Studying the effect of comparability capability of financial statements on the value created for the stockholders and owners' equity return

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ABSTRACT

The aim of the present research is to study the effect of comparability capability of financial statements on the value created for the stockholders and owners' equity return. In this research the comparability capability of financial statements has been measured for each industry in isolation by using Difrano's model (2009). The present research is applied regarding the goal and it is causative post incidental regarding methodology. The statistical society of the research entails the companies accepted in Tehran Stock Exchange through which 80 companies were included in the research by using a systematic deletion method as our statistical sample. The time period for the current research started from the year 2003 and ended in 2011. To test the categorized hypotheses we have utilized Pearson's correlation and the regression analysis. Hypotheses testing have been done through the use of Eviews7 software. The research results showed that comparability capability of financial statements has had a positive and meaningful effect on the value created for stockholders and owners' equity return.

INTRODUCTION

Increasing business competitions among different industries, competition to find new sales markets, and financing methods have resulted in the need of industry owners to broad financial information which is exact and related. Financial reporting is one of the most important types of information which also has several users [1].

Users of financial statements should be able to compare financial statements of the business unit during the pass of time to recognize the trend of changes in financial status, financial performance, and financial flexibility of the business unit. Also the users should be able to compare the financial statements of different business units to compare financial status, financial performance, and financial flexibility of the business units with each other [2].

The existence of transparent and comparable information is the basis for responsiveness and conscious economic decision making and it is one of the undeniable requirements of economic development and expansion in private and public sector. If the conscious decisions are not based on transparent and comparable information the scarce economic resources will be wasted and the economy of the country will be affected [3].

The comparability hypothesis states that financial statements should be in a way that we can compare them with each other and avoid to use similar and monotonous accounting methods. In this case the users will be able to make decisions through the comparison of the current value of the companies and their risk amounts. Users can compare different companies and make decisions by having access to such information and through risk prediction [4].

On the contrary to the importance of financial statements' comparability capability there are trivial evidences of the advantages of it for the users of financial statements. Some researches have been carried out about other qualitative features of information. But there has not been any researches carried out regarding the comparability of financial statements in Iran and the results can be useful in achieving the economic goals of microeconomics and macroeconomics. The present research is going to remove the present gaps by developing the comparability capability of financial statements and measure the effect of comparability of financial statements on some performance assessment criteria. In this research the question is that: "Does the comparability capability of financial statements affect the value created for the stockholders and the return of owners' equity?"
Literature review and the theoretical framework of the research:
Comparability of financial statements:

FASB believes that the advantages of information increase when a model is posed through which we can compare the results of a business unit with another one. Comparability capability is defined as: "it is a qualitative characteristic of information which enables the user to determine the similarities and differences between the two sets of economic phenomena". The first part will express monotonous nature and the second part expresses approach consistency [5].

Being monotonous requires similar treatments with similar cases. Monotonous quality mostly stimulates companies to present individual financial statements by using similar accounting approaches, measurement concepts, categorization, and revealing methods and even using the same reporting format. The goal should be comparability not being monotonous. The primary goal of comparability should be fostering the prediction and financial decision making by the creditors, investors, and others [5].

The consistency of approach states that similar accounting approaches should be utilized by a company or an accounting unit during different periods. If different methods or measuring approaches are used it would become difficult to trace the effect of external factors such as changes in economic conditions of the activities of the rivals or to isolate the fluctuations created by external and internal economic factors [5].

The value created for the stockholders:

Today the investors, creditors, and managers are seeking to find a criterion which is in time and reliable to measure the wealth of the stockholders. By utilizing such a criterion, the investors will be able to judge about the sales or keeping the stocks, and the creditors will judge about their investment safety, and managers will be able to judge about their performance and about the different parts' performances in the company [6]. If the return rate of the investor is more than what was expected the value of the invested asset will become more and more wealth will be created. Such an increase in the value created for the stockholder is called created stockholders' value (CSV) [7].

Owners' equity return:

ROE shows to what extent a company has been able to utilize the reinvested receivables to create additional income. In other words this index shows the efficiency of a company and its ability in gaining profits through the stockholders' resources.

The theoretical foundations of the research:

FASB has specifically stated that financial reporting systems are considered as the basic foundations to show the efficient economic performance because they help the investors and creditors in making investing decisions and conferring credits by presenting transparent and comparable information. Comparability is important because it is used as a criterion to appropriate the resources efficiently among the different investing alternatives and this fosters the process. Comparing information enables the users to recognize and understand the similarities and differences among accounting items [4].

Article 2 of FASB states that: investing decisions and loan delivery require the assessment of alternative opportunities and if there is not comparable information these decisions can not be made logically".

The supply of conditions where financial information of different periods of a business unit or the financial information of several business units can be compared with each other creates the opportunity for the users of financial statements to assess the strong points and weak points of the business unit relatively. Studying the profitability trend of a business unit during different periods and comparing it with the profitability trend of other similar business units is highly important for the users of financial statements. If the financial statements of current period show more profit compared to the previous period or a similar business unit the users of financial statements think that the unit mentioned has produced more services and products compared to the previous years or compared to other similar business units while profit increase does not result solely from the accounting changes and the wrong perception of the users of financial statements results from the lack of comparability of them with the financial statements of the previous years or the similar business units [8].

In different economic conditions the comparing method of financial statements differs. For example, when the users compare the details of financial statements and the ratios with each other the revealing style of the details and the methods utilized to calculate the ratios should be the same and monotonous. Companies should reveal information through which the users can calculate the current value of the future incomes of the company and since the main goal is to present such information the monotonous revealing of the facts is more important than being monotonous in using accounting methods. In this case the users will make decisions through the comparison of the current value of the companies and their risk amounts (DeFranco et al, 2009) [9].

The data in financial statements prepare some information which result in the reduction of information asymmetry in the market and this shows that the investors should utilize such information in investing decisions completely. The thing which should be taken into consideration in capital markets is that most of the people who
dare to invest are common people whose only access to the important information is limited to the reports published by the companies. If there are individuals among the investors active in capital markets who are in a better position regarding information compared to others there would exist information asymmetry in capital market. Accordingly the aware people will be in a better position for decision making than the others [10].

Recently some experimental studies have dealt with whether accounting comparability increases following the acceptance of IFRS? (Zhang & Woo, 2010; Barth, 2011; Long, 2010). On the whole these studies have documented that there exists a lot of advantages in capital markets where the global accounting standards' harmonization exists due to the better comparability.

Armstrong, Barth, Jagolinzer, and Riedl (2009) found out that stock price of member companies of European Union showed a positive reaction to the obligatory acceptance of IFRS from the year 2005 in the year 2002. Meanwhile, the study did not show that the reason for market reaction was due to the expected comparison or the expectation which exists due to the improvement of accounting quality [11].

The results of a research carried out by Defranco (2011) showed that for a set of companies the existence of comparable information reduces the cost of accessing the information and the quantity and quality of information present in the companies increases by it. Also it causes a better explanation by the historical company performance analysts. These findings accord with the results of the research done by Bradshaw (2009), which dealt with the study of the relationship between lack of similarity of the accounting methods and the precision and predictions of the analysts [9].

Research literature:

Daske, Hail, Leuz, and Wordy (2008) prepared some evidences about the results of the obligatory acceptance of IFRS on capital market from 26 countries throughout the world. They analyzed the effects of accepting IFRS on the liquidity of stock market, capital cost, and firm value (Q Tobin). This study showed that first those who accepted obligatory IFRS experience a meaningful increase in market liquidity and firm value after IFRS reporting became obligatory. Although Desk & et al (2008) did not carry out any direct experiment to study the changes in comparability their research finding showed that an increase in liquidation for those who accepted obligatorily in the industries is less than those industries in which they were accepted voluntarily and this contradicts with the obligatory acceptance of IFRS aiming at increasing comparability [12].

Bae, Tan & Welker (2008) did not emphasize on the acceptance of IFRS, meanwhile they found out that the difference amount of GAAP in two countries has ad a negative relationship with comprehension and prediction precision of external analysts. These findings showed that the similar accounting standards can result in a bigger set of useful information for the investors. This study did not test comparability directly nor did it deal with the specific effects related with IFRS acceptance [13].

Mahmoud & et al (2009) studied the qualitative characteristics of profit and the performance of firms accepted in Malaysian Stock Exchange. In this research the qualitative characteristics profit including the predictability value, feedback value, being in time, and also the firm's performance criteria including return of assets and Q Tobin were investigated. The research results showed that there is a positive relationship between qualitative features of profit, predictability value, feedback value, being in time and the return of assets' criterion. Also there exists a positive relationship between predictability value and being in time with Q Tobin criterion and there exits a negative relationship between feedback value and Q Tobin [14].

Defranco (2011) studied the effect of accounting comparability on the analysis level and prediction. His research results showed that when comparability capability of financial statements is more analyses' level increases and prediction precision improves and prediction dispersion decreases. Also he found out that the existence of comparable information reduces the accessibility cost of achieving the information for a set of companies and it increases the total quantity and quality of the present information. Also it prepares the ground to make better description of the historical performance of the companies' analysts [9].

Gong & et al (2012) studied the effect of earning level on revealing level of the managers. The results showed that managers tend more to do profit prediction activities when there is less interaction between the profits of the company compared to other companies. They presumed that less accompanying does not mean that certain factors in the company have more effects on general factors of the industry and this will result in determining more profit and increasing the cost of accessibility to the information for the external investors which in turn results in information asymmetry among the management and the users of financial statements. Therefore, managers try to reduce this information asymmetry through revealing confidential information [15].

Kordestani & et al (2007) studied the relationship between some qualitative features of information and capital cost in Tehran Stock Exchange. The results of their research showed that there is not any relationship between capital cost and conservatism criterion and the quality of accruals [16].

Shorvarzi (2009) measured the quality of earnings by using the qualitative features of the theoretical concepts and financial reporting in Iran. The goal of the research was to investigate about whether quality of earnings affects the decisions of users or not. Also information users rely more on which of the features of relatedness and reliability when they are making decisions. The results of the hypotheses showed that earnings
reaction coefficient and the identification coefficient between the companies with high amounts of earnings and companies with low earnings’ quality did not have a meaningful difference and the users of financial information emphasized more of the reliability feature than the relatedness. Also quality of earning has had a considerable effect on the decisions made by users of financial information [2].

Research Hypotheses:
The present research is going to study the effect of comparability capability of financial statements on the value created for the stockholders and owners’ equity return. Thus, the two hypotheses below will be investigated in this research:

First Hypothesis:
comparability capability of financial statements affects the value created for the stockholders.

Second Hypothesis:
comparability capability of financial statements affects owners’ equity return.

MATERIALS AND METHODS

Statistical society, statistical sample and time range of the research:
The statistical society of the present research entails all firms accepted in Tehran Stock Exchange. The data related to the companies in the statistical sample was collected during the time period between 2003 and 2011.

To select the sample in the present research we have utilized a systematic deletion method in which the following criteria were taken into consideration to choose our sample:
1. The company should have been accepted in Tehran Stock Exchange since the early 2003 to the end of 2011 and it should not have had transaction stops for more than 6 months.
2. The fiscal year for the companies end on 29th of Esfand (20th of March) and the companies should not have changed their fiscal year during the study period.
3. The financial information needed including financial statements and accompanying notes for the related companies for the time period mentioned should be accessible.
4. The companies should not be among the banks or financial entities (investing companies, financial intermediaries, holding companies, banks, insurance, and leasing).
5. The information needed to calculate the research variables for the time period for the research should be accessible

After applying the limitations above, 80 companies were chosen as the member companies in our sample.

Methods:
The present research is applied regarding the goal and it is post incidental regarding research methodology.

The operational definition of research variables:
Independent variable:
Comparability of financial statements:
To test the accounting comparability we have estimated an overall version of the accounting comparability criterion which has been posed by three researchers called Franco, Kotary, and Wordy (2009). (It will be called ACOMP afterwards). To create a year-firm criterion we have estimated comparability (ACOMP it) of the equation (1) for the 4 years period of t to t-3:

\[ NI_{it} = \beta_{0i} + \beta_{1i} RET + \varepsilon_{it} \]  

Where NI and RET are net income and return, respectively. The predicted coefficients of the equation above are \( \beta_{it} \) and \( \beta_{0i} \) which are utilized together as a criterion for the accounting performance of the firm i.

\[ E(NI)_{it} = \hat{\beta}_{0i} + \hat{\beta}_{1i} RET_{it} \]  

\[ E(NI)_{jt} = \hat{\beta}_{0j} + \hat{\beta}_{1j} RET_{jt} \]  

Then based on equations (2) and (3) the expected income for the firm i, E(NI)it, regarding the accounting function of firm i and the expected income for the firm j, E(NI)jt, regarding the accounting function of firm j was estimated. Finally, the accounting comparability between firms i and j during the 4 years time period between t to t-3 will be described as follows:
ACOMP\textsubscript{ijt} = \frac{1}{4} \sum_{t=1}^{T} \left| E(NI)_{ijt} - E(NI)_{ijt'} \right|

(4)

Where, the amounts higher than ACOMP\textsubscript{ijt} reflect more accounting comparability capability. In other words, the closer to 0, there would be more accounting comparability.

**Dependent variable:**

**Created Stockholders’ Value (CSV):**

One of the firm performance assessment criteria is the amount of value created for the stockholders.

The calculation formula for Created Stockholders’ Value (CSV) is formed of three elements as follows [17]:

CSV = stockholders’ value added – (owners’ equity market value * common stock cost)

In the equation above the stockholders’ value added is calculated by using the following equation and for market value of owners’ equity we have used the average market value amount.

Stockholders’ value added = increase in market value of owners’ equity – payments of stockholders + cash profits distributed

In this research we have used CAPM model to calculate common stock cost.

It should be noted that to converge the variable above with other research variables, the stockholders’ value added was divided by the number of stocks in each firm and then it was tested.

**Return of Owners’ Equity (ROE):**

Return of Owners’ Equity is one of the accounting performance assessment criteria which show the ability amount of management in gaining income from owners’ equity. Return of Owners’ Equity is measured by using the following model:

ROE = gross profit after subtracting interest and tax / average owners’ equity

**Controlling variable:**

**Firm size:**

Firm size is used a controlling variable for the firm perspective and political cost. Firm size (\textit{size\textsubscript{i,t}}) is the natural logarithm of total assets of firm \textit{i} during the year \textit{t}.

\[
\text{size\textsubscript{i,t}} = \ln(A\textsubscript{i,t})
\]

(7)

\textit{size\textsubscript{i,t}} = firm \textit{i} size in the year \textit{t}

\ln (A\textsubscript{i,t}) = natural logarithm of total assets of firm \textit{i} in the year \textit{t}

**Financial leverage:**

Financial leverage shows those cash which have been financed by liabilities. In the present research we have divided total liabilities to total assets of firm \textit{I} in the year \textit{t} to calculate firm leverage (\textit{Lev\textsubscript{i,t}}):

\[
\text{Lev\textsubscript{i,t}} = \frac{L\textsubscript{i,t}}{A\textsubscript{i,t}}
\]

(8)

\textit{Lev\textsubscript{i,t}} = level of firm \textit{i} leverage in the year \textit{t}

\textit{L\textsubscript{i,t}} = total liabilities of firm \textit{i} in the year \textit{t}

\textit{A\textsubscript{i,t}} = total assets of firm \textit{i} in the year \textit{t}

**Income fluctuations:**

Income fluctuations can be considered as the changes in income about levels of earnings which are considered normal for certain entities. To measure income fluctuations we have used net income fluctuations for 4 periods:

\[
\text{SD(NP)} = \sqrt{\frac{\sum (NP - \overline{NP})^2}{4}}
\]

(9)

\text{NP} = net profit of period \textit{t}

**Results:**

**Descriptive statistics:**
The average comparability capability among the total sample companies equals 0.062. Also it should be noted that the highest and lowest amount of comparability capability equals -0.054 and -0.940, respectively. The value created for the stockholders equals 765.848 in average amounts and the highest and lowest amount of it equals 11719.39 and -14237.19, respectively. Return of owners’ equity in average amount equals 0.260 and the highest and lowest amount of it equals 1.087 and 0.118, respectively. Firm size equals 27.309 in average and the highest and lowest amount of it equals 33.433 and 23.636, respectively. Also profit fluctuations equal 0.062 in average and the highest and lowest amount of it equals 0.329 and 0.003, respectively.

Correlation between research variables:

Table 2: The results of Pearson’s correlation matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mark</th>
<th>ACOMP</th>
<th>CSV</th>
<th>ROE</th>
<th>LEV</th>
<th>SIZE</th>
<th>SD NP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparability of financial statements</td>
<td>ACOMP</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Created Stockholders’ Value</td>
<td>CSV</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return of Owners’ Equity</td>
<td>ROE</td>
<td></td>
<td>0/217</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial leverage</td>
<td>LEV</td>
<td></td>
<td></td>
<td>0/10</td>
<td>0/254</td>
<td>0/122</td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>SIZE</td>
<td>0/020</td>
<td></td>
<td>0/217</td>
<td>0/000</td>
<td>0/007</td>
<td>1</td>
</tr>
<tr>
<td>Income fluctuations</td>
<td>SD NP</td>
<td></td>
<td>0/000</td>
<td>0/000</td>
<td>0/000</td>
<td>0/000</td>
<td>0/105</td>
</tr>
</tbody>
</table>

The results of Pearson’s correlation matrix regarding the whole research sample showed that comparability capability of financial statements and the value created for the stockholders, owners’ equity return, and leverage has a positive and meaningful relationship regarding %95 assurance level. And income fluctuations have a negative and meaningful relationship in %95 assurance level.

Results of testing the first hypothesis and the model utilized:

\[ CSV_{i,t} = C + \beta_1 (ACOMP_{i,t}) + \beta_2 (LEV_{i,t}) + \beta_3 (Size_{i,t}) + \beta_4 (SDNP_{i,t}) + \varepsilon_{i,t} \]

Table 3: Results of testing the first hypothesis

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Variable Symbol</th>
<th>coefficient</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant Value</td>
<td>C</td>
<td>5670/953</td>
<td>2/861</td>
<td>0/004</td>
</tr>
<tr>
<td>Comparability of financial statements</td>
<td>( \beta_1 ) (ACOMP)</td>
<td>2633/497</td>
<td>3/888</td>
<td>0/000</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>( \beta_2 ) (LEV)</td>
<td>-208/562</td>
<td>-0/360</td>
<td>0/718</td>
</tr>
<tr>
<td>Firm size</td>
<td>( \beta_3 ) (SIZE)</td>
<td>-180/566</td>
<td>-2/467</td>
<td>0/014</td>
</tr>
<tr>
<td>Income fluctuations</td>
<td>( \beta_4 ) (SD NP)</td>
<td>-6884/849</td>
<td>-2/980</td>
<td>0/003</td>
</tr>
</tbody>
</table>

Overall Regression Model

<table>
<thead>
<tr>
<th>F-statistics and significance levels</th>
<th>Durbin-Watson Statistic</th>
<th>F- Statistics and significance levels</th>
<th>H-Husman Statistics and significance levels</th>
<th>Coefficient of determination</th>
<th>Adjusted Coefficient of determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/804</td>
<td>1/960</td>
<td>2/704</td>
<td>41/415</td>
<td>0/126</td>
<td>0/108</td>
</tr>
<tr>
<td>0/000</td>
<td>0/020</td>
<td>0/000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regarding the results of testing the first hypothesis presented in table (3) the meaningfulness level of F Limer (Chaw) statistics is less than the acceptable error level and a tabular data model is chosen to adjust the regression. Also to study the regression estimation method (estimation with fixed or random effects) we have used Hussmann's test. The results of this test and the meaningfulness level of Hussmann's statistics showed that fixed effects method has a priority over random effects method to estimate the model. Also Durbin-Watson statistics is among 1.5 and 2.5 which shows that there is not any correlation between the elements of model error. The meaningfulness level of F statistics (0.000) is less than the acceptable error (%5) and the total regression model is meaningful. The identification coefficient and the adjusted identification coefficient also show that the independent and controlling variables entered into the model can only describe about %12.6 of the changes of the dependent variable. Regarding the low amount of probability level (prob.), the t statistics of the acceptable error level for the coefficient β1, and the test results showed that the comparability capability of financial statements has a positive and meaningful effect within %99 of assurance level on the value created for the stockholders. Therefore, the first hypothesis can not be rejected regarding the total research sample. Also the research results showed that from among the controlling variables entered into the regression, firm size and income fluctuations have had a negative and meaningful effect on the value created for the stockholders. Also from among the controlling variables entered into the model and the value created for the stockholders no meaningful relationship was observed in the %95 of assurance level.

Results of testing the second hypothesis and the model utilized:

\[ \text{ROE}_{it} = C + \beta_1(\text{ACOMP}_{it}) + \beta_2(\text{LEV}_{it}) + \beta_3(\text{SIZE}_{it}) + \beta_4(\text{SDNP}_{it}) + \epsilon \]

Table 4: Results of testing the second hypothesis

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Variable Symbol</th>
<th>Coefficient</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant Value</td>
<td>C</td>
<td>0.309</td>
<td>1.079</td>
<td>0.280</td>
</tr>
<tr>
<td>Comparability of financial statements</td>
<td>(\beta_1(\text{ACOMP}))</td>
<td>0.371</td>
<td>3.706</td>
<td>0.000</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>(\beta_3(\text{LEV}))</td>
<td>-0.283</td>
<td>-3.481</td>
<td>0.000</td>
</tr>
<tr>
<td>Firm size</td>
<td>(\beta_4(\text{SIZE}))</td>
<td>0.004</td>
<td>0.429</td>
<td>0.667</td>
</tr>
<tr>
<td>Income fluctuations</td>
<td>(\beta_1(\text{SDNP}))</td>
<td>-0.286</td>
<td>-0.888</td>
<td>0.374</td>
</tr>
</tbody>
</table>

Regarding the results of testing the second hypothesis presented in table (4) the meaningfulness level of F Limer (Chaw) statistics is more than the acceptable error level and a pooled data model is chosen to adjust the regression. The results of variance divergence test (White's test) showed that there exists variance divergence. In this case we use model estimation after removing divergence to remove variance divergence. Also the results of Lagrange coefficients (X^2 of Brush Godfrey test) showed that there is not any serial self-correlation in the regression model. Also Durbin-Watson statistics is among 1.5 and 2.5 which shows that there is not any correlation between the elements of model error. The meaningfulness level of F statistics (0.000) is less than the acceptable error (%5) and the total regression model is meaningful. The identification coefficient and the adjusted identification coefficient also show that the independent and controlling variables entered into the model can only describe about %12.7 of the changes of the dependent variable. Regarding the low amount of probability level (prob.), the t statistics of the acceptable error level for the coefficient \(\beta_1\), and the test results showed that the comparability capability of financial statements has a positive and meaningful effect within %99 of assurance level on the return of owners' equity. Therefore, the second hypothesis can not be rejected regarding the total research sample. Also the research results showed that from among the controlling variables entered into the regression, leverage has had a positive and meaningful effect on the return of owners' equity. Also from among the controlling variables entered into the model and the return of owners' equity no meaningful relationship was observed in the %95 of assurance level.

Discussion and Conclusion:

The present research investigated about the effect of comparability capability of financial statements on the value created for the stockholders and return of owners' equity. The results of testing hypotheses are as follows:
The first hypothesis stated that: comparability capability of financial statements affects the value created for the stockholders.

The results of testing first hypothesis throughout the whole sample showed that the comparability capability of financial statements has a positive and meaningful effect on the value created for the stockholders. Regarding the results of first hypothesis it is believed that the comparability capability affects the value created for the stockholders considering the viewpoints expressed by the users of financial statements.

There is not any literature mentioned for the hypothesis above in local and international researches.

According to the second hypothesis we have: Comparability capability of financial statements affects owners' equity return.

The results of testing second hypothesis throughout the whole sample showed that the comparability capability of financial statements has a positive and meaningful effect on the return of owners' equity. Regarding the results of second hypothesis it is believed that the comparability capability affects return of owners' equity considering the viewpoints expressed by the users of financial statements.

There is not any literature mentioned for the hypothesis above in local and international researches.

Suggestions resulted from the research:

It is suggested for all researchers and the audit organization as the referent to devise accounting standards to deal with this issue more in order to make the users of financial statements more aware of the advantages of comparability capability and to remove the shortages and weak points of the present resources about information comparability capability.

REFERENCES
