The study of the relationship between working capital management and earnings management of listed companies in Tehran stock Exchange.

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Abstract: Working capital management included the manage assets and current liabilities and also manages earnings include the discretionary Accruals management and real items. This study investigated the relationship between working capital management and section discretionary accruals earnings. The data collected in this study taken the Financial statement of 341 companies in Tehran stock Exchange for the Period 1381 to 1388. The results study showed a significant and Positive correlation working capital and current assets with earnings management (discretionary accruals) and also a signify count. Inverse relationship current liabilities and earnings management (discretionary accruals).

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Keywords: working capital management, current assets, current liabilities, earnings management, discretionary accruals.

Introduction

Working capital management in organizations, companies and... is one of the most important and most immediate of the issues.

Working capital can be called the difference between current assets and current liabilities, and their assets is included the cash, accounts receivable, inventories and other, that a significant amount, is convertible each other and if is requires careful planning and quick reactions to changing forecast and conditions.

Working capital management is followed appropriate policies for the conduct current assets and current liabilities and practical tactics for maximized resource resulting from the working capital management. Director of finance that more time on your business, is concerned manage current assets and liabilities, he should always to being thought conduct working capital, that requires for most accurate method. Most of the commercial that is concerned with the working capital management, is written the right balance, where is considered for optimization holding of cash,marketable securities, accounts receivable and inventories often, optimizing the current assets, optimizing the other assets and overall assessment of the company, is Apart from getting done (Dastigir, 1387).

On the other hand, Accounting profit is the main Product of accounting and is comprised most important of the items Financial Statements, and have important role in mange company and usually, users of Financial statements for its, are allowed a lot of importance. Since the calculated Profit of the firms is affected by methods of accounting estimates, and Preparation of Financial statement is being responsible for the management, may be for various reasons, management, is proceed to conduct of profit, and profit economic units is manipulated for a chive the your goals and economic units goals. In this study, trying is to investigation of relationship between practices working capital management and profit management in companies that is accepted in Tehran stock exchange.

Theoretical basics

Working capital Being considered one of the important items of the assets of units and firms that have significant role in financial Decisions. Qualitative and quantitative business development, is resulted a Qualitative and quantitative development territory financial management and consequently Leads to became more complex the financial management. Working capital management is in connection with the financing management of current assets of institutions (Nikoo maram, 1390).

Theoretical perspective on the decision about the cash, marketable securities, receipts, current inventories and current liabilities, is harmonious with the purpose maximized (peak) overall value of the company. When the decision is made for the purpose, as well as quantity of the working capital is determined. Working capital, not determined based on a specific decision, But is determined based on decision mentioned above (Dastgir,1387).

Working capital management is one of the important areas in the financial management and organization management, Because of itdirectly affects the liquidity and profit abilities of companies. probability of bankruptcy is exist for companies exposed to inappropriate management of working capital, even though there are positive benefits. Workingcapital management is dealing with the current assets and liabilities. Current assets of a company it forms a significant part of total assets. Excessive levels of current assets can lead to the read to the realization of the yielding of investment less than normal lerels. However, companies that have low current assets, will be shortages and problems in the ordinary Corse of operations (Rahman and Nasr, 2007).

Efficient working capital management involve planning and controlling current assets and liabilities, is such that can solre Risk of failure to satisfy short – term obligation of the one hand and on the other hand, aroid of investing too much on this property (idem, 2007).

Companies can have an optimal level of working capital that maximized their value. Abundant inventory and generous credit policy, can Lead to increased sales. Abundant inventory decreases risk of shortage of inventory, and commercial credit Because of the create possibility of assessment of product quality before paying by customers, can increase sales (Deloof, 2003). If a working capital is weak, the company can hardly stay Flourish and continue to its operate. Lack of sufficient working capital is considered as one of a major cause of bankruptcy of small businesses in many Developing and Developed countries.

Working capital management is very important for the financial health of commercial units in various sizes. The amount investment in working than total assets is high and therefore it is vital that this fund are used effectively and efficiently، and there is evidence that commercial units for their working capital management do not operate in an efficient manner (Casseyvan, 2007)

While the operation of different commercial units traditionally attributed to public (general) management factors, such as production, marketing and operations, working capital management as a consequence, is affect on the grow and continuing operations company.

George D. etal, (1999), are defined earning management as a artificial manipulation earning by manage for achieving the expected level of profits for some specific decisions (such as analysts predict or the estimated previous profit for forecast future profits). According to his points, in fact motivated basic earning management is impression management inventors about the commercial units:

Accounting are detected based on accrual basis. Usually using of the accrual basis caused to difference between the amount reported operating profit of the net cash flow from operation and report of a series Accruals in financial statements (saghafi and hashemi, 1383). Dechoo etal, (1995) showed that nondiscretionary accruals are fixed and can not be used for income smoothing. Whatever the discretionary accruals within the accruals is more, probability of earning management is increase in subsequent.

Administrators can using a variety of techniques including accruals accounting, conducted the reported profits (Baradaran et al, 1388). Frequently Earning management occurs in companies that not have quality mechanisms to protect the interests of investors and the control of behave opportunistically managers. Among these mechanisms to reduce the agency problem, is the corporate governance mechanisms. So can expected that corporate governance mechanisms can reduce opportunities for earning management and As a result increased the quality of earning and the information provided (IZadinia and Rasayyan, 1388).

Review of Literature

Capital management that further focused on the delays centers in production, found that with the reducing delay, reduced the amount of working capital required for the company, that its cased the blocking minority of assets of working capital.

Many studies of the effect of working capital management on the profitability is supported this fact that choose a bold policy, improve profitability companies, especially Afza (1996) eta10, obtain evidence about U.S. companies that is supported of bold policy in working capital.

Lazardis and Fondis (2006), after the investigation the relationship between working capital management and profitability statistically is concluded that there is strong relationship between cash conversion cycle and profitability and also belived managers can with accurately controlling the components of working capital, particularly cash, in corporate is creat the profits.

Padachi (2006) as well as in 2006 during the review of 58 small and medium companies of Mauritania country, over a perod5-year – old came to the conclusion that exist a strong relationship between the variables of working capital management and corporate profitability. The his results indicate that increase in cash conversion cycle lead to reduce profitability company and management can with reduce this cycle for individual shareholders is creation the value.

Garcia Troll etal(2007) analyzed data from a sample of small and medium companies of Spanish during period 1996 to 2007, Found that managers can with reducing period of collection demands and peril of maintenance of inventories generally with reduce the cash conversion cycle, improved the profitability of companies under their management and value creation for shareholders.

Nobane and Alhejar (2009) begin the relationship between working capital management, cash flow operation and performance company. And the result indicated that managers can with a minimum cash conversion cycle and with shortening term of accounts receivable collection, increased profitability and companies cash flow, and also showed that shortening period of conversion assets and Lengthening the period maturities of accounts payable caused to reduce the profitability and companies cash flow.

Appuhami (2009) examined the impact of capital expenditure on the working capital management in companies of Thailand. The Believed that working capital management attracted attention less than management in capital budgeting capital structure in financial management in order to ordinary course of business. Working capital management reported sources short – term of financing and investments in short – term assets, working capital management is a indicator for profitability and risk of company. Operation cash flows companies are strongly influenced by working capital and also can expression that working capital maintenance followed by in an optimal Level of profitability for the company.

AFza and Nazir(2009). Investigated the effect of aggressive for working capital management policies on profitability of companies. They are divided 204 Pakistani companies into 16 industry groups and found that is existence a negative relationship between Level of profit ability, degrees of aggressive investment in working capital and financing policies in companies, and companies that have used the policy of aggressive working capital, reported efficiency Negative.

Nobane management and corporate profitability in companies of Tokyo stock exchange. They with a reviews of 2123 Japanese companies between 1990 to 2004 concluded that managers can increased the profitability of their companies with a shorter cash conversion cycle and demands collection period. also showed that managers can increased profitability of their companies by Lengthening payment period of payables. But managers must to be treated with caution in lengthening the time of payables period, Because it can blemished to reputation of a company's fame and damaged to profitability of the company in Long – term.

Zibre (2010), examined the relationship between working capital management and profitability of companies and with checking 13 companies of Pakistan in Karachi stock exchange from 2000 to 2008 showed that a company can increased the its profitability with increase in current assets and reduce in its current Liabilities, He believed that policies applied a bout working capital is affected on profitability of companies.

Dong Fang and sutai (2010), after reviewing the working capita management and profitability in Vietnamese firms concluded that to be a strong negative relationship between working capital management and profitability of companies. In this study examined the profitability of company with operation profit and cash conversion.

cycle was Performance criteria working capital management. The results of this study showed that managers can to create value for its stakeholders with reduce cash cycle in to an acceptable period of time.

Taragheh (1387), investigated the relationship between working capital management and yielding of small and mediate companies in Thehran stock exchange and found that demands collection period, assets cycle and period of became to cash have negatively associated with profitability of companies and period of dept payment have direct relationship with profitability.

Rahnamaye Roodposhti and kiaii (1387), in their study found that there are a significant relationship between strategy of working capital management with ability of liquidity and ability of pay debts. They examined and explained the strategy working capital management in companies that accepted in Tehran stock exchange.

Valipoor and Hasani (1388), in examining the relationship between working capital policies and profit shares found that working capital pokicies have significant impact on profitability shares, and this result is matched with results researches of Troll and Solano (2003), Lazardays etal. (2005) and padachi (2006). They concluded that companies with different working capital, have been different profitability. So that, companies that have adopted a more conservative policy, could be more profitable. Vis – a – Vis, companies that selected Aggressive policy, have been able to have the lowest profitability.

Ahmad yaghoob nezhad, HamidReza VakiliFard and AhmadReza Baai (1389), Discussed about the relationship between working capital management and profitability in companies that accepted in Tehran stock exchange and concluded that is an inverse relationship between variable working capital and profitability.

Bahar Moghadam et al.,(1390), after checking the effects working capital management on profitability of companies that accepted in Tehran stock exchange, concluded that there is a significant and positive relationship between operational efficiency in working capital management and profitability. About control and size firm variables, was found a significant and positive relationship between these two variables and profitability.

Mohammadi (1388), investigated the impact of working capital management on profitability companies in the society listed companies in Tehran stock exchange, and concluded that there is a significant and inverse relationship between profitability of companies with period of Receivables collection, period of assets, period of deposit creditors and cash conversion cycle.

In other words, managers can increased profitability of their company within reasonable Limits with reduce the period of receivables collection and inventory turnover period, also companies that is profitable, have shorter period of deposit creditors.

Reza Zadeh and Heydariyan (1389), after checking the effect of working capital management on profitability companies of Iran, concluded that manager can to value creation with reduce levels inventor iesand days receivables collection for company. In addition to shorten cash conversion cycle also coused improves the profitability.

Hypotheses

According to theoretical raised, research hypotheses are presented as follows:

First hypothesis: there is significant relationship between working capital and benefits management.

Second hypothesis: there is significant relationship between current assets and benefits management.

Third hypothesis: there are significant relationship between current liabilities and benefits management.

Study population

The society of this study is all firms acception Tehran stock exchange from 1381 to the end of the year 1388 (457 company, 2791 year-company). To determine the statistical sample with systematic elimination method, the following provisions are applicable:

1. First eliminated the companies that their fiscal year end isn't march 29 or 30 (103 companies equivalent to 554 year- company).

2- The banks and financial institutions and financial holding companies (due to the different nature of activities from other business units) are removed (13 company equal years-company).

3- At the end of outlier observation (the first percentile end 99 percentile of all observations) were also removed. (196 years-company).

These conditions apply to companies with 341 (equivalent to 1970 years-co) have been selected for estimate models and hypothesis testing. Research.

Statistical models of operational research and definition of variables.

Study models and operating definition of the variables

After collecting and preparing the data for the study, the first to analyze the components of accruals voluntary and involuntary we use of kaznyk model (1999):

Model (1):

$$ACC_{it} / A_{it-1} = \theta_0 + \theta_1.(1/ A_{it-1}) + \theta_1([\Delta S_{it} - \Delta REC_{it} / A_{it-1}]) + \theta_2(\Delta CFO_{it} / A_{it-1}) + \delta_{it}$$

in which:

ACC: Total accruals equal to net income minus operating cash flows.

A: Total assets of the company

Δ S: changes of sales equal the sales of current period minus sales of the previous period.

Δ REC: Changes of account receivable equal accounts receivable of the current period minus accounts receivable of the previous period.

Δ CFO: Changes of operating cash flow that equal with cash flow operating the current period minus operating cash flow pervious period, and

DAC=8_{it}: The rest of the model that it is equal with discretionary accruals (earning management)

Forecasting model

Evaluation model

After calculating discretionary accruals, for the test of first to three research hypotheses, the models (2) and (4) are estimated using panel data, respectively:

Model (2):

$$OAC_{it} = \alpha + \beta_1 WC_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

Model (3):

$$OAC_{it} = \alpha + \beta_1 CA_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

Model (4):

$$OAC_{it} = \alpha + \beta_1 CL_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

in which:

DAC: Discretionary accruals obtained from kaznik (1999)

WC: Working capital equal current assets minus liabilities.

CA: Current assets.

CL: Current Liabilities.

SIZE: Size company that equal natural log of the firm's assets.

MTB: Ratio of market value to book valve of the company's shares, that represents of a growth rate.

ROA: Ratio of net income to total assets at the beginning of the company.

6-1) Research variables.

In this study, three in dependent variables, dependent variable is working capital management.

Dependent variable, a measure of earning management is measured by discretionary accruals and variables of control are company's growth (the ratio of market value to book value of equity), firm size (log of assets) and firm profitability (ratio of net income to assets beginning of period), respectively.

Independent variable: It is management of working of working capital that to be calculated by the following:

Working capital= Current assets-current liabilities

Dependent variable: Measure of earnings management that it corporate by discretionary accruals measure (DAC)

Control variable: In this research, we use of three control variable in clouding company's growth, firm size and profitability of the company.

Company's growth (MTB): Is calculated by:

Company's growth= the value of stock market/ the value of book equity.

Company size (SIZE): Natural logarithm of assets.

Company profitability (ROA): The ratio of net of it to assets of beginning period.

Company profitability= net profit/ assets of beginning period

Data analysis

The descriptive statistics of the study

After calculating discretionary accruals, descriptive statistic's research are provided over view of the state of surrey data, are shown in the table (2-4).

The values presented show that the average (Middle) 0/12 efficiency on assets (0/10), /04 accruals (/03), 0/000 discretionary accruals (-%1), /08 operating cash flow (/06), 0/95 sales in com (0/87), /25 accounts receivable (0/22), /02 working capital (/06), 0/76 current assets (0/75), 0/75 current liabilities (0/96), 12/84 size of firms (12/76) and 2/55 growing companies (1/73)

Table 1: descriptive statistics research

Variable	Average	Middle	maximum	minimum	Standard deviation
Efficiency on assets	0/12	0/10	0/98	-0/56	0/16
Total accruals	0/04	0/03	0/94	-0/53	0/15
Discretionary accruals	0/00	-0/01	0/72	-0/57	0/13
Operating cash flow	0/08	0/06	0/70	-0/57	0/17
Sales income	0/95	0/87	3/92	0/05	0/52
Accounts receivable	0/25	0/22	1/03	0/00	0/18
Working capital	0/02	0/06	0/70	-2/42	0/32
Current assets	0/76	0/75	3/42	0/11	0/31
Current liabilities	0/75	0/96	3/39	0/09	0/38
Size	12/84	12/76	17/11	9/56	1/34
Ratio of growth opportunities	2/55	1/73	33/01	-6/72	3/32

Model estimation (1) and analyze accruals to components voluntary and involuntary.

Before presenting descriptive statistics research using kaznyk (1999) be calculated discretionary accruals. The results model estimation kaznyk (1999) is presented by the combine data at table (1-4).

Statistical significance Ly Myer (7/35) and no significant Housman statistic (5/31) indicates that the estimated model (1), should be used random effects approach. The results show that the method width of source (0/04), differential variable $\left[\Delta S_{it} - \Delta REC_{it}\right] / A_{it-1}(\%3), \Delta CFO_{it} / A_{it-1}$ $(-0/45)$ *in level*%1 *and coefficient* variable $1/A_{it-1}$ in 10% level is significant.

Table 2: the results of estimated model

$$ACC_{it} / A_{it-1} = \theta_0 + \theta_1 (1/ ....$$

Variable	coefficient	T. Student statistics	Significant	Index VIF
Width of source	0/04***	9/23	0/00	
$1/A_{it-1}$	-739/59*	-1/71	0/09	1/01
$[\Delta S_{it} - \Delta REC_{it}] / A_{it-1}$	0/03***	3/05	0/00	1/03
$\Delta CFO_{it} / A_{it-1}$	-0/45***	-21/53	0/00	1/02
Fisher statistic (significant)	(0/00) 57/24***			
Coefficient of adjusted determination	28/66%			
Statistics F Lymer (significant)	(0/00) 7/35***			
Statistics Housman (significant)	(0/15) 5/31			

Fisher Statistic significance (57/24) indicates that overall model is significant. Also the coefficient of adjusted determination indicates that the independent variable could approximately explain 29% of variability (total accruals). Variance inflation factor values close to 1 and it don't indicated that a problem linearly between independent Variables. After estimated the model (1), clauses remaining model extracted as accruals voluntary (7-3) the result's estimated models research, for the study of 1-3 research hypotheses, models (1) to (4) have been estimated using combined data, respectively.

Combination of data, basically point in the move data units to the sectional at the time, models based on these data, called panel data regression models.

Generally, it can be said combined data to made richer analyzes of experimental data. When using time series or sectional data, there is no possibility. In fact, use of cross section data for several consecutive years, containingthe best and reliable results and increases to explanation power of the model (7-3-2) the results of estimated models (2).

For test first research hypotheses, model (2) estimated using to application combined data, and results presented at table (7-4). Significant statistics lymyr (7/98), and Housman statistics (47/23), presented at the 1% level.

That for the estimated model (2) must use fined effects method. Estimated model demonstrate, with this method that, variable coefficient indicates working capital and it is significant and positive at 1% level. If indicates that thee is a relationship between working capital and discretionary accruals (earning management). In other words, if amount of working capital is greater, management power also, is more for manipulate earnings.

The first hypothesis test

The first research hypothesis in not rejected.

Table 3: The results of estimated model (2)

$$DAC_{it} = \alpha + \beta_1 WC_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

Variables	coefficient	T student statistics	Significant	VIF index
Width of source	-0/030	-1/03	0/30	
WC	0/080***	7/22	0/00	0/30
$SIZE$	-0/001	-0/25	0/80	0/00
MTB	-0/001	-1/37	0/17	0/80
ROA	0/339***	14/38	0/00	0/17
Fisher statistics (significant)	(0/00) 60/02***			
Coefficient of adjusted determination	32/41%			
statistics F lymyr (significant)	(0/00) 7/98***			
Statistics Housman (significant)	(0/00) 47/33***			

Among the control variables, only the efficiency assets (0/339) that effects on relationship between working capital and voluntary discretionary accruals. Variance inflation factor values are close to number and show no problem of linear between independent variables. Fisher statistics model means of over all significant model.

Also adjusted coefficient of determination shows that independent variables could explant approximately 32% of changes of dependent variables (discretionary accruals voluntary).

The results of estimated model (3)

For test second research hypothesis, model (3) estimated with using of combines data approach and its results show in table (8-4). Significant of statistics limir (4/54) and Housman statistics (26/82) at 1% level indicate that must be use of fixed effects method.

Table 4: The results of estimated model (3)

$$DAC_{it} = \alpha + \beta_1 CA_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

Variables	Coefficient	T. student statistics	significant	VIF index
Width of source	-0/099***	-3/32	0/00	
CA	0/117***	12/39	0/00	1/02
$SIZE$	-0/003	-1/11	0/27	1/02
MTB	-0/003***	-2/64	0/01	1/21
ROA	0/415***	21/08	0/00	1/24
statistics Fisher (significant)	(0/00) 77/70***			
Coefficient of adjusted determination	38/50%			
statistics F lymyr (significant)	(0/00) 4/54***			
Statistics Housman (significant)	(0/00) 26/82***			

The estimated model show that width of source (-%99) is significant at 1% level. A coefficient variables current asset (0/117) is positive and significant, at 1% level. It shows that there is significant relationship between amount of current assets and voluntary discretionary accruals (profit management).

In other words, if amount of current is greater, management power is also higher, for manipulate profit. Thus, the second hypothesis is not rejected.

Among the control variables, companies growth variables (-0/003) and efficiency assets (0/339) are significant at 1% level and it effects on relationship between amount of current assets and voluntary discretionary accruals. Variance inflation factor values are close to number 1, and this show no problem linearly between independent variables. Significant statistics fisher (77/70) means significant total model. Coefficient of adjusted determination indicate also, that independent variables could be explained approximately 39% of changes dependent variables (voluntary discretionary accruals).

The results of estimated model (4)

For test third research hypothesis, model (4) estimated by use of combines data approach and its results presented in table (9-4). Significant statistics Fisher (5/49) and statistics Housman show that for estimated model must be use of fixed effects method.

Table5: The results of estimated model (4)

$$DAC_{it} = \alpha + \beta_1 CL_{it} + \beta_2 SIZE_{it} + \beta_3 MTB_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

Variables	coefficient	T. student statistics	Significant	VIF index
Width of source	**-0/033**	**-1/08**	**0/28**	
$\boldsymbol{CL}$	**-0/045*** **	**5/37**	**0/00**	**1/12**
$\boldsymbol{SIZE}$	**-0/004**	**-1/60**	**0/11**	**1/02**
$\boldsymbol{MTB}$	**-0/004*** **	**-3/24**	**0/00**	**1/23**
$\boldsymbol{ROA}$	**0/481*** **	**22/05**	**0/00**	**1/37**
statistics Fisher (significant)	**(0/00) 59/93*** **			
Coefficient of adjusted determination	**32/43%**			
statistics F lymyr (significant)	**(0/00) 5/49*** **			
Statistics Housman (significant)	**(0/00) 32/27*** **			

The estimated model show that coefficient of current liabilities (-%45) is negative significant in the 1% level. This shows that there is significant relationship between amount of current liabilities and voluntary discretionary accruals. In other words, if amount of current liabilities is greater, management power decrease for manipulate profit.

Thus, the third research hypothesis is not rejected, too.

Among of control variables, companies growth variables (-0/004) and efficiency assets (0/481) are significant at 1% level and effects on relationship between amount of current liabilities and voluntary discretionary accruals. Variance inflation factor values are close to number 1 and it shows that there is no problem linearly between independent variables. Significant statistics Fisher (59/93) means significant total model. Coefficient of adjusted determination indicate also that independent variables could be explained approximately 32% of changes dependent variables (voluntary discretionary accruals).

Conclusion

Conclusions including hypothesis testing that were analyzed through statistical models. As mentioned for testing hypothesis research were used of combining data at 1381 to 1388.

In combining data, the data of all companies and for whole period researching is used to samely in order to measure mode, while cross-sectional method are used for many different company, annually.

Hypotheses are test, which are shown significant relationship among working capital, current assets, current liabilities as an independent variable with management profit (Although voluntary sector management earning). Results of testing hypothesis research are following:

The results of testing hypotheses research

First hypothesis, there is significant relationship between working capital and management profit. After survey it from statistics models, we resulted that there is significant and positive relationship between management of working capital and management earning (voluntary discretionary accruals).

In other words, if amount of working capital is greater, management power is increase for manipulate and if amount of working capital is more, ability manager decreases for manipulate earning.

So, working capital is one of important accruals for assess management profit.

Second hypothesis, there is significant relationship between current assets and management profit (voluntary discretionary accruals).

The results of statistics studying show that there is a significant relationship between value, current assets and voluntary discretionary accruals (management profit). In other hand, if value of current assets is more, management power also is increase for manipulate earning and vice versa.

Third hypothesis, there is significant relationship between current liabilities and management profit (voluntary discretionary accruals). Results indicate that there is significant relationship between value of current liabilities and voluntary discretionary accruals (management profit). In other words, if value of current liabilities is more, also management power is decrease for manipulate earning and vice versa.

Considering that, there has been not done research in archived articles in Iran.

So, we can say this research is studying for the first time. I hope that this subject can solution for do deeper and more extensive research in this field.

Research recommendations

Recommendations include suggestions based on results research is for future research that two cases are following:

Research recommendations

The subject of this study was to investigate the relationship between working capital and management profit in accepted companies in scholarship. We were studied relationship components of working capital including current assets and current liabilities with management profit and were assess that there is significant and positive relationship between working capital and management profit, so with increase working capital is more ability manager in manipulate earning and vice versa.

Investors, creditors and managers, … could use to reasonably and accurate analyzes of results, they use in their decision of them and they can more correct decisions.

Also, companies employ a committee to monitor and decide the optimal level of working capital, because working company is important.

Recommendation for future studies

- ✓ The study relationship between working capital and management profit (manage earning by manipulating actual items)
- ✓ Do research with the same name or, carried out for special industry.
- ✓ Doing the relationship between risk and efficiency shares of companies and working capital strategy's.
- ✓ It is suggested that in future research on component working capital especially accounts received to be done cash and inventory, independently.
- ✓ Studying factors affecting on working capital, including financial and non-financial factors.

Limitations of the study

- Non establishment of special programs for the collection or payment of accounts payable in some companies can be effective enough to cash cycle.
- Outside factors such as economic conditions, money conditions and foreign exchange impact facilities and can be effected working capital, too.
- Extraction and analysis of all data companies need to scholarship requires and spending time that we hadn't it for research.
- Independent research didn't carry on impact and relationship working capital and management profit (voluntary discretionary accruals) and previous research studied relationship management of working capital with other variables, so lack of research sources is evident in Iran.

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