The effect of Related Parties Transactions on the Firm Value: Moderating Role of Audit Committee

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Abstract

In recent financial scandals, related parties transactions (RPTs) have been as one of the major concerns, so that the targeted use of these transactions and lack of their disclosure or insufficient disclosure are some of the factors in the failure of the corporates. In RPTs, there is a risk that the related party may be favoured with terms that could harm the interests of the company's shareholders. The purpose of this study was to investigate the effects of different types of related parties transactions on the firm value with the moderating role of the audit committee incorporates listed in Tehran Stock Exchange. The research statistical sample consists of 100 listed firms in the Tehran Stock Exchange in 6 years of 2013-2018. This research, based on the nature and content, is a descriptive/ correlational research. Using Panel data and multiple regression, the results of the research show that there is a negative relationship between RPTs and the firm value. The findings also show that there is a positive relationship between the audit committee and the firm value. Also, the findings show that different types of RPTs have a different effect on the firm value. The results also show that the audit committee does not affect the relationship between RPTs and the firm value.

Introduction

Among the scandals of accounting of corporates such as Enron, Worldcom, Adelfia, & Tyco in the United States, which shocked the financial markets, RPTs were identified as the most main issue. It was decided to make these transactions in line with the rules, but in practice, they were in the interests of the main people (managers, large shareholders, or their relatives) (Ismail, 2018). These scandals and European crooks, such as Vindy & Parmalat, have been investigated tendency more than before in studying RPTs (Gordon & Henry, 2005; Gordon, Henry, & Palia, 2006). In this study, we will investigate RPTs in an Asian country called Iran. RPTs may cause independence of stockholders, managers, and other controllers of enterprises and creating fees for unrelated parties in these transactions. This important issue can be achieved through the purchasing and selling of assets, goods, services, receiving loans with favourable conditions, and using corporate's assets as a guarantee of personal facilities, which will result in the transfer of wealth (Muhammadi, & Jiang, 2017).

Transactions, which are mainly executed directly by major stockholders, director and board of directors' members, have a negative impact on the firm value and also have a significant role in scandals that lead to the failure of large groups of corporates. If the number of RPTs in the corporate will be higher, the security for minority stockholders will be lower, and as a result, it will reduce the corporate's stock value (Nekhili & Cherif, 2011). Acquisition of corporate resources through RPTs is common in developed countries, but in emerging economies are more likely to be seen due to the lack of foreign markets and corporate governance weaknesses. In many cases, RPTs are inevitable and beneficial transactions and are repeated throughout the corporate's operations cycle, but in a certain condition, these interactions allow to major stockholders or corporates managers to provide their own interests using fees of minority stockholders (Sheri & Hamidi, 2012). At corporates with RPTs, the value of their stocks usually decreases. Evidence also suggests that corporates by acquiring key management positions to family members have less value than corporates with independent managers. Managers and employees of corporates use the corporate's interests to increase their capital (Ryngaert & Thomas, 2007).

Legislators and formulators of the Standards, with emphasis on the disclosure of information and relations of related Parties, have not been adopted a position on the harmfulness or usefulness of RPTs for corporates and stockholders. The agency theory and the concept of transferring wealth suggest that directors may use RPTs as a means of transferring wealth or profit from the corporate to their own interest, and this issue will violate the rights of minority stockholders. Most studies conducted in various markets have shown that RPTs are a means to violate the rights of minority stockholders. Moreover, research in the market response field shows that lower-pricing firms have had more RPTs (Etemadi & Salehi Rad, 2011). The corporate's supervision mechanisms transfer RPTs from "conflict of interest" to "efficient transactions." Validated audit firms or supervisory committees (boards) and supervisors can play a moderate role in RPTs (Chien & Hsu, 2010). According to issues presented in this research, the research questions are "whether there is a relationship between RPTs and firm value?" "Do different types of RPTs have a different effect on firm value?" and "does the audit committee modify the relationship between RPTs and firm value?"

Hence, the remainder of the paper is organized as follows: The second section investigates an overview of the literature and forms the hypotheses. The third section describes the research method and the sample selection method. In forth Section, we will present descriptive statistics and hypotheses test results, and finally, the fifth section will be relevant to the conclusion.

Research literature hypothesis development

RPTs are within the scope of information that users of financial statements are willing to know, and the exact recognition of their nature and content. Therefore, in order to better understand and analysis, to make reasonable decisions by users, the disclosure of information about such transactions, the nature and their effects on financial statements are necessary (Forghandoost Haghighi & Yohana, 1993; Marchini, Mazza, & Medioli, 2018). The efficient and effective functioning of the capital market requires the trust of investors and creditors to the financial reporting process (Hwang, Zhang, & Zhu, 2018). Fraudulent financial reporting is a serious threat to this trust. After discovering Enron financial scandals by Securities and Exchange Commission (SEC) and Bankruptcy declaration in 2001, and after discovering the weaknesses in USA financial reporting practices, Sarkans Oxley's Act aimed protecting investors in particular, public interest was formulated in general and was confirmed by the Congress in 2002, under the law, USA Public Corporate Accounting Oversight Board (PCAOB) was created (Chien & Hsu, 2010).

The early years of the third millennium passed when the world witnessed the bankruptcy of large corporations such as Enron, WorldCam, Xerox, etc.

Such bankruptcies were led to a point an accusing finger for accounting and financial reporting. Among the aftershocks of this scandal can be mentioned the collapse of one of the five major audit firms in the world namely the Arthur and Anderson Audit Firm (Enron's Firm Auditor). The investigating events of the bankruptcy of these corporates showed that the main source of these events has been profits manipulation and the reporting of inefficient and unsubstantial profits. Therefore, this led to pessimism towards the accounting and audit profession. Most directors of these corporates reduced their quality of financial reporting and profit quality to the lowest level by resorting to fraudulent methods such as designing and performing fake transactions with related Parties (Bulu, 2006).

Concerning how the effect of decisions of related Parties on the directorate of corporates and the extraction of profits from the availability of minority stockholders, Mir Eskandari, in the presence of the general assembly of a listed firms in the Tehran Stock Exchange in 1991, states that three of Five of board members of that corporate, which held 52 per cent of stocks, bought about 10 per cent of the corporate's main product at prices less than market rate and withdrew 91 per cent of the corporate's remaining profits on under the pretext of tax exemptions, and eventually 2 per cent of the corporate's sales were calculated as right of supervision, total was about 15 billion R about three times the corporate's capital. If this amount were returned to the corporate, divisible profit for each stockholder would have increased from 800 R to 3,000 R (Darabi & Davoud khani, 2015). Gordon et al. (2006); Cheung, Rau, and Stouraitis (2006) and Cheung, Qi, Rau, and Stouraitis (2009) argue that there are two views on dealing with RPTs, each of them suggests different aspects of such transactions. The first view is consistent with the representation problem and states that such transactions are used to earn personal interests for directors and cause the loss of the corporate and stockholders. On the other hand, directors distort financial statements to hide the destructive effects of these transactions. The second view considers such transactions as part of the business unit's demand, and also as work guarantee of directors in the corporate. Stein (1997); Chang and Hong (2000); Khanna and Palepu (2000), and Jian and Wong (2010) consider the view of the effectiveness of RPTs and the concept of transaction costs provided by Coase (2012) and Williamson (1975). This view does not consider RPTs as risky and harmful transactions, and may even be beneficial to stockholders (Khalatbari Limaki, Arad, & Ebrahimiyan, 2012).

A large number of directors and major stockholders have been accused because of having a significant role in the scandals and failures of corporates

and large groups of corporates. They have been blamed for suspicious transactions with the corporate, and their goal is the confiscation of minority stockholders and elimination of their interests. Based on an example of the eighty-five corporates listed in the Paris Stock Exchange in 2000-2005, transactions that are made directly by major stockholders and transactions that are made indirectly through related corporates are depreciating the firm value. These transactions are harmful to minority stockholders and are mainly determined by the franchise of the main stockholders. Transactions, which are mainly made directly by major stockholders and are signed by director board members, have a negative impact on firm value (Nekhili & Cherif, 2011). When different types of RPTs are announced, the market response is assessed by public corporations. These studies show that stockholders of public corporations that are aware of the tunnelling experience, they react to this topic and reduce the corporate's stock value. They assume that investors are able to properly predict the firm value in RPTs. However, it is not clear that the reduction in the corporate's stock value is entirely due to RPTs or is not (Cheung et al., 2009). For a good understanding of financial statements, disclosure of transactions between the reporting entity and related Parties will usually be necessary (Forghandoost Haghighi & Yohana, 1993). The audit committee can review the directors' performance through various supervisory processes. For example, the committee is able to persuade his (senior manager) to disclose financial statements in accordance with accepted standards by reviewing the accounting policies of the corporate and accord with senior management in this field (Amer, Ragab, & Shehata, 2014). Also, the audit committee can control the senior management of the economic unit and play an effective role as a deterrent for the manager by the disregard of internal controls, including the prevention of fraud in management (Arbab Soleimani & Nafari, 2016). Besides, the role of the Audit Committee in managing risk is very important (Rahimian & Tavakkolnia, 2011). Abbott and Parker (2000) state that corporates with an audit committee are less likely to face mistakes, irregularities, and fraudulent financial reporting. Audit committees should be organized and used properly, hence, these committees may have significant benefits to all interested Parties (Etemadi & Shafa Khibari, 2011). If the corporate does not have an audit committee, it should explain the reasons for absence in its annual reports and explain the need for such committee for the next financial period (Soleimani & Moghaddasi, 2014). On the other hand, the various features of the audit committee, including financial expertise, independence, size, etc., can affect the effectiveness of the audit committee (Fakhari, Mohammadi, & Netaj Kurdi, 2015).

Jemison and Oakley (1983) believe that the Audit Committee, which all its members are formed by independent directors, it is a vital component of corporate governance. They emphasize that the audit committee should be formed of non-executive directors in order to be able to opine independently on important decisions. Also, independent directors are working to ensure the decisions of executive directors in the interests of stockholders (Al-Mamun, Yasser, Rahman, Wickramasinghe, & Nathan, 2014; Weir & Laing, 2001; Weisbach, 1988). The U.S. Securities and Exchange Commission (SEC) emphasizes that "the lack of an audit committee is better than all members of the committee are formed by executive directors. Because they do not provide accurate information related to corporate's financial situation (Bansal & Sharma, 2016). Agrawal and Knoeber (1996) argued that members of the audit committee should be independent to prevent conflicts between directors and independent auditors. The audit committee plays a significant role in ensuring the integrity of the financial reporting process because it is possible for the management to manipulate accounting information in his own interests. Therefore, the Audit Committee can ensure the accuracy and fairness of the financial statements (Cohen, Gaynor, Krishnamoorthy, & Wright, 2011).

Rahimian, Kazemi, and Mohammadi (2012) investigated the effect of RPTs on firm's performance, with an emphasis on the role of strategic mechanisms, according to two view of "the conflict of interests" and "effective transactions" in RPTs. The results show that RPTs have a significant effect on the relationship between the percentage of ownership of the major stockholders and the quality of profit. Sheri and Hamidi (2012) examined the motivations of RPTs using the Mesquarilo model. The results showed that there is a significant relationship between the amount of these transactions and the variables of ownership concentration level, the proportion of non-executive directors and financial leverage. In addition, Golestani (2013) in his master's thesis investigated the relationship between RPTs, institutional stockholders' ownership and non-executive members of the board of directors with corporate market value. The results showed that both" RPTs and the ownership of institutional investors" have had a significant effect on corporate market value, but there was no significant relationship between the proportion of non-executive members of the board of directors and corporates market value. On the other hand, the effect of RPTs on corporate market value has been in a reverse direction and the amount of institutional ownership of investors on corporate market value has been in a direct direction. Also, Kamyabi, Boojmehrani, and Naderi Pelangi (2014) consider RPTs as some of the factors that reduce the value of the capital market. They believe that although all RPTs

are not opportunistic transactions, the prevailing attitude is that they are some of the factors affecting risk and investors pay a lot of attention to them before making an investment. In fact, the lack of knowledge of stockholders and investors about the nature of RPTs creates a kind of information asymmetry. Darabi and Davoud khani (2015) investigated the effect of RPTs on the value of corporates listed in Tehran Stock Exchange. The results showed that there is a significant and negative relationship between RPTs and firm value. There is no significant relationship between stock cash return and the size of the board of directors with corporate value. There is a significant negative relationship between financial leverage and firm value. There is a significant positive relationship between Return on Asset (ROA) and firm value. Gordon and Henry (2005) argued that some of the types of RPTs can be by the motivation of profit management and distortion of results and how corporates performance. Research on the role of RPTs on corporates performance has led to conflicting results. So that one cannot be said that RPTs have a positive or negative impact on corporates performance. Manaligod and Del Rosario (2012) Reviewed the financial statements of corporates listed in the Philippine Stock Exchange in 2010 for disclosure of RPTs.

The results show that the mean of disclosure was 45%, 35% and 41%, respectively. Then, they consider the type of auditor of the corporates, showed that there was no significant difference in terms of disclosure between classified corporates according to the type of auditor. Also, the results of the regression analysis show that the type of auditor and the size of the corporate are not predictors of the disclosure rates by the corporates. Srinivasan (2013) investigated RPTs in Indian corporates. The results show that there is a significant negative relationship between RPTs and the corporate's performance. The rates of RPTs incorporates that are audited by large institutions was lower than the rest of the corporates and there is no significant relationship between the ownership structure and RPTs. Pozzoli and Venuti (2014) investigated the relationship between RPTs and the financial performance of Italian corporates, ultimately; there wasn't evidence of a causal relationship between them. Wong, Kim, and Lo (2015) using a sample of listed in Chinese corporates found that related Parties sales increase the firm value. However, this growth is lost due to the high percentage of top managers, high government ownership, or tax avoidance incentives, which are often accompanied by management rental extraction activities.

According to theoretical foundations and research background in this paper, three hypotheses are considered and tested:

Hypothesis 1. There is a significant relationship between RPTs and corporate value.

Hypothesis 2. The audit committee modifies the relationship between RPTs and firm value.

Hypothesis 3. Various RPTs have a different effect on firm value.

Research methodology

The present research is an applied and descriptive research. Moreover, it is a correlation research method because it investigates the relationship between independent and dependent variables. To test the research hypotheses we use panel data with multiple regression method. The required data for analyzing is collected from firms' annual reports and related software such as Rahavard Novin.

The statistical population was modified with the following four conditions:

1. Their fiscal year should be ended until the end of March.

2. Fiscal year changes should not be applied in the fiscal year 2013-2018.

3. Their required data is available.

4. They should not be a department of investment corporates and financial intermediaries.

The final sample of this study is 100 listed firms in Tehran Stock Exchange from 2013 to 2018.

1. Statistical models and research variables

RPTs according to the standard of accounting number 12 are the transfer of assets or debits or the performance of services between related parties, regardless of claiming or non-claiming price. The following are examples of transactions that, if are committed by related parties, are disclosed:

a. Purchase or sale of goods, b. Purchase or sale of non-current assets, c. Providing or receiving services, d. Rentals, e. Transfer of research and development projects, f. Transfers due to royalty agreement, g. Finances both short and long term, h. Collaterals and guarantees, i. Settlement of debts by the business unit or by another party.

In this research, we have used RPTs of "the purchase and sale of goods, lease and finance both short and long term". We have classified and used

transactions balance as RPTs, and to test hypotheses, the following two models were used:

$$QTOBIN_{it} = a_0 + a_1 RPT_{it} + a_2 INDCOMM_{it} + a_3 RPT_{it} * INDCOMM_{it} + a_4 RPTPS_{it} + a_5 RPTF_{it} + a_6 RPTL_{it} + a_7 RPTO_{it} + a_8 DIVERG_{it} + a_9 SIZE_{it} + a_{10} LEV_{it} + a_{11} BOARD_{it} + a_{12} INST_{it} + \varepsilon_{it}$$

(1)

$$MKVALUE_{it} = a_0 + a_1 RPT_{it} + a_2 INDCOMM_{it} + a_3 RPT_{it} * INDCOMM_{it} + a_4 RPTPS_{it} + a_5 RPTF_{it} + a_6 RPTL_{it} + a_7 RPTO_{it} + a_8 DIVERG_{it} + a_9 SIZE_{it} + a_{10} LEV_{it} + a_{11} BOARD_{it} + a_{12} INST_{it} + \varepsilon_{it}$$

(2)

In this study, to avoid the problem of the coherence between the independent variables of research, we implemented these two models once with total RPTs and once with the components of RPTs. In this study, we use Tobin's Q ratio & market value to calculate the firm value.

Table 1. Definition of variables

Variable name	Variable type	Symbol	Definition of variable
Tobin's Q	Dependent	QTOBIN	The ratio of the market value of a corporate's assets to the cost of replacing corporate assets
Stock market value	Dependent	MKVALUE	The ratio of the end-of-year stock market value to total assets
RPTs	Independent		
Purchase and sale of goods	Independent	RPT	RPTs goods purchase and sale figure
		RPTPS	RPTs lease figure
Lease	Independent	RPTL	RPTs payable and receivable loan figure
Financing both short-term and long-term	Independent	RPTF	Other RPTs
		RPTO	
Other RPTs	Independent		
Dividend yield	Independent	DIVERG	Ratio cash stock profit to the stock price at the end of the period
Audit committee independence	Independent	INDCOMM	The ratio of the number of independent members of the audit committee to all members of the audit committee
Financial institution	Control	INST	This is a fictitious variable, and if a controlling stockholder (stockholders with more than 50% of the corporate's stocks), and if corporate be a financial institution, its value will be equal to 1, otherwise will be equal to 0.
Board of directors' size	Control	BOARD	Natural logarithm of the total members of the board of directors
Corporate's size	Control	SIZE	Natural logarithm of the total assets
Financial leverage	Control	LEV	Total debt in year t is divided by total assets

Analysis of data

1. Descriptive Statistics

In Table 2, information of the research variables is provided. It is necessary to describe this data before analyzing hypotheses. The statistical descriptions are to detect the model of dominant it and the basis for explaining the relationships between the variables used in the research.

Table 2. Descriptive statistics for research variables

Variable	Mean	Med	Max	Mini	Obs
QTOBIN	1.7641	1.4800	7.6600	0.38000	600
MKVALUE	1.1769	0.90000	7.0100	0.0200	600
RPT	4.6007	0.2702	2081.647	0.0000	600
RPTF	0.0528	0.0000	10.41131	0.0000	600
RPTL	0.4645	0.0000	278.0843	0.0000	600
RPTO	3.6518	0.0100	2081.650	0.0000	600
RPTPS	0.4331	0.1391	13.7818	0.0000	600
SIZE	14.0211	13.910	18.7400	10.9500	600
LEV	0.5814	0.6000	1.0000	0.0700	600
INST	0.4583	0.0000	1.0000	0.0000	600
INDCOM	0.3406	0.0000	1.0000	0.0000	600
DIVERG	0.0700	0.0400	1.5100	0.0000	600
BOARD	1.6196	1.6100	2.3000	1.6100	600

Based on the results in Table 2, for dependent variables (Tobin's Q and market value) among the 600 observation, respectively, have a mean of 1.7641 and 1.1769. The maximum yield and stock market value of all observations are 7.6600 and 7.0100, respectively, which indicates the highest value obtained for these variables in the corporates under investigation, and the minimum value of these two variables is 0.3800 and 0.0200, respectively, which indicates the lowest value obtained for these variables. In the independent variables, the results show that related parties transaction variable because in the sample under investigating, several corporates did not have RPTs for the years under investigating, hence, the minimum value was equal to zero. Regarding the independence of the members of the committee, which according to the charter of the audit committee should consist from at least one or two independent members, it is shown that in the sample corporates, the independence was not observed and most corporates did not have sufficient independence, which mean is equal to 0.3406. Also, the stock dividend yield has varied from 0 to 1.5100 with a mean equal to 0.0700 and Median is equal to 0.0400. The size of the corporates has varied from 10.9500 to 18.7400 with mean equal to 14.0211

and Median equal to 13.910. Based on the mean of corporates financial leverage, more than 58 per cent of the assets as credit sale is earned. The size of the Board of Directors of the corporates has varied from 10.9500 to 2.3000 with a mean equal to 1.6196 and median equal to 1.6100. Also, the results of descriptive statistics of the financial institution's variable showed that, on average, 45 per cent of corporates have a controlling shareholder.

2. The research Hypotheses Testing

In the present study, a panel data (year-corporate) of 100 listed firms in the Tehran Stock Exchange is estimated. Therefore, before estimating the model using panel data, we need to detect the appropriate method for the application of this data in the estimation. First, it must be clear that in principle, there is a need to consider the structure of the data panel (the corporate's specific differences or effects), or it can be pooled the data for different corporates and can be used it in model estimation. In the single-equation estimates, F statistics (Limer test) were used for final decision making. The test result showed that the panel data method is selected. Also, Husman test has been used to determine whether the estimation of model's parameters are used of fixed effects model or random effects. The results of the test show that the fixed effects model is appropriate. On the other hand, to investigate the heteroscedasticity, the Breusch-Pagan Test was used, and the results showed that we have the heteroscedasticity problem in our models and must use the modified estimator (White) to maintain the variance consistency assumption in regression analysis and to solve the heteroscedasticity. Table 3 shows the results of detecting the best method for estimation.

Table 3. Results of detecting the best method

Test Type	Model	Statistic	P-value
F-Limer	1st	4.5905	0.0000
	2nd	4.6928	0.0000
	3rd	4.5144	0.0000
	4th	4.6001	0.0000
Hausman	1st	31.9652	0.0001
	2nd	34.1014	0.0000
	3rd	35.8542	0.0011
	4th	37.7406	0.0006
Breusch–Pagan	1st	31.9652	0.0006
	2nd	34.1014	0.0000
	3rd	35.8542	0.0011
	4th	37.7406	0.0006

2.1. Results of the first and second hypotheses test

According to the first and second hypotheses, assumptions test results in Tables 4 and 5 are as follows.

Table 4. The results of the first model test (Tobin's Q is the dependent variable)

Variable	Coefficients	Standard deviation	t-statistic	Significance level (sig)	VIF
C	8.3369	4.1932	1.9881	0.0473	
RPT	-0.0002	0.0001	-1.7206	0.0859	1.04
INDCOM	0.2072	0.1226	1.6901	0.0916	1.08
RPT*INDCOM	-0.0012	0.0479	-0.0258	0.9794	1.04
SIZE	-0.4866	0.2435	-1.9978	0.0463	1.34
LEV	-0.2807	0.3608	-0.7780	0.4369	1.37
INST	-0.3038	0.0551	-5.5041	0.0000	1.14
DIVERG	-2.0907	0.8297	-2.5197	0.0121	1.78
BOARD	0.3889	0.7686	0.5059	0.6131	1.01
F statistic (significance level)	5.7179 (0.0000)	Durbin–Watson statistic		2.1893	
R-Square	0.5542	Adjusted R-Square		0.4573	

In interpreting the results, the variable of RPTs which level of its significance is smaller than error level, so, the coefficient and t-statistic of this variable indicates that there is a significant relationship between RPTs and firm value. Since the indicator of the coefficient of this variable is negative, the evidence suggests a significant and negative relationship between RPTs and firm value. This means that by the increase (decrease) in RPTs, firm value decreases (increases). Therefore, the research hypothesis was confirmed. The previous researches on the first hypothesis shows that the findings of the present study are in line with the findings by Khalatbari Limaki et al. (2012); Sheri and Hamidi (2012); Gordon and Henry (2005); Gordon et al. (2006); Archambeault and DeZoort (2001); Cheung et al. (2009), Baumann and Ratzinger-Sakel (2017), Beasley and Salterio (2001) and Nekhili and Cherif (2011).

Regarding the variable of the audit committee independence, the coefficient of estimating the variable indicates the positive relationship between this variable and the Tobin's Q ratio. Therefore, one can be argued that there is a positive and significant relationship between the audit committee independence and firm value. Regarding the significance level calculated for the interactive variable between RPTs and the audit committee independence, it can be argued that the audit committee independence has no effect on the relationship between RPTs and the Tobin's Q ratio. Regarding the significance

level calculated for the interactive variable between RPTs and the audit committee independence, one can be argued that the audit committee independence has no effect on the relationship between RPTs and the Tobin's Q ratio. Other results showed that the variables of corporate's size, institutional shareholders ratio, and price-to-cash ratio (which is their significant level are less than error level) have a negative relationship with firm value. Regarding the negative coefficients of financial leverage variables and the size of the board of directors, one can be argued that there is a negative relationship between the financial leverage and the size of the board of directors with firm value but they are not statistically significant.

Table 5. The results of the second model (dependent variable is market value)

Variable	Coefficients	Standard deviation	t-statistic	Significance	VIF
C	11.1618	4.1485	2.6905	0.0074	
RPT	-0.0001	8.6900	2.0211	0.0438	1.04
INDCOM	0.0621	0.1245	0.4993	0.6178	1.08
RPT*INDCOM	-0.0252	0.0414	-0.6087	0.5430	1.04
SIZE	-0.6795	0.2462	-2.7592	0.0060	1.34
LEV	-1.1163	0.3645	-3.0627	0.0023	1.37
INST	-0.2904	0.0396	7.3278	0.0000	1.14
DIVERG	-1.5158	0.4105	-3.6921	0.0002	1.78
BOARD	0.2580	0.3273	0.3273	0.7435	1.01
F statistic (significance level)	10.5712 (0.0000)	Durbin–Watson statistic		1.9937	
R-Square	0.7085	Adjusted R-Square		0.6415	

2.2. Results of the Third Hypothesis Test
According to the third hypotheses, assumptions test results in tables 6 and 7 are as follows:

Table 6. The results of the third model (dependent variable is Tobin's Q)

Variable	Coefficients	Standard deviation	t-statistic	Significance	VIF
C	8.5206	4.3157	1.9742	0.0489	
RPTL	-0.0152	0.0089	-1.6953	0.0907	1.04
RPTF	0.3801	0.2147	1.7702	0.0773	1.08
RPTO	-0.0001	0.0001	-1.5400	0.1242	1.04
RPTPS	-0.0009	0.0481	-0.0206	0.9835	1.34
INDCOM	0.2306	0.1380	1.6714	0.0953	1.47
RPTL*INDCOM	-1.3652	0.7712	-1.7703	0.0773	1.09
RPTF*INDCOM	-0.3637	0.3040	-1.1962	0.2322	1.13
RPTO*INDCOM	-0.1262	0.0479	-2.6345	0.0087	1.14

RPTS*INDCOM	0.0180	0.0872	0.2074	0.8358	1.03
SIZE	-0.4959	0.2483	-1.9973	0.0463	1.89
LEV	-0.2880	0.3822	-0.7534	0.4516	1.34
INST	-0.3097	0.0565	-5.4809	0.0000	1.37
DIVERG	-2.1082	0.8515	-2.4756	0.0136	1.14
BOARD	0.3560	0.8232	0.4324	0.6656	1.78
F statistic (significance level)	5.3860 (0.0000)	Durbin–Watson statistic		2.1907	
R-Square	0.5560	Adjusted R-Square		0.4527	

In the interpretation of the results obtained from this study, RPTL variables (related parties transaction lease figure) and RPTF (related parties transaction payable and receivable loans figure), whose their significant level is smaller than error level, therefore, there is a significant relationship between these variables and Tobin's Q. RPTL (RPTs lease figure) has a negative relationship and RPTF (related parties transaction payable and receivable loans figure) has a positive relationship with Tobin's Q ratio. Two other types of RPTs, namely, RPTO (RPTs figures other) and RPTPS (RPTs' goods Purchase and Sale figure), have not significantly related to Tobin's Q. This result confirms the third hypothesis of the study. The results also indicate that the audit committee independence modifies the relationship between RPTL (RPTs lease figure) and RPTO (RPTs figure other) with Tobin's Q.

Table 7. The results of the fourth model (dependent variable is market value)

Variable	Coefficients	Standard deviation	t-statistic	Significance	VIF
C	11.3316	4.2129	2.6897	0.0074	
RPTL	-0.0049	0.0060	-0.8202	0.4125	1.04
RPTF	0.1128	0.1447	0.7792	0.4362	1.08
RPTO	-0.0001	9.5505	-1.8796	0.608	1.04
RPTPS	0.0259	0.0486	0.5320	0.5949	1.34
INDCOM	0.0788	0.1366	0.5773	0.5640	1.47
RPTL*INDCOM	-1.6898	0.3657	-4.6197	0.0000	1.09
RPTF*INDCOM	0.0042	0.1458	0.0287	0.9770	1.13
RPTO*INDCOM	-0.0546	0.0457	-1.1943	0.2329	1.14
RPTS*INDCOM	-0.0562	0.0765	-0.7351	0.4626	1.03
SIZE	-0.6887	0.2481	-2.7750	0.0057	1.89
LEV	-1.1359	0.3801	-2.9880	0.0030	1.34
INST	-0.2951	0.0437	-6.7471	0.0000	1.37
DIVERG	-1.5258	0.4258	-3.5826	0.0004	1.14
BOARD	0.2328	0.8271	0.2815	0.7784	1.78
F statistic (significance level)	9.9481 (0.0000)	Durbin–Watson statistic		1.9957	
R-Square	0.7093	Adjusted R-Square		0.6380	

The results show that among the four types of RPTs, only RPTO (RPTs figure other) has a significant negative relationship with stock market value by changing the firm value ratio from Tobin's Q to the stock market value. This result confirms the third hypothesis of the study. The results also indicate that the audit committee independence modifies the relationship between RPTL (RPTs lease figure) and Tobin's Q.

Conclusion

The purpose of this study was to investigate the relationship between different types of RPTs and firm value by the moderating role of the audit committee. The results of the study show that there is a significant negative relationship between RPTs and firm value. The significant relationship between RPTs and corporate's, which is confirmed by the theory of conflict of interests, is an opportunistic behaviour. In existing theories, there are two attitudes toward RPTs that include the attitude of opportunistic behaviour (the theory of conflict of interests) and the attitude of efficient behaviour (the hypothesis of efficient transactions) that the existence or absence of any of these behaviours is a function of corporate governance, laws protecting investors and, in general, the business environment of the countries. The theory of conflict of interest is consistent with the issue of representation and states that such transactions are used for gaining personal interests to managers and they cause the corporate and shareholders to be harmed (Darabi & Davoud khani, 2015).

On the other hand, the hypothesis of efficient transactions related parties consider as part of the business unit's demand and also guarantees the work of managers incorporate. This theory does not consider RPTs as harmful transactions and may even be beneficial to shareholders (Chang & Hong, 2000). On the other hand, the results of the research showed that there is a positive relationship between the audit committee and firm value, and the audit committee has an effect on the relationship between RPTs and firm value. The results of recent research have shown that the audit committees incorporates control the RPTs payable and receivable loan figure (RPTF), corporates that have an audit committee in their board of directors, and corporates with large analysts, do RPTs at more adequate prices.

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