



Accounting Comparability and Deviation from Firm's Fundamental Value: The Mediating Role of Industry Competitiveness

Abbas Aflatooni

Associate Professor of Accounting, Faculty of Economics and Social Sciences, Bu-Ali Sina University, Hamedan, Iran. a.aflatooni@basu.ac.ir

1. Introduction

Accounting comparability mitigates irrational market fluctuations (Chircop et al., 2020). When accounting information is comparable, analysts and investors can accurately assess firms' intrinsic value. As a result, stock pricing becomes more rational, reducing emotional biases and speculative trading. This reduces investment risks and enhances confidence in financial markets. Accounting comparability fosters transparency and trust, enhancing industry competitiveness. Companies can leverage transparency to improve financial performance and operate in a more competitive environment. This supports sustainable industry growth and improves firms' economic performance (Islam et al., 2023; Chircop et al., 2024). Moreover, accounting comparability reduces market fluctuations and prevents opportunistic behaviors and financial fraud, stabilizing markets and assuring investors of financial information quality (Zhang, 2018). It also enables managers to optimize resource allocation, enhancing financial performance (Alhadi et al., 2021), and allows firms to compare best practices with peers, adopting successful strategies (Kim et

al., 2013). Thus, it improves stock pricing and fosters trust and transparency in financial markets (Lim et al., 2021; Rostami et al., 2024). The relationship between industry competitiveness and deviation from firm intrinsic value is multifaceted, influencing market performance and investor decisions (Junk, 2020). High competitiveness drives efficiency and productivity, as firms adopt new technologies and enhance product quality, enabling accurate stock valuation and reducing deviation from intrinsic value (Lafuente et al., 2020). However, intense competition may pressure managers to prioritize short-term results, potentially leading to financial misrepresentation, increasing deviation due to suboptimal investor decisions (Lin et al., 2015; Soewarno et al., 2020).

2. Hypotheses

The research hypotheses are as follows:

H1: Accounting comparability enhances industry competitiveness.

H2: Accounting comparability reduces deviation from firm intrinsic value.

H3: Industry competitiveness significantly affects deviation from firm intrinsic value.

H4: Industry competitiveness mediates the relationship between accounting comparability and deviation from firm intrinsic value.

3. Methods

Data were collected from the Rahavard Novin database and Codal website, analyzed using Stata software. The study applied generalized least squares (GLS) with Rogers cluster correction (1993) to control for fixed effects and mitigate heteroscedasticity. It focused on 144 companies listed on the Tehran Stock Exchange from 2008 to 2023, excluding those in banking, insurance, financial investment, leasing, and holding industries, yielding 2304 observations across 11 industries. Data from 2006–2007 were used for certain variables, with all variables winsorized at the 1st and 99th percentiles to minimize outlier effects.

4. Results

The results show that accounting comparability reduces deviation from firm intrinsic value. Moreover, accounting comparability has a positive and significant effect on industry competitiveness, and industry competitiveness reduces deviation from firm intrinsic value. The results confirm that industry competitiveness mediates the relationship between accounting comparability and deviation from firm intrinsic value. Supplementary LASSO regression analyses, using an alternative measure of firm intrinsic value and its deviation, support the primary findings.

5. Conclusion

Accounting comparability affects deviation from firm intrinsic value directly and indirectly. Directly, it reduces deviation by enhancing transparency, minimizing information asymmetry, and improving financial analysis. Indirectly, by enhancing transparency and enabling performance comparisons, it improves managerial and investor decision-making, fostering industry competitiveness and further reducing deviation. Managers should prioritize accounting comparability to reduce deviation from firm intrinsic value and enhance industry competitiveness. Investors should consider accounting comparability to identify lower-risk, high-return opportunities. Policymakers should enhance financial reporting transparency to increase market efficiency and investor confidence. Developing infrastructure to support comparability and healthy competition will strengthen capital markets and economic conditions.

Keywords: Accounting comparability, firm intrinsic value, industry competitiveness, information theory, agency theory.