expected amounts of Chi-square	15/5421	Significant level	0/0010

Table 4: Results of unit root test based on Dickey-Fuller

Criteria	Variables	Regression coefficients	SE	t-statistic	Sig.
Expectation	EXMMBE (-1)	-0/647	214/0	-4/432	0/001
management	C	0/3210	042/0	2/542	0/041
The importance	WLKDN(-1)	-0/537	011/0	-3/251	0/003
of expectation	C	0/0351	035/0	0/845	0/504
management					
Non-negative	MBE (-1)	-0/642	031/0	-5/637	0/000
earnings	C	0/0216	024/0	1/506	0/351
surprises					

$$\begin{cases} \text{Lack of autocorrelation} \\ \rho_1 = \rho_2 = \rho_3 = \dots = \rho_i = 0 : H_0 : H_1 \end{cases}$$

Variance stability: Another assumption in the model fitness includes the assumption of constant variance error. If the error variance has not a constant value, it is called heteroskedactisity. One of the tests of hetero skedactisity is White and Glejser Test. In this test, the null hypothesis is as follows: error variances are not constant. According to Table 3, it is concluded that the Glejser statistic value is equal to 14.6541. The significance level of the test is equal to 0.0013. Since this amount is smaller than the significance level of 0.05, the error variances are constant.

The reliability test based on the unit root: Unit root test is to determine the reliability of time-series. The unit root test method used in this study is Dickey-Fuller Test. Dickey-Fuller test results for all the studied dependent variables (expectation management, the importance of expectation management and non-negative earnings surprises) for the first-rank difference are shown in Table 4. The results show that the test has values of -4.432, -03.251, -5.637, respectively the absolute value is greater than the critical amount of -1.96. Therefore, the null hypothesis for the variables (expectation management, the importance of expectation management and non-negative earnings surprises), i.e., the existence of

Table 5: Overall results of logistic regression

Criteria	Chi-square statistic	Degree of freedom	Significant level
Step	81/090	15	0/000
Block	81/090	15	0/000
Model	81/090	15	0/000

Table 6: Model meaningfulness and goodness of fit

Sig. of the change	df	Change in-2 log likelihood	Model log likelihood	Variable (step 1)
0/000	1	40/787	-367/481	LCETR

a unit root is rejected. Hence, the variables (expectation management, the importance of expectation management and non-negative earnings surprises) have no unit root and are reliable.

Hypotheses testing
First hypothesis: There is a significant relationship between the realization of expectation management and an accounting expert in the auditing committee.

Estimating the model: Simultaneous regression was carried out and the overall model with $X^2 = 81.090$ and df = 15 is statistically significant at the significant level of 0.001. As it can be seen in Table 5, the individual test of predictor variables is presented in the Table 5. All coefficients are equal to zero = H_0. At least one of the coefficients is zero = H_1

In this part of the study, the data obtained from 212 companies after processing in the software was used in order to design the optimal model to assess the predictability realization of expectation management. After testing different combinations of these types of variables and omitting the variables with an error value >0.05 having no significant effect on the model, to test the statistical significance of the function coefficients, logistic regression is used. It is noteworthy that the null hypothesis means that the perceived variable had no effect on the dependent variable. As it can be seen in the Table 5, the significance levels for all coefficients are <0.05, hence these factors are significant. The results indicate that the remained variables are significant at $\alpha = 0.05$. It should be noted that because the logistic regression is used; therefore for each variable it can be said that the regression coefficient of the variable presence of accounting expert indicates that one unit increase in this variable lead to exponential improvements in forecasting and fulfillment of expectation management as much as 1.4305. Hence, we can say that $e^{0.358} = 1.4305$ (the superiority amount in Table 6) show that one unit increase in the variable accounting expert multiplies the probability of improvement in 1.4304. In other words, it increases the probability. Based on the results shown in Table 5, the control variables (the natural logarithm of managers number in the auditing committee, the

percentage of managers on the board independent of the company, the percentage of total companys common stock owned by institutional investors, the percentage of company 0.05s common stock held by the CEO) in the first hypothesis have a significance level <0.05 and thus are meaningful and has a significant impact on the realization of expectation management.

Model meaningfulness and goodness of fit: In the logistic regression, indicators shown in Table 6 are used to determine the model goodness of fit: the LR test function: This test has a chi-square distribution with 1 (independent variable) degree of freedom and is used to test ineffectiveness of the independent variable on the dependent variable. In other words, in this test two hypotheses of equality of coefficients of independent variables are tested against being equal to zero. As it can be observed, the probability of this function of the test is equal to zero and is <0.05 indicating that the null hypothesis of the ineffectiveness of the independent variable (accounting expert) has been rejected, resulting in significant regression.

Second hypothesis: There is a significant relationship between the importance of expectation management and an accounting expert in the auditing committee. To examine and test the second hypothesis, the effects of accounting expert on the importance of expectation management is examined using the multivariate regression and the results of estimation are presented.

The regression equation can be written as follows using the coefficient column for the importance of expectation management:

$$EXMMBE = -91.590+(31.594) AEXP + (1.168) BDSZ+(-0.193) ACSZ+(160.522) BDIND+(19.192) OTHBD+(17.979) INSTOWN+(0.21) DIROWN+(-16.709) DUAL+(3.202) AT+(5.799) MTB+(0.000) LEV+(-32.155) LOSS+(-15983.372) SEG + (-23772.233) VOL+(5.525) SOX$$

The accounting expert coefficient is positive and significant at 5% suggesting that improving one unit of accounting experts, +31.594 units the importance of expectation management will increase as a result they have a direct and positive relationship.

Given the fact that the logarithm for the number of managers in the auditing committee, larger audit percent of the total company's 0.05 common stock owned by c

managers, the percentage of managers on the board, the percentage of company's 0.05 common stock held by the CEO, the natural logarithm of the company's 0.05 total assets, the ratio of market value to book value, the book value of the company's 0.05 equity/short-term and long-term debts andinternal/external operations are >0.05, it had no impact on the importance of expectation management and the final model is written as follows based on significant variables:

$$EXMMBE = -91.590+(31.594) AEXP+(1.168) BDSZ+(160.522) BDIND+(19.192) OTHBD + (17.979) INSTOWN+(-15983.372) SEG+ (-23772.233) VOL$$

Based on the results, the coefficient of determination (R^2) for the dependent variable 0.05 importance of expectation management 0.05 is 0.836 and this value shows that 84% of changes in the importance of the management expectations is explained by changes of the accounting experts and control variables affecting the importance of management expectations. Since, the Durbin-Watson test value is in the standard range of 1.5-2.5, the independence of residuals can be concluded. Significance level of F-statistic is <00.05 indicating the significance of the regression at 95%. According to the mentioned metrics, the model has the necessary efficiency.

Third hypothesis: There is a significant relationship between exposure or overcoming on the earnings predicted by analysts through expectation management and the presence of an accounting expert in the auditing committee.

Simultaneous regression was carried out and the overall model with $X^2 = 370.161$ and df = 15 is statistically significant at the significant level of 0.001. As it can be seen in Table 7, the individual test of predictor variables is presented in Table 6. All coefficients are equal to zero = H_0. At least one of the coefficients is zero = H_1.

In this part of the study, the data obtained from 212 companies after processing in the software was used in order to design the optimal model to assess the predictability of exposure or overcoming on the earnings predicted by analysts through expectation management and add them to trial and error method in the model.

Table 7: Overall results of logistic regression

Criteria	Chi-square statistic	Degree of freedom	Significant level
Step	370/161	15	0/000
Block	370/161	15	0/000
Model	370/161	15	0/000

Finally, after testing different combinations of these types of variables and omitting the variables with an error value >0.05 having no significant effect on the model to test the statistical significance of the function coefficients, logistic regression is used. It is noteworthy that the null hypothesis means that the perceived variable had no effect on the dependent variable. As it can be seen in the Table 6, the significance levels for all coefficients are <0.05, hence these factors are significant. The results indicate that the remained variables are significant at $\alpha = 0.05$. It should be noted that because the logistic regression is used; therefore for each variable it can be said that the regression coefficient of the variable presence of accounting expert indicates that one unit increase in this variable lead to exponential improvements in predicting and fulfillment of expectation management as much as 11.941. Hence, we can say that $e^{2.480} = 11.941$ (the superiority amount in table) show that one unit increase in the variable accounting expert multiplies the probability of improvement in 11.941. In other words, it increases the probability. Therefore, the third hypothesis is accepted.

Based on the results shown in Table 6, the control variables (percentage of the total company's 0.05 common stock owned by foreign managers, the percentage of managers on the board, the ratio of market value to book value) in the third hypothesis have a significance level <0.05 and thus are meaningful and has a significant impact on the realization of expectation management.

Model meaningfulness and goodness of fit: In the logistic regression, indicators shown in Table 8 are used to determine the model goodness of fit: the LR test function: This test has a chi-square distribution with 1 (independent variable) degree of freedom and is used to test ineffectiveness of the independent variable on the dependent variable. In other words, in this test two hypotheses of equality of coefficients of independent variables are tested against being equal to zero. As it can be observed, the probability of this function of the test is equal to zero and is <0.05 indicating that the null hypothesis of the ineffectiveness of the independent variable (accounting expert) has been rejected, resulting in significant regression.

Fourth hypothesis: There is a significant relationship between the manipulation of earnings forecasts and accounting expert in the auditing committee and firms.

Simultaneous regression was carried out and the overall model with $X^2 = 370.161$ and df = 15 is statistically significant at the significant level of 0.001. The individual

Table 8: Model meaningfulness and goodness of fit

Variable (step 1)	Model log likelihood	Change in-2 log likelihood	df	Sig. of the change
LCETR	0321/-457	53/621	1	0/000

Research findings

Table 9: Overall results of logistic regression

Criteria	Chi-square statistic	Degree of freedom	Significant level
Step	949/567	15	0/000
Block	949/567	15	0/000
Model	949/567	15	0/000

Table 10: Model meaningfulness and goodness of fit

Variable (step 1)	Model log likelihood	Change in-2 log likelihood	df	Sig. of the change
LCETR	032/-457	53/621	1	0/000

test of predictor variables is presented in Table 9, all coefficients are equal to zero = H_0. At least one of the coefficients is zero = H_1.

In this part of the study, the data obtained from 212 companies after processing in the software was used in order to design the optimal model to assess the predictability of manipulation of earnings forecastsand add them to trial and error method in the model. Finally, after testing different combinations of these types of variables and omitting the variables with an error value >0.05 having no significant effect on the model to test the statistical significance of the function coefficients, logistic regression is used. It is noteworthy that the null hypothesis means that the perceived variable had no effect on the dependent variable. As it can be seen in the Table 8, the significance levels for all coefficients are <0.05, hence these factors are significant. The results indicate that the remained variables are significant at $\alpha = 0.05$. It should be noted that because the logistic regression is used; therefore for each variable it can be said that the regression coefficient of the variable presence of accounting expert indicates that one unit increase in this variable lead to logarithmic improvements in predicting as much as 0.033. Hence, we can say that $e^{-3.408} = 0.033$ (the superiority amount in Table 9 show that one unit increase in the variable financial leverage multiplies the probability of improvement in 0.033. In other words, it increases the probability. Therefore, the third hypothesis is accepted. As a result, it can be said that, for firms having an accounting expert, earnings forecasts are less manipulated because the coefficient obtained to manipulate accounting earnings forecasts with the presence of an accounting expert is insignificant and equal to 0.033.

Based on the results shown in Table 10, the control variables (the natural logarithm for the number of directors in the auditing committee, the ratio of market value to book value) in the fourth hypothesis have a significance level <0.05 and thus are meaningful and have a significant impact on the realization of expectation management.

Model meaningfulness and goodness of fit: In the logistic regression, indicators shown in Table 8 are used to determine the model goodness of fit: the LR test function: this test has a chi-square distribution with 1 (independent variable) degree of freedom and is used to test ineffectiveness of the independent variable on the dependent variable. In other words, in this test two hypotheses of equality of coefficients of independent variables are tested against being equal to zero. As it can be observed, the probability of this function of the test is equal to zero and is <0.05 indicating that the null hypothesis of the ineffectiveness of the independent variable (accounting expert) has been rejected, resulting in significant regression.

CONCLUSION

The aim of this study was to investigate the relationship between accounting expertise of the auditing committee, management expectations and profit change in firms listed in the Tehran Stock Exchange. The results of this study obtained using, collecting and analyzing the financial information of listed companies in Tehran Stock Exchange during the 2008-2013.

The results of testing all hypotheses were significant. The findings show that there is a significant relationship between the expectation management and the presence of an accounting expert in the auditing committee and it can be said that the presence of an accounting expert leads to improvement and enhancement of realized expectation management. Moreover, there is also a significant and positive correlation between accounting expertise and the importance of expectation management. The results also indicated that there is a positive and significant relationship between exposure or overcoming the forecasted earnings by analysts through the expectation management and the presence of an accounting expert in the auditing committee. Ultimately, the findings showed that the presence of an accounting expert makes manipulating earnings forecasts in the auditing committee and firms as less as possible. In addition, fewer profits are susceptible to manipulation of the realized income and higher income expectations with an accounting expert in the auditing committee. This shows that firms with accounting expert in the auditing committee are in favor of the exposure to income scale, the relationship between accounting expertise, expectation management and frequency of profit however, it is much more evident in the temporary quarters. Thus, the auditing committees subsequently focus on limiting the expectation management in the temporary quarters in which the downward revision in forecasts of analysts is conducted by the manipulations. Additional tests

revealed a negative correlation between the company's 0.05 accounting expertise and decision-making to prevent the guidance of the three-month earnings. Future research can investigate the interaction between corporate governance and pressure on the companies to follow the revenue targets and decisions to stop the earnings guidance. Future research could also investigate whether companies which stop the income guide in order to increase transparency when the company consists of an accounting expert in the auditing committee disclose more forward information. Finally, our findings suggest that an accounting expert in the auditing committee is likely to limits deviated incentives of managers for having influence on corporate disclosure practices and the analysts 0.05 forecasts.

In the present study, unlike previous researchers, responsibilities and benefits of the auditing committee and internal auditing unit were separated and investigated on the basis of theoretical principles and definitions to their assess the financial and operational accountability.

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