

Benford's Law Ability to Detecting Errors of listed companies in Tehran Stock Exchange

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Detecting Financial Statement Errors of listed companies in Tehran Stock Exchange

Abstract

This study provides evidence on potential benefits of Benford's Law to detecting financial statement errors. The results of the research hypotheses indicate that the distribution numbers in the annual financial statements will follow distribution of the Benford's Law. Earnings management has a direct and significant impact on financial statements deviation from Benford's Law. Increasing financial statements deviation from Benford's Law represents an increase of asymmetry of information. Moreover, increasing financial statements deviation from Benford's Law, reduce the quality of earnings (earnings stability) leads. Acts restatements of financial statements reduce financial statements deviation in line with from Benford's Law.

Key words: *Earnings Management, Earnings Quality, Information Asymmetry, The Restated Financial Statements, Benford's Law.*