

Investigating the Relationship between Fair Value Accounting of Non-Current Assets and Audit Fees in Listed Companies in Tehran Stock Exchange

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Abstract

The aim of this study was to investigate the relationship between fair value accounting of non-current assets and audit fees in listed companies in Tehran Stock Exchange. This research is a kind of applied-correlational research. Data were collected by using reported information in the financial statements of companies listed on the Stock Exchange of Tehran. In order to realize the study objectives, five hypotheses have been developed. The statistical samples included 60 companies during the five years period from 2009 to 2013. To analyze the data, Excel and Eviews 7 software have been used. To assess the hypotheses, regression, Hasmer and F Limer tests were used that the results of this research show that revaluation of the balance sheet, profits and losses and revaluation of cash flow statement to audit fees has a significant relationship.

Key Words: the revaluation of the balance sheet, revaluation of profit and loss, revaluation of cash flow statements

Introduction

In the capital market, accounting information is the most important information that helps investors to make informed decisions. Financial Statements were known as the most important source of information for reflecting the results of operations and financial condition and cash flows of the business units. Also information from the financial statements are used in many important economic decisions such as buying and selling of stock, pricing of state-owned companies for privatization, making decision about earning division. In other words, information of financial statement is the main core of this decision-making that other information are used to complete it. Frequent adjustments of the financial statements due to the mistakes, can affect economic decisions. In some cases, these adjustments are so many that be determined in the Financial Statements of next year, it means that dividends were more than dividable earning. Nowadays, annual adjustments is one of the most important financial reporting challenges in Iran and it is need to be considered in further researches. With a glimpse in the financial statements of recent years of companies listed on the Tehran Stock Exchange, we noticed significant digits as the annual adjustment. Annual adjustments arising from the

change in accounting policy and correction of errors in prior period are important that lead to adjustment of earning cumulative and represent of comparing items of financial statement. In Iran, most of the annual amendments related to correction of the mistakes of the past period (Server Mehr, 185, p. 45). The frequent errors in the financial statements and continuous correction in financial statements in the following years and the annual adjustment report can cause negative consequences. Since objective of the auditing is accreditation, the annual adjustment in addition to deflect economic decisions based on financial statements can impact on the credibility of the auditing profession. When the audited financial statements of the last period due to important errors represent again, community trust reduced towards audit opinion and this decline in confidence could jeopardize the auditing career (Hoshmand Zaferanieh, 2013, p. 35).

In recent years, false accounting information lead to uncertainty in auditors, financial analyst and corporate executives. To earn some lost confidence again, regulators have increased provisions for auditors, managers, boards of directors significantly. In the case of company bankruptcy, using the fair value may effect on the evaluation company and audit firms. If today's investors faced with lose, they represent lawsuit in courts. If these losses associated with the lack of accuracy and information about the fair value, the volume of litigation is possible to increase significantly (Reza Ghanbarian, 2010).

On the other hand, auditing is an economic activity that a reasonable profit is expected. To how and with what price can be done an auditing work to obtain reasonable confidence for stakeholders and also the necessary efficiency obtain from it, is a challenge that is dealing with the minds of many researchers (Nickbakht et al., 2010, p. 111).

So the main issue in this research is that what is the effect of fair value accounting of non-current assets on the cost of the audit of listed companies in Tehran stock exchange?

Review of the literature

Annual adjustment

Companies usually must report correction of important mistake in previous periods and or changes in accounting practices in the form of annual adjustment and then represent comparable

financial statement. The annual adjustments means that important items were considered related to prior years that remained in adjusted accumulated profit (loss) in the beginning of the period and it is limited to items that derives from changes in procedures and mistake correction that not included common repetitive reform and adjustment of estimates made in previous years. The annual adjustment and subsequently restatements of the annual financial statements have a negative impact on the relevance and reliability of financial information. However, in recent years, the annual adjustment has become popular in companies listed on Tehran Stock Exchange (Pourheydar, 2013, p. 3).

Conditions for doing annual adjustments (Restatements)

According to the Financial Accounting Standards, "one of the qualitative characteristics of financial statement is comparability. To achieve this quality, consistency procedure is necessary in the practical way in the financial period as well as during each fiscal period to a later fiscal period". On the other hand, have been stated in other parts of these standards:

"Financial Statements should include comparable items of previous financial period, except items that an accounting standard authorized or required another practical way."

So, due to the requirement to provide comparative figures and maintain consistency from a period to another period, it is always expected that, figure represent for a financial element in the financial report for the year t in the financial report of the same year is equal to figure that has been restated for the same period in fiscal year $t + 1$.

But in some cases, based on the reasons that were referred in follow, this equality does not hold. The initial figure presentation of financial statements was not equal to restated figures, often caused by one or more issues in the following factors (Mousavi Baygi, 2010, p. 13):

1. Change in accounting procedure,
2. Errors (accidental or intentional),
3. The revision of the estimates by management,
4. Change in classified items.

Motives and causes of the restated financial statements

A) The reasons of the environmental structure and activity condition of company: In previous studies, the most important causes of restatements of financial statements referred to the weakness of the internal controls of company's system, lack or ineffectiveness of audit committees in corporate profitability, lower earning, slower growth, higher leverage and cash flows of the company.

Of course, some factors have considered the company's reputation. In this studies, it has been found that credible and reputable companies have less restatement than other competitors. Of course, the effect of firm size has also been confirmed on the financial statements restatements and usually small companies with less market value, have higher restatement (Sae, et al., 2013, p. 69).

B) Reasons arise from management features and corporate governance structure:

Previous studies show that financial staff and managers' experience and expertise, dispersed ownership and decentralized, conservatively management approaches, capital market pressure which persuade managers to non-compliance with accounting standards, the managers' emphasis to achieve industry standards and financial analysts' estimates for profit or sale can increase the risk of restatements of financial statements. Of course, the use of management bonus plan based on stock price and thus manipulating financial figures and earnings management by managers in order to achieve higher reward, were considered effective in the growth rate of restatements on the financial statements of a company (Sae, et al., 2013, p. 70).

C) Reason arise from the characteristics of accounting standards:

Some changes have taken place in recent years in the accounting career that requires companies to impose tighter controls on financial reporting and correction of errors and determined increasing complexity of accounting rules and reporting standards and effective in the development of restatements of financial statements.

D) Reasons arise from quality of auditing financial statements:

Other notable factor are the quality of the audit. This point was confirmed in previous studies that the quality of the audit and the auditor's understanding of higher client activity, the possibility of restatements of financial statements in future years reduced severely (Sae, et al., 2013, p. 70).

Audit Fee

In other words, auditor's economic interests were provided through a fee that is derived from contracts with employers. Auditors use a variety of factors for audit services pricing and many studies have been conducted in relation to the identification and evaluation of these factors. Descriptive factors that considered in most studies including risk factors, volume and complexity of the entity's operations (Sander, 1997). Audit fees is one of the factors influencing the power of professional auditors (Rajabi, 2005, p. 42) However, if these audit fees do not set properly and on the basis of its risk factors, economic activity of career was not determined as a necessary condition to perform audit services and therefore auditor's professional power was under the influence (Rajabi, 2005, p. 73).

Audit Committee must interfere in any decisions regarding deposit the independent auditor. In such cases, the audit committee should ensure that discarding of auditor was done based on reasonable matters and for example, the auditor was not merely discharged about lodgment in relation to accounting issues that are contrary to the preferences of management (Bolow, 2008, p 7).

The Committee shall examined audit fees to audit with the reappointment of independent auditors annually. Audit Committee should consider the issue of whether the prescribed fees for the comprehensive and appropriate audit is fair or not. Also, this study fees related to other provided services should encompass by the external auditor (Bulow, 2008, p. 62).

Affecting factors on audit fees

Audit fees will depend on many factors that the importance of these factors varies in different countries. One of the main dispute of the auditing profession is to determine a minimum rate of remuneration of auditors and some breaking rate of audit firms. But consider the audit as a homogeneous product and its non-competitive pricing jeopardize independence and quality of auditing service.

Also, it should be noted that independent auditing is the bases of economic transparency, public confidence in the capital market and government accountability to the people, therefore, should not be treated as ordinary services and products (Mehrani et al., 2011, p. 61). By comparing the audit fees in different countries, can be realized that received fee by the auditors in Iran is not comparable with other countries, especially developed countries. Through reviewing the research background in the field of effective factors on auditing fees suggests that the effective factors on audit fees divided into two main groups in many researches:

A) Factors related to audit service providers such as industrial expertise of audit firm, reputation and credibility of the auditing firm, professional independence of audit firm, size of audit firm and audit quality.

B) Factors related to applications for audit services such lawsuits of client's company, the reputation of the client's company, the size of client's company, risk of client's company (Mehrani et al., 2011, p. 61).

Reduction of audit fee

The economic rationale and for a certain level of auditing quality services, clients are looking for institutions that impose the least cost to them. Researches in various countries proved a positive effect on the change of auditors. But if the rational mechanisms are not institutionalized in a society, it is possible that the client tend to pay more for less quality of auditing and utilize from failure auditor illegally. Kim and Park's (2006) Research revealed

that an auditor change from small firms to large accounting firms, change in stocks is very low and the meager and if the change is from a big audit firm to small, it should be treated with caution and the possibility of buying opinion and change in value of the stock is important. Jung and Tiengen (1994) examined the criteria for determining fees in England and examined audit fees research model based on company's size and other characteristics. The obtained results show an increase in this subject that new auditors demand lower fees from client compare to auditors with long history (Sayed-Tabatabaei, 2009, p. 44).

The research hypotheses

1. There is a significant relationship between the revaluation of balance sheet and audit fees.
2. There is a significant relationship between the revaluation of income statement and audit fees.
3. There is a significant relationship between the revaluation of cash flow and audit fees.
4. There is a significant difference between companies that have revaluation on the balance sheet of the companies and companies that have revaluation in the income and loss statement.
5. There is a significant difference between companies that have revaluation in balance sheet compare to the companies that have revaluation in cash flow.

Research method

According to utilized data in this study, information is real and historical, it can be classified as an ex post facto. In fact, this quasi-experimental research design using post facto approach (through the past information). The statistical population of listed companies in Tehran Stock Exchange as the substitution of statistical population were selected. Therefore research sample consisted of 60 companies that were selected by elimination method.

Data analysis

The first hypothesis test

There is a significant relationship between revaluation of balance sheet and audit fees.

Choose a regression model has been considered before to test the hypothesis. At first, by using the F-Limmer test, integrative data model had been selected against panel data model. F-Limmer test results were presented in Table 1. The probability of the test statistic is less than 0.05, therefore, in order to test the hypothesis, using data fusion method is excluded and panel data methods must be used.

Table 1: F Limer test results at 5%

Model	$LA_{it} = \beta_0 + \beta_1 BSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test statistic	Degree of freedom	Probability of test statistic
F Limer	3.363	(59,292)	0.000

After it became clear that our data are in the form of panel data, it should be determined which method fixed effects method or random effects model was used to estimate? So in order to diagnose the issue, Husman's test was used. By doing this test, it can be obtained from the fixed effect and random-effects estimate test, the appropriate method. The test result is presented in table (2).

Table 2: Hausman's test results at 5%

Model	$LA_{it} = \beta_0 + \beta_1 BSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test Q-tobin	Degree of freedom	Probability of test statistic
Hausman	36.245	8	0.000

Because the significance level was obtained less than 0.05, it can be concluded that the right approach is to estimate fixed effect model.

The results of estimating model

Table 3: Estimated regression results

research model	$LA_{it} = \beta_0 + \beta_1 BSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$				
Variables	index	Standard error	Statistic t	sig	Variance inflation factor
Constant factor	2.812	0.584	4.807	0.000	--
Balance sheet revaluation	0.316	0.076	4.133	0.000	1.057
size of the company	0.599	0.079	7.590	0.000	1.112
Financial Leverage	-0.563	0.117	-4.778	0.000	1.138
Accounts receivable to total assets ratio	0.309	0.252	1.226	0.220	1.158
Current ratio	-0.029	0.059	-0.498	0.618	1.006
Return on assets	-1.071	0.212	-5.046	0.000	1.583
Non-financial assets to total assets ratio	0.487	0.250	1.944	0.052	1.361
Company life	0.176	0.188	0.935	0.350	1.127
F statistic	6.723	For Jarek statistics for	1.272		
0.443	0.000	Jarek evidence likely to	0.529		
Adjusted coefficient of determination 0.404	1.885				
The probability statistic F	0.586				
Durbin-Watson statistic	0.516				

The null hypothesis of F test is rejected at the 95% of confidence level, therefore, the model was

significant and there is a linear relationship between the dependent and independent variables.

According to the results in tables, is observed that coefficient of determination is equal to 0.586, it means that independent variables explained 59% of the changes in the dependent variable.

Statistic F represents the significance results of the model. The next important issue is the independence of error components in the model. To check this subject, Durbin Watson statistic was used and since this value is between 1.5 and 2.5, it can be concluded that error components have no significant correlation in the model and have independent behavior. According to the results, Jarkko-bra test statistic for the fitted regression model is 1.272 and according to the significance level of test equal to 0.085 that is 0.05 more. So the null hypothesis of normality of error assumption do not rejece, so the normality of error sentences is confirmed.

In this model, for the lack of alignment of variance inflation factor (VIF) standards was used. When the variance inflation index is less than 3, indicates a lack of co-linearity. The results of this test show that the inflation rate of variance, independent and control variables placed in their limit, and thus there is no problem in this regard .Because variable rate revaluation of balance sheet was positive (0.316) and due to the significance level of t test (0.0) is significant, as a result, there is a significant and direct correlation between balance sheet revaluation and auditing fees.

The second hypothesis test

There is a significant relationship between the revaluation income statement and audit fees

Table 4: F Limer test results at 5%

Model	$LA_{it} = \beta_0 + \beta_1 ISR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test Q tobini	Degree of freedom	Probability of test statistic
F Limer	3.358	(59,292)	0.000

After it became clear, our data are in the form of panel data, we use Hausman's test that the results of these tests are presented in the below table.

Table 5: Hausman's test results at 5%

Model	$LA_{it} = \beta_0 + \beta_1 ISR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test Q tobini	Degree of freedom	Probability of test statistic
Hausman	35.696	8	0.000

Because significance level obtained less than 0.05, it can be concluded that the right approach is fixed effect model to estimation.

The results of estimating model

Table 6: Estimated regression results

research model	$LA_{it} = \beta_0 + \beta_1 ISR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$				
Variables	index	Standard error	Statistic t	sig	Variance inflation factor
Constant factor	2.955	0.602	4.903	0.000	--
Balance sheet revaluation	0.244	0.078	3.123	0.002	1.065
size of the company	0.600	0.081	7.359	0.000	1.129
Financial Leverage	-0.588	0.119	-4.931	0.000	1.150
Accounts receivable to total assets ratio	0.358	0.254	1.405	0.160	1.144
Current ratio	-0.055	0.060	-0.908	0.634	1.178
Return on assets	-1.033	0.215	-4.798	0.000	1.577
Non-financial assets to total assets ratio	0.493	0.254	1.940	0.053	1.361
Company life	0.134	0.191	0.705	0.481	1.138
F statistic	6.460	Jarek statistics for	2.228		
0.443	0.000	Jarek evidence	0.328		
Adjusted coefficient of determination 0.404	1.910				
The probability statistic F	0.597				
Durbin-Watson statistic	0.504				

According to the results of F test, null hypothesis is rejected at the 95% of confidence level, therefore, the model was significant, and there is a linear relationship between the dependent and independent variables. According to the table results, observe that the coefficient of determination is equal to 0.597, it means that independent variables explains 60% of changes on the dependent variable.

Durbin Watson statistic also is between 1.5 and 2.5 in this model, so, it can be conclude that this error had no significant correlation model and independent manner from each other.

Also according to the results, Jarkko-bra test statistics, so the null hypothesis of normality of error do not reject, so the normal assumption of error sentence is confirmed.

Finally, to assess the lack of linearity of the criterion variance inflation factor (VIF) was used to show the results of this test. The inflation rate variance of independent and control variables are in their permitted limit and thus there is no problem in this regard. According to the results of table (6) the second hypothesis is confirmed at 95% confidence level, it means that there is a significant relationship between revaluation of loss and benefit and audit fee.

The third hypothesis test

There is a significant relationship between the revaluation of cash flow statements and audit fees.

Table 7: F Limer test results at 5%

Model	$LA_{it} = \beta_0 + \beta_1 CFSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test Q tobin	Degree of freedom	Probability of test statistic
F Limer	3.576	(59,292)	0.000

After it became clear, our data are in the form of panel data, we use Hausman's test that the results of these tests are presented in below table.

Table 8: Hausman's test results at 5%

Because significance level obtained less than 0.05, it can be concluded that the right approach is to estimate fixed effect model

model	$LA_{it} = \beta_0 + \beta_1 CFSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$		
Type of test	Test Q tobin	Degree of freedom	Probability of test statistic
Hausman	30.329	8	0.000

The results of estimating model

Table 9: Estimated regression results

research model	$LA_{it} = \beta_0 + \beta_1 CFSR_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 INHERENT_{it} + \beta_5 CURRENT_{it} + \beta_6 ROA_{it} + \beta_7 FVE_{it} + \beta_8 Age_{it} + \epsilon_{it}$				
Variables	index	Standard error	Statistic t	sig	Variance inflation factor
Constant factor	2.285	0.578	3.953	0.000	--
Balance sheet revaluation	0.661	0.136	4.854	0.000	1.052
size of the company	0.620	0.076	8.071	0.000	1.104
Financial Leverage	-0.297	0.130	-2.276	0.023	1.128
Accounts receivable to total assets ratio	0.376	0.247	1.520	0.129	1.143
Current ratio	-0.011	0.059	-0.187	0.851	1.758
Return on assets	-0.0507	0.241	-2.103	0.036	1.582
Non-financial assets to total assets ratio	0.425	0.249	1.709	0.088	1.369
Company life	0.354	0.191	1.852	0.065	1.159
F statistic	6.955	Jarek statistics for	3.470		
0.443	0.000	Jarek evidence probably	0.176		
Adjusted coefficient of determination 404.0	1.984				
The probability statistic F	0.614				
Durbin-Watson statistic	0.526				

The null hypothesis of F test is rejected at the 95% confidence level, therefore, the model has been significant and there is a linear relationship between the dependent and independent variables.

According to the results table, the coefficient of determination is equal to 0.614, it means that independent variables explains 61% of changes in the dependent variable.

Durbin Watson statistic is between 1.5 and 2.5 in this model, therefore it can be conclude that this error had no significant correlation model and independent manner from each other.

Also according to the results, Jarkko-bra test statistic, the null hypothesis is not rejected based on the normality of error sentence, so the normality of the sentence is confirmed.

Because, the variable rate of revaluation for cash flow is positive (0.661) and due to the significance level of t (0.0) is significant, as a result revaluation of cash flow has a direct and significant relationship on audit fees; therefore, the third hypothesis is confirmed at significant level of 95%.

The fourth hypothesis test

There is a significant difference between audit fees for companies that have revaluation on the balance sheet and companies have revaluation in earning and loss statement.

Table 10: The mean and standard deviation of audit costs between the two groups

Audit fees	Number of observations	mean	Standard deviation
companies revaluation that are on the balance sheet	133	6.424	0.747
If revaluation of companies that are loss and earning	227	6.713	0.974

Table 11: consistency test of variance and the average of the two groups

	Levine's test for equality of variances		T test for equality of means			
	F	sig	t	Df	sig	Average of differences
Assuming equal variances	8.974	0.003	-2.943	358	0.003	-0.288
Assuming unequal variances			-3.151	332.97	0.002	-0.288

According to the above table, possibility for homogeneity test of variance equal to 0.003 that is less than 0.05; it means that the variance of the variables are not equal in two groups. Therefore, with inconsistency of variance, t is equal to -3.151 according to the table and the significance level is less than 0.002 to 0.05; it means that the assumption of an average parity groups will be rejected with a confidence level of 95 percent. That means the average of the two groups are significantly different. Also, because the difference between the two groups average is negative (-0.288); so the average audit fees for companies that have revaluation in the loss and earning statement is more than companies that have revaluation in the balance sheet. Therefore, the

fourth hypothesis is confirmed by the significant level of 95%.

Fifth hypothesis test

There is a significant difference between companies that have revaluation on the balance sheet compare to the companies that have cash flow revaluation.

Table 12: The mean and standard deviation of audit costs between the two groups

Audit fees	Number of observations	mean	Standard deviation
companies revaluation that are on the balance sheet	338	60559	0.904
If revaluation of companies that are cash flow	22	7.321	0.609

Descriptive statistics are presented in the above table. Average audit fees for companies that have revaluation on the balance sheet equal to 6.559 and the average cost of audit fee in firms that have revaluation in the cash flow is equal to 7.321.

Table 13: consistency test of variance and the average of the two groups

	Levine's test for equality of variances		T test for equality of means			
	F	sig	t	sig	Sig	Differences average
Assuming equal variances	2.770	0.097	-3.889	358	0.000	-0.761
Assuming unequal variances			-5.477	27.405	0.000	-0.761

According to the table above table, the possibility for the homogeneity test of variance equal to 0.009 that is more than 0.05; it means the variance of the variables in two groups are equal. Therefore, the consistency of variance, in accordance with the table, t equal to -3.889 and the significance level is equal to 0.000, which is less than 0.05, ie the assumption of an average parity groups will be rejected with a confidence level of 95 percent. This means that there is a significant deference between the averages of the two groups. Also, since the average difference between the two groups is negative (-0.7618), Therefore, the average

of audit fees for companies that have revaluation in cash flow on is more than companies that have revaluation on the balance sheet. So, the fifth hypothesis is approved at significance level of 95 percent.

Conclusion

The first hypothesis

The results of the first hypothesis testing suggests that there is a significant relationship between revaluations of balance sheet and audit fees. Because, variable rate of revaluation on balance sheet is positive (0.316) and due to the significance level of t (0.00) is significant. According to the balance sheet role that reflects the company's financial situation in current year and it is receiving much attention from investors and decision makers and managers and it plays a role in their decision-making and investing, so it has higher sensitivity and therefore auditors should spend more time on it, that needs to get more audit fees.

The results of this research is in line with Yao et al. (2014), Charles et al. (2010) and Etrdigiya et al. (2013) and it is opposite with Gontcharov's et al (2013).

The second hypothesis

The results of the second hypothesis test showed that there is a significant relationship between revaluation of income statement and audit fees. Because of that revaluation variable factor of loss and earning statement is positive (0.244) and due to the significance level of t test (0.00) is significant. According to the role of profit or loss, which reflects the state of the company's performance this year. And because of that the loss and earning statement attract the managers' attention for their performance in the fiscal year, and managers in order to attract attention of shareholders and get more rewards may take to manage earnings; it is the duty of auditors to be impartial to review the income statement and can finally be free to offer comments that the auditor may give management more profit in the loss and earning statement that need to request additional fees in order to be more careful.

The results of this research is in line with Yao et al. (2014), Charles et al. (2010) and Atrdgya et al. (2013) and it is opposite with Gontcharov's et al (2013).

The third hypothesis test

The third hypothesis test results showed that there is a significant relationship between the revaluation of cash flow statements and audit fees.

Because of that the variable of revaluation rate for cash flow was positive (0.661) and due to the significance level of t test (0.00) is significant. Considering the role of cash flow that reflects the financial strength of the company in this year that the financial statements can give this information to

investors that the firm will then pay their debts on or not? And on the other hand that the cash flow is vital and manipulation to change the company's future cash, on the other hand, manipulating stems from cash flow and cash flow is important from the perspective of shareholders. So auditors spend more time to investigate cash flow and accept more risk, then they tend to get additional audit fees.

The results of the research is in line with Yao et al. (2014), Charles et al. (2010) and Atrdgya et al. (2013) and it is the opposite with Gontcharov's et al (2013).

The fourth hypothesis test

The fourth hypothesis test results showed that there is a significant difference between audit fees for companies that have revaluation on the balance sheet compare to the companies that have revaluation in loss and earning statement. Because, there is a significant difference between the two groups is negative (-0.288) therefore, the average audit fees for companies that have more revaluation in the loss and earning statement is more than companies that have revaluation in the balance sheet.

According to conservative approach of management, capital market pressure which persuade managers to non-compliance with accounting standards, directors emphasized to achieve industrial standards and financial analysts' estimates of profit or sales that can increase the risk of restatements of financial statements that they are more visible in the loss and earning statement.

Tend to audit the loss and earning statement for shareholders is more than balance sheet auditing and as a result, additional audit fees paid to revaluation earnings and losses..

The results of the research is in line with Yao et al. (2014), Charles et al. (2010) and Atrdgya et al. (2013) and is the opposite with Gontcharov et al (2013).

Fifth hypothesis test

Fifth hypothesis test results showed that there is a significant difference in the cost of auditing in companies that have revaluation on the balance sheet of the companies that have revaluation in cash flow. Because of that there is a significant difference between the two groups is negative (-.07618). According to the financial statement, cash flow contains information such as financial power to carry out operations and upcoming activities and returns on investment and ability to pay the debt to investors and stakeholders, therefore, consequently, pay attention to the revaluation of balance sheet is more than revaluation of cash flow.

The results of the research is in line with Yao et al. (2014), Charles et al. (2010) and Atrdgya et al. (2013) and it is the opposite with Gontcharov et al (2013).

Recommendations

1. According to the first hypothesis, it is recommended that corporate managers in the preparation and presentation of financial information to the market have sufficient accuracy, because how many the provided figures in the financial is higher, reduced the reliability of them that will follow the market reaction.
2. According to the second hypothesis, it is also recommended to investors to pay more attention in the annual adjustments and also its reason than ever and noticed it in the context of their own decisions.
3. According to the third hypothesis, it suggests that in this competitive situation in which it is difficult for companies to attract investment funds, they must be vigilant and pay attention to the fact that the adjustment in the rate of investment returns expectations of investors and their selection is effective.
4. The framers of accounting standards and financial reporting regulations, auditors and users of financial statements, especially investors, pay special attention to the issue of restatements, nature, effects and manner of reporting, and think to decrease it.
5. According to the consequences of the restated financial statements on capital markets and reduced investor confidence to constant changes in the financial statement figures, audit and supervisory bodies including the reference formulation of standards, it is necessary to apply the stricter standards for annual adjustments.

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