

The Relationship between Mental Accounting and Financial Reporting Quality with Simultaneous Transactions Approach¹

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INTRODUCTION

Part of the accounting literature has investigated the factors affecting the quality of accounting information. The quality of accruals is one of the important indicators used to track the quality of accounting information. The quality of accruals means the existence of uncertainty regarding the liquidity of accruals. Companies with high-quality accruals have poor accounting information quality. Accruals quality criterion includes two factors affecting the quality of accounting information, including wrong estimation in financial reports and managers' opportunism. Therefore, by knowing the psychological factors that lead to the decision to buy or sell securities. Mental accounting significantly affects financial decisions and investment behavior of investors and has become the focus of attention of many researchers, academics, and professionals in financial markets. Since financial and investment decisions are individual decisions that belong to investors, these decisions depend on the range of mental and psychological elements of investors. Therefore, it is necessary to identify the elements that lead to buying or selling decisions in the financial markets, because understanding the behavior of investors helps to accurately understand and predict the future movements of the financial markets, and thus helps to achieve above-average returns or avoid risk. The main focus of this research is the relationship between mental accounting and the quality of financial reporting with the approach of simultaneous transactions.

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MATERIALS AND METHODS

In terms of research method, this research is placed in the context of descriptive research. Descriptive studies describe and interpret existing conditions and relationships. In terms of the purpose of the research, this research is included in the category of applied research. The design of this research uses using post-event approach. The post-event method is used when the researcher examines the subject after the events have occurred. The spatial domain of the current research is Tehran Stock Exchange companies, and the temporal domain is for eight years from 2013 to 2014; The data required to test the research hypothesis has been collected by referring to the management and research, development, and Islamic studies site of the comprehensive information system of Kodal Publishers and the databases "Tadbir Pardaz" and "Rehavard Navin". After collecting the data needed to conduct the research; choosing a suitable tool to calculate and analyze information about variables is very important. To perform calculations and prepare the data for the information needed for the research as well as their analysis, three-stage and two-stage least squares simultaneous equation measurement methods have been used by using Excel and Eviuse software.

In the case of measurement and measurement of each quality attribute, quantitative criteria should be identified and measured so that they represent the desired quality characteristic that can be accepted through the measurement process.

Therefore, in this research, an equation device will be used to check the conceptual model.

RESULTS AND DISCUSSION

Testing research hypotheses using two-stage and three-stage equation systems

The first hypothesis states: that the quality of financial reporting and mental accounting have simultaneous mutual effects on each other.

In this section, the results of the two-equation device are reported for each of the equations separately and based on the two-stage and three-stage methods. The results for the quality variables of financial reporting and mental accounting are presented in two separate sections.

The first main hypothesis: the quality of financial reporting and subjective accounting have a significant effect on each other when their mutual and simultaneous effects are examined. It shows the two-stage and three-stage regressions for the financial reporting quality equation.

According to the findings of the three-stage equation machine, it can be seen that the coefficient of mental accounting (6.808) is positive and significant at the level of 0.01. This means that according to the strengthening of the quality of financial reporting, Heni's accounting will also improve. It is also clear that the results using the two-stage least squares equation system (2SLS) indicate a positive and significant effect of the subjective accounting variable on the quality of financial reporting. Therefore, it can be said that the quality of financial reporting and mental accounting have a mutually significant effect on each other at the same time. It shows the two-stage and three-stage findings for the financial information content equation. According to the findings of the three-stage equation system, it can be seen that mental accounting and the quality of financial reporting have a significant positive effect on each other. It is also clear that the results using the two-stage least squares equation system (2SLS) method indicate it is a positive and important effect of variables.

CONCLUSION

A review of the conducted research shows that there is very little evidence and research in the field of accounting and financial reporting about the role of mental accounting in financial reporting. Most of the conducted research has investigated and expressed the theoretical foundations of mental accounting. However, in this section, research that is related to the topic of the research is reviewed. Accordingly, it is suggested to the managers of joint-stock companies to prioritize accuracy in forecasting and to avoid publishing hasty forecasts with low accuracy. Capital market activists are suggested to act cautiously in analyzing forecasts published by company management and use them in making decisions, and even if possible, consider the characteristics of this forecast. To separate items in the profit and loss statements of companies. Also, investors are suggested to use balance sheet items such as the book value of each share as a decision-making criterion, according to the approach of aggregating items in the profit and loss statement. The limitations and problems that existed in the implementation of the current research and should be considered while interpreting the research findings and generalizing them are as follows: Due to the conditions of the research variables, it was not possible to research all companies and this It has reduced the number of studied samples. Also, the serious limitation of this research is that much research that has been conducted outside of Iran

examines a very large number of companies. Due to the limitations imposed on the statistical population due to the assimilation of companies, the generalization of the results to all economic units should be done with caution.

Keywords: Mental Accounting, Quality of Financial Reporting, Behavioral Finance, Stock Exchange.

JEL Classification: G11, G14.

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