RESEARCH PAPER

Investigating the relationship between company characteristics and accruals quality

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ABSTRACT

The earnings of a business unit is one of the important items that managers, investors and securities analysts pay attention to. Therefore, the quality of a company's earnings plays an important role in the decision-making of users of financial statements, and among the items that have an important impact on the quality of a company's earnings is the quality of accruals. Therefore, the main purpose of this study is to investigate which of the company's characteristics affects the quality of accruals. The information in this study was collected from the financial statements of companies listed on the Tehran Stock Exchange. The quality of accruals was measured using the modified Dechow and Dichev model. The company's characteristics that were examined in this study included: the length of the company's operating cycle, company size, sales volatility, the probability of loss, and the size of accruals. A regression model was used to test the research hypotheses. The results showed that among the company's characteristics examined, the company's size had a positive and significant relationship with the quality of accruals, and sales volatility was inversely related to the quality of accruals, and the other variables were not significant.

Keywords: Quality of accruals, company characteristics, accruals estimation error.

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INTRODUCTION

The turbulent events resulting from the global financial crises in the last few decades have revealed the vital importance of high-quality and reliable financial reporting to the world more than ever before. These events show the importance and attention to the role of high-quality financial reporting. Achieving high-quality financial reporting depends on the integrity of the links in the financial reporting chain. In this regard, increasing the quality of earnings, which results from increasing the quality of accruals, is of great importance. Increasing the quality of earnings and accruals is of particular importance for investors to make favorable economic decisions and attract greater global trust in the accounting profession after the recent crises. Increasing the quality of accruals, which includes increasing the quality of earnings and financial reporting, can reduce investment risk and guide investors to optimally allocate resources to optimal investments (Valizadeh. et.al 2020).

Recent accounting literature all agree that accruals provide a more accurate picture of a company's financial position than cash items because they correct for timing mismatches in cash flows. For example, recording accounts payable identifies future payments in the same period. However, accruals also have shortcomings, the most important of which is the potential errors in estimating these items. These potential errors in estimating accruals and their related economic consequences reduce the usefulness of accruals and their ability to predict cash flows. Therefore, the quality of accruals and the quality of earnings decrease as the accruals estimation error increases. Therefore, if the potential error in estimating accruals can be measured, it can be used as a measure of earnings quality (Mohamadi et al. 2017).

In this study, the quality of accruals is considered as an indicator of earnings quality because one of the criteria for calculating the quality of a company's earnings is the quality of accruals in earnings, which are positively correlated; meaning that when the quality of accruals increases, the quality of the company's earnings increases, and when the quality of accruals decreases, the quality of earnings also decreases (Foroghi et al. 2013).

Investigating the relationship between the quality of accruals and earnings quality with the company's financial and non-financial characteristics is important in educational, research and practical fields, because long-term time series are required in regression models to measure the quality of accruals, while for this purpose, future cash flows are one of the main information that limits their usefulness and application. Therefore, identifying some observable and measurable financial and non-financial characteristics of the company that cause estimation errors in accruals can be very valuable (Dastgir. et.al 2010). Therefore, the main goal of this study is to determine those characteristics of the company that affect the quality of accruals and, consequently, the estimation error of accruals. The characteristics of the company that were examined in this study include company size, sales volatility, accrual size, operating cycle length, and the probability of loss during the period under review.

Literature review

Some researchers, such as Jones, define the difference between earnings and cash from operations as accruals. In fact, accruals are items that delay the recording of income and expenses, or accruals can be described as transferring

cash to another time; meaning that cash payments and receipts are properly recorded in the accruals, which makes these items better reflect the economic realities of the company (Foroghi et al. 2013).

Several models have been proposed in the accounting literature to examine the quality of accruals. We will now examine these models and the criticisms that have been made of them. The Jones model is one of these models, and its underlying theory is that accruals are a function of revenue growth and depreciation is a function of property, plant, and equipment. In this model, revenue growth is assumed to be a completely exogenous variable, and depreciation expense is a function of net property, plant, and equipment. Separating these normal items from the total accruals results in abnormal accruals. Criticisms of this model can be put forward as follows: the assumption that revenue growth is exogenous, not considering company performance, the existence of a high correlation between the residuals of the model and the total accruals, low power to detect earnings management, and high type I and type II errors. Another model that has been considered in the literature is the modified Jones model. The underlying theory of this model is based on the theory that normal accruals resulting from the Jones model may be affected by management's discretion regarding credit sales. Therefore, if the Jones model can be adjusted to take into account these options, it is expected that the performance of the Jones model in identifying ordinary accruals will improve. Some criticisms have also been made of this model, including: not considering company performance, high correlation between the residual of the model and the total accruals, low power to detect earnings management, and high type I and type II errors. The Kaznik model is another model that has attracted the attention of researchers. The underlying theory of this model is based on the assumption that a part of accruals is affected by changes in cash flows, and by adding changes in operating cash flows, this part of accruals can be discarded. The criticisms made against this model are similar to the modified Jones model. Another model is the Kothari model, which is known as the performance model. The theoretical basis of this model is that accruals are correlated with the company's past performance in addition to their current performance. In other words, while the Jones and modified Jones models attempt to control the company's current performance, empirical studies of these two models show that ordinary accruals are significantly affected by the company's current and past performance. The failure to consider other possible factors and the high type II error are among the criticisms made against this model. The next model is the Dechow and Dichev model, which has been discussed and studied in accounting research. The underlying theory of this model is based on the concept that errors that occur in estimating accruals in order to adjust the timing of cash flows cause a decrease in the quality of accruals and the quality of earnings. Accruals are a function of present, past, and future cash flows. There are also criticisms of this model, including: not considering company performance, not considering long-term accruals, and high type I and type II errors. The last model is the modified Dechow and Dichev model. Regarding the underlying theory of this model, the adjustments required in the Dechow and Dichev model can be mentioned. First adjustment: The Dechow and Dichev model only considers current accruals and long-term accruals have no place in their model. Second adjustment: Some company characteristics are factors affecting the low quality of accruals. Therefore, the remaining part can be divided into two intrinsic and abnormal components. The criticism of this model is that despite the reduction in type I error in the model, type II error is still high (Mohamadi. et.al 2017). Considering the issues raised regarding models, the modified Dechow and Dichev model has been used in this study.

The theoretical and structural relationships of the independent variables (company characteristics) with the dependent variable (accrual quality) can be expressed as follows. The larger the size of accruals, the greater the estimate value and, consequently, the increase in the estimation error (Dastgir. et.al 2010).

Since large companies have more stable and predictable activities, the estimation error in these companies is lower than in smaller companies. Moreover, since larger companies usually have diverse activities, it is expected that the effect of a negative estimation error related to one commercial or production activity is neutralized by a positive estimation error in another activity (Dastgir. et.al 2010).

Sales volatility indicates an unstable business environment, in which case the probability of using estimates increases, resulting in higher estimation errors and lower accrual quality (Dastgir et al. 2010).

Loss indicates negative shocks that occur in the company's business and operational environment. Accruals created to respond to such shocks potentially contain estimation errors. Therefore, an increase in the number of losses indicates a lower accrual quality (Dastgir et al. 2010).

The longer the operating cycle, the more estimates we need, which increases the estimation error and consequently lowers the accrual quality (Dastgir et al. 2010).

Research background

The literature on accrual quality has been conducted from various aspects and in different ways. In the research literature, various models have been defined for accrual quality, which were examined in the theoretical foundations section, and therefore, the same model has not been used in the research. Also, company characteristics were examined in articles related to the study of the relationship between company characteristics and accrual quality from different dimensions, which we will examine in the following. Dechow et al. (2002) developed a simple model of working capital accruals, based on which they extracted an empirical measure of accrual quality as the residual of company-specific regressions of changes in working capital on the realization of past, present, and future operating cash flows. They examined the relationship between accrual quality and economic fundamentals. They found that accrual quality is negatively related to the total amount of accruals, operating cycle length, and standard deviation of sales, cash flows, and earnings, while it is positively related to company size. On the other hand, they obtained a strong positive relationship between accrual quality and earnings sustainability. To investigate the role of accruals, Izadi Zadeh Darjezi (2016) used an empirical measure of accruals quality to find the residuals of firm-specific regressions of changes in working capital and future cash flow from operations. The results showed that the accruals quality measure he used was positively related to earnings sustainability based on UK data. Li et al. (2014) examined the relationship between accounting-based earnings quality characteristics and the financial health of Chinese companies listed on the Shanghai and Shenzhen Stock Exchanges by classifying them as “healthy” or “bankrupt” companies. They found that accruals quality, earnings predictability, and earnings smoothness were significantly different between healthy

and bankrupt companies, but earnings sustainability was not. Dhaliwal et al. (2010) examined the relationship between accruals quality and characteristics of accounting professionals and the mix of accounting and non-accounting expertise (financial and regulatory) in audit committees. Their results indicate a positive relationship between accrual quality and audit committee accounting specialists who are independent, have fewer multiple directors, and have shorter tenure at their firms. Furthermore, their results showed that the greatest positive effect of accounting expertise on accrual quality is achieved when accounting expertise is combined with financial expertise on audit committees. Soyemi et al. (2019) examined the impact of firm characteristics on the quality of financial reporting of listed manufacturing companies in Nigeria. They used a modified model of Dechow and Dichev (2002) to determine the quality of financial reports of listed Nigerian manufacturing companies. The firm characteristics are firm size, firm tangibility, profitability and growth. The result showed that firm size has a positive and significant effect on financial reporting quality. Tangible assets have a negative and significant effect on audited financial reporting quality. It has also been argued that firm profitability has a positive effect on financial reporting quality, while firm growth has a negative and significant effect on financial reporting quality. Hence, large firms tend to produce high quality financial reports; this should be encouraged among firms. Doyle et al. (2007) examined the relationship between accrual quality and internal controls using 705 companies that disclosed at least one material weakness from August 2002 to November 2005 and found that these weaknesses were generally associated with poorly estimated accruals that were not realized as cash flows. They further found that the relationship between poor internal controls and lower accrual quality was driven by the disclosure of weaknesses related to general company-level controls, which may be more difficult to "audit around." They found no such relationship for weaknesses in more auditable accounts. Rampershad et al. (2019) examined whether dividend payout status and dividend size are related to accrual quality using three accrual-based measures of earnings quality over 17 years in a developing economy, South Africa. They found that dividend payout status is positively related to accrual quality. This relationship remains strong across subgroups of firms that differ in size, growth, profitability, age, maturity, leverage, capital intensity, and willingness to raise new capital. Bradbury et al. (2006) examined the relationship between corporate governance (measured by board and audit committee characteristics) and accounting quality (measured by abnormal accruals) where there is no prior reason to suspect systematic earnings management. They found that both board size and audit committee independence were associated with higher accounting quality (i.e., lower abnormal working capital accruals). Furthermore, the relationship between audit committee independence and higher accounting quality only exists when abnormal accruals are earnings-generating. This suggests that audit committees are effective in the financial reporting process by reducing the level of abnormal accruals that increase earnings. Sequeira et al. (2024) analyzed the effects of debt on earnings quality by focusing on its level, increase, and duration. They used discretionary accruals as a proxy for earnings quality. Their empirical evidence showed that the relationship between debt and earnings quality tends to change sign, as the quality of financial information worsens with debt, but as debt increases, firms tend to increase earnings quality. Furthermore, they found that short-term debt tends to reduce earnings quality more than long-term debt. Their study gathered evidence that debt levels tend to provide an incentive to increase earnings management and fills this gap by analyzing the impact of different debt characteristics. This evidence is useful because earnings management may compromise both stakeholder trust and efficient capital allocation. Christensen et al. (2023) provided evidence that accrual quality in the United States has been generally improving since 2000, after a decade of decline in the 1990s. Their results suggest that both the initial decline in accrual quality and its subsequent reversal can be explained by an inverse relationship with operating cash flow volatility. Furthermore, although the patterns of cash flow volatility and accrual quality differ across regions of the world and relative to the United States, they find evidence of an inverse relationship between accrual quality and cash flow volatility globally. Thus, their results suggest that concerns about a persistent decline in accrual quality over time are unfounded. Eliwa et al. (2019) examined the impact of earnings quality on the cost of debt (CoD) for a sample of European listed companies over the period 2005–2014. They used accrual quality as a proxy for earnings quality. In essence, they examined whether accrual quality is considered by creditors as a factor in maximizing capital market advantage. They found a statistically significant negative relationship between the cost of debt and accrual quality overall. Abdul et al. (2020) examined the relationship between non-audit service characteristics, namely frequency and types of services, and accrual quality in Malaysia. Their results showed that non-audit services are associated with lower accrual quality. Recurring and non-recurring non-audit service fees are detrimental to accrual quality, as are all types of recurring non-audit services. Only non-recurring audit-related services reduce the quality of accruals. The results also showed that the provision of non-audit services creates economic linkages and therefore poses a threat to auditor independence. Hassan et al. (2014) conducted an empirical investigation of firm characteristics and earnings quality of listed oil and gas companies in Nigeria. Firm characteristics were considered as independent variables, including firm size, leverage, institutional ownership, profitability, liquidity and firm growth, while the residuals of the modified Jones model were used to measure earnings quality. The findings showed that leverage, liquidity and firm growth have a positive and significant effect on earnings quality, while firm size, institutional ownership and profitability have a negative but significant effect on earnings quality of listed oil and gas companies in Nigeria. Parte-Esteban et al. (2014) examined the impact of firm characteristics on earnings quality using a sample of Spanish hotel companies. First, they developed a multidimensional measure of earnings quality, including characteristics such as consistency, predictability, variability, and earnings smoothing. Second, they examined variables that were potentially related to earnings quality and classified them into five categories: market variables, business strategy, ownership structure, audit performance, and control variables. The findings showed that internationalization, location, ownership structure, and audit performance affect earnings quality in hotel companies. Francis et al. (2004) examined the relationship between the cost of equity capital and seven earnings characteristics, including quality, consistency, predictability, smoothness, value relevance, timeliness, and conservatism. They considered the first four characteristics as accounting-based

and the last three as market-based. Their results showed that firms with the most favorable values of each attribute, individually, had significantly lower costs of capital than firms with the most unfavorable values. The largest effects on the cost of capital were found for accounting-based attributes. Of this set, earnings quality had the strongest effects. Among market-based attributes, value relevance dominated over timeliness and conservatism. Taking all attributes together, they found that investors consistently rated earnings quality and earnings sustainability and, to a lesser extent, value relevance. Salewski et al. (2014) examined the relationship between corporate social responsibility and the degree of earnings management, the degree of accounting conservatism, and the quality of accruals. They found that firms with high corporate social responsibility ratings were more likely to engage in earnings management, report bad news more timely, and have lower quality accruals. Unlike previous research, their sample was based on European firms using International Financial Reporting Standards (IFRS). For this reason, they argued that there are country-specific characteristics that moderate the relationship between corporate social responsibility and earnings quality. Francis et al. (2005) provided evidence on whether equity and debt markets capture information about earnings quality. They examined eight measures of earnings quality (four based on the modified Jones approach to estimating abnormal accruals; three based on the Dechow and Dichev approach that relates working capital accruals to cash flows; and one based on a factor analysis of seven other measures). Across all eight measures, they found that companies with lower-quality earnings had higher costs of capital, as did those with lower debt ratings, higher realized costs of debt, larger industry-adjusted earnings-to-price ratios, and larger equity betas. . Barua et al. (2010) examined the relationship between the CFO, the gender of the CFO, and the quality of accruals. Based on previous research findings on gender differences in a variety of decision-making environments—risk attitudes, financial judgments, and regulatory compliance—they hypothesized that firms with female CFOs would have higher accrual quality. Their results showed that firms with female CFOs, after controlling for other factors that previous research has shown to be associated with accruals, had lower absolute discretionary accruals consistent with performance and lower absolute accrual estimation errors.

Research hypotheses

As stated, this research seeks to investigate the relationship between the financial and non-financial characteristics of the company and the quality of accruals. For this purpose, based on the theoretical relationships between the variables, the expected results are formulated in the following hypotheses (Dastgir. et.al 2010):

Hypothesis 1) There is a negative relationship between the length of the company's operating cycle and the quality of accruals.

Hypothesis 2) There is a positive relationship between the size of the company and the quality of accruals.

Hypothesis 3) There is a negative relationship between the amount of sales fluctuation and the quality of accruals.

Hypothesis 4) There is a negative relationship between the number of losses reported during different periods and the quality of accruals.

Hypothesis 5) There is a negative relationship between the size of accruals and the quality of accruals.

Research Method

- Research population and statistical sample:

The statistical population of the study is all companies listed on the Tehran Stock Exchange, except for companies in the financial sector, which include insurance, investment, leasing, holding companies, and banks. Because their balance sheets have a different structure and some of the required information is not available, the elimination method was used to select the sample companies. For this purpose, members of the population who had the following characteristics were excluded from the sample:

1-The required information is not available from them.

2- They had changed their fiscal year during the period under review.

3- They were not active on the stock exchange and securities during the research period.

4- The company's fiscal year-end was not March 20.

According to the above conditions, the companies that met the necessary conditions included 135 companies that formed the statistical sample of the study. Data from 2010 to 2017 were used to conduct this study.

- Dependent variable:

In this study, the dependent variable is the quality of accruals. To calculate the quality of accruals according to Doustian (2019), the standard deviation of the residuals of the modified Dechow and Dichev model was used. All variables in the model were divided by the total assets at the beginning of the period for standardization, and the inverse variable of assets at the beginning of the period was added to the model as a control variable that is a proxy for the size of the company to reduce the heterogeneity of the variance (Doustian, 2019). The model is as follows:

$$\Delta wc_t = b_0 + b_1\, 1/TA_{t-1} + b_2 CFO_{t-1} + b_3\, CFO_t + b_4\, CFO_{t+1} + b_5 \Delta REV_t + b_6 PPE_t + \varepsilon_t \quad (1)$$

The model is estimated in a cross-sectional manner. In this model, CFo represents operating cash flow, TA represents the company's assets, PPE represents gross property, plant and equipment, REV represents sales revenue, and wc represents current accruals. So, Δwc is calculated as follows:

ΔWc = (Changes in current asset - Changes in cash) - (Changes in current liabilities - Changes in short-term financial facilities received) (2)

The regression residuals reflect accruals. The standard deviation of the residuals reflects the company-specific measure of accrual quality, with the higher the standard deviation, the lower the quality. To establish a positive relationship between earnings quality and standard deviation, the value obtained for the standard deviation of the residuals is multiplied by the negative value, as follows:

$$AQ = -\sigma_{\epsilon} \quad (3)$$

The standard deviation of the residuals has been calculated for the 5-year period.

- Independent variables of the research:

The length of the operation cycle: According to Doustian (2019), it can be calculated from the following equation:

$$OC = \log \text{ of } \frac{AR_t + AR_{t-1}/2}{REV/360} + \frac{INV_t + INV_{t-1}/2}{COGS/360} \quad (4)$$

In this regard, AR is total accounts receivable, INV is inventory, COGS is cost of goods sold, and REV is net sales. Also, in this study, the 4-year average of this variable was used to estimate the model.

Company size: To determine the size of the company, various criteria such as the value of total assets, total sales, number of employees, market value of the company's equity and the logarithm of the value of total assets have been used. Because in similar studies, including the study of Dechow et al., the logarithm of the value of total assets has been used as a criterion for measuring the size of the company, therefore, this criterion was chosen as the main criterion for

determining the size of the company. To determine the size of the company based on the aforementioned criterion, the logarithm of total assets at the end of each year for each company was calculated as follows (Dastgir. et.al 2010):

Size = Natural logarithm of total assets at the end of the year (5)

Sales volatility: The measure used to measure the volatility of companies' sales is the standard deviation of the sales amount of the companies in the statistical sample over a 4-year period (Dastgir. et.al 2010). For standardization, sales are divided into assets as follows (Doustian, 2019):

Sv: Standard deviation of net sales to assets (6)

Probability of loss: One of the independent variables used in the present study is the probability of loss in the companies under study, which is obtained by dividing the number of times a loss occurs during the years under study by the total number of years during the 4-year period, which is a probability between zero and one (Dastgir. et.al 2010).

Accruals size: One of the variables used in this study is the accruals size. In this study, the current accruals size was used as a proxy for total accruals, which is a 4-year average and is calculated as follows (Dastgir et al. 2010):

ΔWC= Working capital accruals (7)

The method of calculating current accruals is explained in equation (2).

- Model used to test hypotheses:

To test the research hypotheses according to Dastgir et al. (2010), the following model was used:

$AQ= b_0+ b_1 AV.OC+ b_2 Size+ b_3 Sv+ b_4 Lo+ b_5 AV.\Delta WC + \varepsilon$ (8)

In the above model we have:

AQ=Standard deviation of residuals from model (1) multiplied by negative

AV. OC=Average length of operating cycle

Size=Logarithm of total assets

Sv=Standard deviation of sales

Lo=Probability of loss during the years under study

AV. ΔWC=Average accruals of working capital

Cross-sectional data method was used to test the hypothesis. Also, Eviews software was used for statistical analysis and model estimation

Research findings

- Descriptive statistics:

Descriptive statistics of the research variables are presented in Table (1). The mean and median for the dependent variable of the research (AQ) are approximately close to each other, which indicates the normality of this variable. Also, the independent variables of the research, including the average operating cycle and the size of the company, have a mean and median that are close to each other, which can be said to be almost normal. The minimum and maximum size of the company are 24.73 and 32.31, respectively, which indicates that the research sample consists of small and large companies. Also, the minimum and maximum size of accruals are -4085907 and 5572659, respectively, which indicates that this variable has a significant deviation.

Table 1: Descriptive statistics

	AQ	AVOC	AVWC	LO	SIZE	SV
Mean	-0.0987	2.4190	74903	0.1148	27.805	0.1743
Median	-0.0847	2.4387	22255	0.0000	27.743	0.1330
Max	-0.0120	3.1086	55726	1.0000	32.311	1.2474
Min	-0.3441	1.7680	-408590	0.0000	24.739	0.0087
Std. Dev.	0.0563	0.2434	70188	0.2341	1.3275	0.1519

- Model estimation and hypothesis testing:

Table (2) is related to the variance heterogeneity test of model (8), which was performed using the White test.

Table 2: White test

F-statistic	0.90881	Prob. F(20,114)	0.5769
Obs*R-squared	18.5645	Prob. Chi-Square(20)	0.5503
Scaled explained SS	39.5269	Prob. Chi-Square(20)	0.0057

Since the F-statistic is not significant, the null hypothesis of equality of variances is confirmed, so there is no heteroscedasticity of variance.

Table (3) shows the results of the model test and the research hypotheses. One of the regression hypotheses is the absence of autocorrelation between the model errors, So here the Durbin-Watson test is used. According to Table (3), since the Durbin-Watson statistic is between 1.5 and 2.5, there is no autocorrelation.

Table 3: Model 8 test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.21784	0.119340	-1.825382	0.0703
AVOC	-0.01263	0.023088	-0.547387	0.5851
AVWC	8.85E-10	6.60E-09	0.134135	0.8935
SIZE	0.00617	0.003535	1.747010	0.0830
LO	-0.02537	0.022016	-1.152397	0.2513
SV	-0.10987	0.040915	-2.685250	0.0082

R-squared	0.14399	Mean dependent var	-0.09870
Adjusted R-squared	0.11081	S.D. dependent var	0.05634
F-statistic	4.34001	Durbin-Watson stat	2.00400
Prob(F-statistic)	0.00110		

According to Table (3), since the significance level of F is less than 5%, the model is significant with 95% confidence. The adjusted coefficient of determination of the model is at a very low level, i.e. 11%, which indicates that the explanatory power of the independent variables of the research is at a low level.

First hypothesis test:

To test the first hypothesis of the research, regression model (8) was used and the results are presented in Table (3). According to the first hypothesis of the research, the longer

the operating cycle, the lower the quality of accruals. The regression estimation results presented in Table (3) show that the operating cycle coefficient is not significant, so the first hypothesis of the research is rejected.

Testing the second hypothesis:

To test the second hypothesis of the research, regression model (8) has been used, the results of which are presented in Table (3). According to the second hypothesis of the research, the larger the company, the higher the quality of accruals. The results of the regression estimation show that the coefficient of company size is significant and has a positive sign, so the second hypothesis of the research is confirmed.

Third Hypothesis Test:

To test the third hypothesis of the research, regression model (8) was used, the results of which are presented in Table (3). According to the third hypothesis of the research, the higher the sales fluctuation, the lower the quality of accruals. The results of the regression estimation show that the coefficient of sales fluctuation is significant and has a negative sign, so the third hypothesis of the research is confirmed.

Testing the fourth hypothesis:

To test the fourth hypothesis of the research, regression model (8) was used, the results of which are presented in Table (3). According to the fourth hypothesis of the research, the higher the number of loss reports, the lower the quality of accruals. The results of the regression estimation show that the probability coefficient of loss occurrence is negative but not statistically significant, so the fourth hypothesis of the research is rejected.

Test of the fifth hypothesis:

To test the fifth hypothesis of the research, regression model (8) has been used, the results of which are presented in Table (3). According to the fifth hypothesis of the research, the larger the size of accruals, the lower the quality of accruals. The results of the regression estimation show that the coefficient of accruals size is not statistically significant, so the fifth hypothesis of the research is rejected.

Conclusion

Examining the quality of accruals as one of the main factors affecting the quality of accounting earnings that investors pay attention to can help improve the company's performance, increase investor satisfaction, and maintain the reputation and reputation of companies (Valizadeh. et.al 2020). Therefore, the purpose of this research is to determine those financial and non-financial characteristics of the company that affect the quality of accruals. According to the tests and analyses conducted through regression tests, only the second and third hypotheses of the research were accepted out of the five research hypotheses. According to the second hypothesis, there is a positive and significant relationship between company size and the quality of accruals, which was confirmed, and the results on the effect of company size on the quality of accruals are consistent with the results of Dastgir et al. (2010) in this regard. Also, the third hypothesis, that there is an inverse relationship between sales volatility and the quality of accruals, was confirmed, and the results in this regard are consistent with the results of Dechow et al. (2002). The results also showed that there is no significant relationship between the operating cycle and the quality of accruals. Also, there was no significant relationship between the variables of probability of loss, size of accruals and quality of accruals, which indicates that these variables are not very significant for examining the quality of accruals.

In this study, due to time constraints, some company characteristics were examined. Therefore, it is suggested that other company characteristics such as operating cash flow fluctuations, earnings fluctuations, accruals fluctuations, company growth, etc. be considered in future research.

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