INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

THE RELATIONSHIP BETWEEN TENURE WITH COST STICKY AND COST OF GOODS SOLD IN TEHRAN STOCK EXCHANGE

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ABSTRACT

According to one of the primary assumptions of management accounting, cost variations are proportional with the increase or decrease of effort level. This assumption however, has been recently challenged by introducing the concept of cost stickiness by Anderson et al. This concept states that the increase rate of cost due to the increase of effort level is greater than the decrease rate of cost due to the decrease of effort level. The main purpose of this study is to evaluate cost stickiness in TSE. And administrative, sale and general costs as well as total costs and Costs of Goods Sold (COGS) indices were investigated as samples by this research. More accurately, the main purpose of this research is to answer the following questions: 1) are administrative, general, sale, total and COGS costs sticky? 2) If so, how much is the intensity of the stickiness between costs and COGS? The results of this study which are based on the data of the companies listed in TSE in a 6-year period from 2005 to 2011 indicate that there is a direct relationship between the term of office for the chairman of the board and the stickiness of administrative, general, sale, financial costs as well as the stickiness of COGS costs. The same results have been presented for 117 active companies of TSE and various industries.

KEYWORDS
Cost Behavior, General Costs, Sale Costs, Stickiness of Administrative, Stickiness of Financial Costs, , Sticky Behavior of Costs.

INTRODUCTION

In this study, we will examine the relationship between CEO tenure and The Behavior of Administrative, General and Sales Expenses and Financial Costs and cost of goods sold stickiness.

Since CEO tenure is used as a part of corporate governance topics for controlling of company operations and today the company's management stability is considered as a part of the above topic, so its effect on the company performance is the subject of this research.

Accountants operating in the field of management accounting have traditionally looked to cost behavior as an important dimension of a cost-benefit analysis to be used by managers. Also, financial analysts calculate the future costs of economic units based on a process of forecasting future revenues. So, cost behavior forecast is an important part of earnings forecast. Profit forecast is very important because it is considered as an effective variable on judgments and decisions of users and an important factor in the capital market efficiency.

Of course, the predictive value of accounting information does not mean that the information itself is a forecast but it means the use of this information in the forecast process analysis for managers. Studying cost behavior and cost of goods sold behavior is important not only for academic researchers but also for those whose jobs are directly associated with corporate activities. In the common model of cost behavior that has generally been accepted in the accounting literature, costs are considered as fixed and variable in terms of changes in the activity level. In this model, variable costs fluctuate relative to changes in the activity driver (Ballack Ryshan et al, 2008), assuming that the change level only depends on changes in the activity level not on the change direction. But some writers, such as Norn and Sewderesturm (1998) believe that costs increase with the increasing activity volume more than their decrease due to activity volume reduction. This type of cost behavior became known as "sticky costs" by Anderson et al (2003). According to Anderson and others, costs are sticky when the increase in costs associated with the increased volume is greater than the costs associated with the same amount of reduced volume. Also, if the activity volume decreases, companies with sticky costs have greater reduction in their income compared to firms without sticky costs. Findings of Chen and Benker (2006) show that cost behavior play an effective role in profits forecast in the models used by financial analysts. These findings are also useful for investors who use the relationship between CEO for valuing businesses because the research shows that sticky costs will lead to higher income and its distribution and diversity in the future. Having knowledge about cost behavior and cost of goods sold behavior is a very important aspect of profit.

In fact, it seems that cost behavior and cost of goods sold behavior are two determinant, effective factors in predicting future profitability, so considering all the above, the present study attempts to answer this question that whether cost stickiness and cost of goods sold stickiness are associated with CEO tenure or not? And whether CEO tenure as one of the most powerful persons in the company decisions is considered as the main factor influencing the decision-making process of the company on the process of cost behavior, and cost of goods sold behavior or not?

Prior studies have predominantly explained cost stickiness with economic factors such as asset intensity and uncertainty of future demand, and have largely ignored the impact of managerial incentives on cost behavior. Although Anderson et al. (2003) conjecture that part of SG&A cost asymmetry may be attributable to agency costs, there is no large-scale empirical evidence on their conjecture. Drawing on the empire building and the downsizing literatures, we fill the gap in the cost stickiness literature by examining the following two research questions: Is SG&A cost asymmetry positively associated with the agency problem, after controlling for known economic determinants of this cost asymmetry? Does strong corporate governance mitigate any positive association between the agency problem and SG&A cost asymmetry?

REVIEW OF LITERATURE

During the last years, scientific research on empirical description of behavior of accounting earnings has been developed in order to take advantage of observed patterns of past to predict future earnings.

In his study entitled the earning power in the forecast of cash flows and earnings, Finger (1994) has tested earnings and cash flows of operations in prediction of the future benefits of investments. Based on findings of this study, earnings are a significant variable in the earning forecast for 88 percent of the surveyed companies. In addition, earnings alone with cash flows are a significant variable to forecast cash flows in 90 percent of the sample companies.

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In their study entitled the effect of reporting earnings components on the increase of earning forecast power, Fairfield *et al*. (1996) tried to examine and test the effect of reporting earnings components on the forecast. The results showed that the additional information of the earnings components is not limited to unexpected items and discontinued operations. In addition, separation of specific items from continuous operating earnings and separation of non-operating earnings from operating earnings, will improve earnings forecast. Also, by dividing earnings into operating earnings, non-operating earnings, income tax, special items, unexpected items and discontinued operations, earnings forecast power will increase.

In their research entitled earning forecast, Chen and Banker (2006) designed and tested a model to forecast earnings using the model based on cost variability and cost stickiness and considering the sticky properties of costs. In this model, sale is considered as the main driver of change in the earnings and variable costs. This study mainly aims to evaluate the efficiency of this earning forecast model to other earning forecast models. Statistical Population of this study consists of 4348 companies during the period of 1992 to 2002. The results obtained from this study showed that involvement of the asymmetric behavior of costs in earnings forecast has increased accuracy of earnings forecast more than the other forecast models.

Anderson *et al*. (2007) investigated the issue of whether capital market recognizes the stickiness of sales costs, and administrative and general costs as well as the possibility of acquiring additional efficiency using the sticky model. This study is based on the assumption that cost behavior is severely dependent on the intensity and direction of changes in the activity driver; as Anderson *et al*. (2003) were committed to this point in their study and considered the costs sticky. Now, the question this study seeks to answer is whether involving this type of cost behavior in earning forecast model increases forecast accuracy? Anderson *et al*. (2003) have tested and confirmed the hypothesis suggesting that the costs are sticky. Determining a model with the cost of SG&A as a function of sales revenue, they realized that the average cost will increase by 0.55% in response to 1% increase in net sales revenue. However, only 0.35% will decrease in exchange for 1 percent decrease of earnings. Due to the lack of general data on the costs and related incentives, the data of SG&A costs and net sales revenue were used to analyze cost stickiness. SG&A cost behavior can be analyzed according to net sales revenue, because sales volume stimulates many parts of SG&A.

In a research entitled Cost Behavior and Analysts' Earnings Forecasts, Dan Weiss (2010) initially reviews forecast accuracy and precision in generally agreed earnings by analysts and shows that the companies with more sticky cost behavior have less earning forecast of analysts. In other words, the findings show that high costs affect business priorities of analysts and investors apparently care more about the sticky cost behavior in the value of the companies.

HYPOTHESES

1. There is a significant relationship between CEO tenure and stickiness of administrative, general and sales costs.
2. There is a significant relationship between CEO tenure and price stickiness.
3. There is a significant relationship between CEO tenure and Financial Costs stickiness.

RESEARCH METHODOLOGY

This research has an Applicable study methodology. The method of hypothesis testing is Solidarity and regression model stated in the research will be used hypotheses testing. Before each test on research hypotheses, data normality will be evaluated by Kolmogorov - Smirnov test. Then, Durbin - Watson Test will be used to investigate that there is no Autocorrelation between the data. Finally, significance of relationships between research variables and relation type will be evaluated by regression and t and f statistics.

RESEARCH VARIABLES

The dependent variables are General, administrative, sales, Cost stickness; Cost of goods sold stickness and Independent variable is CEO Tenure.

CEO Tenure = CEO Tenure
ε = Standard error of estimate
Sales = Sales of the company i in the tenure t

The following regression model will be used to review the second hypotheses:

(1)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m=3}^{6} \beta_m DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right).Agency\,Var_{m,i,t} + \varepsilon_{i,t}$$

Where:

SG&A = Total administrative, general and sales costs of the company i in the tenure t

Sales = Sales of the company i in the tenure t

DecDummy = If sales in the current year is less than last year, it is 1 and otherwise it is 0 To examine the relationship between cost of goods sold stickiness and CEO Tenure, the following regression model will be used

DecDummy = If sales in the current year is less than last year, it is 1 and otherwise it is(zero)`f

Cost sticky$_{it}$ =β_0+β_1COGS-STICKY$_{it}$+β_2MV$_{it}$+β_3LOSS$_{it}$+β_4DOWN$_{it}$+β_5VSALE$_{it}$ +β_6DISP$_{it}$+β_7OPLEV$_{it}$ +β_8SEASON$_{it}$ +β_9CEOTenure$_{i,t}$ + $\varepsilon_{i,t}$

Where:

Cost sticky it: Cost stickiness of sold goods of company i in the 3-month tenure t

In addition, variables of the mentioned independent variable are calculated as follows.

Stickiness:

STICKY$_{i,t}$= log $\left(\frac{\Delta cost}{\Delta sale}\right)$it- log $\left(\frac{\Delta cost}{\Delta sale}\right)$i,t

T, Tϵ $\{t,.., t-3\}$

Where:

T: The latest tenure t where the company i has been faced with sales decrease.

T: The latest tenure t where the company i has been faced with sales increase.

STICKY i, t: The Cost stickiness of the company i in tenure t.

$\Delta cost$: Cost changes which are calculated through the following formula

$\Delta cost$ i,t= (SALEit – EARNINGSit)- (SALEi,t-1 EARNINGSi,t-1)

Where:

SALE it: Sales of the company i in the tenure t

EARNINGS it: Operating profits of the company i in the tenure t

$\Delta sale$: Changes in sales which are calculated through the following formula:

$\Delta sale$it = SALEit - SALEi,t-1

Market value of equity:

mv it: Logarithm of market value of equity of Company i in the tenure t

Actual loss:

Loss it: It is the indicator variable which is equal to 1 for companies which reported loss in the tenure t and is equal to zero for other states.

Prediction of loss (Down):

It equals 1 for companies which have predicted loss in the tenure t and is equal to zero for other states.

Percentage of variations of sales (VSALE):

Percentage of variations of sales in the tenure t to the tenure t-1

Standard deviation of predicted reported profits (DISP):

Standard deviation of the predicted reported profits for the company i and the tenure t

Gross profit to sales ratio (OPLEV):

Gross profit divided by sales of the company

Changes of profit to the previous tenure (SEASON):

A qualitative variable which would be equal to 1 if changes of profit to the similar tenure in the previous year were positive and equal to zero for the other states

ANALYSIS OF RESEARCH HYPOTHESES

The documentations and literatures discussed in chapter 2 as well as the summary of the research framework presented in chapter 1 indicate that in most conducted studies the studied variables have been annually calculated and have been used as general arguments and interpretations. In this stage, following the determination and calculation of the dependant and independent variables, researcher examines and analyzes research hypotheses. First of all, the correlation between dependant and independent variables was examined and then regression method was used to determine the mathematical relationship between the variables. Regression analysis actually helps to find the linear relationship between variables, if there is such a relationship. Finally, correlation index was used to determine the relationship level between the dependent and independent variables of the research. Fortunately, SPSS calculates and Presentes P-Value (significance level). This helps to avoid use of corresponding data in t table which could be used for accepting or rejecting null hypothesis. The findings of each hypothesis are summarized as follows:

Assessing the Normality of Variables:

Since the normality of dependent variable results in the normality of model's residuals, before fitting the model its normality should be checked.

The null and alternative hypotheses of normality test are as follows:

H_0: distribution of data is normal

H_1: distribution of data is not normal

Kolmogorov-Smirnov test was used to examine the above hypothesis. In this examination, when significance level is below 5%, the null hypothesis is rejected at a confidence level of 95% (tabel 1).

TABLE 1- KOLMOGOROV-SMIRNOV (K-S) TEST

Symbol	logSGA	logSGI	Coststicky
Number of Data	765	788	789
Mean	-9.0868E+04	-1.2031E+05	-1.4281E+06
Standard deviation	355090.85133	580795.14905	6.31994E+06
Absolute Magnitude of the Maximum Deviations	.399	.418	.407
Maximum Positive Deviation	.399	.418	.407
Maximum Negative Deviation	-.362	-.409	-.378
Value of Z	11.036	11.732	11.427
Significance Level	.000	.000	.000

According to the table 1 since the significance level of the dependent variable is below 0.05, the hypothesis H_0 is rejected and the hypothesis H_1 is accepted. This means that data does not follow a normal distribution. To normalize the variables, mathematical conversion (square logarithm) is used. The following test examines that whether the converted data are normal.

TABEL 2- KOLMOGOROV-SMIRNOV TEST (k-S) (CONVERTED VALUES)

Symbol	Ln logSGA	Ln logSGi	Ln CostStiky
Number of Data	757	756	762
Mean	20.3234	19.5849	25.4005
Standard deviation	2.57567	3.41738	2.82475
Absolute Magnitude of the Maximum Deviations	.089	.055	.063
Maximum Positive Deviation	.089	.055	.063
Maximum Negative Deviation	-.041	-.049	-.048
Value of Z	2.452	1.507	1.743
Significance Level	.202	.121	.075

According to the Table 2 the significance level of variables is more than 0.05. Thus, the hypothesis H_0 is accepted and the hypothesis H_1 is rejected. In other words, data has been distributed normally. So, the hypothesis, indicating the normality of data, is accepted.

RESULT

Hypothesis One: There is a significant relationship between term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regressions as well. So, the multiple regression equation with four variables is formed as follows:

$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

Null and alternative hypotheses are defined as follows:

H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

$\begin{cases} H_0 : \rho_1 + \rho_2 + \rho_3 + \rho_4 = 0 \\ H_1 : \rho_1 + \rho_2 + \rho_3 + \rho_4 \neq 0 \end{cases}$

To examine the main hypothesis of the research, indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs, a multivariate regression model is used as follows:

(2)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy, \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m-3}^{6} \beta_m DecDummy, \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right), CEO\ Tenure_{m,i,t}$$

$$+ \sum_{s=7}^{10} CEO\ Tenure_{s,i,t} + \varepsilon_{i,t}$$

The tabel 3, which shows the independent input variables, deleted variables and the approach used in the definition of the regression.

TABEL 3 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, DecDummylogSAles, LogSales, DecDummylogCEOTenure[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition.

TABEL 4 - CORRELATION COEFFICIENT

model	The correlation coefficient	Adjusted coefficient	Adjusted coefficient of determination	Standard error estimates	Value Watson ststistic
1	.835[a]	.697	.695	1.41836	1.934

The Tabel 4 shows respectively correlation coefficient between the term of office for the chairman of board, as the independent variable, and the stickiness of administrative, general and sale costs, as dependant variable, which equals to 0.835, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, the adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 1.934 which lies between 1.5 and 2.5. The hypothesis of the self-correlation of errors is not rejected. So, regression method could be used.

The Tabel 4 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.

The statistical hypotheses of the significance test of whole the regression model are as follows:

H_0: there is no linear relationship between two variables

H_1: there is a linear relationship between two variables.

In the following, significance level is below 5%. Therefore, the linearity of the relationship between the variables is confirmed.

TABEL 5 - ANALYSIS OF REGRESSION VARIANCE

model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Regression	3472.203	4	868.051	431.494	.000[a]
	remaining	1508.800	750	2.012		
	Total	4981.003	754			

The tabel 5 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=431.494 andalso, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of α=0.05 there is a significant relationship between the dependent variable i.e. the stickiness of administrative, general and sale costs and the independent variable i.e. the term of office for the chairman of the board.

The F-statistic is derived by dividing the regression mean squares by the residual mean squares. In the tabel 5, F=431.494 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs.

TABEL 6 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

model	symbol	Standardized coefficients sre not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta			telorans	Variance inflation factor
1	(Constant)	1.384	.493		2.807	.005		
	LogSales	.719	.019	.819	37.619	.000	.852	1.173
	DecDummylogSAles	.000	.000	.040	1.862	.063	.866	1.155
	DecDummylog CEOTenure	.038	.026	.032	1.459	.145	.815	1.227
	CEOTenure	.056	.028	.044	2.021	.044	.860	1.163

The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.

According to the table 6, the t-statistic of the variable of the term of office of chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables.

In the column of Variance Inflation Factor (VIF), all values are below 5 indicating nomulticollinearity of the independent and control variables. Coefficients column (β) represents constants and coefficients of the dependent variables in the regression equation, respectively.

The regression equation is derived as follows:

(3)

$$\log\left(\frac{SG\&A_{i,t}}{SG\&A_{i,t-1}}\right) = 1.384 + .719\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + .056\,CEOTenure_{s,i,t}$$

Interpretation of the Impact of the Dependent variable on the Independent variable:

- The obtained value of the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim. The obtained value for the t-statistic is 2.021 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decreases) the stickiness of administrative, general and sale costs increases (decreases).

FIGURE 1- HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE ADMINISTRATIVE, GENERAL & SALE COSTS VARIABLE (ITS SYMBOL IS LOG SGA)
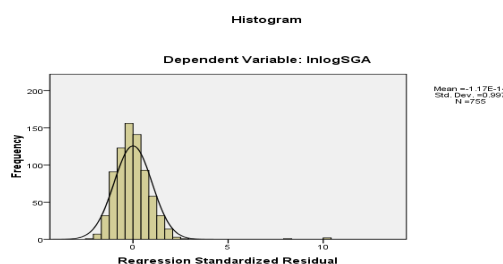
According to the diagram, the average presenred at the right side is very small (approaches to zero) and standard deviation approaches to one. Thus, the standardized residuals are normal.

FIGURE - 2 SCATTER PLOTS OF THE STANDARDIZED VALUES
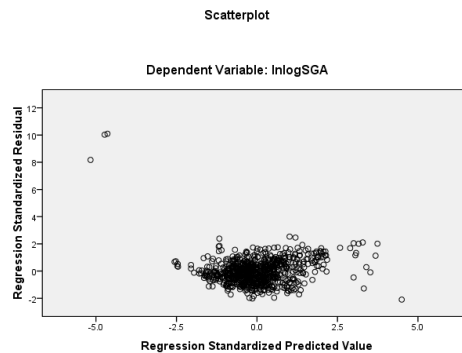
Hypothesis Two: There is a significant relationship between term of office for the chairman of the board and the stickiness of financial costs.

Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regressions as well. So, the multiple regression equation with four variables is formed as follows:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Null and alternative hypotheses are defined as follows:

H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

$$\begin{cases} H_0 : \rho_1 + \rho_2 + \rho_3 + \rho_4 = 0 \\ H_1 : \rho_1 + \rho_2 + \rho_3 + \rho_4 \neq 0 \end{cases}$$

To examine the main hypothesis of the research indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs, a multivariate regression model is used as follows:

(4)

$$\log\left(\frac{SG\&I_{i,t}}{SG\&I_{i,t-1}}\right) = \beta_0 + \beta_1 \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_2 DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \sum_{m-3}^{6} \beta_3 DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \beta_4 \sum_{s=7}^{10} CEO\,Tenure_{s,i,t} + \varepsilon_{i,t}$$

The table 7 which shows the independent input variables, the deleted variables and the approach used in the definition of the regression.

TABEL 7 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, DecDummylogSAles, LogSales, DecDummylogCEOTenure[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition.

TABEL 8 - CORRELATION COEFFICIENT

model	Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	.747[a]	.557	.555	2.31029	1.971

The table 8 shows respectively correlation coefficient between the term of office for the chairman of the board, as the independent variable, and the stickiness of financial costs, as the dependent variable, which equals to 0.747, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, the adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 1.971 which lies between 1.5 and 2.5. The hypothesis of no autocorrelation of the errors is not rejected. So, regression method could be used.

The table 8 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.

The statistical hypotheses of the significance test of whole the regression model are as follows:

H_0: there is no linear relationship between two variables

H_1: there is a linear relationship between two variables.

In the following, significance level is below 5%. Therefore, the linearity of the relationship between the variables is confirmed.

TABEL 9 - ANALYSIS OF REGRESSION VARIANCE

Model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Rehression	4864.966	4	1216.242	227.870	.000[a]
	remaining	3864.296	724	5.337		
	Total	8729.262	728			

Which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=227.870. Also, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of $\alpha=0.05$ there is a significant relationship between the dependent variable i.e. the stickiness of financial costs and the independent variable i.e. the term of office for the chairman of the board.

F statistics is derived by dividing the regression mean squares by the residual mean squares. In the tabel 9, F=227.870 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of financial costs.

TABEL 10 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

model	symbol	Standardized coefficients are not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta				
1	(Constant)	-2.941	.814		-3.615	.000		
	LogSales	.835	.032	.710	26.465	.000	.850	1.177
	DecDummy logSAles	.0001	.000	.058	2.172	.030	.865	1.156
	DecDummy Log CEOTenure	.062	.043	.040	1.461	.144	.816	1.226
	CEOTenure	.180	.046	.104	3.904	.000	.861	1.161

The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.

According to the tabel 10, the t-statistic of the variable of the term of office for the chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables

In the column of Variance Inflation Factor (VIF), all values are below 5 indicating no multicollinearity of independent and control variables. Coefficients column (β), represents constants and coefficients of the dependent variables in the introduced regression equation, respectively.

The regression equation is derived as follows:

(5)

$$\log\left(\frac{SG\&I_{i,t}}{SG\&I_{i,t-1}}\right) = -2.941 \ + \ .835 \ \log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + \ .0001 \ DecDummy.\log\left(\frac{sales_{i,t}}{sales_{i,t-1}}\right) + .180 \ CEO \ Tenure_{s,i,t} + \varepsilon_{i,t}$$

Interpretation of the impact of the Dependent variable on the Independent variable:

-The obtained value for the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim. The obtained value for the t-statistic is 3.904 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decrease) the stickiness of financial costs increases (decrease).

FIGURE 3: HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE FINANCIAL COSTS VARIABLE (ITS SYMBOL IS LOGSGI)
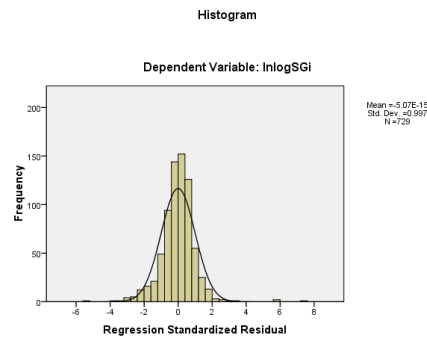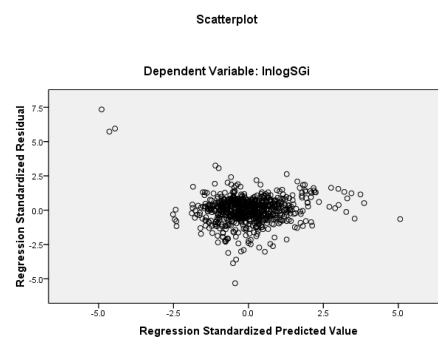

FIGure 3: Derived mean is very small at the right side, (approaches to zero), and standard deviation approaches to one. Therefore, the standardized residuals are normal.

FIGURE 4 SCATTER PLOT OF THE STANDARDIZED VALUES

Hypothesis Three: There is a significant relationship between the term of office for the chairman of the board and the stickiness ofcost.

Sometimes two or more variables significantly affect the dependent variable. In this case, multiple regression method is used to predict the dependent variable. The assumption indicating that the relationship between variables is linear is true in the multiple regression as well. So, the multiple regression equation with nine variables is formed as follows:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9$$

Null and alternative hypotheses are defined as follows:

H_0= there is no significant relationship between the term of office for the chairman of the board and the stickiness of cost.

H_1= there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost.

$H_0 : \ \rho_1 + \rho_2 + \rho_3 + \rho_4 + \rho_5 + \rho_6 + \rho_7 + \rho_8 + \rho_9 = 0$

$H_1 : \ \rho_1 + \rho_2 + \rho_3 + \rho_4 + \rho_5 + \rho_6 + \rho_7 + \rho_8 + \rho_9 \neq 0$

To examine the main hypothesis of the research indicating that there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost, a multivariate regression model is used as follows:

$Coststicky_{it} = \beta_0 + \beta_1 COGS\text{-}STICKY_{it} + \beta_2 MV_{it} + \beta_3 LOSS_{it} + \beta_4 DOWN_{it} + \beta_5 VSALE_{it} + \beta_6 DISP_{it} + \beta_7 OPLEV_{it} + \beta_8 SEASON_{it} + \beta_9 CEOTenure_{i,t} + \varepsilon_{i,t}$

The tabel 11 shows the independent input variables, the deleted variables and the approach used in the definition of the regression.

TABEL 11 - INDEPENDENT INPUT VARIABLES/DELETED VARIABLES

model	Variable entered	Variable not inclued	metod
1	CEOTenure, VSALE, DISP, OPLEV, COGSSTICKY, SEASON, DOWN, MV, LOSS[a]	.	Enter

Enter method is an approach for variable selection purposes in which all the variables inserted in one stage, are used in regression definition again.

TABEL 12 - CORRELATION COEFFICIENT

model	The correlation coefficient	Adjusted coefficient	Adjusted coefficient of determination	Standard error estimates	Value Watson ststistic
1	.636[a]	.405	.397	2.23040	2.369

The tabel 12 shows respectively correlation coefficient between the term of office for the chairman of board, as the independent variable, and the stickiness of cost, as the dependent variable, which equals to 0.636, the coefficient of determination i.e. changeability of the dependent variable which could be explained by regression, adjusted coefficient of determination and the standard error of the estimate.

Durbin-Watson statistic is 2.369, which lies between 1.5 and 2.5. The hypothesis of the autocorrelation of errors is not rejected. So, regression method could be used.

The Tabel 12 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables.

The statistical hypotheses of the significance test of whole the regression model are as follows:

H_0: there is no linear relationship between two variables

H_1: there is a linear relationship between two variables.

In the following, significance level is below 5%. Therefore, the linearity of the relationship between variables is confirmed.

TABEL 13 - ANALYSIS OF REGRESSION VARIANCE

model		Sum - square	Degree of Freedom	Mean-square	Statistics -f	Significance level
1	Regression	2429.737	9	269.971	54.269	.000[a]
	remaining	3576.786	719	4.975		
	total	6006.523	728			

The tabel 13 contains regression variance analysis which is used to evaluate the certainty of a linear relationship between variables. According to this output, F=54.269. Also, the significance level is 0.000 which is below 0.05. Thus, it could be concluded that at a significance level of α=0.05 there is a significant relationship between the dependent variable i.e. the stickiness of cost and the independent variable i.e. the term of office for the chairman of the board.

The F-statistic is derived by dividing the regression mean squares by the residual mean squares. In the tabel 13, F=54.269 implying the significance of the regression at a confidence level of 95%. The obtained P-Value is a proof of this claim. Therefore, H_o is rejected and it is confirmed that there is a significant relationship between the term of office for the chairman of the board and the stickiness of cost.

TABEL 14 - REGRESSION COEFFICIENTS OF THE DEPENDENT AND INDEPENDENT VARIABLES

| model	symbol	Standardized coefficients sre not		Standardized coefficients	Statistics t	Significance Level	Collinearity Statistics	
		B	Column Coefficient Standard Error	Beta			telorans	
1	(Constant)	23.778	.224		106.301	.000		
	COGSSTICKY	.0001	.000	-.411	-12.331	.000	.747	1.338
	MV	.000	.000	.282	8.429	.000	.737	1.356
	LOSS	-.655	.373	-.063	-1.756	.080	.640	1.561
	DOWN	-.513	.537	-.033	-.956	.339	.689	1.452
	VSALE	.000	.001	-.011	-.374	.708	.997	1.003
	OPLEV	-.016	.014	-.032	-1.101	.271	.995	1.005
	SEASON	-.056	.173	-.010	-.322	.747	.921	1.085
	CEOTenure	.270	.043	.187	6.272	.000	.935	1.069

The examinations related to the each regression coefficient of one of the real examinations of hypotheses about model parameters are used for appropriate measuring of the regression model. The t-statistic was used to assess the significance of the independent variables coefficients.

According to the tabel 14, the t-statistic of the variable of the term of office for the chairman of the board implies that the coefficient of this variable is significant at α= 5%, despite control variables.

In the column of Variance Inflation Factor (VIF), all values are below 5 indicating no multicollinearity of the independent and control variables. Coefficients column (β) represents constants and coefficients of the dependent variables in the introduced regression equation, respectively.

The regression equation is derived as follows:

(6)

Cost sticky$_{it}$ =23.778+ . 0001COGS-STICKY$_{it}$ +. 270 $CEOTenure_{i,t}$

Interpretation of the impact of the Dependent variable on the Independent variable:

-The obtained value of the t-statistic of the term of office for the chairman of the board indicates that the coefficient of this variable is significant at α= 5% and the obtained significance level, is a proof of this claim evidence. The obtained value for the t-statistic is 6.27 indicating its direct relationship with the dependent variable. This means that as the term of office for the chairman of the board increases (decreases) the stickiness of cost increases (decreases).

FIGURE 5 - HISTOGRAM DIAGRAM OF STANDARDIZED REGRESSION RESIDUALS VERSUS THE STICKINESS OF THE ADMINISTRATIVE, GENERAL AND SALE COSTS VARIABLE (ITS SYMBOL IS COST STICKY)
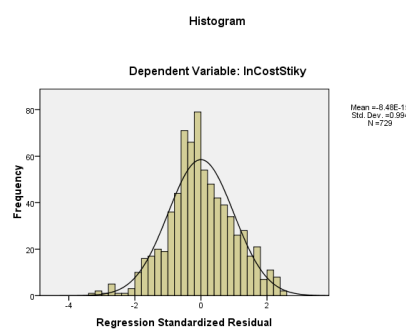
According to the diagram, the derived average is very small (approaches to zero) at the right side and standard deviation approaches to one. Thus, the standardized residuals are normal.

FIGURE 6 - SCATTER PLOT OF THE STANDARDIZED VALUES
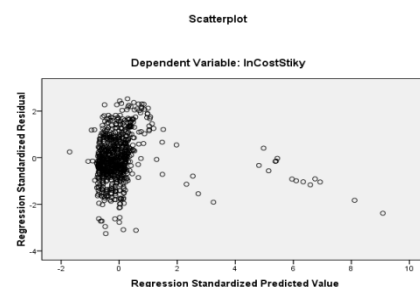
CONCOLUTION & DISCUSSION

According to the regression and correlation examinations as well as the analysis carried out and according to the tabel 3, there is a positive correlation coefficient between the dependent and control variables and the stickiness of administrative, general and sale costs of the companies listed in Iran Investment Market with a value of 0.835. In the tabel 4, the value of the F-statistic is 431.494 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs is confirmed. The obtained value for the t-statistic of the stickiness of the administrative, general and sale costs variable indicates the significance of the variable's coefficient at a significance level of α=0.05, despite control variables. The t-statistic value is 2.021 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of administrative, general and sale costs. According to the results, as the term of office for the chairman of the board increases the stickiness of administrative, general and sale costs increases and vice-versa.

So according to the regression and correlation examinations as well as the analysis carried out and according to the tabel 8, there is a positive correlation coefficient between the dependent and control variables and the stickiness of financial costs of the companies listed in Iran Investment Market with a value of 0.747. In the tabel 9, the value of the F-statistic is 227.870 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of financial costs is confirmed. The obtained value for the t-statistic of the stickiness of financial costs variable indicates the significance of the variable's coefficient at a significance level of α=0.05 despite control variables. The t-statistic value is 3.904 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of financial costs. According to the results, as the term of office for the chairman of the board increases, the stickiness of financial costs increases and vice-versa.

So according to the regression and correlation examinations as well as the analysis carried out and according to the tabel 12, there is a positive correlation coefficient between the dependent & control variables and the stickiness of cost of the companies listed in Iran Investment Market with a value of 0.636 In the tabel 13, the value of the F-statistic is 54.269 and we have sig=0 indicating the significance of the multiple regression at a confidence level of 95%. Therefore, H_0 hypothesis is rejected and the relationship between the term of office for the chairman of the board and the stickiness of cost is confirmed. The obtained value for the t-statistic of the stickiness of the cost variable indicates the significance of the variable's coefficient at a significance level of α=0.05 despite control variables. The t-statistic value is 6.272 indicating a direct relationship between the term of office for the chairman of the board and the stickiness of cost. According to the results, as the term of office for the chairman of the board increases the stickiness of cost increases and vice-versa.

The experimental evidences of this research indicate the sticky behavior of administrative, general and sale costs in TSE which agree with the studies of Anderson and Modirus. The observed difference in the stickiness intensity between different industries is attributed to the nature of their future practical fix assets. The more the possibility of the reduction and moderation of operational assets during income reduction periods, the more stickiness.The results of this research contains important information about the quality of cost behavior which could be used by different users especially accountants, managers, finance analyzers and auditors in their evaluations and decisions.

The vast majority of writings and discussion of management accounting books which deal with the quality of cost behavior have presented methods, for example regression analysis method, to estimate the mean ofhanges of costs in response to a change in cost driver.

If such methods are used without considering the sticky behavior of costs, cost variation will be calculated less than its real value during the period of increasing effort level. In contrast, it will be calculated greater than its real value during the period of reducing effort level. The principle of flexible budgeting is generally based on the hypothesis that cost variations are proportional with effort level variations. Such budgeting methods in which the sticky behavior of cost is not taken into account will likely experience more deviations.

Calculating and comparing the ratio of administrative, general and sale cost to net sale of the companies of an industry or a company in different periods of time is a typical way of analyzing financial statements. Financial analyzers believe that the non-proportional increase of administrative, general and sale costs is a negative sign of the financial performance of management. They think so as they believe that such non- proportionality is likely generated from non-appropriate cost control policies of managers or their futile efforts in selling goods. Such analysis could be misleading because they primarily assume that cost variations are proportional with sale level while according to the results of this research, such assumption is not true in a set of data containing increased and decreased sale periods. On the other hand, in their analytical investigations, auditors accept and use the assumption that cost variations are proportional with the variations of effort level. The better understanding of the quality of the variations of administrative, general and sale costs to sale changes could help auditors to better perform their analytical investigations.

SUGGESTIONS

Managers could recognize and control the stickiness of companies' costs. By making appropriate contracts of renting operating assets and employee recruitment, for example making short term contracts, they could however, reduce adjustments required for decreasing their operational assets level as well as intensity of cost stickiness, during the period of decreasing demand and sale.

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