



The Relationship between Free Cash Flow, Excess Stock Return Synchronicity and Quality of Disclosure with Regard to the Company's Growth in Companies Listed in Tehran Stock Exchange

Tahereh Sadeghi Hardengi*

Department of Accounting, Faculty of Literature and Humanities, Najaf Abad Branch, Islamic Azad University, Najaf Abad, Iran.

ABSTRACT

The purpose of this study was to investigate the relationship between free cash flow, return on equity and quality surplus synchronization disclosed with regard to the company's growth in the listed companies on the Stock Exchange in Tehran. The population of this research in the Tehran Stock Exchange listed companies and data sample consists of 105 companies for the period of 7 years is (1386-1392). Multivariate linear regression analysis to test the hypothesis of this study is at 5%. The results show that the company's growth and free cash flow in excess of synchronicity affect stock returns. The results also showed that companies with low growth (large) and the top (bottom) of free cash, concurrency excess stock return is greater (less) are. In addition, the results showed the company's growth and free cash flow affect the quality of disclosure. In other words, companies with low growth (large) and the top (bottom) of free cash flow, the quality of disclosed lower (higher).

Keywords: Growth, Free Cash Flow, Synchronization Excess Stock Return, The Quality Of Disclosure

INTRODUCTION

The ability and availability of any cash-generating unit to the cash basis is the basis of many decisions and judgments about that unit. In other words, information about the flow of cash inflows and outflows in a single entity forms the basis of many decisions and judgments of users of financial information (Ittner & Michels, 2017). The primary objective of financial reporting is to provide the right information for decision makers of financial information. One of the features necessary for the relevance of financial and economic data is to be useful in predicting. The forecast helps investors to improve their decision-making process and reduce the risk of their decisions. So Beaver, Kettler, and Scholes (1970) says predictions can be made without making a decision, but the smallest decision cannot be made without prediction. Financial reporting may take the form of financial statements or other transferring information. In addition to the information contained in the financial statements, the disclosures disclosed

*Corresponding Author: Sadeghi Hardengi, T.

To cite this article: Sadeghi Hardengi, T. (2020). The Relationship between Free Cash Flow, Excess Stock Return Synchronicity and Quality of Disclosure with Regard to the Company's Growth in Companies Listed in Tehran Stock Exchange. *Academic Journal of Accounting and Economic Researches*, 9 (1), 1-11.

outside the financial statements are also extensively based on estimates and estimates. Therefore, it is expected that due to incomplete estimates of managers from the company's future business, disclosed information through financial statements and outside it will contain common mistakes (Hirst, Koonce, & Venkataraman, 2008). Jensen's free cash flow problems may affect the company's information environment through its disclosure quality. Jensen (1986) argues that managers with high cash flows and low profit opportunities are more likely to take on opportunistic actions and participate in worthless activities. Domestic investors are motivated to hide their actions by controlling the company's information flow. Studies show that companies involved in cash-flow problems are more likely to hide low-value activities through accounting manipulation and profit management (Cheung & Jiang, 2016; Christie & Zimmerman, 1994). Fan and Wong (2002), found that earnings management is positively correlated with controlling stakeholder motivation for the benefits of private control, which is expected to expose Jensen's free cash flow problems to lower quality (Cheung & Jiang, 2016). Also, the stock price management forecasts affect the stock market liquidity and analysts' forecasts. Financial analysts, executives, and investors pay particular attention to stock returns. Therefore, free cash flows and disclosure quality of information may lead to changes in the information content of returns and cash flows, which may change the expectations of stockholders and financial analysts. According to these materials, the main objective of this research is to investigate the relationship between free cash flow, excess return synchronization and disclosure quality considering the growth of companies in listed companies on the Stock Exchange in Tehran.

The theory of equity valuation states that free cash flow cannot be related to stock returns; because it has no added value (Habib, 2011; Hoseini, Moghadam, Raessi, & Ahmadi, 2017). Free cash flow can only be associated with stock returns in certain circumstances, and the lack of relation between free cash flow and stock returns is conditional on the existence of growth opportunities (Yahyazadeh Far, Shams, & Larimi, 2010). Long-term performance of the price with free cash flow has been analyzed and it is concluded that companies that distribute additional cash between distributions will achieve higher returns over the medium in the long run (Noh, 2018; Vogt & Vu, 2000). Among the conditions for the relationship between free cash flow and stock returns, the book value of equity, net profit, and dividend has been considered as a control variable (Habib, 2011; Penman & Yehuda, 2009).

Jin and Myers (2006), focus on the role of domestic stockholders. They argue that the ability of domestic shareholders to extort foreign investors depends on the complexity of the company's information environment and its actions to capture the effects of corporate cash flows and the separation of risks between domestic shareholders and outside investors. Thus, Jin and Myers (2006), presented an information avoidance perspective that suggests domestic stakeholders have the incentives to extract the benefits of private control and its effects on the disclosure quality for synchronous returns on stocks. Piotroski and Roulstone (2004), found that internal exchanges of companies would increase the value of information. Ferreira and Laux (2007), have proven that organizational transaction data protects the stock prices of companies. Fernandes and Ferreira (2009), show that the enforcement of domestic trade laws in developed countries encourages informed business, which in turn improves the value of stock price information. On the contrary, only two recent studies support the view of avoiding internal information proposed by Jin and Myers (2006), and Haggard, Martin, and Pereira (2008), found that the effectiveness of voluntary disclosure policy was negatively related to R^2 . Hutton, Marcus, and Tehranian (2009), have proven that the complexity of the company's information environment is positively correlated with R^2 , and companies that do not disclose information are

more likely to fall into the market. However, the lack of evident evidence suggests that domestic financiers are more likely to attract unexpected cash flows for the synchronization of stock returns (Cheung & Jiang, 2016).

This study examines how Jensen's free cash flow problems (1986) lead to an increase in stock return synchronization. Specifically, it is assumed that low growth companies and high free-flow cash flows are more likely to manage profits and, as a result, show higher synergies in stock returns. Jensen's free cash flow hypothesis (1986) states that low-growth and high-cash companies are more likely to invest in low value projects than to raise cash surpluses. The company tends to have extreme investments (Richardson, 2006), and have low returns (Lang, Stulz, & Walkling, 1991). Jin and Myers (2006), argue that the prediction of free cash flows by the company's internal investor creates incentives to create a non-transparent information environment. When foreign investors estimate less than realistic market or industry-based cash flows, domestic investors can absorb positive cash flows from unexpected cash.

Conversely, when foreign investors estimate the company's cash flows more than real, domestic investors are attracting unexpected negative cash flows. Therefore, low-growth and high-cash companies are expected to show higher probability of reducing the disclosure quality and synchronization of higher stock returns. Therefore, this research seeks to answer the question of whether there is a meaningful relationship between free cash flow, a synchronization of stock returns and disclosure quality with regard to the growth of companies in listed companies on the Stock Exchange in Tehran or not?

Cheung and Jiang (2016), explored the relationship between free cash flow, the synchronization of stock returns and disclosure quality. The results of the research showed that the low growth of companies with high free cash flow has a better concurrency excess stock return on equity. These companies also have profit management and low disclosure quality. Indigenous investors are affected by attracting free cash flows expected by foreign investors. Also, the results of the research indicate that Jensen's free cash flow problems are the main driver for the excessive synergy of stock returns.

Belghitar and Khan (2013), explored governance mechanisms, investment opportunities and cash holdings in small and medium enterprises. The results show that small and medium-sized companies in the UK keep more cash with more cash flows and institutional investors, while financial leverage and dividends paid by small and medium-sized enterprises with non-executive ownership, cash less maintenance. Also, the results of the research show that ownership structure is only important in explaining cash resources to companies with high growth of investment opportunities, and the financial leverage is only important in explaining the cash held by low-growth companies with investment opportunities. The findings show that domestic governance mechanisms for medium-sized enterprises are more effective with the growth of high investment opportunities, while foreign governance mechanisms, such as capital market supervision, are more effective for low-growth companies.

METHODOLOGY

Since the purpose of applied research is the development of applied knowledge in a particular context; in other words, applied research is directed towards the scientific use of knowledge; the present research is applied in the light of the objectives of the research. Also, this research is descriptive-correlative in terms of the method because it examines the status quo on the one hand and describes the systematic and systematic description of its previous state and examines its features and attributes, and examines the necessity of the relationship between variables. On the other hand, it detects or determines the relationship between different variables using regression analysis. Also, in this research, library method has been used to compile

bibliography and research background. The data gathering method for analyzing and testing the hypotheses is the document mining methodology. These documents include: financial statements of companies and audited accompanying notes and annual stock records of the stock market during the years 1387 to 1392.

Explaining and measuring the variables of research

Explain and measure the dependent variable

This research consists of two dependent variables: concurrency excess stock return and disclosure quality, which are calculated as follows:

Concurrency excess stock return (PR2): The concurrency stock return was first proposed by Richardson (2006), and then developed by Morck, Yeung, and Yu (2000). And as a measure of value, we know the stock price. The following model is used to calculate the Concurrency excess stock return following the research by Cheung and Jiang (2016):

$$R_{itd} = a_{0i} + \beta_{1i}R_{mtd} + \beta_{1i}R_{mtd-1} + \gamma_{1i}R_{jtd} + \gamma_{2i}R_{jtd-1} + \varepsilon_{itd}$$

R_{itd} = stock return of the company i

R_{mtd} = Return on market shares

R_{jt} = stock return of industry j

To calculate the concurrency stock return, R^2 should be calculated for each company per year, where R^2_{it} represents the excessive stock return of company i in year t.

Disclosure Quality (DAC): In order to calculate the disclosure quality of companies, following Cheung and Jiang (2016), research, Dechow, Sloan, and Sweeney (1995), obtained discretionary accruals by the modified Jones model:

$$TAC_{it}/Assets_{it} = \alpha_0(1/Assets_{it-1}) + \beta_1(\Delta Sales_{it}/Assets_{it-1}) + \beta_2(PPE_{it}/Assets_{it-1}) + \varepsilon_{it}$$

$$DAC_{it} = TAC_{it}/Assets_{it-1} - \{a_0(1/Assets_{it-1}) + \beta_1(\Delta Sales_{it}-\Delta AR_{it}/Assets_{it-1}) + \beta_2(PPE_{it}/Assets_{it-1})\}$$

TAC = Total Accruals (Operating Profit - Operating Cash Flow)

Assets = total assets

Δ Sales = Sales Changes

PPE = visible assets

Explaining and measuring independent variables

Free Cash Flow (FCF): Free cash flows are equal to the ratio of free cash flows to the book value of equity.

Free cash flow = Operating profit + Amortization expense - ordinary dividend - income tax - interest expense

Company Growth (LG): It comes from two criteria: The percentage of Company's Tangible Asset (TAN) and Sales Growth (1 / SG). The percentage of visible assets is determined by the ratio of the assets attributable to the total assets of the company. Sales growth comes from the sales revenue ratio this year, minus the sales revenue of the previous year, to sales revenue of the previous year.

Explaining and measuring control variables

Standard deviation of return on assets (σ ROA): The return on assets is derived from the ratio of net profit to total assets, then the standard deviation of this ratio is calculated for a period of three years.

he Relationship between Free Cash Flow, Excess Stock Return Synchronicity ...

Concurrency Rate of Return on Assets (ROASYN): The Concurrency of return on assets to follow the research Cheung and Jiang (2016), will be calculated as follows:

$$\begin{aligned} ROA_{itQ} &= \alpha_{0i} + \beta_{1i}ROA_{mtQ} + \beta_{1i}ROA_{mtQ-1} + \gamma_{1i}ROA_{jtQ} + \gamma_{2i}ROA_{jtQ-1} + \varepsilon_{itQ} \\ ROASYN &= \log(R^2_{itROA} / 1 - R^2_{itROA}) \end{aligned}$$

ROA_{itQ} = rate of return on assets of company i in year t , which is derived from the ratio of net profit of company i to its total assets.

ROA_{mtQ} = Market rate of return on assets in year t from the net profit ratio of the market (total net profit of the companies in the research sample in year t) to total market assets (total assets of the companies in the research sample in year t) is obtained.

ROA_{jtQ} = rate of industry returns j , in year t , which is derived from the net profit ratio of j industry in year t to total assets of that industry.

Long-term debt (DEBT): Long-term debt is obtained directly from corporate financial statements.

Size of the company (SIZE): The size of the company is equal to the natural logarithm of the total assets of the company.

Hypotheses test

In the process of fitting models, testing the hypotheses of this research first, the general conditions of regression, such as the normal distribution of dependent variables, and the absence of co-linear and equivalence of variance, will be examined, then the research models will be fitted and the coefficients of the independent variables will be calculated.

Also, to determine the adequacy of the fitted model and the level of explanation of the variables independent of the R^2 statistic, the research hypotheses are confirmed if the regression and coefficients of the variables are meaningful. In this research, the following models will be used to hypotheses test:

$$\begin{aligned} P(R^2_{it}) &= \alpha_i + \beta_1FCF_{it-1} + \beta_2LG_{it-1} + \beta_3FCF_{it-1} * LG_{it-1} + \gamma CONTROL_{it-1} + \varepsilon_{it} \\ |DAC_{it}| &= \alpha_i + \beta_1FCF_{it-1} + \beta_2LG_{it-1} + \beta_3FCF_{it-1} * LG_{it-1} + \gamma CONTROL_{it-1} + \varepsilon_{it} \end{aligned}$$

$P(R^2_{it})$ = Concurrency Excess stock return

$FCFit_{-1}$ = free cash flow

LG_{it-1} = Growth of the company achieved by sales growth (1 / SG).

$FCFit_{-1} * LG_{it-1}$ = Interactive effect of free cash flow and company growth

$CONTROL_{it-1}$ = Control variables

$|DAC_{it}|$ = absolute quality of disclosure quality

Statistical population

The statistical population of this research is the companies listed in Tehran Stock Exchange. A systematic deletion method will be used to select the statistical sample. For this purpose, all statistical society companies with the following conditions will be selected as the sample and the rest will be removed:

1- In order to compare the information, the end of the financial year will lead to the end of March.

2- During their investigative period, their shares have been traded at least once every three months.

3- For the purpose of homogeneity of information, firms are of a type of production.

4. Information on the variables selected is available in this study.

According to the above limitations, 105 companies have been selected as the sample of the research.

RESULTS

To test the first hypothesis, the following multivariate model is used:

$$P (R^2_{it}) = \alpha_i + \beta_1FCF_{it-1} + \beta_2LG_{it-1} + \beta_3FCF_{it-1} * LG_{it-1} + \gamma CONTROL_{it-1} + \varepsilon_{it}$$

Before fitting the model to test the hypothesis, the type of method (compilation method or panel) and classical regression assumptions should be investigated.

F Limer and Hausman test

Considering the data used in this combined research (year-company) and the combined data in both panel and compilation, in order to choose between the method of panel and compilation data in estimating the model, the F limer test was Used. To investigate F limer's results, if the probability of the F statistic is greater than 0.05, then the combined data method should be used. Otherwise, the panel data method is used. A summary of the results of the F limer test is presented in Table (1). As you can see, the value of p value is 0 and less than 0.05, so the panel data method is accepted. If the method of panel data is accepted, then Hausman's test should be used to choose between the methods of random or fixed effects. In the Hausman test, if the chi-square statistic is more than 0.05, then the random effects method should be used and otherwise the static effects method should be used. According to the value of p-value, the Hausman test in Table (1) is 0.28 and more than 0.05, so the random effects method is accepted.

Table 1. F Limer and Hausman tests

Hausman test			F Limer test		
Result	Probability	Chi-square statistics	Result	Probability	F limer statistics
Random effects	0.28	12.1	Breadboard	0.00	11.1

Assumptions Regression Model

Before modeling is fitted on the data, model defaults are examined:

1. Non-self-correlation test of residuals

In the present study, the Camera-Watson test was used to diagnose the existence or absence of self-correlation. If this value is around 2, there is no solidarity itself. According to Watson's camera stats of 1.64, it was found that the above model is not self-correlated.

Table 2. Camera-Watson statistics

Camera-Watson statistics	Lack of self- Correlation
1.64	DW< 1.5 < 2.5

Non-heterogeneity test of variance of residuals

One of the basic hypotheses of a suitable regression model is the assumption of homogeneity of the variance of the residuals. To test this assumption, White Test is used in this research. The zero assumption in this test is the consistency of the variance of the residuals, which assumes zero if the value of p is greater than 0.05. According to the table below and the value of p-value obtained for the White (0.48) test and the significance level is greater than 0.05, p-value (0.05)), the zero assumption (the existence of uniformity of variance) is accepted. Shows that there is no anomalous problem of the variance of the remainder.

Table 3. Matching the variance of the model

Statistic value	p-value
F-statistic (0.62)	0.48

To test the first hypothesis, we re-fit the model twice, for once-to-grow companies with high free cash flow, for fast growth companies with low free cash flow. In order to identify companies with low and high growth companies or companies with low and high free cash flow,

he Relationship between Free Cash Flow, Excess Stock Return Synchronicity ...

the average of growth and free cash flow variables was calculated, then companies that have a number related to the growth variable or cash flow Their freedoms were higher than the sample average, as high-growth companies or companies with a high cash flow were high, and companies whose growth or growth numbers were lower than the sample average. The titles of low growth companies and low cash flow companies are low. Then, using the Z Wong test, two models are compared and the first hypothesis is concluded. The results of the data analysis are presented in Table (4) and (5).

Table 4. Results of data analysis to test the first hypothesis with model 1 (low growth companies and free cash flow)

p-value	t statistics	standard deviation	Coefficient	Variable
0.00	288.97	0.17	48.12	<i>C</i>
0.00	- 3.26	0.002	- 0.01	<i>FCF</i>
0.00	7.98	0.02	0.15	<i>LG</i>
0.00	- 10.94	0.01	- 0.15	<i>FCF*LG</i>
0.34	- 0.95	0.01	- 0.01	<i>DEBT</i>
0.04	- 2.1	0.06	- 0.12	<i>ROAIT</i>
0.76	0.3	0.21	0.06	<i>ROAJT</i>
0.00	3.08	0.17	0.52	<i>ROAMT</i>
0.00	518.35	0.09	45.66	<i>ROASYN</i>
0.00	4.55	0.01	0.05	<i>SIZE</i>
0.68	- 0.41	0.05	- 0.02	<i>SROA</i>
7086.8	F statistics	0.799365	R-squared	
0.00	Prob(F-statistic)	0.799224	Adjusted R-squared	

Table 5. Results of data analysis to test the first hypothesis with model 2 (high growth companies and low free cash flow)

p-value	t statistics	standard deviation	Coefficient	Variable
0.00	55.79	0.85	47.27	<i>C</i>
0.01	- 2.78	0.44	- 1.23	<i>FCF</i>
0.00	3.87	0.003	0.01	<i>LG</i>
0.00	- 3.2	0.01	- 0.05	<i>FCF*LG</i>
0.62	- 0.50	0.07	- 0.04	<i>DEBT</i>
0.08	- 1.76	0.16	- 0.27	<i>ROAIT</i>
0.18	1.35	0.23	0.31	<i>ROAJT</i>
0.43	-0.79	0.42	- 0.33	<i>ROAMT</i>
0.00	454.98	0.10	45.25	<i>ROASYN</i>
0.09	1.72	0.06	0.10	<i>SIZE</i>
0.07	- 1.79	0.11	- 0.20	<i>SROA</i>
3792.0	F statistics	0.698866	R-squared	
0.001	Prob(F-statistic)	0.698603	Adjusted R-squared	

Given the value of p-value obtained for the F statistic, which is zero ($p \text{ value} \leq 0.05$), the assumption H_0 is rejected, which indicates that all the regression coefficients are not simultaneously zero. Therefore, there is a meaningful relationship between all independent variables with the dependent variable simultaneously.

According to Table 4 and Table 5, and the p-value value of t for the company's growth and free cash flow (LG and FCF), both of which are less than the error level of 0.05 ($p\text{-value} \leq 0.05$), the zero assumption The existence of the relationship between company growth and free cash flow with the synchronization of stock returns is rejected, and as a result of company growth and free cash flow, there is an effect on the concurrency excess stock return.

Then, using the Z Wong test, the first hypothesis is tested. In this way, the models are compared with each other. The zero assumption in this test is the equality of the two models. If the z value of the P-value of z is less than the error level of 0.05, then the zero assumption is rejected, indicating that the predictive power of the two models is not equal. Then, using the test

statistic mark, if positive, the first model is superior, and if it is negative, the second model is superior. The Z-Wong test results for the first hypothesis are presented in Table 6.

Table (6): Z Wong test

Top model	<i>p-value</i>	Z statistic value	Hypothesis
First model	0.001	15.9	First (Model 1-Model 2)

According to Table 6 and the value of *p-value* is zero and less than 0.05, the assumption of zero is rejected and the result is that the predictive power of the two models is different. Also, given that the value of the Z statistic is positive, the result is that the first model is better than the second model, which indicates that companies with low growth (high) with high (low) free cash, excessive synchronization Stock returns are more (less) stock. As a result, the first hypothesis of the research is accepted.

Second hypothesis test

To test the second hypothesis, the following multivariate model is used:

$$|DAC_{it}| = \alpha_i + \beta_1 FCF_{it-1} + \beta_2 LG_{it-1} + \beta_3 FCF_{it-1} * LG_{it-1} + \gamma CONTROL_{it-1} + \varepsilon_{it}$$

Before fitting the model to test the hypothesis, the type of method (compilation method or panel) and classical regression assumptions should be investigated.

F Limer and Hausman test

A summary of the results of the F lemmer test is presented in Table (7). As you can see, the value of *p-value* is 0 and less than 0.05, so the panel data method is accepted. According to the *p-value*, the Hausman test in Table (7) is zero and less than 0.05, hence the fixed effects method is accepted.

Table 7. F Limer and Hausman tests

Hausman test			F Lemer test		
result	probability	Chi-square statistics	result	probability	F Limer statistics
constant effects	0.001	100.6	breadboard	0.001	5.3

Assumptions Regression Model

Before modeling is fitted on the data, model defaults are examined:

Non-self-correlation test of residuals

According to the Watson Camera's value of 1.93, it was found that the above model is not self-correlated.

Table 8. Camera-Watson statistics

Statistic value	<i>p-value</i>
1.93	DW < 1.5 < 2.5

Non-heterogeneity test for variance of residuals

According to the table below and the value of the obtained *p-value* for the White (0.48) test and the significance level is greater than 0.05, *p-value* (0.05)), the zero assumption (the existence of uniformity of variance) is accepted, which shows There is no anomaly of the variance of the residuals.

Table 9. Matching the variance of the model

Statistic value	<i>p-value</i>
F-statistic(0.65)	0.44

he Relationship between Free Cash Flow, Excess Stock Return Synchronicity ...

To test the second hypothesis, we re-fit the model twice, for once-growth companies with high free cash flow, for high growth companies with low free cash flow. Then compare the two models using the Z Wong test and conclude the second hypothesis.

The results of the data analysis are presented in Table (10) and (11).

Table 10. Results of data analysis to test the second hypothesis with model 1 (companies with low growth and high cash flow)

p-value	t statistics	standard deviation	Coefficient	Variable
0.00	10.38	14.44	149.90	<i>C</i>
0.00	2.83	0.07	0.19	<i>FCF</i>
0.00	10.33	0.05	0.51	<i>LG</i>
0.00	- 9.50	0.01	- 0.05	<i>FCF*LG</i>
0.18	1.35	0.01	0.01	<i>DEBT</i>
0.00	4.85	3.66	17.77	<i>ROAIT</i>
0.00	8.88	9.84	87.38	<i>ROAJT</i>
0.14	- 1.49	72.31	- 107.77	<i>ROAMT</i>
0.00	- 4.71	1.78	- 8.39	<i>ROASYN</i>
0.00	- 11.44	1.08	- 12.40	<i>SIZE</i>
0.02	2.35	0.27	0.63	<i>SROA</i>
120.5	F statistics	0.661408	R-squared	
0.001	Prob(F-statistic)	0.655920	Adjusted R-squared	

Table 11. Results of data analysis to test the second hypothesis with model 2 (high growth companies and low free cash flow)

p-value	t statistics	standard deviation	Coefficient	Variable
0.00	11.38	13.69	155.74	<i>C</i>
0.00	3	0.11	0.32	<i>FCF</i>
0.04	- 2.16	0.33	- 0.72	<i>LG</i>
0.00	9.96	0.05	0.51	<i>FCF*LG</i>
0.82	0.22	0.02	0.01	<i>DEBT</i>
0.00	3.07	4.43	13.60	<i>ROAIT</i>
0.00	6.33	12.40	78.57	<i>ROAJT</i>
0.17	- 1.39	92.48	- 128.42	<i>ROAMT</i>
0.01	- 2.46	4.52	- 11.11	<i>ROASYN</i>
0.00	- 12.79	1	- 12.83	<i>SIZE</i>
0.00	3.55	2.27	8.07	<i>SROA</i>
96.0	F statistics	0.701233	R-squared	
0.001	Prob(F-statistic)	0.693928	Adjusted R-squared	

Given the value of p-value obtained for the F-statistic, which is zero ($p\text{-value} \leq 0.05$), the assumption H_0 is rejected, which indicates that all regression coefficients are not simultaneously zero. Therefore, there is a meaningful relationship between all independent variables with the dependent variable simultaneously.

According to Table 10 and 11, and the p-value value of t for the company's growth and free cash flow (LG and FCF), both of which are less than the error level of 0.05 ($p\text{-value} \leq 0.05$), the assumption of zero The relationship between company growth and free cash flow with disclosure quality is rejected and as a result of company growth and free cash flow affect the disclosure quality.

Then the second hypothesis is tested using Z Wong test. In this way, the models are compared with each other. The zero assumption in this test is the equality of the two models. If the z value of the P-value of z is less than the error level of 0.05, then the zero assumption is rejected, indicating that the predictive power of the two models is not equal. Then, using the test

statistic mark, if positive, the first model is superior, and if it is negative, the second model is superior. The Z-Wong test results for the second hypothesis are presented in Table 12.

Table 12. Z- Wong test

Top model	<i>p-value</i>	Z statistic value	Hypothesis
Second model	0.001	- 18.4	First (Model 1-Model 2)

According to Table 12 and the value of *p-value* is zero and less than 0.05, the assumption of zero is rejected and the result is that the predictive power of the two models is different. Also, given that the Z-value is negative, the second model is better than the first one, which indicates that companies with low growth (high) with high (low) cash flow, disclosure quality lower (higher). As a result, the second hypothesis of the research is accepted.

CONCLUSION

Since the economic activities of the beneficiaries are affected by information, reliable information is essential in order to maintain order in the economy and to achieve cost-effective economics for optimal use of resources. Unfortunately, since the transfer of wealth may be obtained through the use of inaccurate information, it is likely that the disclosure of untrue information would be abusive. Full disclosure approaches, along with transparency in financial reporting, can create secure conditions and enhance the protection of investors' interests. Voluntary disclosure also has a positive impact on the company's performance and is affecting the interests of stakeholders and stakeholders. In other words, lack of transparency of information and ambiguity in reporting may lead to suspicious behavior and immoral behaviors in the direction of corporate depreciation. The purpose of this study was to investigate the relationship between free cash flow, excess return on stock returns and disclosure quality with regard to the growth of companies in listed companies on the Stock Exchange in Tehran. The results of the research show that company growth and free cash flow affect concurrency excess stock return. Also, the results of the research showed that companies with low growth (high), along with high (low) free cash flow, have more (less) concurrency excess stock return. In addition, the results showed that corporate growth and free cash flow affect disclosure quality. In other words, in low-growth companies with high (low) cash flow, they have lower disclosure quality (higher). The results of this study are in line with the results of the research by Cheung and Jiang (2016).

According to the results of the research hypothesis testing, suggestions are presented as follows:

- As the results of this study showed, company growth and free cash flow affect the concurrency excess stock return. Therefore, it is imperative that investors and corporate creditors make decisions about the relationship between firm growth and free cash flow with a synchronized surplus return on equity.
- Regarding the relationship between company growth and free cash flow with the disclosure quality, it is recommended that the suppliers of corporate finance and investors consider the relationship of these variables with each other more carefully.

REFERENCES

- Beaver, William, Kettler, Paul, & Scholes, Myron. (1970). The association between market determined and accounting determined risk measures. *The Accounting Review*, 45(4), 654-682.
- Belghitar, Yacine, & Khan, James. (2013). Governance mechanisms, investment opportunity set and SMEs cash holdings. *Small Business Economics*, 40(1), 59-72.
- Cheung, William Mingyan, & Jiang, Li. (2016). Does free cash flow problem contribute to excess stock return synchronicity? *Review of quantitative finance and accounting*, 46(1), 123-140.

- Christie, Andrew A, & Zimmerman, Jerold L. (1994). Efficient and opportunistic choices of accounting procedures: Corporate control contests. *Accounting review*, 69(4), 539-566.
- Dechow, Patricia M, Sloan, Richard G, & Sweeney, Amy P. (1995). Detecting earnings management. *Accounting review*, 70(2), 193-225.
- Fan, Joseph PH, & Wong, Tak Jun. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of accounting and economics*, 33(3), 401-425.
- Fernandes, Nuno, & Ferreira, Miguel A. (2009). Insider trading laws and stock price informativeness. *The Review of Financial Studies*, 22(5), 1845-1887.
- Ferreira, Miguel A, & Laux, Paul A. (2007). Corporate governance, idiosyncratic risk, and information flow. *The Journal of Finance*, 62(2), 951-989.
- Habib, Ahsan. (2011). Growth opportunities, earnings permanence and the valuation of free cash flow. *Australasian Accounting, Business and Finance Journal*, 5(4), 101-122.
- Haggard, K Stephen, Martin, Xiumin, & Pereira, Raynolde. (2008). Does voluntary disclosure improve stock price informativeness? *Financial Management*, 37(4), 747-768.
- Hirst, D Eric, Koonce, Lisa, & Venkataraman, Shankar. (2008). Management earnings forecasts: A review and framework. *Accounting horizons*, 22(3), 315-338.
- Hoseini, Seyyed Mojtaba, Moghadam, Abdolkarim, Raiessi, Zohre, & Ahmadi, Gholamreza. (2017). Growth Opportunities, Earning Permanence and the Valuation of Free Cash Flow. *Journal of Financial Management Strategy*, 5(18), 45-74.
- Hutton, Amy P, Marcus, Alan J, & Tehranian, Hassan. (2009). Opaque financial reports, R2, and crash risk. *Journal of financial Economics*, 94(1), 67-86.
- Ittner, Christopher D, & Michels, Jeremy. (2017). Risk-based forecasting and planning and management earnings forecasts. *Review of Accounting Studies*, 22(3), 1005-1047.
- Jin, Li, & Myers, Stewart C. (2006). R2 around the world: New theory and new tests. *Journal of financial Economics*, 79(2), 257-292.
- Lang, Larry HP, Stulz, RenéM, & Walkling, Ralph A. (1991). A test of the free cash flow hypothesis: The case of bidder returns. *Journal of Financial Economics*, 29(2), 315-335.
- Morck, Randall, Yeung, Bernard, & Yu, Wayne. (2000). The information content of stock markets: why do emerging markets have synchronous stock price movements? *Journal of financial economics*, 58(1-2), 215-260.
- Noh, Jung Hee. (2018). Ask of National Pension Service for Higher Dividend and Firm Value: Evidence from Korea *Firm Value: Theory and Empirical Evidence* (pp. 53).
- Penman, Stephen H, & Yehuda, Nir. (2009). The pricing of earnings and cash flows and an affirmation of accrual accounting. *Review of Accounting Studies*, 14(4), 453-479.
- Piotroski, Joseph D, & Roulstone, Darren T. (2004). The influence of analysts, institutional investors, and insiders on the incorporation of market, industry, and firm-specific information into stock prices. *The accounting review*, 79(4), 1119-1151.
- Richardson, Scott. (2006). Over-investment of free cash flow. *Review of accounting studies*, 11(2-3), 159-189.
- Vogt, Stephen C, & Vu, Joseph D. (2000). Free cash flow and long-run firm value: evidence from the value line investment survey. *Journal of Managerial Issues*, 12(2), 188-207.
- Yahyazadeh Far, Mohammad, Shams, Shahabeddin, & Larimi, Seiyed Jafar. (2010). The Relationship between liquidity and stocks return in Tehran Stock Exchange. *Financial Research Journal*, 12(29), 111-128 [in Persian].