

## Investigating the Relationship between Audit Return and Audit Quality in the Pharmacological Companies Listed on the Tehran Stock Exchange

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### Abstract

**Introduction:** In the present research, with the aim identifying the effective factors for audit quality and its evaluation criteria, the relationship between normal and abnormal annual stock returns and audit quality have been investigated by applying voluntary accruals criterion.

**Method:** This research is applied, the design is quasi-empirical and it has the ex post facto approach. The statistical population of the research include the pharmacological companies listed on the Tehran Stock Exchange, and the studied sample consists of 24 companies during 2008-2013 with regard to the considered limitations. The hypotheses of the research have been tested through using Multiple Linear Regression Analysis.

**Results:** The results of the research state that there is a positive and significant association between abnormal return and audit quality. But there is no significant relationship between real return and audit quality. Other findings of the research suggest negative and significant relation between return of assets and audit tenure with audit quality. Also, there is a positive and significant association between Q Tobin and the numbers of audit conditions with audit quality. However, there is no significant relation between other variables including firm size, return on equity, the complexity of firm activity, opinion type, audit firm size, the number of partners of audit firm, auditor industrial specialization, audit pressure, the independency of board of directors, the duality of chief officer responsibility, and altering chief officer with audit quality.

**Conclusion:** Under the conditions of existing abnormal return, the inclination for earnings management is less and audit quality is higher; as a result, the investors in the pharmaceutical industry and the other consumers of financial statements can make decision by relying more on the audit reports.

**Keywords:** Audit Quality, Earnings Management, Stock Return, Voluntary Accruals.

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