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The relationship between audit opinion change and timing of disclosure

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ABSTRACT: Companies have been found to report positive information more quickly than they report negative information (i.e., good news early, bad news late). This research investigates the impact of audit opinion change on the timeliness of financial disclosures; with improvements in audit opinion considered to be good news and deteriorations in audit opinion is considered to be bad news. Both the direction and the magnitude of audit opinion change is considered, with magnitude measuring how far the opinion is from an unqualified opinion (i.e., an unqualified opinion with emphasis of matter paragraph is closer to an unqualified opinion than a qualified opinion is). Data of 103 firms listed in Tehran Stock Exchange from 2003 to 2013 were used. Findings reveal that firms experiencing an improvement in their audit opinions disclose their financial results earlier, while those with audit opinion deteriorations report their financial results later, and it is also found that the magnitude of audit opinion deterioration is related to delay but there is not significant relationship between the magnitude of audit opinion improvement and timeliness of disclosure.

KEYWORDS: Audit opinion, change in audit opinion, signaling theory, timeliness, unexpected earnings.

1 INTRODUCTION

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. With the increasing complexity of business operations and the growth of the investment community, investors are making greater demands for more relevant and more timelyinformation[1].

Timing of financial reports representation is considered as one of the decisions about information disclosure which should be made by the managers. From the perspective of financial statements users, the timeliness of financial reporting is one of the important features in usefulness of accounting information [2]. Therefore, late disclosure of financial information is ineffectual for the economic agents and financial statement users, despite being complete, reliable and comparable.

Auditing is undoubtedly a trusty process about reliability and relevancy of financial statements information. Auditing as an efficient mechanism, assures that whether managers stepped parallel to shareholder's interests or not?[3].In the current social-economical system, the task of optimizing the economic reports and accreditation of the financial statements has been left to the auditors. Auditing report determines the scope of investigation of financial informationand declares auditing findings with the help of audit opinions. Predicting the type of audit opinion has been of great importance during the recent years [4].

The investigation of disclosure strategies and financial reporting choices by firm represents an important and influential domain of accounting research. Prior research suggests managers tend to withhold the release of bad news relative to good

news [5], [6], [7]. Several possible causes of this “good news early, bad news late” phenomenon have been advanced in the literature, such as proprietary reporting costs, the desire to allow more time to disseminate bad news and long horizon career concerns[8]. This paper is dedicated to this part of literature by examining the relationship between audit opinion change and timing of disclosure.

2 PROBLEM DEFINITION

Accounting information including qualitative features released by the firms with the help of a determined periodic timing is one of the information resources used by people participating in capital market to make decision [4]. This information should be disclosed in appropriate time to affect people's decision; accordingly, timeliness of information is one of the mentioned qualitative features. On the other hand, while making financial decisions, investors rely mostly on new information; because they believe previous information has affected the share price and so this sort of information won't lead to make earnings [9].

The timing of earnings disclosure has been examined from a variety of perspectives. These studies are often based on signaling theory, which was originally proposed by Spence (1973) to explain job market behavior[10].Signaling theory helps to explain the behavior of two parties when they have access to different information [11]. Strategic signaling refers to actions taken by a signaler to influence views and behaviors of receivers [12].Signaling theory has been widely used in accounting and auditing studies which proposed that management may signal something about the firm through various aspects of financial information disclosure, which can be viewed as a signal by investors.One of these aspects of disclosure is earnings timeliness. The timing of information disclosures may be seen as a signal of whether the firm has good news or bad news to tell. Early release of financial information may signal some underlying good news (such as earnings increases) that management wants the market to know as soon as possible. Delayed disclosure suggests bad news (such as earnings declines). This proposed relationship can be summed up as “good news early, bad news late” [10].

If there is unfavorable earnings news, however, management may fear a drop in share price resulting from prompt disclosure of this unfavorable news. The share price drop could increase the company's cost of capital and lead to a reduction of manager's compensation. These factors may encourage managers to delay the disclosure of their financial results [10]. Thus career concerns can tempt managers to withhold bad news. These career concerns are arising from the effect of disclosure of bad news on the management compensation which leads managers to undergo the loss of less compensation payment resulting from a drop in the share price [7].

Investors have been found to adversely react to modified audit opinions (typically a qualified audit opinion) with these modified opinion being perceived as unfavorable news[13], [14], [15], [16]. This research stream indicates that investors prefer unqualified audit opinions.

According to an information content perspective, accounting uses the language and algebra of valuation to convey information. The audit report, which is formed within the norms of a professional, standardized language and basic concepts and is transmitted to the capital market through the company’s financial reporting supply chain, should have a wealth of information content. Therefore, it is reasonable to suggest that different types of (qualified) audit opinions should contain different types of (bad) news to the investors. For example, the bad news contained in a qualified opinion should be less severe than that in a disclaimer [17].

Given that modified audit opinions are perceived as bad news by the stock market, management may also postpone disclosure when the company has experienced an audit opinion modification, so as to delay the release of this “bad news” [10].

One measure of good news is an improvement in a company's audit opinion and one measure of bad news is deterioration in a company's audit opinion. Therefore it is expected that managers of firms who receive a better audit opinion than the previous year will signal this good news to investors by disclosing their earnings on a more timely basis andIt is also expected managers of firms who receive worse audit opinion than previous year will time disclosure of this news so that they can take advantage of reduced attention of investors. On the other hand, managers conceal bad news in noteworthy time for investors to decrease negative stock market reaction[18].

Some audit opinion changes may be perceived to be better or worse than others. It is also predicted that the magnitude of the change in audit opinion may influence the timeliness of earnings. For example, while going from a qualified opinion to an unqualified opinion with emphasis of matter is good news, going from a qualified opinion to an unqualified opinion (without emphasis of matter) is better news. The greater the improvement in audit opinion, the more motivated management may be to accelerate transmission of the news to the public.

3 BACKGROUND

3.1 ANTECEDENTS OF THE EFFECTIVE FACTORS ON TIMELY REPORTING

Behroozi and soleimani (2013) have studied the relationship between auditing fees and timeliness of accounting information of listed firms in Tehran stock exchange during 2003-2011. They concluded that when the auditing fee increases or audit opinion is unqualified, financial statements are presented more timely. They also realized that some of variables like loss, delay the time of presenting information. Hypotheses testing didn't prove the relationship between debt ratio and timeliness of accounting information [19].

Asli (2010) showed that the earning sign, type of audit opinion and auditing firm are positively related to timeliness while the type of industry and timeliness are negatively related [20].

Dogan et al. (2007) selected their own sample about timeliness of financial reporting, among listed firms in the international stock exchange. This research aimed at examining the relationship between four independent variables; good and bad news about firm, financial risk, size and type of firm industry and timeliness of financial reporting. Results reveal that timeliness of financial reporting is affected by profitability of firm. The firms with good news, have released their financial statements earlier than firms with bad news. Results also showed that firm size and high financial risk have affected timeliness of firm's financial reporting [21].

Ansah and Leventis (2006) have examined efficient factors on annual timely financial reporting procedures in a sample including 95 listed non-financial firms in Athens stock exchange. They studied the relationship between the firm size, leverage, a part of stock which is controlled directly or indirectly by the people inside the organization, number of explanatory paragraph in qualifiedopinion, type of industry and delayed reporting. Results of their research reveal that delayed reporting is related to a part of stock which is controlled directly or indirectly by the people inside the organization, number of explanatory paragraph in qualified opinion, and the size of auditing firm [22].

3.2 ANTECEDENTS OF THE AUDIT OPINION AND THE SHARE PRICE

Anvar Khatibi et al. (2012) have examined the effect of audit opinion on the share price and return on equity in listed firms in Tehran stock exchange during 2002-2008. To do that, they divided audit opinion into qualified and unqualified categories. Results of research showed that there is no significant relationship between audit opinion and share price in confidence level of 0.95. In fact, audit opinion lacks information content in Iran [23].

Hassas Yeganeh and Yaghoubi Manesh (2003) have examined the effect of different types of audit opinion on share price. Results revealed that there is a significant relationship between audit opinion type and share price [24].

3.3 ANTECEDENTS OF THE OUTCOMES OF THE TIMELINESS OF EARNINGS INFORMATION

Studies such as Chambers and Penman (1984), Givoly and Palmon (1982), and Kross and Schroeder (1984) examined the stock market's reaction to the timeliness of financial reporting. These studies have generally found that financial reports published earlier than their expected dates are associated with positive abnormal returns, while disclosures later than expected are related with negative abnormal returns. These results indicate that timeliness can be used as a signal to discern companies with good news from those with bad news, and that investors recognize this signal during their investment decision-making process [25], [26], [27].

3.4 ANTECEDENTS OF THE CHANGES IN EARNINGS AND THE TIMELINESS OF EARNINGS

Researchers such as Givoly and Palmon (1982) and Kross and Schroeder (1984) have examined whether positive earnings news is released earlier than negative earnings. In these studies, positive unexpected earnings were considered to be good news, and negative unexpected earnings were considered as bad news. Using dichotomous variables to measure news type(good or bad news),it was found that "good news" was released earlier than "bad news". These studies generally found support for the notion that good news is disclosed earlier than bad news [26], [27].

3.5 ANTECEDENTS OF THE AUDIT OPINION AND TIMELINESS OF EARNING

Cullinan et al. (2012) investigated the potential impact of audit opinion change on the timeliness of financial disclosures. They found that firms experiencing an improvement in their audit opinions disclose their financial results earlier, while those

with audit opinion deteriorations report their financial results later, and that these effects were related to the magnitude of the opinion change. What's more, there is an asymmetric response to good audit opinion news vs. bad audit opinion news, with bad audit opinion news having a larger effect on earnings timeliness than the effect on earnings timeliness of good audit opinion news [10].

Whittred (1980), Elliot (1982) and Soltani (2002) have examined how a qualified opinion may influence the timeliness of earnings disclosure, based on the notion that qualified opinions are bad news, and that management would prefer to delay the release of bad news. These results show that firms with qualified opinions report their earnings later than firms receiving unqualified opinions [28], [13], [29].

3.6 ANTECEDENTS OF THE JOINT EFFECTS OF CHANGE IN EARNINGS AND AUDIT OPINIONS ON EARNINGS TIMELINESS

Haw et al. (2003) used a sample of Chinese audit opinions from 1995 to 1999 to examine the relationship between audit reports and the timeliness of earnings releases. They also included whether the earnings were good news or bad news (based on whether the earnings were higher or lower than the previous year). Haw et al.(2003) found that both the unexpected earnings and the type of audit opinion affect the timeliness of financial reports. Specifically, firms with positive unexpected earnings news and qualified opinions announce their earnings significantly later than companies with negative earnings surprises but unqualified audit opinions [30].

4 RESEARCH HYPOTHESIS

1) Audit opinion improvement and timeliness of information disclosure are directly related.

2) Audit opinion deterioration and timeliness of information disclosure are inversely related.

3) Magnitude of audit opinion improvement and timeliness of information disclosure are directly related.

4) Magnitude of audit opinion deterioration and timeliness of information disclosure are inversely related.

5 RESEARCH DESIGN

5.1 SAMPLE SELECTION

Statistical population of present research is all the listed firms in Tehran stock exchange from the year 2003 to 2013. Studied samples in this research are selected by screening method and according to the following criteria:

1) Financial period is ended to 12/29 of each year.
2) They shouldn't have any change in fiscal period during the research period.
3) Full information of each firm should be available during the time period of research.
4) Firms should be of the production type.

Considering above items, we have chosen 103 active companies in Tehran stock exchange during the time period of 2003-2013 in order to hypotheses testing.

5.2 DEPENDANT VARIABLE

5.2.1 TIMELINESS OF INFORMATION DISCLOSURE

In this research, timeliness of information disclosure is measured as the reporting delay in comparison with the previous year and is shown by DEL.

$DEL_{i,t}=LAG_{i,t}-LAG_{i,t-1}$

$LAG_{i,t}$=The number of days from 12/29 of each year (fiscal end-year) to the audit report date (reporting delay of the current year)

If $LAG_{i,t}>LAG_{i,t-1}$, then $DEL_{i,t}>0$ and it means there is delay.

If $LAG_{i,t}<LAG_{i,t-1}$, then $DEL_{i,t}<0$ and it means timeliness of information disclosure.

5.3 INDEPENDENT VARIABLES

In the present research, audit opinion improvement (improve), audit opinion deterioration (deter), magnitude of audit opinion change (OPNCHG), magnitude of audit opinion improvement (D_{IMP}*OPNCHG) and magnitude of audit opinion deterioration (D_{DETER}*OPNCHG) are considered as independent variables.

5.3.1 AUDIT OPINION IMPROVEMENT (IMPROVE)

It will take the value of 1, if there is audit opinion improvement which means the audit opinion in year t is better than that in the previous year and 0 otherwise.

5.3.2 AUDIT OPINION DETERIORATION (DETER)

It will take the value of 1, if there is audit opinion deteriorationwhich means the audit opinion in year t is worse than that in the previous year and 0 otherwise.

5.3.3 AUDIT OPINION(AUDOPN)

Ordinal variables AUDOPN are proxy for audit opinion which can take the values of 1, 2, 3, and 4 based on the severity of audit opinion modifications. The larger the value of this variable, the more severity of audit opinion modifications; accordingly, ranks are allocated as followings:

AUDOPN

1: Unqualified opinion
2: Unqualified opinion with emphasis of matter paragraph
3: Qualified opinion with less number of explanatory paragraph than the average number of firms' explanatory paragraph during research period (low-risk qualified opinion)
4: Qualified opinion with more number of explanatory paragraph than the average number of firms' explanatory paragraph during research period (high-risk qualified opinion).

5.3.4 THE MAGNITUDE OF THE CHANGE IN AUDIT OPINION (OPNCHG)

Following the method ofDeFond (1992), we measure improvement and deterioration in audit opinion by subtracting the current audit opinion from the opinion in the previous year to determine the magnitude of audit opinion change (OPNCHG).Thus, the values are among (-3,-2,-1,0,1,2,3). For example, from an unqualified opinion with emphasis of matter to unqualified opinion, the change would be one (2−1=+1), indicating the direction of change is positive. It means there is an improvement in audit opinion, and the magnitude of improvement is one.

$OPNCHG_{i,t}=AUDOPN_{i,t-1} – AUDOPN_{i,t}$

$OPNCHG_{i,t}$ is the change in audit opinion for firm i in year t.

$AUDOPN_{i,t}$is the audit opinion for firm i in year t.

5.3.5 MAGNITUDE OF AUDIT OPINION IMPROVEMENT (D_{IMP}*OPNCHG)

It shows the magnitude of audit opinion improvement and can take the values of 0, 1, 2 and 3.

5.3.6 MAGNITUDE OF AUDIT OPINION DETERIORATION (D_{DETER}*OPNCHG)

It shows the magnitude of audit opinion deterioration and can take the values of 0,-1, -2, and -3.

5.4 CONTROL VARIABLES

In this research, unexpected earnings, audit switch, CEO duality, leverage, firm size and number of pages of financial reports are control variables.

5.4.1 UNEXPECTED EARNINGS (UE)

Firms with successful result (good news) will report faster than firms with unsuccessful operations or firms with accumulated loss (bad news). Obviously, performance of one firm affects significantly its exchange market price and represents applied management skills in the firm. Profitability, measures the efficiency of firm operations. Market uses firm performance for compensating management.Firms with good news (positive performance) for market can expect to enhance the value of their shares and their management team. In this way, firms with bad news (weak or negative performance) will face a drop in their share value. Therefore, management of successful firms are supposed to provide timely news of their performance for the public representation [31]. In the present research, we have used the method of Haw et al. (2003)[30] for measuring unexpected earning which equals to net income changes that are homogenized by total assets.

$$\mathrm{UE_{i,t}} = \frac{\mathrm{NI}_{i,t} - \mathrm{NI_{i,t-1}}}{\mathrm{TA_{i,t-1}}}$$

5.4.2 AUDITOR SWITCH (AS)

It takes time for the new auditor to familiarize themselves with the company and to complete the auditing process. Therefore, we anticipate a negative relationship between auditor switch and the timeliness. The binary variable, AS, is used to reflect the change of auditor, and it takes the value of 1 if the auditor is changed, and 0 otherwise.

5.4.3 CEO DUALITY (DUAL)

If the CEO and chairman of the board is the same person, then DUAL=1, and 0 otherwise. It is expected to be positively related to the reporting delay, due to the agency conflicts.

5.4.4 LEVERAGE (LEV)

Leverage is measured by the debt-to-asset ratio. Under the pressure from creditors, firms have less free cash flow, and managers are less likely to benefit themselves at the cost of the firm. Thus, the higher the leverage, the more stimulated the managers are to accelerate the disclosure of financial reports [10].

$$\mathrm{LEV_{it}} = \frac{\mathrm{TD}}{\mathrm{TA}}$$

5.4.5 FIRM SIZE (SIZE)

Usually, large companies are timely reporters forseveral reasons. First, large companies have more resources, moreaccounting staff, and sophisticated accounting information systems thatresult in more timely annual reports. Second, large companies tend tohave strong internal control systems with the consequence that auditorsspend less time in conducting control tests. Delays are, thereforeminimized and this enables the companies to report promptly to thepublic. Third, large companies tend to be followed by a relatively largenumber of financial analysts who usually rely on timely release of annualreports to confirm and revise their expectations of companies' present andfuture economic prospects [20]. Firm size is measured by total assets of firm in the end of financial year. To increase the power of this control variable, natural logarithm of total assets has been used in the model.

$SIZE_{i,t}$= LN($TA_{i,t}$)

Table 1.Measurements of variables

Measurement	symbol	Variable name	Variable type
Number of days from 12/29 of each year to the auditing report date	**LAG**	**Reporting delay of the current year**	**Dependent variable**
$DEL_{i,t}=LAG_{i,t}-LAG_{i,t-1}$ IF $LAG_{i,t}> LAG_{i,t-1}$ $DEL_{i,t}> 0$ there is delay IF $LAG_{i,t}< LAG_{i,t-1}$ $DEL_{i,t}< 0$ it shows timely disclosure	**DEL**	**Reporting delay in comparison with the previous year**	
If there is improvement in audit opinions, Then improve =1, and 0 otherwise.	**improve**	**Audit opinion improvement**	**Independent variable**
If there is deterioration in audit opinions, Then deter =1, and 0 otherwise.	**deter**	**Audit opinion deterioration**	
Ordinal variables of AUDOPN are some criteria for audit opinion which can take the values of 1, 2, 3, and 4 based on severity of audit opinion modifications. 1: Unqualified audit opinion 2: Unqualified opinion with emphasis of matter 3: Qualified opinion with less number of explanatory paragraph than the average number of firms' explanatory paragraph during research period (low-risk qualified opinion) 4: Qualified opinion with more number of explanatory paragraph than the average number of firms' explanatory paragraph during research period (high-risk qualified opinion).	**AUDOPN**	**Audit opinion**	
$\mathrm{OPNCHG_t} = \mathrm{AUDOPN_{t-1}} - \mathrm{AUDOPN_t}$	**OPNCHG**	**Magnitude of Audit opinion change**	
Represents whether there is improvement in audit opinions, and coded 1 if OPNCHG is positive and 0 otherwise.	**D_{IMP}**	**Audit opinion improvement**	
Measure the magnitude of audit opinion improvement and can take the values of 0, 1, 2 and 3.	**D_{IMP}* OPNCHG**	**Magnitude of Audit opinion improvement**	
Represents whether there is deterioration in audit opinions, and coded 1 if OPNCHG is negative and 0 otherwise.	**D_{DETER}**	**Audit opinion deterioration**	
Measure themagnitude of audit opinion deterioration and can take the values of 0,-1, -2, and -3.	**D_{DETER}* OPNCHG**	**Magnitude of Audit opinion deterioration**	
$\mathrm{UE_{i,t}} = \frac{\mathrm{NI}_{i,t} - \mathrm{NI_{i,t-1}}}{\mathrm{TA_{i,t-1}}}$ NI: Net Income Before Extraordinary Items TA: Total assets	**UE**	**Unexpected earnings**	**Control variable**
if the auditor is changed → AS=1	**AS**	**Auditor switch**	

otherwise ⟶ AS=0			
If the CEO and chairman of the board is the same person, then DUAL=1, and 0 otherwise.	**DUAL**	**CEO Duality**	
$\mathrm{LEV_{it}} = \frac{\mathrm{TD}}{\mathrm{TA}}$ TD: Total Debts TA: Total Assets	**LEV**	**Leverage**	
$\mathrm{SIZE_{it}} = \mathrm{LN}\ (\mathrm{TA_{it}})$	**SIZE**	**Firm Size**	

6 DESCRIPTIVE STATISTICS

Table 2.Descriptive Statistics of variables

variable	Symbol	Observations	Average	median	Maximum	Minimum	Standard deviation
Reporting delay in comparison with the previous year	DEL	1133	-1.218	-1.000	62.000	-64.000	15.477
leverage	LEV	1133	0.647	0.652	1.938	0.041	0.191
Magnitude of Audit opinion change	OPNCHG	1133	0.067	0.000	3.000	-3.000	0.878
Number of Pages of financial reports	PAGE	1133	43.142	41.000	90.000	21.000	12.313
Firm size	SIZE	1133	13.062	12.855	18.438	9.778	1.432
Unexpected earnings	UE	1133	0.019	0.014	0.554	-0.727	0.090

7 HYPOTHESIS TESTING

1) Audit opinion improvement and timeliness of information disclosure are directly related.

Table 3. Regression of timeliness on audit opinion improvement

$DEL_{i,t} = \beta_1 + \beta_2 improve + \beta_3 UE + \beta_4 AS + \beta_5 DUAL + \beta_6 LEV + \beta_7 SIZE + \beta_8 PAGE + \varepsilon_{i,t}$									
symbol	Pooled sample			UE<0			UE>0		
	Coef.	t-Test	Prob	Coef.	t-Test	Prob	Coef.	t-Test	Prob
C	-4.194	-1.024	0.306	-5.568	-1.666	0.096	-3.810	-1.096	0.273
improve	-2.620	-2.238	0.026	-2.668	-2.800	0.005	-2.765	-3.384	0.001
UE	-9.960	-1.875	0.061	-15.639	-0.900	0.369	-8.746	-1.013	0.311
AS	-0.521	-0.403	0.687	-0.514	-0.320	0.749	-0.522	-0.334	0.739
DUAL	0.315	0.203	0.839	0.557	0.389	0.697	0.190	0.135	0.893
LEV	-1.647	-0.745	0.456	-1.139	-0.320	0.749	-1.480	-0.401	0.688
SIZE	0.420	1.253	0.211	0.465	1.232	0.218	0.401	1.054	0.292
PAGE	-0.017	-0.439	0.661	-0.023	-0.581	0.561	-0.016	-0.416	0.678
R^2	0.063			0.063			0.061		
Adjusted R2	0.055			0.055			0.053		
Fstat. (P.Value)	7.691 (0.000)			7.626 (0.000)			7.409 (0.000)		
D.W Stat.	2.016			2.014			2.014		

According to the coefficient of audit opinion improvement variable(improve) (-2.620) and its significance level which equals to 0.026 and so is less than error level of 0.05, we can say in confidence level of 0.95, audit opinion improvement is negatively and significantly related to delayed information disclosure. On the other hand, audit opinion improvement is positively and significantly related to timeliness of information disclosure. As a result, the first hypothesis is accepted.

2) Audit opinion deterioration and timeliness of information disclosure are inversely related.

Table 4. Regression of timeliness on audit opinion deterioration

$DEL_{i,t} = \beta_1 + \beta_2 deter + \beta_3 UE + \beta_4 AS + \beta_5 DUAL + \beta_6 LEV + \beta_7 SIZE + \beta_8 PAGE + \varepsilon_{i,t}$									
symbol	Pooled sample			UE<0			UE>0		
	Coef.	t-Test	Prob	Coef.	t-Test	Prob	Coef.	t-Test	Prob
C	-3.692	-1.727	0.085	-6.229	-1.872	0.062	-4.422	-1.247	0.213
deter	3.344	4.650	0.000	3.352	2.433	0.015	3.480	2.702	0.007
UE	-10.033	-2.505	0.012	-15.616	-0.882	0.378	-9.410	-1.092	0.275
AS	-1.305	-1.555	0.120	-0.552	-0.354	0.723	-0.561	-0.373	0.710
DUAL	-0.084	-0.103	0.918	0.397	0.284	0.777	0.014	0.010	0.992
LEV	-0.938	-0.604	0.546	-1.272	-0.354	0.723	-1.656	-0.448	0.654
SIZE	0.201	1.004	0.316	0.380	0.998	0.319	0.311	0.801	0.423
PAGE	0.009	0.352	0.725	-0.008	-0.198	0.843	0.000	-0.006	0.995
R^2	0.074			0.065			0.064		
Adjusted R2	0.065			0.057			0.056		
Fstat. (P.Value)	9.017 (0.000)			7.940 (0.000)			7.752 (0.000)		
D.W Stat.	2.067			2.012			2.012		

According to the coefficient of audit opinion deterioration variable (deter) (3.344) and its significance level which equals to 0.000 and so is less than error level of 0.05, we can say audit opinion deterioration is positively and significantly related to delayed information disclosure. As a result, the second hypothesis is accepted.

3) Magnitude of audit opinion improvement and timeliness of information disclosure are directly related.

Table 5. Regression of timeliness on magnitude of audit opinion improvement

$DEL_{i,t} = \alpha + \beta_1 D_{IMP} + \beta_2 OPNCHG + \beta_3 D_{IMP} * OPNCHG + \beta_4 UE + \beta_5 AS + \beta_6 DUAL + \beta_7 LEV + \beta_8 SIZE + \varepsilon_{i,t}$									
symbol	Pooled sample			UE<0			UE>0		
	Coef.	t-Test	Prob	Coef.	t-Test	Prob	Coef.	t-Test	Prob
C	-3.187	-1.623	0.105	-5.340	-1.519	0.129	-3.806	-1.010	0.313
D_{IMP}	0.315	0.193	0.847	-2.352	-1.594	0.111	-2.346	-1.577	0.115
OPNCHG	-1.825	-3.435	0.001	-1.456	-1.705	0.089	-1.540	-1.957	0.051
D_{IMP}*OPNCHG	0.662	0.558	0.577	1.494	1.152	0.250	1.522	1.177	0.239
UE	-9.588	-2.337	0.020	-14.191	-0.781	0.435	-8.456	-0.956	0.339
AS	-1.204	-1.431	0.153	-0.455	-0.290	0.772	-0.462	-0.304	0.762
DUAL	-0.042	-0.052	0.958	0.462	0.329	0.742	0.128	0.093	0.926
LEV	-1.075	-0.679	0.497	-1.180	-0.327	0.744	-1.516	-0.404	0.687
SIZE	0.231	1.628	0.104	0.347	1.097	0.273	0.315	0.975	0.330
R^2	0.071			0.065			0.064		
Adjusted R2	0.062			0.056			0.055		
F stat. (P.Value)	7.727 (0.000)			7.014 (0.000)			6.875 (0.000)		
D.W Stat.	2.064			2.014			2.014		

With respect to the coefficient of magnitude of opinion change variable (OPNCHG) (-1.825) andits significance level which equals to 0.001 and so is less than error level of 0.05, it's obvious that magnitude of opinion change is negatively and significantly related to delayed information disclosure. Considering magnitude of audit opinion improvement (D_{IMP}*OPNCHG) and its significance level which equals to 0.577 and so is more than error level of 0.05, its undeniable that magnitude of audit opinion improvement is not significantly related to timeliness of information disclosure. As the result, third hypothesis is not accepted.

4) Magnitude of audit opinion deterioration and timeliness of information disclosure are inversely related.

Table 6. Regression of timeliness on magnitude of audit opinion deterioration

$DEL_{i,t} = \alpha + \beta_1 D_{DETER} + \beta_2 OPNCHG + \beta_3 D_{DETER} * OPNCHG + \beta_4 UE + \beta_5 AS + \beta_6 DUAL + \beta_7 LEV + \beta_8 SIZE + \varepsilon_{i,t}$									
symbol	Pooled sample			UE<0			UE>0		
	Coef.	t-Test	Prob	Coef.	t-Test	Prob	Coef.	t-Test	Prob
C	-4.179	-1.088	0.277	-5.455	-1.539	0.124	-3.800	-0.996	0.320
D_{DETER}	6.703	3.092	0.002	6.656	3.277	0.001	6.488	2.967	0.003
OPNCHG	-1.207	-1.812	0.070	-1.251	-1.780	0.075	-1.315	-2.179	0.030
D_{DETER}*OPNCHG	4.285	-2.640	0.008	4.286	2.845	0.005	4.142	2.491	0.013
UE	-10.117	-1.518	0.129	-15.397	-0.870	0.385	-9.066	-1.008	0.314
AS	-0.557	-0.374	0.708	-0.548	-0.355	0.723	-0.554	-0.370	0.711
DUAL	0.254	0.164	0.870	0.487	0.334	0.739	0.127	0.088	0.930
LEV	-1.838	-0.520	0.603	-1.319	-0.379	0.705	-1.675	-0.462	0.644
SIZE	0.306	0.937	0.349	0.325	1.014	0.311	0.291	0.887	0.375
R^2	0.070			0.069			0.068		
Adjusted R^2	0.061			0.060			0.059		
F stat. (P.Value)	7.612 (0.000)			7.530 (0.000)			7.363 (0.000)		
D.W Stat.	2.019			2.017			2.017		

According to the coefficient magnitude of opinion change variable (OPNCHG) (-1.207) and its significant level which equals to 0.070 and so is less than error level of 0.10, we can conclude that in error level of 0.10, magnitude of audit opinion change is significantly and negatively related to delayed information disclosure; And based on magnitude of audit opinion deterioration variable (D_{DETER}*OPNCHG), its coefficient (4.285) and its significance level which equals to 0.070 and so is less than error level of 0.05, we can say that magnitude of audit opinion deterioration is significantly and positively related to delayed information disclosure; on the other hand, the relationship between magnitude of audit opinion deterioration and timely disclosure is significant and negative. Accordingly, the fourth hypothesis is accepted.

8 CONCLUSION AND INTERPRETING RESULTS

Empirical evidence in the literature of timely information disclosure indicates that companies release good news earlier than bad news. Theoretical foundations have presented several reasons for positive relationship between audit opinion improvement and timeliness of information disclosure and also negative relationship between audit opinion deterioration and timeliness of information disclosure. Results ontesting the first and second hypotheses suggest that there is a significant relationship between audit opinion change and timing of information disclosure. Audit opinion improvement is regarded as good news and audit opinion deterioration as bad news.

Managers tend to inform the market of good news as soon as possible and also time bad news (unfavorable) so that they can take advantage of investor's reduced attention. On the other hand, managers conceal bad news in noteworthy time for investors to decrease negative stock market reaction. on the other side, signaling theory states timing of information disclosure may be seen as a signal of whether the firm has good news or bad news to report. Early release of financial information may signal some underlying good news (such as earning increase) that managementwants the market to know as soon as possible. Similarly, delayed information disclosure may signal bad news. If there is bad news, management mayfear a drop in the share price resulting from prompt disclosure of this bad news. Drop in the share price can increase the company's cost of capital and lead to a reduction of manager's compensation. This relationship can be summarized as follows: good news early, bad news late. Obtained results by the first and second hypotheses testing support this relationship. These results coincide with those of cullinan et al. (2012) who demonstrated that there is a significant and positive relationship between audit opinion improvement and timeliness of information disclosure and also a significant and negative relationship between audit opinion deterioration and timeliness of information disclosure.

Results ontesting third hypothesis shows that magnitude of audit opinion improvement doesn’t affect timeliness of information disclosure but results of fourth hypothesis demonstrates that magnitude of audit opinion deterioration is inversely related to timeliness of information disclosure. When there is good news of audit opinion improvement, it leads management to disclosethe information on a more timely basis and this effect is not related to the magnitude of audit opinion improvement. When there is bad news of audit opinion deterioration, it leads management to delay information disclosure and this effect is related to the magnitude of audit opinion deterioration. Results reveal that the nature of news is more important than the magnitude of its goodness or badness.These results coincide with those of Begley and Fischer (1998) who showed the size of good news is not related to timeliness of disclosure. In contrast, there is a significant relationship between the size of bad news and timeliness of information disclosure and in general, firms with worse newswill delaythe disclosure of earnings longer than those with less bad earnings news.

9 RESEARCH LIMITATIONS

1-Audit opinions are of several qualified type; however, all qualified audit opinions are not equal in terms of severity of audit opinion modifications. Classification of qualified opinions into two categories based on severity of audit opinion modifications is accompanied by complicated judgments.

2-With respect to limited statistical population of disclaimer opinion, companies which had received disclaimer opinion were put aside.

3-Auditing is fundamentally an evaluation process which can lead to useful judgmental information. Accordingly, the type of audit opinion is related to the judgment of auditors of fairness of the financial statements. Variant auditing teams lead to different judgments and consequently, are considered as other limitations of this research.

10 SUGGESTION FOR THE FUTURE RESEARCH

1-This research is supposed to be repeated by separating the types of industry.

2- Since Conservatism proposes an alternative relationship in which bad news is reported earlier, while good news is reported later, future researchers are supposed to consider the effect of conservatism on the relationship between audit opinion change and timing of firm disclosure.

3-Since manager's decisions are not only affected by the rationality and economic criteria, with respect to behavioral and financial topics, categories such as tolerance of risk, self-confidence, culture and type of manager's personalities can also affect the type of relationship between audit opinion change and timing of firm disclosure. Therefore, considering the effects of these factors can be another suggestion for the future research.

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