The role of the quality of accounting information in capital markets has always been very important for capital market activists and researchers in this field. While there are extensive previous researches on the factors that determine the quality of financial reporting, a comprehensive study on the role of different stages of the company's life cycle in determining the quality of financial reporting has not been done so far. The life cycle of the company consists of five different stages: introduction, growth, maturity, decline and stagnation. These stages are induced by both internal factors (such as strategic choices, resources and managerial ability) and external factors (such as the competitive environment and macroeconomic factors).

The concept of the company life cycle provides an effective way to classify companies into different stages that reflect very different circumstances. Some of these conditions such as investment intensity, availability of resources and opportunities and incentives for managerial discretion probably play an important role in shaping the quality of financial reporting. It can be expected that these conditions lead to differences in the quality of financial reporting of companies. When the point of view of profit and loss is considered and compliance with the principle of realization and matching and the financial statement of profit and loss is emphasized, the quality of matching is an essential element in the quality of financial reporting. Correlation between recorded income and cost is called quality of match. To calculate the accounting profit, it is necessary to deduct the cost of each period from the income of the same period. The more accurately the costs associated with each income can be identified, the higher the quality of the match. The quality of matching varies during different stages of the company's life cycle. Also, the probability of misstatement financial reporting varies during the company's life cycle. For example, in the maturity stage due to more effective internal controls and strong corporate governance and less risk of uncertainty about the future compared to other stages, mature companies have relatively stable profitability and less volatile cash flows. Therefore, it is less challenging for managers of mature companies to estimate future revenues and expenses that reflect actual economic conditions. As a result, in the maturity stage, there is no need to manipulate the company's activities and the probability of misstatement financial reporting is low.

Companies in the introduction and growth stage suffer from a lack of knowledge about potential revenues and costs. They are still developing their organization practices, processes, systems, structures, capacities and staff skills. In the introduction phase, monetary resources and technical or managerial abilities act as barriers to implementing good accounting systems and internal controls. As a result, they face problems in creating and maintaining healthy accounting information systems, which causes financial reporting to be challenged. To measure the quality of financial reporting, the quality of matching (simultaneous correlation between income and expenses) and the probability of incorrect financial reporting have been used. Therefore, the purpose of this research is to investigate the effect of different stages of the company's life cycle on the quality of financial reporting.

Hypotheses

According to the theoretical foundations and objectives of the research, the hypotheses of the research are as follows:

H1: the quality of matching in the introduction period is lower than in the maturity period of firm.

H2: the quality of matching in the growth period is lower than in the maturity period of firm.

H3: the quality of matching is lower in the period of decline than in the period of maturity of firm.

H4: the probability of misstatement financial reporting is higher in the introduction period than in the maturity period of firm.

H5: the probability of misstatement financial reporting is higher in the growth period than in the maturity period of firm.

H6: the probability of misstatement financial reporting is higher in the period of decline than in the period of maturity of firm.

Method

The statistical the population of this study are all companies listed in Tehran Stock Market, in which 101 companies in the period 2012 to 2022 have been selected by systematic elimination method. For data analysis and hypothesis testing, multivariate regression model based on compound data and probit regression is used.

Result

The results of the hypotheses test showed that the quality of the match in the maturity stage is higher than the introduction and growth stage, but the decline stage does not affect the quality of the match. In addition, the results showed that in the introduction stage, the probability of misstatement financial reporting is higher than in the maturity stage. Finally, the findings showed that in the growth and decline stage, the probability of incorrect financial reporting is not higher than in the maturity stage.

Discussion and Conclusion

Overall, the findings of this study increase researchers' understanding of the role of life cycle stages in creating variation in financial reporting quality. Also, the results showed that accounting numbers are relevant information sources of high value for investors in the stage of introduction, growth and maturity, and the reliability of financial information is of particular importance. This research has two consequences as follows:

First, the stages of the life cycle are different in terms of business conditions such as the intensity of investment, which causes doubt in the possibility of matching costs with revenues and awareness of profit. For example, our findings suggest that introducing firms' costs are recognized before related revenue, which may be due to reduced success in matching certain costs, such as advertising costs and R&D costs.

Keywords: Firm Life Cycle, Matching Quality, Misstatement Financial Reporting.