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Investigating effect of managers characteristics on relationship between management ability and lag in report of board in companies listed on Tehran Stock Exchange

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Abstract: The purpose of this study is to investigate effect of manager's characteristics on relationship between management ability and lag in report of board in companies listed on Tehran Stock Exchange. for this purpose, 135 companies were surveyed during period 2012 to 2021. the required financial information was extracted from Rahavard 3 software by referring to financial statements and summarized, classified, calculated by Excel software and finally analyzed by Eviews and Stata software. using composite data and generalized least squares regression test at confidence level of 0.95, findings show that there is a significant and negative relationship between management ability and lag in report of board. findings also show that management ownership and management expertise have a significant and negative effect on relationship between management ability and lag in submitting management reports.

Keywords: management ownership, management expertise, management ability and lag in submitting management report.

Introduction

Given the importance of investors for companies in today's industrial world, in order to avoid confusion and prevent wrong decisions about performance of companies, as well as to prevent loss of investors, it is necessary for company managers to report financial information. timeliness and comprehensibility of these reports allows investors to make better judgments about performance of these companies and make more informed decisions. because timeliness of financial reporting has a great impact on timely decision-making and understanding of investors and reduces investor confusion, judgment and decision-making of investors will be more informed and realistic. the information disseminated by corporate manager in capital market is used by many decision makers and users. as a result, timeliness of this information is one of concerns of financial reporting users and lag in providing this information will affect confidence of investors in capital market. in fact, time announce financial report affects value of financial statements. the board is highest decision-making authority in companies. therefore, company managers are responsible for day-to-day operations and business process of company and preparation of financial reporting. on the other hand, board, on behalf of shareholders of company, supervises and controls. the main responsibility of board is to create effective corporate governance of company in line with interests of shareholders and balance in interests of stakeholders (Taheri, 2020). on the other hand, conflict of interest between managers of business unit and other stakeholders is due to the fact that managers effectively control assets of company, while they usually do not have a major ownership in shares of that company. as a result, managers have an opportunistic behavior in presenting timeliness financial reporting. since responsibility preparation and accuracy of financial and non-financial reports is with company's board, quality and timing of financial reporting will be affected by management method. therefore, management characteristics and capabilities of board can have a very important impact on financial reporting. capable managers have a better understanding of financial reporting and therefore try to provide financial reporting that congruous to needs of users. (Demerjian et al, 2012) showed that profit quality is positively related to managerial ability; therefore, not only unique and capable managers affect financial reporting of companies, but also this effect is systematic (Demerjian et al., 2013). accordingly, in this study, effect of management ability on timely financial reporting of companies is examined. in the following, problem, importance and necessity of research, theoretical foundations and research backgrounds will be presented.

Literature Review

(Soleimani Marshak, 2012) believe that audited financial statements are a reliable source for capital market and users of financial statements. as mentioned in statements of financial accounting standards board, financial information provided for decision making should be useful and appropriate. in order to achieve goal of attracting investors, capital market must be able to gain trust and confidence of investors. this trust and confidence will not be realized except in presence of a transparent market, and transparency of market depends on correct and timely reporting of companies accepted in market. timeliness is one of the most important components of relevance. timeliness of information can’t guarantee that it is relevant, but if the information is not timely, it can’t be relevant at all. efficiency of stock exchange is closely related to information available in market and timely and rapid reflection of information has an effect on prices of securities (Moradi et al., 2016). (Taheri, 2020) believe that financial reporting should be relevant and usable for economic decision making. financial reporting is very sensitive to passage of time and over time loses its value and usefulness in making decisions. according to Iran Accounting Standards, if financial reporting is not provided to users within a reasonable period after balance sheet date, its usefulness will decrease. timeliness financial reporting also affects reliability of accounting information. as a result, the shorter time interval between end of financial year and date of publication of financial reporting, greater its information value. in this regard, it is important to understand factors affecting lag in the report of board. in this study, effect of characteristics of company managers on relationship between management ability and lag in report of board in companies listed on Tehran Stock Exchange will be examined. in recent years, timeliness financial reporting has been a priority for developers accounting standards, researchers, and academics. US Securities Exchange Commission, for example, has reduced deadline for submitting financial reporting. in addition, according to Financial Accounting Standards Board and International Accounting Standards Board, timeliness of information is one of the most important features of information relevance (Arabi & Hassanpour, 2015). in addition, studies such as (Cornaggia et al., 2017) emphasize importance of timeliness audited financial reporting. reliable and timely financial information is essential to gaining and maintaining investor confidence. in emerging capital markets, audited financial statements in form of annual reports are basis of financial information among capital markets. however, there is a gap between the end of the financial year and release of audited financial statements, and reducing this gap improves efficiency of capital markets (Ahmadi, 2015). audited financial reporting is one of most reliable sources of information for users. but this information can be used by users when it has a set of qualitative features. one of these characteristics is lack of lag in information or in other words, its timeliness (Barzideh & Madanchiha, 2015). lag in submitting a management report is defined as period between the end of financial year and date of management report. Financial Accounting Standards Board considers timeliness of information as one of the pillars of the relevance of financial information and defines it as follows: "the availability of information for decision making before its influence on decisions is lost" (Mahdavi & Jamalianpour, 2011). (Sajjadi et al., 2013) believe that timeliness of information is a supportive feature for information relevance (Sajjadi et al., 2013); however, little study has been done on effect of management characteristics on timeliness of financial reporting. according to fraud triangle theory, companies with capable managers are less motivated to commit fraud than companies without capable managers (Cornaggia et al., 2017). as a result, management ability can reduce likelihood of fraudulent financial reporting. this will allow capable managers to be less lag in submitting financial reports. complexity of audit work will also be reduced, thus reducing lag in submitting the audit report. (Arabi & Hassanpour, 2015) believe that capable managers have more confidence to internal reporting system, thus providing information in less time. they showed that management ability reduces lag in provide management report. in other words, management ability will lead to a timely management report (Arabi & Hassanpour, 2015). therefore, in this study, effect of company managers' characteristics on relationship between management ability and lag in report of board in companies listed on Tehran Stock Exchange will be examined. in the following, some researches related to subject of this research will be presented.

Internal Background: (Soleimani Marshak, 2012) showed that effect of institutional shareholder ownership, proportion of non-executive members and size of independent auditor on timing of financial reporting was significant. statistical coefficients indicate that timeliness financial reporting has improved with increase institutional shareholder ownership and proportion of non-executive members. (Sajjadi et al., 2013) showed that corporate governance mechanisms are effective on lag time in submitting audit reports. also, results showed that in general, monitoring mechanisms of ownership structure (institutional shareholders and controlling shareholder) have a greater and more significant effect on timeliness of auditing reports within companies than management mechanisms (board size and number of non-executive members). (Jokar, 2014) by examining information of 93 companies listed on the Tehran Stock Exchange during years 2008 to 2012 showed that the most important audit factors affecting lag of audit reports are auditor's tenure, auditor's expertise in industry, type of auditing firm and type of audit opinion. also, the most important factors of corporate governance affecting lag of audit report are size of the board, independence of the board, tenure of the CEO and ownership percentage of institutional investors. (Ahmadi, 2015) by examining financial information of 117 companies listed on the stock exchange during period 2006-2013 showed that there is a negative relationship between continuity of auditor selection and concentration of ownership with lag in submitting audit report. there is also a positive relationship between failure risk and lag in submitting an audit report. research results do not show a significant relationship between auditor's expertise in industry and lag in submitting audit report. (Piri et al., 2015) showed that in growth period, ability of managers has a significant direct effect on reporting quality of companies listed on the Tehran Stock Exchange. (Arabi & Hassanpour, 2015) by examining financial information of 128 companies listed on the stock exchange during period 2006-2012 showed that among board characteristics, percentage of board members ownership in the company's shares and ratio of non-executive members (independence of board members) with acceleration in publication of financial statements has a significant positive relationship. results also showed that number of board members and duality of CEO responsibilities do not have a significant relationship with financial reporting timing. (Moradi et al., 2016) showed that variables of institutional shareholder ownership ratio, number of major shareholders, industry, major auditor, acceptable opinion, ratio of non-executive board members and return special value have greatest effect on timeliness. in addition, average accuracy of artificial neural network technique is higher than decision tree.

External Background: (Taheri, 2020) showed that profitable companies were more interested in providing faster financial statements than harmful companies. in addition, company size, financial risk and timely reporting history were other factors affecting timely reporting. (Demerjian et al., 2013) showed that profit quality is positively related to managerial ability; therefore, not only unique managers affect financial reporting of companies, but also this effect is systematic. also, results showed that better managers make better judgments and estimates than worse managers. (Ahmadi, 2015) reviewed data from 112 companies listed on Oman Stock Exchange between 2011 and 2012 and concluded that there was a negative relationship between board size and timeliness of financial reporting. there is also a positive relationship between effort of board (number of meetings) and presence of audit committee with timeliness of financial reporting. in addition, no reliable evidence was found that there was a significant relationship between expertise of board and timeliness of financial reporting. (Baik et al., 2017) in a study entitled management ability and the effectiveness of internal control of financial reporting concluded that there is a negative relationship between managerial ability and weakness in internal control of financial reporting. this result showed that capable managers are better at establishing and maintaining effective financial reporting internal control and helping to better monitor financial reporting. (Cornaggia et al., 2017), by examining a sample of Chinese listed companies in period 2007-2007, showed that fraudulent financial reporting decreases as management ability increases. in addition, results showed that corporate political communication could weaken or limit impact of management ability on likelihood of fraudulent financial reporting. (Arabi & Hassanpour, 2015) reviewed 38,476 year-company data over period 2003-2004. they concluded that by increasing ability to management, lag in financial reporting of management and auditor decreases. in other words, management ability will provide timely financial reporting by manager and auditor.

Methodology

In terms of nature and method, research is usually divided into historical, descriptive, correlational, causal and experimental research (Foroughi & Sakiani, 2017). this research is an applied research from perspective of purpose; Also, because research examines relationship between several variables, research is a descriptive correlation in terms of nature and method.

Statistical population and sampling method

All companies listed on Tehran Stock Exchange constitute statistical community of present research, which must have following characteristics:

1. Companies must be present on stock exchange from 2012 to 2021;

2. Companies intended are not among banks and financial intermediaries, leasing and other investment companies;

3. Incomplete data.

4. Time domain of this research covers from beginning of 2012 to the end of 2021.

According to above restrictions, 135 companies were selected as a sample.

Hypotheses and research models

1- Management ability has a significant effect on lag in management reporting in companies listed on Tehran Stock Exchange.

Model (1) relates to first hypothesis

$$\mathrm{EAL}_{i,t} = \alpha + \beta_1 \mathrm{MA}_{i,t} + \beta_2 \mathrm{Size}_{i,t} + \beta_3 \mathrm{LEVERAGE}_{i,t} + \beta_4 \mathrm{ROE}_{i,t} + \beta_5 \mathrm{LOSS}_{i,t} + \beta_6 \mathrm{RECINV}_{i,t} + \beta_7 \mathrm{MERGER}_{i,t} + \beta_8 \mathrm{RESTATE}_{i,t} + \beta_9 \mathrm{BIG}_{i,t} + \beta_{10} \mathrm{ICWEAKNESS}_{i,t} + \beta_{11} \mathrm{Age}_{i,t} + \varepsilon_{i,t}$$

2- Management ownership has a significant effect on relationship between management ability and lag in management reporting in companies listed on Tehran Stock Exchange.

Model (2) relates to second hypothesis

$$\mathrm{ARL}_{i,t} = \alpha + \beta_1 \mathrm{MA}_{i,t} + \beta_2 \mathrm{MO}_{i,t} + \beta_3 \mathrm{MA} * \mathrm{MO}_{i,t} + \beta_4 \mathrm{Size}_{i,t} + \beta_5 \mathrm{LEV}_{i,t} + \beta_6 \mathrm{ROE}_{i,t} + \beta_7 \mathrm{LOSS}_{i,t} + \beta_8 \mathrm{REC}_{i,t} + \beta_9 \mathrm{ME}_{i,t} + \beta_{10} \mathrm{RES}_{i,t} + \beta_{11} \mathrm{BIG}_{i,t} + \beta_{12} \mathrm{ICW}_{i,t} + \beta_{13} \mathrm{Age}_{i,t} + \varepsilon_{i,t}$$

3- Management expertise has a significant effect on relationship between management ability and lag in management reporting in companies listed on Tehran Stock Exchange.

Model (3) relates to third hypothesis

$$\mathrm{ARL}_{i,t} = \alpha + \beta_1 \mathrm{MA}_{i,t} + \beta_2 \mathrm{MS}_{i,t} + \beta_3 \mathrm{MA} * \mathrm{MS}_{i,t} + \beta_4 \mathrm{Size}_{i,t} + \beta_5 \mathrm{LEV}_{i,t} + \beta_6 \mathrm{ROE}_{i,t} + \beta_7 \mathrm{LOSS}_{i,t} + \beta_8 \mathrm{REC}_{i,t} + \beta_9 \mathrm{ME}_{i,t} + \beta_{10} \mathrm{RES}_{i,t} + \beta_{11} \mathrm{BIG}_{i,t} + \beta_{12} \mathrm{ICW}_{i,t} + \beta_{13} \mathrm{Age}_{i,t} + \varepsilon_{i,t}$$

Which:

$\mathrm{EAL}_{i,t}$: Lag in management report of company i in period t. lag in submitting financial report is obtained from difference between end of financial year of each company and date of publication of report by management (Arabi & Hassanpour, 2015);

$\mathrm{MA}_{i,t}$: Management ability of company i in period t (in present study, following of (Arabi & Hassanpour, 2015), model of (Demerjian et al, 2012) has been used);

$\mathrm{MO}_{i,t}$: management ownership of company i in period t (in research, percentage of shares owned by managers has been used);

$\mathrm{MS}_{i,t}$: Management expert of company i in period t (study used ratio of financially specialized managers to all board members);

$\mathrm{Size}_{i,t}$: Size of company i in period t (natural logarithm of total assets);

$\mathrm{LEV}_{i,t}$: Financial leverage of company i in period t (ratio of total liabilities to total assets);

$\mathrm{RO}E_{i,t}$: Profitability of company i in period t (gross profit to book value of equity);

$\mathrm{LOSS}_{i,t}$: Loss of company i in period t (if company has a loss this year, 1 is considered, otherwise 0);

REC_{it}: Intrinsic risk of Company i in period t (accounts and documents receivable commercial plus inventory of total assets (Arabi & Hassanpour, 2015);

$\mathrm{MER}_{i,t}$: Export sales of company i in period t (export sales to total sales revenue);

RES_{it}: Re-presentation of financial statements of company i in period t (if company has been re-presented in current year, 1 is considered, otherwise 0 (Arabi & Hassanpour, 2015));

$\mathrm{BIG}_{i,t}$: Audit quality of company i in period t (if the company auditor is an auditing organization, 1 is considered, otherwise 0);

$\mathrm{ICW}_{i,t}$: Weakness of internal control of company i in period t (if company has a weakness of internal control this year, 1 is considered, otherwise 0 (Arabi & Hassanpour, 2015));

$\mathrm{Age}_{i,t}$: Company age i in period t (natural logarithm number of years of establishment);

$\varepsilon_{i,t}$: model error.

Findings

Data analysis

After collecting required data for research, Office 2010 software will be used to calculate and prepare variables and combined data will be used to test hypotheses.

Descriptive Statistics

According to (Table 1), descriptive statistics include mean, median, minimum, maximum, standard deviation, skewness and kurtosis, which are the most popular descriptive statistics indicators. the mean is average of data. skewness and kurtosis are indicators of data symmetry and indicate their status relative to normal distribution.

Table 1. Descriptive statistics of model variables

variables	Std. Dev.	Minimum	Maximum	Mean
EAL	0.499	2.200	4.910	4.057
MA	0.469	-0.490	0.830	0.019
MO	0.654	0.000	0.951	0.672
MS	0.537	0.000	0.600	0.400
SIZE	1.574	10.350	19.110	14.100
LEV	0.200	0.090	2.080	0.584
ROE	0.405	-2.110	3.890	0.337
LOSS	0.284	0.000	1.000	0.088
REC	0.194	0.000	0.940	0.466
MER	0.188	0.000	1.000	0.106
RES	0.423	0.000	1.000	0.765
BIG	0.408	0.000	1.000	0.211
ICW	0.446	0.000	1.000	0.274
AGE	0.393	2.300	17.400	3.566

The main central indicator is mean, which indicates equilibrium point and center of gravity of distribution, and is a good indicator to show centrality of data. for example, mean company size is 14.100, which indicates that most of data is centered around this point. dispersion parameters are a criterion for determining degree of dispersion from each other or their degree of dispersion relative to mean. one of the most important parameters of dispersion is standard deviation. among variables, company export sales have the lowest and company size variable has the highest dispersion.

F-Limer and Hausman test

Due to the fact that data used in this study are combined (year-company) and combined data are both panel and pool, so in order to choose between panel and pool data method in estimating model, F-Limer test was used. Hausman test is also used to choose between a random effects model or a fixed effect model (Table 2).

Table 2. F-Limer and Hausman test

F-Limer test			Model
Result	Prob	statistics	
Panel method	0.000	14.7310	1
Panel method	0.000	14.5929	2
Panel method	0.000	13.8765	3
Hausman test			
Fixed effect	0.0000	41.7200	1
Fixed effect	0.0012	30.6758	2

Fixed effect	0.0024	24.6247	3

The statistical probability of models is less than 0.05, so panel data method and fixed effects are accepted.

Heteroscedasticity and Autocorrelation test

Wald test was used to investigate heteroscedasticity in this study. Woldridge test was also used to test autocorrelation between residues. if probability is greater than 0.05, there is no correlation between residuals.

Table 3. Heteroscedasticity and Autocorrelation test

Heteroscedasticity test			Model
Result	Prob	statistics	
Heteroscedasticity	0.0000	1.0447	1
Heteroscedasticity	0.0000	1.3023	2
Heteroscedasticity	0.0000	1.0254	3
Autocorrelation test			
Autocorrelation	0.0000	23.984	1
Autocorrelation	0.0101	7.214	2
Autocorrelation	0.0159	5.954	3

According to (Table 3), probability of obtained statistic for test of heterogeneity for research models is equal to 0.000, which is less than level of 0.05. therefore, H0 hypothesis is rejected. also, considering that probability of Woldridge test statistic for research model is less than 0.05, it was found that residuals of regression model have autocorrelation. the generalized least squares (GLS) method has been used to eliminate variance heterogeneity.

Test of research hypotheses

In this section, research hypotheses are tested. due to nature of the data, research hypotheses were tested at composite data level. before testing regression model and research hypotheses, classical hypotheses of model were tested and due to validity of model assumptions, research hypotheses were tested.

Research hypotheses

According to (Table 4) in this study, F statistic has been used to test significance of whole model and t-statistic has been used to test significance of regression coefficients. coefficient of determination R^2 was also used to examine relationship between independent and dependent variables.

Table 4. Results of data analysis to test first hypothesis

Variable	prob	t-Statistic	Std. Error	Coefficient
C	0.000	23.328	0.136	3.1866
MA	0.046	-1.992	0.010	-0.021
SIZE	0.455	-0.7462	0.011	-0.008
LEV	0.023	2.264	0.055	0.125
ROE	0.014	-2.456	0.011	-0.028
LOSS	0.283	1.074	0.025	0.027
REC	0.000	3.795	0.023	0.089
MER	0.025	2.243	0.061	0.138
RES	0.000	3.355	0.006	0.021
BIG	0.259	1.129	0.028	0.032
ICW	0.028	2.195	0.003	0.007
AGE	0.000	5.966	0.039	0.236
R-squared	0.7929	Adjusted R-squared		0.890

F-statistic	0.0000	Prob (F-statistic)	381.734

Given the probability value obtained for the F statistic which is less than 0.05, hypothesis H_0 is rejected and this indicates that not all regression coefficients are 0 at the same time. therefore, at 95% confidence level, this model is significant. coefficient of determination of first model of research is 0.890, which shows 89.05% of changes of dependent variable are described by independent and control variables. according to (Table 4), coefficient of company management ability variable is equal to -0.021 which is negative and probability of t-statistic for company management ability variable is equal to 0.046. this value is less than error level of 0.05. therefore, H_0 hypothesis is not rejected. there is a significant relationship between management ability and delay in management report. it should be noted that among control variables, financial leverage, profitability, intrinsic risk, export sales, restatement of financial statements, weak internal control and company age have a significant effect on management report. because probability value of t-statistic for variables of financial leverage, profitability, inherent risk, export sales, restatement of financial statements, weak internal control and company age is less than error level of 0.05.

Table 5. Results of data analysis to test second hypothesis

Variable	prob	t-Statistic	Std. Error	Coefficient
C	0.000	4.813	0.070	0.336
MA	0.007	-2.671	0.006	-0.016
MO	0.002	-2.524	0.005	-0.012
MA*MO	0.003	-2.701	0.014	-0.037
SIZE	0.828	-0.217	0.006	-0.001
LEV	0.002	3.106	0.037	0.117
ROE	0.332	-0.970	0.011	-0.011
LOSS	0.423	0.801	0.016	0.013
REC	0.592	-0.536	0.026	-0.014
MER	0.993	0.008	0.066	0.000
RES	0.064	1.852	0.010	0.019
BIG	0.000	5.875	0.026	0.154
ICW	0.024	2.257	0.001	0.004
AGE	0.000	6.433	0.033	0.218
R-squared	0.784	Adjusted R-squared		0.874
F-statistic	0.000	Prob (F-statistic)		140.177

According to (Table 5), coefficient of determination of second model of research is equal to 0.874, which shows that 87.46% of changes of dependent variable are described by independent and control variables. according to (Table 5), coefficient of interaction effect of management ownership and management ability is -0.037 which is negative and probability of t-statistic for interaction effect of management ownership and management ability is 0.003. this value is less than error level of 0.05. therefore, management ownership has a negative and significant effect on relationship between management ability and lag in management reporting. also, among control variables, financial leverage, audit quality, weak internal control and company age have a significant effect on lag in management report. because probability value of t-statistic for variables of financial leverage, audit quality, weak internal control and company age is less than error level of 0.05.

Table 6. Results of data analysis to test third hypothesis

Variable	prob	t-Statistic	Std. Error	Coefficient
C	0.382	-0.874	0.154	-0.135
MA	0.009	-2.354	0.031	-0.072
MS	0.000	-4.360	0.011	-0.050
MS*MA	0.012	-2.975	0.015	-0.044

SIZE	0.006	-2.761	0.017	-0.047
LEV	0.016	-2.413	0.001	-0.003
ROE	0.287	-1.064	0.008	-0.009
LOSS	0.000	-5.893	0.033	-0.199
REC	0.000	-5.83	0.034	-0.198
MER	0.000	-4.348	0.031	-0.135
RES	0.0003	3.651	0.011	0.043
BIG	0.000	-4.403	0.031	-0.136
ICW	0.0003	3.685	0.011	0.041
AGE	0.000	-5.722	0.031	-0.179
R-squared	0.721	Adjusted R-squared		0.764
F-statistic	0.000	Prob (F-statistic)		2.406

According to (Table 6), coefficient of determination of third model of research is 0.764, which shows that 76.4% of changes in dependent variable are described by independent and control variables. according to (Table 6), coefficient of interaction effect of management expertise and management ability is -0.037 which is negative and probability of t-statistic for interaction effect of management expertise and management ability is 0.003. this value is less than error level of 0.05. therefore, findings show that management expertise has a negative and significant effect on relationship between management ability and lag in management reporting. also, among control variables, loss, intrinsic risk, export sales, restatement of financial statements, audit quality, weak internal control and company life have a significant effect on timing of management reports. because probability value of t-statistic for these variables is less than error level of 0.05.

Discussion & Conclusion

Due to the economic aspects of information, financial reporting and accounting information system play a vital role in capital market. main purpose of financial reporting is to supply information needs of investors. investors and users use accounting information to predict future performance of company. in terms of usefulness of financial reporting, it is important to identify mechanisms through which managers achieve expected profit and prepare reporting. purpose of accounting is to provide information that investors can make appropriate decisions. therefore, by identifying factors affecting financial reporting lags, they can better reflect company's future outlook. however, main subject of present study is to investigate effect of managers' characteristics on relationship between management ability and board reporting lag in companies listed on the Tehran Stock Exchange. ever since issue of separation of ownership from management was raised, issue of financial reporting and providing information to make decisions and evaluate performance of managers has been considered. because managers decide how to use resources provided by shareholders, shareholders are always interested to know whether managers use available resources well or not. findings showed that management ability strengthens timely management report. in other words, management ability reduces lag in preparing and presenting information by management. findings also showed that two characteristics of management (ownership and management expertise) have a negative effect on relationship between management ability and lag in report of the board in companies listed on the Tehran Stock Exchange. in other words, in companies where managers are more owned or have more financial expertise, this issue leads to greater ability of managers and thus reduces lag in submission of financial reporting by managers. (Arabi & Hassanpour, 2015) stated in their research that high-ability managers will improve company's internal controls by adopting or accepting right policies of company; therefore, companies are less likely to submit financial reports late. (Arabi & Hassanpour, 2015) showed that companies with high-ability managers are less motivated to provide lag financial reporting than companies without high-ability managers, because with their self-confidence, they try to improve internal control to speed up audit process. therefore, companies with high-ability managers have timely financial reporting. the overall results obtained from this hypothesis are same compared to results obtained from (Arabi & Hassanpour, 2015).

Suggestions based on research results

Findings showed that low ability of managers increases lag in submitting financial reporting. in other words, there is a negative relationship between management ability and lag in management reporting. incompetent managers do not use company's resources optimally and are less ability than other capable managers to discern wise policies than unwise. therefore, owners are advised to consider strong oversight mechanisms such as a strong audit committee, quality auditors, and etc.

Considering effect of management ownership and management expertise on relationship between managerial ability and lag in management reporting in companies, investors are advised to give priority to investing in companies that managers have high ownership and financial expertise, because based on research findings in companies with high management ability, lag in management reporting is reduced.

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