

Comparison of the Listed Companies on the Stock Market in Terms of the Variables Affecting Operating Profit, Net Income and Operating Cash Flow, Return on Equity

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Abstract

Today the stock market is so important, it is said a country with a booming stock market and its shareholders has a direct relationship. Investors to invest, when to buy stocks, information on stock returns and the components will have an effect on stock returns. The most important sources of information to evaluate the performance of economic units, profits, investment decisions are considered a good indicator. This study compared the variables affecting operating profit, net income and operating cash flow return on shares in companies listed on the Stock Exchange Market. In this regard, the 32 companies listed on the Stock Exchange, in automotive industry and basic metals are selected and the 5-year interval from 2009 to 2012 was studied. The results showed a variable effect on the operating profit return on most car companies which are steel companies but the impact on net income and operating cash flow, return on equity is higher in steel company.

Keywords: Stock Market, operating profit, net income, operating cash flow, return on equity.

1 - Introduction

The Stock Exchange today said that it was important to develop a country with a booming stock market and has a direct relationship with the number of its shareholders. According to people's attention wandered to collect funds for use in various industries, need to organization, your performance is displayed in various industries, and financial resources to support themselves, it is being done by the Exchange, should investors with analysis of industry data which includes information on the importance of financial and nonfinancial corporate profit rates and profitability of various industries, companies and people as major investors ... is necessary. In this regard, investors should invest when buying stocks, data on stock returns and the components have an impact on stock returns. One of the most important sources of information to evaluate the economic benefit is considered as an appropriate indicator for investment decisions (Kurdistani and Keshavarz Hedaayati, 2010). Need for profit as a primary source for investment decision is well-documented and reported a profit of ways, such as providing a basis for calculating taxes, assess the success of the company's performance, determining the divisible profits, profit distribution management, business unit management and other things to help the economy, also, because the present value of profits of a company and its future is concerned, it is important to determine the profit (Financial Standards Board, 1985). One of the most important components of profit or loss, net income or loss, in which financial reporting as an important element of profit and loss have been reported. Net profit, excess revenues over all costs actually realized in a given fiscal period, which is shown by the following equation:
$$\text{Cost} - \text{Income} = \text{Net Income} \text{ (Teimori, 2001).}$$

Net profit in the businesses is of investment activities in financial companies. These activities may be affected by the decisions of managers and internal and external environmental factors are (Ahmadpoor and Ebrahimpur 2011). In addition, operating profit based on the analysis of the main operating activities of the company that is the operating revenues minus cost of goods sold and operating expenses associated with the ongoing operations of the business unit. Perhaps the most important figure that can be extracted from the financial statements, cash flow is real. The financial statements of accounting, there is a main sponsor of the event, if the cash flows are saying. The financial information regarding change in cash and equivalents, offers (Norosh and Dianati, 2004). Cash flow statements of the basic financial statements for the entry and exit of cash flows for the financial period as shown and useful information about how to create and use cash flow by business unit offers. Cash from operations, the most important evaluation criteria can profit entities to pay dividends, repay loans, investments, new and continuing activities, it is considered input and output flows of the cash flow

is reflected first of the season. Cash and deposits with banks and financial institutions, including financial and currency (including short-term investment deposits without maturity) to deduct overdrafts that are required without prior notice I should have. Cash flow from operating activities includes cash flows due to inflow and outflow from operating activities (as defined above paragraph) also, those cash flows are directly related to the nature of cash flow statement in other classes (Accounting Standards, 2001). Cash flow from operating activities, this is one of the main indicators to assess business operations, to the extent cash flows sufficient to repay loans, maintain the operating capability of the business and pay dividends resulting and new investments without resorting to outside financing entity is possible. Given the foregoing it is clear that the different criteria in the evaluation of companies, find a marker that could be relied to explain the company's performance as a necessity. Given the above objective of the present study was to compare the listed companies in the Stock Market in terms of the variables affecting operating profit, net income and operating cash flows on stock returns, respectively.

2 - Methodology

Study in terms of objectives is applied, and in term of methods is correlation. The population of the study consisted of all listed companies on the Stock Exchange requirements. The sample of all listed companies in two industries (automotive components and basic metals) was chosen to have the same fiscal year, during the year the shares are traded on an exchange. 32 companies as samples and the 5-year interval from 2009 to 2012 were studied solar. Variables associated with the data needed to evaluate and test hypotheses using the software CD, and the Company's financial statements were derived. As well as various corporate reports, official sites Tehran Stock Exchange, and the new database software is used. The collected data through Excel software modification, and classification and the final analysis was conducted to help Eviews software version 7.

Table 2.1: Breakdown of the sample companies and industry groups

Vehicle and Parts Manufacturing	Vehicle and Parts Manufacturing	Saipa Diesel (Khkavh)
		Iran Khodro (khodro)
		Diesel vehicles (Khavar)
		Fanarsazi zar (khzar)
		Zamiyad (khazmiya)
		Bahman group (khhahman)
		Ghateat otomobile iran (khtougha)
		Saipa (khasaya)
		Niru moharekeh (khhoharekeh)
		Ring sazi mashhad (kharing)
		Pars khodro(khpars)
		Charkheshgar(khcharkhesh)
		Komak fanar indamine(khkomak)
		Sazeh pouyesh (khpouyesh)
		Tolidmehvar khodro(khmehvar)
		Radiator iran(khtour)
		Rikhtegariteraktorsazie iran (khetrak)
Saipa khazin(khazin)		
Karbrator iran(khkar)		
Lent tormoze iran(khelnet)		
Manufacture of basic metals	Manufacture of basic metals	Navard aluminum (fnaval)
		Foulad kaviyn(foca)
		Faravardehaye mavade madani iran (far avar)
		Louleh va mashinsazi iran(flouleh)
		Alomrad(fmorad)
		Foulad aliyajhi iran(fulajh)
		Alminium iran (faira)
		Mese shahid bahonar(fbahonar)
		Foulad mobarakeh Esfahan (foulad)
		Calsimin (fasmin)
Zobahane iran (zob)		
Sanaye melli mese iran (famelli)		

3 - Findings

A) Determine the method of using combined data

Before the model is estimated using panel data, the proper methods of using such data to estimate and to decide. Must be clear that in principle there is no need to consider the panel structure of the data (differences or Special Effects Company) exists, or you can combine data from different companies (pooling) and it can be used in the estimation model.

Table 3-1: Results of the F test for the combined method (pooling) or fusion (panel) data on manufacturing of automotive components and basic metals

Model	null hypothesis (H ₀)	F-statistic		p-value		Test
		Metals	Car	Metals	Car	
First	Special effects are not significant. (Pooling method is appropriate.)	0.77	0.78	0.66	0.71	H ₀ is accepted. (Way to be chosen data pool)
Second	Special effects are not significant. (Pooling method is appropriate.)	0.66	0.76	0.8	0.73	H ₀ is accepted. (Way to be chosen data pool)
Third	Special effects are not significant. (Pooling method is appropriate.)	1.01	1.15	0.44	0.31	H ₀ is accepted. (Way to be chosen data pool)

As seen in Table 3-1 at the 95 percent confidence level, the null hypothesis based on the equality of all special effects companies in all three models is confirmed, and test the null hypothesis is accepted and so must the methods used to pool data. Chow test results indicate that the cross-sectional variance of the random effect model is poor, thus, the method of combining the data using ordinary least squares estimation (pool) was used to evaluate relationships between variables.

B) Comparison of operating profit related to the efficiency of basic metals and automotive parts manufacturing industry

Table 3.2: Results of the first model

The estimated coefficients of the steel industry (basic metals)									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	3.15	1.45	2.16	0.05	0.009	70.5	0.000	2.1
Log(APF)	β_1	0.0091	0.093	0.097	0.92				
The estimated coefficients for the automotive industry									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	0.14	1.26	0.11	0.91	0.009	138.7	0.000	1.8
Log(APF)	β_1	0.295	0.11	2.52	0.017				

In this model the effect of changing operating profit on the stock returns of companies related to the automobile industry and basic metal industry is dealt with. In the metals industry, the coefficient (elasticity) of the variable is 0.009. In other words, a one percent increase in operating profit, the average investment returns Steel Co. increase 0.009%. Also, the car companies, the coefficient (elasticity), this variable is approximately equal to 0.3. In other words, one percent increases in operating profit, the average return on investment in automobile company increase 0.3%. Thus the influence of variable operating profit on stock returns in most car companies are steel companies.

C) Comparison of net returns and the automotive industry manufacture of basic metals

Table 3-3: Results of the second model

The estimated coefficients of basic metals industry									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	5.69	1.33	4.26	0.001	0.66	70.07	0.05	1.86
Log(NPF)	β_1	0.27	0.083	2.04	0.038				
The estimated coefficients and components for the automotive industry									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	0.85	1.29	0.66	0.51	0.23	438.01	0.000	1.82
Log(NPF)	β_1	0.14	0.11	2.09	0.04				

This compares to net income effect of variables on stock returns of companies related to the automobile industry and basic metals industry are discussed. As the results show a net positive and significant effect on stock returns Steel Co., and the coefficient (elasticity) of the range of approximately is 0.27. In other words, a 1 percent raises

in net profit, return on investment, on average, companies in steel increase 0.27%. Also, the automotive company's net profit has a positive effect on stock returns, and the coefficient (elasticity) of the variable 0.14. In other words, a 1 percent increase in net income, an average returns on investment in a company car increase 0.14%. Thus the influence of variable coefficients represent the net return on equity in the company of steel is more than the car companies.

D) Comparison of operating cash flow returns and the automotive industry Manufacture of basic metals

Table 3-4: Results of the third model

The estimated coefficients of the steel industry									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	2.12	0.39	5.39	0.000	0.09	467.15	0.000	2.04
Log(CR)	β	0.05	0.025	2.35	0.03				
The estimated coefficients for the automotive industry									
Variable	Coefficient	Estimated value	Standard deviation	T-statistics	p-value		F	p-value	D-W
C	-	4.07	1.08	3.77	0.001	0.09	696.5	0.000	2.04
Log(CR)	β	0.04	0.06	0.79	0.04				

In the third model to examine the effect of operating cash flow variables on stock returns of companies related to the automobile industry and metal industry are discussed. As the results show the operating cash flow has a significant positive effect on stock returns Steel Co., coefficient (elasticity), this variable is 0.05. In other words, 1 percent increases in operating cash flow, return on investment, on average, companies in steel increase 0.05%. Also, car companies operating cash flow has a positive effect on stock returns, and the coefficient (elasticity) of this variable is 0.04. In other words, a one percent increases in operating profit, the average return on investment in automobile company increase 0.04%. Thus, the coefficients show the effect of operating cash flow variables on stock returns in most steel companies, are car companies.

4 - Conclusion

The purpose of this study was to compare the companies listed on the Stock Exchange of variables affecting operating profit, net income and operating cash flows and stock returns, the following results were obtained:

- Operating income variable impact on stock returns in most car companies, are steel companies.
- Manufacture of automotive industry because revenue is greater than expenses, operating profit is also higher, but the industry's operating profit is lower than the metals industry.
- Net income variable influence on stock returns in most steel companies, are car companies.
- As the auto industry and the financial cost of manufacturing compared to most metals industry, so net profit more steel companies industry and manufacturing is less, resulting in the return of the stock or invest in steel companies and most car companies (It should be noted that the tax ratio in both industries' total listed companies "is equivalent to 22.5% is pure profit).
- Operating cash flow variable impact on stock returns in the company of steel is more than the car companies.
- Because the fees paid will be lower production and sales of cash sales, companies are forced to cash flow shortages, attempting to loans, bank loans or bonds, they resulting in increased financial costs, which would reduce net income and thus reduces the efficiency.

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