

The relationship between capital structure, and new criteria to evaluate the performance, by paving companies and non-profits smoothing

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ARTICLE INFO

Article history:

Received: 9 April 2016;

Received in revised form:

9 May 2016;

Accepted: 14 May 2016;

Keywords

Capital structure,
Corporate debt ratio,
Smoothing,
Value-added.

ABSTRACT

In this study, the relationship between capital structure, and new criteria to evaluate the performance, by smoothing and non-smoothing companies profit, the companies listed on the Stock Exchange of Tehran. The population, including companies listed on the Tehran Stock Exchange, and the study period is between 2009-2013. According to the data analysis, correlation and regression tests were performed using, to the conclusion that, in companies listed on the Tehran Stock Exchange, the smoothing doing, the ratio of current debt, equity ratio, with adjusted economic value added, there is a significant inverse relationship. But the proportion of long-term debt, and new criteria to evaluate the performance, there is no significant relationship.

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Introduction

Hampton, capital structure, defined as: capital structure mix of debt and equity that, by co-financing them doing their assets (Hampton, John J; 1989: 33). The purpose of a capital structure, determine the composition of funds, in order to maximize shareholder wealth. Capital structure can be seen as one of the factors affecting shareholder wealth. If a company does not issue more bonds, financial break-even and its financial leverage, will go up. In addition, if the company is to achieve the rate of return over interest rates, earnings per share will increase; otherwise, reduced earnings per share. As a result, financial managers turned their attention to the effects of various methods of financing, the company focused on the risk and return, and in this way the effect of various capital structures on shareholder wealth measure (Pey.noor, Raymond; Spring 383: 2000).

Statement of the problem

Term capital structure refers to the proportional relationship between the various forms of financing, and long-term funds used to represent the company. In other words, the combination of long-term financing sources used in the company's capital structure is called. From an operational perspective, capital structure includes debt, and equity is. Previous research, in terms of capital structure can be deduced that, there is a significant relationship between capital structure and firm performance. To evaluate the performance, there are a variety of different criteria. In a general classification can be these criteria, the two traditional criteria, and new criteria for evaluating the performance of the contract. Traditional measures (such as net income), accounting standards, also called performance assessment, because of the accounting information to assess their performance. But new criteria for evaluating the performance of the economic measures are also called, the economic data to assess their performance. So obviously, the new standards are better than traditional measures of performance, and the performance criteria is calculated by the more accurate.

Criteria, as new criteria for performance evaluation are used in this research include economic value added (EVA), Adjusted Economic Value Added (REVA) and market value added (MVA). Our assumption is that, these criteria because of the economic information, manipulation by management (smoothing) are not. In this study, the relationship between capital structure and new performance evaluation criteria, by smoothing and non-smoothing companies pay dividends. In this study, we finally come to the conclusion that the relationship between capital structure and function, in companies that are doing income smoothing, income smoothing with companies that are not doing what is different.

The importance of research

Investors and managers in a timely and reliable search criteria to measure the wealth of shareholders. Sensing that criterion, by which investors can, increase or decrease in the stock price, creditors about the safety of their capital, and managers in the profitability of their decisions and judgments profit company (Versington, 2004, p. 211). The aim each shareholder wealth economy, by increasing the company's value, and all the company's activities in order to achieve this goal driven. Investors to make decisions about investing in the company, selling stocks and out of the capital of the Company, or hold shares, to evaluate the performance of their company. To achieve this goal, reward managers often associated with firm performance. The selection criteria that properly measure the performance of companies, most . is right very important measure to evaluate performance, stock prices. The benchmark stock price is a disadvantage, because some of the factors that affect stock prices, such as economic and political conditions of society, and the world is out of control managers. The criteria used must have two attributes.

1. exposed to all the factors that are outside the control of the stock prices have an impact not.
2. The highest correlation with the changes in their shareholders' wealth.

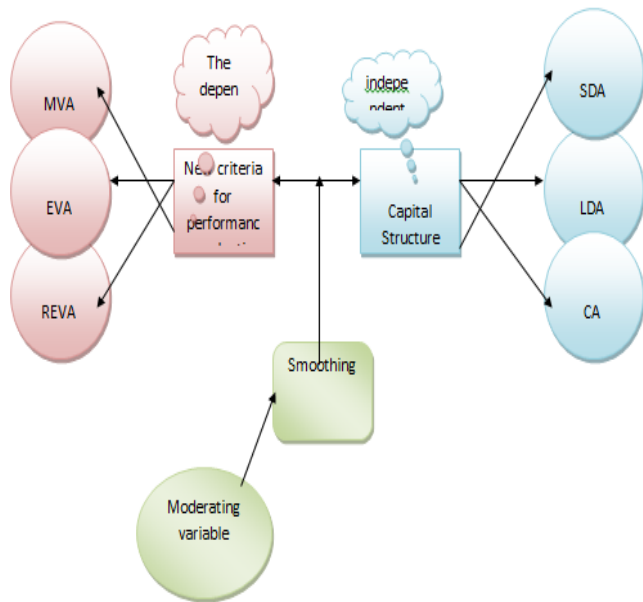
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This tension is the main feature, which is a good performance criteria must solve it. In choosing a suitable measure, in addition to ease of calculation, other items including, accuracy and cost value measurement should also be considered. Power by any measure of correlation, a measure of market value is determined as the market value of the company's performance is a reflection of the market value reflects the understanding of shareholders, the company's current performance, as well as their expectations of future performance of the company. Therefore any performance criteria, to be effective, must not only be able to reflect current performance, but the scope and direction of the company's future growth, as well as show. However, the ratio is superior to other measures that provide better information to investors. However, some believe that, because of the emphasis on the actual performance of EVA and REVA cash any company, regardless of the drawbacks of other traditional performance measures, and with the advantage of objections methods such as computational complexity and is a more cost (Stern and Stewart, 1991, p. 66).

Analytical model



Assumptions

- 1-the ratio of current debt, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.
- (2) the ratio of long-term debt, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.
- 3-equity ratio, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.
- 4. Between the current debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.
- (5) the ratio of long-term debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.
- 6 between equity, and new criteria to evaluate performance, non-smoothing companies profit, there is a significant relationship.

Research methods

The present study, the classification based on objective, of applied research. The aim of applied research, development of practical knowledge in a particular field. The research,

methodology and the nature of the correlation. The study aimed to determine the relationships between them. For this purpose, according to the scale of measurement variables, appropriate indicators being optional. The population of the present study, all companies listed on the Tehran Stock Exchange. In this study, to gather information from both library and field methods used.

The survey research hypotheses

1. The main hypothesis of the current debt, and new criteria for performance evaluation, the companies Smoothing, there is a significant relationship.

H0: the proportion of current debt, and new criteria for performance evaluation, the companies Smoothing, there is no significant relationship.

H1: the ratio of current debt, and new criteria for performance evaluation, the companies Smoothing, there is a significant relationship.

Table 1. Pearson correlation test the first hypothesis.

		The current debt ratio	Economic Value Added	Adjusted Economic Value Added	MVA
The current debt ratio	Pearson Correlation	1	.003	-.329**	.010
	Sig. (2-tailed)		.978	.005	.933
	N	70	70	70	70
Economic Value Added	Pearson Correlation	.003	1	-.052	.228
	Sig. (2-tailed)	.978		.670	.058
	N	70	70	70	70
Adjusted Economic Value Added	Pearson Correlation	-.329**	-.052	1	-.094
	Sig. (2-tailed)	.005	.670		.439
	N	70	70	70	70
MVA	Pearson Correlation	.010	.228	-.094	1
	Sig. (2-tailed)	.933	.058	.439	

Given the correlation table above, we see that, between the current debt and economic value, the companies who have income smoothing, negative correlation is very weak, there is around 0.003, but according to the sig, that in the table (0.978), this communication is not a meaningful relationship. Because sig observed, most of the projected error rate (0.05).

Given that the current debt ratio and adjusted economic value, there was a significant relationship, and we could regression mathematical model is also fitted between the above variables, we can decide to accept, our first hypothesis. According to this argument, H0 is rejected and H1 accepted assumptions.

The main hypothesis 2. the ratio of long-term debt, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.

H0: the proportion of long-term debt, and new criteria for performance evaluation, smoothing companies profit, there is no significant relationship.

H1: the ratio of long-term debt, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.

Given the correlation table (2), it is observed that the ratio of long-term debt, and economic value, the companies who have income smoothing, negative correlation is very weak, there is the .067, but according to the sig that, in the table (0.584), this communication is not a meaningful relationship.

Table 2. Pearson correlation test the second hypothesis.

		Economic Value Added	Adjusted Economic Value Added	MVA	The ratio of long-term debt
Economic Value Added	Pearson Correlation	1	-.052	.228	-.067
	Sig. (2-tailed)		.670	.058	.584
	N	70	70	70	70
Adjusted Economic Value Added	Pearson Correlation	-.052	1	-.094	.061
	Sig. (2-tailed)	.670		.439	.618
	N	70	70	70	70
MVA	Pearson Correlation	.228	-.094	1	-.111
	Sig. (2-tailed)	.058	.439		.362
	N	70	70	70	70
The ratio of long-term debt	Pearson Correlation	-.067	.061	-.111	1
	Sig. (2-tailed)	.584	.618	.362	
	N	70	70	70	70

Because sig observed, most of the projected error rate (0.05) is

Given that, the ratio of long-term debt, and performance evaluation criteria (EVA, Economic Value Added as amended, and market value added), no significant association was found, and all hypotheses were rejected, so the hypothesis the second major also be rejected.

3. The main hypothesis of equity, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.

H0: the proportion of equity, and new criteria for performance evaluation, smoothing companies profit, there is no significant relationship.

H1: between equity, and new criteria for performance evaluation, smoothing profit companies, there is a significant relationship.

Table 3. Pearson correlation test Hypothesis.

		Economic Value Added	Adjusted Economic Value Added	MVA	The ratio of long-term debt
Economic Value Added	Pearson Correlation	1	-.052	.228	-.112
	Sig. (2-tailed)		.670	.058	.357
	N	70	70	70	70
Adjusted Economic Value Added	Pearson Correlation	-.052	1	-.094	-.328**
	Sig. (2-tailed)	.670		.439	.006
	N	70	70	70	70
MVA	Pearson Correlation	.228	-.094	1	-.148
	Sig. (2-tailed)	.058	.439		.223
	N	70	70	70	70
The ratio of long-term debt	Pearson Correlation	-.112	-.328**	-.148	1
	Sig. (2-tailed)	.357	.006	.223	
	N	70	70	70	70

** . Correlation is significant at the 0.01 level (2-tailed).

Given the correlation table (3), it can be seen that between equity and economic value in companies who have income smoothing, there is an inverse relationship to the amount of 0.112, but according to the sig, that in this table (0.357), this communication is not a meaningful relationship. Because sig observed, most of the projected error rate (0.05).

Given that, between equity and economic value adjusted, there was a significant relationship, and we could regression mathematical model is also fitted between the above variables, we can take Decision to accept third main hypothesis. According to this argument, H0 is rejected and H1 accepted assumptions.

4. The main hypothesis of the current debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.

H0: the proportion of current debt, and new criteria for performance evaluation, the non-smoothing companies profit, there is no significant relationship.

H1: the ratio of current debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship

Table 4. Pearson correlation coefficient fourth hypothesis.

		The current debt ratio	Economic Value Added	Adjusted Economic Value Added	MVA
The current debt ratio	Pearson Correlation	1	.046	-.035	-.220*
	Sig. (2-tailed)		.628	.713	.018
	N	115	115	115	115
Economic Value Added	Pearson Correlation	.046	1	.059	.294**
	Sig. (2-tailed)	.628		.529	.001
	N	115	115	115	115
Adjusted Economic Value Added	Pearson Correlation	-.035	.059	1	.045
	Sig. (2-tailed)	.713	.529		.631
	N	115	115	115	115
MVA	Pearson Correlation	-.220*	.294**	.045	1
	Sig. (2-tailed)	.018	.001	.631	

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

Given the correlation table (4), it is observed that the ratio of current debt, and economic value added, income smoothing companies who are not in direct contact and weak, there is around 0.046, but according to the sig, that in the table (0.628), this communication is not a meaningful relationship. Because sig observed, most of the projected error rate (0.05).

Given that, the ratio of current debt, and market value added, there was a significant relationship, and we could regression mathematical model is also fitted between the above variables, we can take decision to accept the fourth hypothesis. According to this argument, H0 is rejected and H1 accepted assumptions.

5. The main hypothesis of the long-term debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.

H0: the proportion of long-term debt, and new criteria for performance evaluation, the non-smoothing companies profit, there is no significant relationship.

H1: the ratio of long-term debt, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.

Table 5. Pearson correlation coefficient fifth hypothesis.

		The ratio of long-term debt	Economic Value Added	Adjusted Economic Value Added	MVA
The ratio of long-term debt	Pearson Correlation	1	-.051	-.124	.184*
	Sig. (2-tailed)		.592	.186	.049
	N	115	115	115	115
Economic Value Added	Pearson Correlation	-.051	1	.059	.294**
	Sig. (2-tailed)	.592		.529	.001
	N	115	115	115	115
Adjusted Economic Value Added	Pearson Correlation	-.124	.059	1	.045
	Sig. (2-tailed)	.186	.529		.631
	N	115	115	115	115
MVA	Pearson Correlation	.184*	.294**	.045	1
	Sig. (2-tailed)	.049	.001	.631	
	N	115	115	115	115

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Given the correlation table (5), it is observed that the ratio of long-term debt, and economic value, the companies who have income smoothing, inverse correlation weak, 0.051 in there, but according to the sig, that in the table (0.592), this communication is not a meaningful relationship. Because sig observed, most of the projected error rate (0.05). Given that, the ratio of long-term debt, and market value added, there was a significant relationship, and we could regression mathematical model is also fitted between the above variables, we can take decision to accept the premise fifth.

6. The main hypothesis of equity, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.

H0: the proportion of equity, and new criteria for performance evaluation, the non-smoothing companies profit, there is no significant relationship.

H1: between equity, and new criteria for performance evaluation, smoothing the non-profit companies, there is a significant relationship.

Given the correlation table (6), it is observed that, between equity and economic value in profit-making companies who have not smoothly, a weak negative correlation between the amount of 0.059 exists, but according to the sig, that in the table (0.530), this communication is not a meaningful relationship. Because sig observed, most of the projected error rate (0.05) is Given that the proportion of equity, and performance evaluation criteria (EVA, Economic Value Added as amended, and market value added), no significant association was found, and all

hypotheses were rejected, so the main hypothesis the sixth is rejected.

Table 6. Pearson correlation test the sixth hypothesis.

		Ratio of share holders Law	Economic Value Added value	Adjusted Economic Value Added	MVA
Ratio of share holders Law	Pearson Correlation	1	-.059	.125	.126
	Sig. (2-tailed)		.530	.183	.178
	N	115	115	115	115
Economic Value Added value	Pearson Correlation	-.059	1	.059	.294**
	Sig. (2-tailed)	.530		.529	.001
	N	115	115	115	115
Adjusted Economic Value Added	Pearson Correlation	.125	.059	1	.045
	Sig. (2-tailed)	.183	.529		.631
	N	115	115	115	115
MVA	Pearson Correlation	.126	.294**	.045	1
	Sig. (2-tailed)	.178	.001	.631	
	N	115	115	115	115

**. Correlation is significant at the 0.01 level (2-tailed).

Conclusion

According to tests that, through correlation and regression, assumptions made in the analysis, to conclude that, in companies listed on the Tehran Stock Exchange, the smoothing doing, the current debt ratio and the ratio of rights equity, with adjusted economic value, there is a significant inverse relationship. But the proportion of long-term debt, and new criteria to evaluate the performance, there is no significant relationship.

But the companies, not income smoothing action, the current debt ratio and the ratio of long-term debt, market value added, there is a significant negative correlation, but between equity, and new criteria to evaluate the performance, any connection there is significant.

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