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The relationship of the content of the market value in the explanation of abnormal stock returns of listed companies in Tehran stock exchange

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Abstract

In this article, the relation between market value in determining the abnormal yield of the accepted company's share in Stock Exchange has been studied. Stock exchange has always been one of the most attractive fields for investors in our country, especially in recent years. Therefore, it is necessary to conduct specific researches in order to specify some criteria related to the expected return to investors so that the companies be able to rely on them to provide a safe investment.

Data of this research is a combination of financial variants of accepted companies listed in Tehran Stock Exchange for a period of 10 years (2004-2013) is recent. Methodology of the research, using panel data and testing the hypotheses has been conducted through Fisher's F test. The results imply the confirmation of the negative relationship between the book value of the properties and the market value of total assets if there is a variant of market value.

It also shows that the relevance value of the market variant which is the total equity of stockholders plus the value total debt is less than the book value of assets in stocks is explaining abnormal returns.

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1. Introduction

A dynamic and efficient organization in directing and policy making of marketing in order to reach a fair efficient, systematic and dynamic market which possess the tools, organizations and advanced financial markets is

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one of the goals of stock marketing and is considered as the stock organization's outlook . Identifying the factors affecting the stock price and the stock pricing in financial management is one of the topics discussed in financial management. Researches over the stock prices and factors affecting it, is very important because the stock price and its changes is considered as a criterion for the company's value, forming all the behavior available on the market. Accounting information is one of the most popular data in financial markets as long as the investors are looking for the accounting data of the companies more than anything else in order to make their decisions about investing. In other words, among all the factors that affects the value of stock firms, financial figures in the financial accounts. Information content of accounting figures means that financial reports transfer new and suitable data to the market and leads to changing the expectations of the investors and so the investors will react to these data .Investor reaction to the disclosure of these information indicates the effect of these information on their decisions, meaning that accounting data are informative. In accounting literature, informational content is considered increasing, partial and differential (Kurdistan and Khalili, 2011).

2. Review over literature and previous researches

In financial literature, numerous studies have investigated the effects of fundamental variants on the rate of return on equity.

Seyyed Hossein Sajjadi beside studying the factors affecting the unexpected profit of stock price came to the conclusion that the relation between unexpected changes in interest and abnormal returns are specific Impact of the factors (size, age, financial leverage, etc.) on unexpected benefit both in linear and logarithmic impact is not significant and approved for economic structure of the studied

Research conducted by Ivan (1999) indicated that the portfolios with the lowest book value is not more efficient compared to the market value.

Research conducted by Hanifi (1997) and Zarif fard and Ghaemi (2003) showed that beta alone cannot explain the dispersion of stock returns in the Tehran Stock Exchange.

Saghafy and Salimi, studied the relation between some fundamental accounting variants and stock returns. The results of their study showed that the change in profits, total assets and the auditor's report has a significant relationship with abnormal returns. These three mentioned variants explained 48 percent of the changes in abnormal stock returns.

Bagherzadeh has studied and identified the factors affecting stock returns in the Tehran Stock Exchange in 1997 to 2004. His studies showed that systematic risk is related to the stock returns in the Tehran Stock Exchange. But this relationship was statistically so weak. Also, among the studied variants in the research, three variants of the company's size, the ratio of book value to market price and the cost-benefit ratio played the most important role in explaining stock returns. However, despite of what is expected relationship between the three mentioned variants of stock returns is opposite of the documented relationship in financial literature.

Rahmani and Tajvidi (2004), studied the relationship between accounting variants and stock returns. Some of these variants include the ratio of price to earnings (P. E), firm size, debt-to-equity ratio (D. E), the ratio of book value to market value (BV. MV) and the ratio of sales to the price per share (S. P). The purpose of this research is to identify and evaluate the role of these variants in determining stock returns in Tehran. The results showed that there is a significant relationship between the ratio of selling and profit per share price and the stock returns. Also the results related to value ratio of book value to market value of shares were inconsistent in the respective years. No relationship was found between debt-to-equity ratio with efficiency.

In another research Rahmani and et al studied the significant relationship between the beta, ratio of book value to market value and the stock returns. Results of the relation between beta and return in three portfolios showed that a high beta portfolio has a higher efficiency compared to low-beta portfolios.

Bahram far and Shams Alam (2004), studied the impact of accounting variants on future abnormal returns in stocking companies. The results show that the accounting variants are informative and publication of historical figures contained in the financial statements affect future abnormal returns. The variable degree of financial leverage, accruals, the company's market value, debt-to-equity ratio, borrowing cost and distribution of dividend with stock futures inversely related to abnormal returns, while the variant of returns of consistent assets and operational cash is correlated with the future abnormal return of the stock market.

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