EVALUATION OF THE IMPACT OF FINANCIAL RESTATEMENTS ON CORPORATE GOVERNANCE AND MANAGEMENT TURNOVER IN COMPANIES LISTED IN TEHRAN STOCK EXCHANGE

Majid Davoodi Nasr¹ and Babak Mohammadi²

¹Department of Accounting, Arak Islamic Azad University at Science and Research Branch
²Department of Science in Accounting, Islamic Azad University-Ark

*Author for Correspondence

ABSTRACT
The aim of this study is to evaluate the impact of financial restatements on corporate governance and management turnover. Statistical sample of this study contains of 100 companies listed in Tehran Stock Exchange in the period from 2004 to 2011 (the period of 7 years). This research method is descriptive and correlational. Test hypotheses have been tested based on multivariate regression and panel data. In this study in order to evaluate the impact of financial restatements we have used corporate governance and management turnover. The research findings suggest that financial restatements are effective on corporate governance and management turnover. Moreover, in this study, in order to evaluate the effect of corporate governance we have applied the ratio of non-executive members on the board of directors, CEO and Board chairman positions being held with the same person, the Type of audit institute and the ratio of non-executive auditors in the Audit Committee, and we have also used the size of board of directors to study the impact of management turnover. The results of testing these hypotheses show that only the ratio of non-executive auditors in the Audit Committee is not effective on renewal of the financial statements.

Keywords: Financial Restatements, Corporate Governance, Non-Executive Members of Board of Directors, CEO and Board Chairman Positions Being Held with the Same Person, Management Turnover

INTRODUCTION
The company’s leadership system that in financial literature is known as corporate governance, in recent years with the spread of the financial crisis has increasingly gained attention. Indeed (Corporate governance) is a response to the agency problem arisen by "separation of ownership and control" From the perspective of agency theory, the presence of independent non-executive members on the board of directors and their supervisory function as independent individuals considerably help to reduce conflicts of interest between shareholders. The separation of the duties of Chairman and CEO is also one of the triggers that due to greater autonomy in decision-making reduces the agency problems and improve the company's performance. Mechanisms of corporate governance provide an effective, efficient and accurate guidance and management framework for economic institutions and maximizing the interests of shareholders. This system is created and strengthened to support and protect the rights and interests of all investors and shareholders in the company and reduce conflicts of interest between managers (TalebNia et al., 2011).

Generally it is accepted that the existence of corporate governance standards and mechanisms lead to changing the behavior of the companies. The impact of corporate governance mechanisms on management decisions as regards changes including management turnover is of primary importance. The competent legal authorities, by codification of laws and regulations always look to increase the quality of financial reporting by the ways -such as making managers verify that report, strengthen and develop corporate governance standards and increase the independence of auditors. Given the role of corporate governance and its impact on the activities of the management of a company, the question arises whether corporate governance standards and practices are related to management (IzadiNia et al., 2012).

One of the key elements in improving economic efficiency of the corporate governance (the strategic system), which involves a set of relationships between company's management, board of directors, shareholders and other interest groups. Corporate governance provides a structure through which the
Research Article

objectives and the means to achieve them and monitor their performance are determined. It creates the motivation for the realization of the objectives of the company's management and provides effective monitoring setting.

In this way, companies employ resources more efficiently (Mahdavi et al., 2013). The existence of appropriate corporate governance can help companies to win the confidence of investors and encourage them to invest. And implementation of these principles at the corporate level according to the empirical researches has been done led to improving financial performance and increasing corporate value (Black et al., 2008). Financial restatement can be considered an important event which reflects the poor quality of previous financial reporting; however, it is an indication of collaboration with poor management through weak corporate governance (Supreme Audit Court, 2002).

Financial restatement is a factor which can cast a shadow over the reliability of financial information published (Sayi and Bagher, 2013).

This study evaluates the impact of financial restatements on corporate governance and management turnover in companies listed in Tehran Stock Exchange. In other words by conducting this study we aim at determining the impact of the financial statements on corporate governance and management turnover, in order to conclude whether changes of financial restatements can be determined by corporate governance or not.

The existence of corporate governance benefits all the financial beneficiaries including investors, creditors, members of the board of directors, management and employees as well as various industries and sectors of the economy. Appropriate corporate governance plays an important role in improving the economic efficiency and growth, while increasing investors’ confidence. Increasing the investors ‘confidence also plays an important role in the country’s economy. Companies benefit from an efficient and appropriate governance system. If the company is profitable, there is greater motivation to apply corporate governance. And it benefits either directly (through easy access to finances and low cost of capital) or indirectly (gaining business reputation and business opportunities) (Safieddin et al., 2009).

Theoretical Framework

One of the qualitative characteristics of financial statements is their comparability. In order to achieve this quality, consistency of the accounting procedure is essential during each fiscal period, as well as from one financial period to the next financial period.

On the other hand, in another part of accounting standards it has been emphasized that: (Financial Statements should include the previous period comparative items. Except in cases where an accounting standard separates or makes another standard’s procedure required.) Due to the requirement of presenting comparative items and maintaining consistency from a period to next period, it is always expected the figure provided for each of the financial elements in the financial reports of current period to be equal to the renewal of that element in the following financial reports. In the accounting texts, different reasons for renewing the financial statements have been mentioned that most of them have a significant relationship with the renewed presentations. In general, these reasons can be classified into four groups (Sayi and Bagher, 2013):

A) Reasons caused by environmental structure and activity conditions of the company;

B) Reasons due to the management features and structure of corporate governance

C) Reasons caused by accounting standard features

D) Reasons caused by the quality of the financial statements audit.

Corporate governance system as one of the most important mechanisms of control and monitoring can be an important factor to serve justice. Creation and implementation of corporate governance system for countries wishing to implement the privatization program, particularly through the issuance of shares, is apolitical and economic necessity.
Although the ownership level of larger companies in the Iranian society is not pervasive, providing justice (Edalat) Shares and fulfilling of promise of being justice-based in the society, show the necessity of corporate governance system (Ghaemi and Shahriari, 2009).

Research History
As regards the impact of financial restatement on corporate governance and management turnover in Iran and other countries, some researches have been conducted that a number of most important of them are as follows:

A) Domestic Research
Sayi et al., (2013) by a study dealt with Prevalence and significance of financial restatement. The findings show that the ratio of frequency of renewal of statements, in different years and industries are significant. Aghayi et al., (2013) by a study investigated the impact of financial restatements on accruals’ quality. The research findings show that the quality of earnings (accruals) has significantly increased from the distortion period to the period after the announcement of restatement. Mahdavi et al., (2013) by are search examined the impact of corporate governance features on the quality of earnings predicted by management. Research findings indicate that corporate governance variables do not have any impacts on the quality of earnings predicted by management in companies listed in Tehran Stock Exchange. Rahnamaye et al., (2012) by a study examined providing the model to assess the mechanisms of corporate governance on earnings management at the Tehran Stock Exchange. The results show that between concentration and the ratio of non-executive members of the Board of Directors and earnings management there is a significant and negative correlation and there is a positive and significant relationship between institutional investors and earnings management, but between the posts of CEO and chairman of the board being hold by one person and earnings management there is no significant relationship. And between the control variables (company’s size and financial leverage) and earnings management there is a significant and positive correlation. Asadi and ManjaghTapeh (2011) by a research studied the impact of management change on earnings management in companies listed Tehran Stock Exchange during the years 2004-2008. The results confirmed the positive earnings management in the year before management turnover, but no evidence of negative earnings management during the year of change and positive earnings management during the year after the change, has been obtained. Taghizadeh (2013) in their study by using data from 94 companies listed in Tehran Stock Exchange in the period from 2007 to 2011, studied the impact of corporate governance on financial restatements. The results showed that there is a significant and positive relationship between both CEO duality and the size of the board of directors and the financial restatements.

B) Foreign Researches
Lobo and Zhao (2013) studied the relationship between auditor’s features and the range of financial restatements presentation of the kind of corrected errors and they understood that there is a negative correlation between audit fee and the range of corrected errors. Hennes et al., (2012) in their research examined the relationship between auditor independence and the renewal of financial statements figures presentation. Their results confirmed significant and direct correlation between reputation and credibility of an auditor and the range of financial restatements. In addition to this, they found out that if an auditor has a high reputation and credibility, most of restatements are related to correcting errors of the previous year and they are not some kinds of fraud. Wong and Cho (2011) understood that the features of presentation renewals like major incomes and the amount of those net incomes affect probability of the occurrence of management turnover, these result show the difficulties of renewal of financial statements, and illustrate the probability of excessive occurrence of management turnover in senior executives and chief financial managers. Abdullah et al., (2010) by a study conducted in Malaysia studied the essence of renewal of financial statements in companies listed in Kuala Lumpur stock Exchange and they examined the impact of the corporate governance components on them. They found out that major reason of the data manipulation was due to achieve a certain level of profit and there is no significant relationship between the independence of the board of directors, management ownership and CEO duality and financial restatement. Aliza, Rotenstein by a study investigated the change in corporate governance following
restatement (one year before and two years after restatement). Moreover, the researcher used a synthetic index of corporate governance that his aimed synthetic index (index G) of synthetic index of corporate governance (a combination of 12 features of corporate governance, including the independence of board of directors, CEO duality, the board of directors size, the size of auditor, auditor turnover, management turnover, CEO turnover, the stock of executive members of Board of Directors the number of non-executive members of the Board of directors in Audit Committee, the number of non-executive members of the Board of directors in Remuneration Committee, the number of non-executive members of the Board of directors in Corporate governance committee,) after announcement of financial restatement has improved.

Sandee et al., (2007) by a study investigated the relationship between corporate governance and renewal of statement (from the previous period until the renewal of statement) applied six variables of CEO duality, independence of board of directors, audit committee, financial expertise of the Board of Directors, the percentage of Board of Directors shares and the size of auditor. The results showed an improvement in corporate governance after renewal of statement.

Research Hypotheses
In this study, we seek to know whether between the corporate governance and management turnover as the dependent variables and financial restatements as independent variable there any influence or no.

Main Hypotheses of Research
1) Financial restatements are effective on corporate governance in companies listed in Tehran Stock Exchange.
2) Financial restatements are effective on management turnover in companies listed in Tehran Stock Exchange.
3) Financial restatements are effective on the type of audit institute in companies listed in Tehran Stock Exchange.
4) Financial restatements are effective on the ratio of non-executive auditors in audit committee in companies listed in Tehran Stock Exchange.
5) Financial restatements are effective on the size of board of directors in companies listed in Tehran Stock Exchange.
7) The method of measuring variables and research model

Corporate Governance
One of the main dependent variables in this study is corporate governance, including the following parts:
A) The ratio of non-executive members of board of directors: This variable indicates the ratio of non-executive members to all members of the entire Board of Directors. To measure this variable, first we collect the number of non-executive members of the board of directors of the minutes from the General Assembly Proceedings for all companies surveyed then we divide this number by the total number of members of board of directors in order to calculate the percentage of non-executive members. Then we calculated the total average of these variables for a period of seven years. For companies in which the percentage of non-executive members was higher than the average value we assign the value of 1 and for the remainders we assign 0. This variable is shown by the symbol of (PUNRELDIR).
B) CEO and chairman of board of directors being the same: This variable is a dummy variable (imaginary) if the role of CEO is not separated from of the chairman of board of directors it equals 1 and otherwise it is zero. This variable is shown by the symbol of (CEOCHAIR).
C) The type of auditor: This variable shows that which group of auditors have audited and investigated the basic financial statements If the audit reference of the company is Audit Organization we assign the value of 1 to it and if the company id audited by the audit firm we assign zero to it. This variable is shown by the symbol of (AUD).
D) The ratio of non-executive auditor in the audit committee: It is a dummy (imaginary) variable and if this committee exists in the company this variable equals 1, otherwise it is zero. This variable is shown by the symbol of (PUNRELAUD).
Research Article

Management Turnover
To measure Management Turnover, the turnover of CEO or the majority of board of directors (a natural person or a natural person who represents a legal entity) is considered. Another main and dependent variable in this study includes the following:
- The size of the board of directors: This variable illustrates the size of the board of directors and the effectiveness of the board which represents the total number of directors on the board of directors. This variable is shown by the symbol of (BODSIZE).

Financial Restatements
The independent variable of this study is financial restatements. This variable is a dummy (imaginary) variable that in case of having Financial Restatements it equals 1, otherwise it equals zero.

Company Size
- Control variables in this study are company size, financial leverage, growth and company age. Company size is measured by the natural logarithm of total assets or sales revenue. This variable is shown by the symbol of (FSIZE).

Financial Leverage (Penetration)
In this study financial leverage (penetration) is one of the control variables. Financial leverage in this study consists of Total liabilities divided by the total assets in the fiscal year before the Financial Restatements. This variable is shown by the symbol of (LEVERAGE).

Company’s Growth
In this study Company growth is one of the control variables. Company growth in this study as the growth rate illustrates the combination of sales growth in three years before the financial restatements. This variable is shown by the symbol of (GROWTH).

Company’s Age
In this study, Company age in analyses is used as a control variable showing the number of years a company has been active in the Tehran Stock Exchange. This variable is shown by the symbol of (AGE).

The First Model: this model evaluated the impact of financial restatements on the mechanisms of corporate governance:
RESTATE = β0 + β1PUNREDIR + β2 CEOCHAIR + β3 AUD + β4PUNRELAUD + β5 FSIZE + β6 LEVERAGE + β7 GROWTH + β8 AGE +εi

The Second Model: this model evaluated the impact of financial restatements on the mechanisms of management turnover:
RESTATE = β0 + β1 TURNOVER + β2 BODSIZE + β3 FSIZE + β4 LEVERAGE + β5 GROWTH + β6 AGE +εi

Statistical population and sample
The statistical population of this study consists of all companies listed in Tehran Stock Exchange during 2004-2011 which have these conditions:
1- By the March 20, 2004 they had to be accepted in Tehran Stock Exchange.
Research Article

2- Their financial statements for each of the years between 2004-2011 should be available.
3- During the determined time limit, they have had to publish annually financial restatements at least.
4- The end of their fiscal year should be March, 19 for each period.
5- It should not be an Investment company and similar to them.

After taking all the above criteria into consideration, a number of 217 companies as the population were chosen and then by the method of systematic elimination 100 companies were selected randomly as the study sample, so our observations get 700 company-years.

Table 1: Sample Selection Process

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The total number of companies listed in the stock exchange on March 19, 2012</td>
<td>460</td>
</tr>
<tr>
<td>The number of companies that by March 20, 2004, were accepted in Tehran Stock Exchange</td>
<td>(422)</td>
</tr>
<tr>
<td>The number of companies that after 2004 were accepted in Tehran Stock Exchange</td>
<td>(69)</td>
</tr>
<tr>
<td>The number of companies that their financial statements are not available for one of the years from 2004 to 2011</td>
<td>(-)-Minus</td>
</tr>
<tr>
<td>The number of companies that within the times specified did not publish the annual financial restatements at least once.</td>
<td>(44)</td>
</tr>
<tr>
<td>The number of companies that within 2004-2011 changed their fiscal year or their fiscal year did not end on March 20</td>
<td>(73)</td>
</tr>
<tr>
<td>The companies which are categorized among holdings, investment companies, financial brokerage, banks or leasing companies</td>
<td>(57)</td>
</tr>
<tr>
<td>Number of samples</td>
<td>(217)</td>
</tr>
</tbody>
</table>

2) Describing the research variables (descriptive statistics of the research)

First, we study the characteristics of descriptive statistics which are shown in Table 1.

Table 2: descriptive statistics of the research

<table>
<thead>
<tr>
<th>The type of variable</th>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>Variance</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate governance</td>
<td>43985</td>
<td>40.355</td>
<td>1084.159</td>
<td>0.094</td>
</tr>
<tr>
<td></td>
<td>Ratio of non-executive members of board of directors</td>
<td>74.959</td>
<td>77.665</td>
<td>227.027</td>
<td>-1.132</td>
</tr>
<tr>
<td></td>
<td>CEO and chairman of board of directors being the same</td>
<td>64.630</td>
<td>67.630</td>
<td>435.791</td>
<td>-0.902</td>
</tr>
<tr>
<td></td>
<td>The type of auditor</td>
<td>3.723</td>
<td>4.000</td>
<td>0.661</td>
<td>-0.653</td>
</tr>
<tr>
<td></td>
<td>The ratio of non-executive auditor in the audit committee</td>
<td>5.080</td>
<td>5.000</td>
<td>0.160</td>
<td>1.074</td>
</tr>
<tr>
<td></td>
<td>Management turnover</td>
<td>0.968</td>
<td>0.800</td>
<td>22.474</td>
<td>20.862</td>
</tr>
<tr>
<td></td>
<td>The size of the board of directors</td>
<td>0.007</td>
<td>0.000</td>
<td>0.007</td>
<td>12.027</td>
</tr>
<tr>
<td>Control Variables</td>
<td>Firm age</td>
<td>0.164</td>
<td>0.132</td>
<td>0.016</td>
<td>1.648</td>
</tr>
<tr>
<td></td>
<td>Financial leverage</td>
<td>2.469</td>
<td>1.760</td>
<td>9.649</td>
<td>8.051</td>
</tr>
<tr>
<td></td>
<td>Firm growth</td>
<td>37.973</td>
<td>28.677</td>
<td>1922.689</td>
<td>4.905</td>
</tr>
<tr>
<td></td>
<td>Firm size</td>
<td>36.163</td>
<td>11.509</td>
<td>266341.552</td>
<td>20.976</td>
</tr>
</tbody>
</table>
In the corporate governance variable with 100 data, mean is 43.98 and variance is 1084.159 and we can state this fact for all the variables of research. If skewness is positive, it means the data scattering on the right side is high and if it is negative, it means data scattering is high on the left side and skewness in the variable of corporate governance is 94% that means scattering is more toward right side. For the variables of the ratio of non-executive members on the board of directors, CEO and chairman of board of directors being the same and the type of auditor, skewness is negative and it illustrates that data scattering is high on the left side and for the rest of data this scattering is positive.

Statistical Analysis of Research Variables

In order to estimate the Regression model we have used integrated data (panel data). In this method cross-sectional and time-series data are combined and it is applied for conditions where it is not possible to investigate the matters by cross-sectional and time-series data or when the number of data is small. Integrated are used data more due to increase the number of observations, raise the degree of freedom, decrease volatility of variance and dynamic study of changes.

Table 3: Summary of statistic information, hypotheses and results

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>statistic information</th>
<th>Hypotheses result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>F-statistic</td>
</tr>
<tr>
<td>The first main hypothesis</td>
<td>100</td>
<td>45.59181</td>
</tr>
<tr>
<td>The first sub-hypothesis</td>
<td>100</td>
<td>39.80823</td>
</tr>
<tr>
<td>The second sub-hypothesis</td>
<td>100</td>
<td>47.79349</td>
</tr>
<tr>
<td>The third sub-hypothesis</td>
<td>100</td>
<td>19.17738</td>
</tr>
<tr>
<td>The fourth sub-hypothesis</td>
<td>100</td>
<td>39.00452</td>
</tr>
<tr>
<td>The second main hypothesis</td>
<td>100</td>
<td>38.21698</td>
</tr>
<tr>
<td>The fifth sub-hypothesis</td>
<td>100</td>
<td>39.51732</td>
</tr>
</tbody>
</table>

RESULTS AND DISCUSSION

Research Results

1- The Results of Research First Main Hypothesis

According to the results shown in chart 3, and F statistic being 45.59, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.66) shows the relative independence of research data. The adjusted coefficient of determination for the model is almost 0.90 that indicates 90 percent of the changes in the dependent variable (i.e. corporate governance) is defined by the independent variable (i.e., financial restatements), so it can be said that financial restatements is effective on corporate governance in the companies listed in Tehran Stock Exchange.

2- The Results of Research First Sub-Hypothesis

According to the results shown in chart 3, and F statistic being 39.80, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.51) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.88 that indicates on average 88 percent of the changes in the dependent variable (i.e. Ratio of non-executive members of board of directors) is defined by the independent variable (i.e., financial restatements), as the
Research Article

The probability of Ratio of non-executive members of board of directors is less than 1% we can say that this variable is significant at 99% confidence level. Assuming other variables being constant, one unit change in Ratio of non-executive members of board of directors would change financial restatements by -0.0008 units; so it can be said that financial restatements is effective on Ratio of non-executive members of board of directors in the companies listed in Tehran Stock Exchange.

3- The Results of Research Second Sub-Hypothesis

According to the results shown in chart 3, and F statistic being 47.79, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.59) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.89 that indicates on average 89 percent of the changes in the dependent variable (i.e. CEO and chairman of board of directors being the same) is defined by the independent variable (i.e., financial restatements), as the probability of CEO and chairman of board of directors being the same is less than 1% we can say that this variable is significant at 99% confidence level. Assuming other variables being constant, one unit change in CEO and chairman of board of directors being the same would change financial restatements by -0.00049 units; so it can be said that financial restatements is effective on CEO and chairman of board of directors being the same in the companies listed in Tehran Stock Exchange.

4- The Results of Research Third Sub-Hypothesis

According to the results shown in chart 3, and F statistic being 19.17, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.59) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.77 that indicates on average 77 percent of the changes in the dependent variable (i.e. the type of auditor) is defined by the independent variable (i.e., financial restatements), as the probability of The results of research first sub-hypothesis is less than 1% we can say that this variable is significant at 99% confidence level. Assuming other variables being constant, one unit change in the type of auditor would change financial restatements by -0.05321 units; so it can be said that financial restatements is effective on the type of auditor in the companies listed in Tehran Stock Exchange.

5- The Results of Research Fourth Sub-Hypothesis

According to the results shown in chart 3, and F statistic being 30, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.51) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.87 that indicates on average 87 percent of the changes in the dependent variable (i.e. The ratio of non-executive auditor in the audit committee) is defined by the independent variable (i.e., financial restatements), according to the probability of the variable The ratio of non-executive auditor in the audit committee has no significant relation with financial restatements; so it can be said that financial restatements is not effective on The ratio of non-executive auditor in the audit committee in the companies listed in Tehran Stock Exchange.

6- The Results of Research Second Main Hypothesis

According to the results shown in chart 3, and F statistic being 38.21, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.51) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.87 that indicates on average 87 percent of the changes in the dependent variable (i.e. management turnover) is defined by the independent variable (i.e., financial restatements), as the probability of The management turnover is less than 1% we can say that this variable is significant at 99% confidence level. Assuming other variables being constant, one unit change in management turnover would change financial restatements by -0.00076 units; so it can be said that financial restatements is effective on management turnover in the companies listed in Tehran Stock Exchange.

7- The Results of Research Fifth Sub-Hypothesis

According to the results shown in chart 3, and F statistic being 39.51, we can say that the regression equation is significant at 99% confidence level. Moreover, Durbin-Watson statistic (i.e. 1.51) shows the relative independence of research data. The adjusted coefficient of determination for the model is 0.87 that
Research Article

indicates on average 87 percent of the changes in the dependent variable (i.e. The size of the board of directors) is defined by the independent variable (i.e., financial restatements), according to the probability of the variable The size of the board of directors less than 1% we can say that this variable is significant at 99% confidence level. Assuming other variables being constant, one unit change in The size of the board of directors would change financial restatements by 0.043 units; so it can be said that financial restatements is effective on the size of the board of directors in the companies listed in Tehran Stock Exchange.

3) Recommendations Based on the Research Results

The results of this research have scientific and practical implication for various groups, especially investors; as the results of this study suggest, some of the features of corporate governance and management turnover have a significant correlation with financial restatements and only the ratio of non-executive auditors in the audit committee has no significant relationship with financial restatements. Given the results of this study following suggestions are presented:

1- In Iran there are no independent financial restatements. And renewed financial statements provided in the previous fiscal year along with the financial statements of current year they both are presented by a comparative method. Therefore, we suggest Audit Organization as the authority of setting accounting and auditing standards in Iran define a standard in this regard That if the amount of annual adjustments in a company is important or significant they are required to submit two the financial statements:

A) Comparative financial statements for the current fiscal year and previous fiscal year

B) Renewed financial statements should be presented separately with some explanatory notes concerning the amounts and the reasons for the restatement.

2- Capital market authorities should Focus and pay attention to corporate transparency and accountability of corporate executives and the presentation of proper checklist for evaluation of transparency and account ability of companies.

3- Given the importance of the role of non-executive managers in strengthening the effectiveness of the board of directors’ performance, Non-executive management performance should be improved by the help of some solutions.

4- To study the composition of the board of directors, only non-executive members should be paid attention to. A non-executive manager who does not have required experience or knowledge for making company’s strategic decisions, he is not only control measure, but he does not also help to effectiveness of the board of directors and, therefore, he does not improve the company's performance. So, it is suggested that the in the mechanisms specified in the regulations of corporate governance system management features should be focused.

5- To enhance the independence of independent auditors and effectiveness of the internal audit the Audit Committee is used. This committee must be composed of a majority of non-executives. So in other countries by using this committee the supervisory role of the board is highlighted, while In Iran most of the companies lack audit committee.

Suggestions for Future Researches

According to the results of research and the questions raised for the researcher and in order to complete this study and further studies in the areas related with this research, following suggestion are offered:

1- This study separately investigated industries existing in the Tehran Stock Exchange in order to control the effects of industry, in other words, it tested the research hypotheses for Stock and non-stock companies

2- The evaluation of the effect of financial restatements on corporate governance using a logistic regression model.

3- The evaluation of Relationship between financial restatements and the independent auditor turnover

4- The investigation of the effect of corporate governance by providing comprehensive index of governance on the financial restatements.

6) Studying the Relationship between financial statements and independence of auditors and board members.
Limitations of the Study
Every study affected by macro factors has limitations which are not controllable. Some of the limitations that must be taken into consideration in generalizing the findings of this study are as follows:
1- One of the most important aspects of any research is the existence of accurate data and information, as well as ease of access to them. In most of the developed countries, there are detailed databases. But in our country, in some cases, the information and data of different databases are not the same. Moreover, there are no financial restatements in Iran databases. Therefore, in order to have access to the financial restatements provided, as well as in cases where there is a contradiction and providing more quality for the research we have used Stock Organization Website.
2- Not using a greater number of corporate governance features due to the inherent limitations such as lack of causative conditions for these features. For instance, nonexistence of audit committee, nonexistence of internal auditors in most of the stock companies, the number of members of the board of directors being fixed by the average of 5 people in the company, etc.
3- This study has some limitations, which makes the results being expressed cautiously. Including the lack of control of variables such as economic and political conditions, type of industry, type of company’s activities, domestic and international laws and regulations as well as being limited to the years of 2004-2011 that can affect the variables of the study.

REFERENCES
Research Article


