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Dividends and Income in Stock Exchange Companies

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ABSTRACT

Understanding and interpreted the influential factors of the companies in Tehran Stock Exchange stock price behavior and evaluation of financial assets since the beginning of the formation of capital markets, including investment in scientific circles have been considered. The development and increasing use of computers in all areas of human knowledge, including financial management and investment aspects of the application of new technology has created a new. Modeling of complex systems such as those build. Many of those build prediction modeling and control of complex systems like the stock market where the work is analyzed by classical methods is difficult, and in some other. Neoclassical features such as intelligent methods that are used daily. Valuation of investment securities see those build innovative and evolving understanding of the various issues such as modeling and classification models used to predict those build results is useful. This study attempts to provide context for the research. Cash flow depending on the input and output. Profit from Investment Securities is a need for a careful assessment of predictable and self-help to be alarmed by the out or times of their investment opportunities to invest. Management, assessment and evaluation of operating profit platter receivables investment returns, asset returns, and the relation between them can be evaluated company's future and for it to be considered a solution. Today, the smallest markets could lead to a reduction in the value of shares in some companies consequently lead to bankruptcy then requires powerful tools for experienced managers also can predict the Viable solution.

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INTRODUCTION

Investigate the relationship between the ratio of price to earnings per share and dividends on the stock exchange is one of the important issues Stock price traded companies listed on the stock and the intrinsic value is an estimate. Because prices as a leading indicator of capital allocation are effective. Cope with the intrinsic value of the stock will become a powerful tool in the efficient allocation of resources. Determine a fair price based on the intrinsic value of the stock models and different methods are used. Meanwhile, the ratio of price to earnings per share, P / E despite having been widely used theoretical weaknesses. The reason lies in the issue of ease of use and comprehensibility for most participants in the market. On the other hand, as the main profit indicators consistently accounting for various purposes such as stock assessment and management performance has been considered. A particularly important aspect of evaluating the financial health of a company's earnings quality and the attention of investors, creditors, and other users of the Financial Corporation. Quality of reported earnings reflect gains the ability to predict future profits and the real benefit to the stability, sustainability and variability refers profits. In this study, researchers sought to determine the relation of price to earnings per share in the earnings quality of listed companies on the Stock Exchange of Tehran.

Defined as the ratio of price to earnings per share P / E

This ratio is referred to as the coefficient of profitability is result of dividing its profits and share price over the relationship between stock price of a company to show a profit [1].

Earnings Quality and Stock:

Interest as one of the most important measures of performance are used to determine enterprise value. Because of inherent limitations in accounting such estimates to predict future failures in processes, enabling the use of multiple methods of accounting. As a result of the likelihood of earnings manipulation shareholders and

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management of conflicts of interest income reported in the financial statements may not coincide with the real profits of firm. But for this problem is the concept of earnings quality.

Definitions of Income:

Researchers have suggested various definitions for the sum of earnings quality issues based on their definitions are as follows:
1. Corresponds to the real benefit
2. Stability and variability of earnings
3. The ability of past earnings to predict future earnings and cash flows
4. Conservatism used in the calculation of profit
5. Immediate cash earnings
6. The Accrual
7. Reflects the operational abilities [2].

Quality measurement models Money:

The use of different definitions and concepts used by researchers to analyze the quality of earnings-price rise to different models were measured. Each of the models used for the evaluation of profits for limited purposes. Although both models have used different criteria but does not provide any comprehensive view of the quality of earnings. Then, according to the survey carried out research on the assessment of earnings quality, more comprehensive view of the research is to measure earnings quality is achieved. A summary of the main points the following themes will be used in this research.

Center for Financial Research and Analysis stock:

The purpose of this model is the detection of income smoothing. This model is used to measure earnings quality is measured by four criteria. Liabilities for less than the cost of providing diagnostic assessment methods and assessment materials in a manner recognized as income.

Ford Investment Research:

This model mainly focuses on the properties of time series benefit from the stability, growth, income, ordinary income, operating income variability measures of financial leverage and the ability to predict the benefit of profit, used to measure [3].

Bajalan Research:

Bajalan believes that investors in their assessments of the time series can be used with a stable income. They have important benefits in terms of stability and durable aimed considered. Stability is the most profitable companies more power to maintain current income and higher earnings quality is assumed Tremblay.

Leos and Et all studies:

They are two criteria to evaluate management interventions evaluated in smoothing. One of the standard deviation of cash flow from operations. Smaller than one indicates a greater consistency and correlation between changes in accruals and cash flows are negatively correlated with evidence of steady income. Research by Harris *et al*. Some researchers define earnings quality based on proximity to cash. In the simplest case, this relationship might benefit ratio of cash from operations is stated.

D'Angelo Research:

A simple approach to measure earnings quality by examining the change in total accruals is. In this method it is assumed that the normal accruals from period to period are fixed. The change in total accruals as a result of the change in abnormal accruals occurs. D. Angelo in his Models of the method used to measure changes in total accruals manipulation-management has attempted to identify.

Research Jones:

Jones of abnormal discretionary accruals as an earnings quality factor introduced. Jones model total accruals calculated Tremblay in one of two ways:
1. Changes in total accruals in the year
2. Operating profit
3. Cash from operations
4. Current assets
5. Current debt
6. Amortization of tangible assets and non-visible
7. Current portion of loans received
8. Cash and Cash Equivalents [4].

Moradzadeh Research:

They emphasized that their accrual most previous studies have focused on deliberate manipulation of these modifications are known to reduce the quality of earnings. However, even in the absence of intentional manipulation of earnings management company and industry characteristics may affect the quality of accruals. The intentional and unintentional errors in estimating both will lead to lower earnings quality.

Lou Tiagarajan Research:

Negative signals are reduced in proportion to the amount of gross sales, Disproportionate reduction in capital expenditure and research development of the industry, the increase in selling and administrative expenses in proportion to sales and a decrease in the effective tax rate is abnormal.

• Increase in inventories minus the increase in cost of goods sold and a disproportionate increase in accounts receivable to sales agents are considered to be negative.

• Changes in the percentage of abnormal storage doubtful debts as a percentage of gross accounts receivable in order to be a negative factor.

• Percentage change in sales minus the percentage change in the sales receipt as evidence of future performance are considered.

• Reduction of labor and considered a favorable audit opinion expressed in throughput.

Empirical studies investigators:

The researchers chose nine financial index to assess the quality of earnings. If any of the indicators were favorable to that number one, and zero otherwise awarded. The results of desirable and undesirable items are as follows:

• Items that have been favorable: positive return on assets and operating cash flow increase in the current ratio, return on assets, operating cash flow minus net income.

• Items that have undesirable increase in long-term debt divided by total assets are shares.

Gradient Research Institute:

Some of the important factors in the evaluation of the benefits of this research institutes have considered include, The quality of the inventory accounts receivable generated cash flows of fixed assets and liabilities, disclosure of earnings management activities to assess corporate governance and control structure is much more competitive environment.

Merrill launch Research:

The benefits of high-quality research available on the capital near the cash repeatability depends on the quality and high profits due to the unstable conditions knows.

Hopkins Research:

Hopkins is Professor of Accounting at Harvard University. He believes that if companies have the following characteristics profits will be high quality. Conservative accounting methods stable flow of income before taxes resulting from operational activities, obtaining reproducible level of net income and the growth rate is independent of tax considerations, appropriate level of debt, an appropriate capital structure does not profit from inflation [5].

Najarzadh Research: In this regard, earnings quality as the ability of reported earnings reflect true benefit in helping to predict future revenue and profitability and stability of variability is defined.

Conclusions and summary measures of earnings quality:

In on researches Summary of Earnings Quality Index measures utilized in recent research to indicate the number of occurrences. Of the 40 criteria used in this study, only a measure of cash flows from operations to profit, The seven study criteria to evaluate stability margins and profit growth, In six studies, the standard correlation between accruals and cash effective tax rate, Five this measure of variability in the ratio of operating profit to sales. Changes in account receivables from changes in sales volume of shares traded by the Company's purchase guarantee. In the four Study, while the remaining three; two or one specific study has been used.

Study on the relationship price to earnings per share and earnings quality:

The results of the research carried out internally by the rare show a significant association between earnings quality and future earnings, results of Ismailia Studies indicate a weak relationship between earnings quality and stock returns suggests Tehran Stock Exchange to be inversely related correlation P / E of stock return is .

MATERIALS AND METHODS

The statistical methods of correlation analysis, regression and analysis of variance were used to examine the relationship between the study variables.

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Hypothesis is as follows:
1) The ratio of price to earnings per share, P / E and earnings quality has a significant relationship.
2) The ratio of price to earnings per share are significant differences between different industries.
3) There was no significant difference between earnings quality in various industries.

The population of companies listed in Tehran Stock Exchange, which is comprised of companies with the following characteristics:
1. Mal not investment companies and financial intermediaries.
Their financial
2. Sale March end.
3. Atlatl required for participation in the present study.
4. Fiscal year does not change during the studied period [8].

Based on the above criteria, the population consisted of 190 companies:

The selected sample consists of 89 firms that accounted for 92% of the market value of the target population. The study period was examined. Variables included the ratio of price to earnings per share as the dependent variable and independent variable, earnings quality is. Due to the lack of an accepted method of measuring earnings quality, researchers have tried to identify the criteria that have been agreed by the majority of scholars. But in order to identify the quality of earnings of fifteen of the recent research carried out on the measurement of earnings quality was studied. Next, the researchers agreed were shared among the ten criteria. The ten criteria, including the realization of cash dividends (7 subscribers), the growth rate constant profit (6 subscribers) to evaluate gross profit (6 subscribers) assessment accruals (5 shared), investigate the variability of profits (4 shared), to evaluate the benefits Functions (4 sharing) assessment receivables (4 shared), return on Assets (2 subscribers), the total return on capital employed (2 joint) and the ratio of investment assets (2 sharing). The ten criteria are more comprehensive evaluation of the benefits of the proposed model is the recent research, Earnings quality by assigning a score in the range of one to ten for each of the assessment criteria that are totally facilitate maximum 100 points. Rated a score indicating the least impact on the quality of earnings and profits of the ten largest effects on the quality of the show. Index 2 with the measurement criteria to evaluate the quality of earnings and the score indicates [9].

Row	Name of measure	How to Measure	Description	Points
1	The realization of cash dividends		This ratio is much larger, Earning cash is closer to the Higher quality.	1-10
2	Evaluation of Gross Profit	Gross Profit Sales	This ratio is much larger, Higher earnings quality.	1-10
3	Constant growth rate of dividends		Whatever the continuous growth in profits During the study period, higher The higher earnings quality	1-10
4	Evaluation of Accruals		Accrual rate is much larger, lower earnings quality.	1-10
5	Variability of earnings	Standard deviation of earnings per share	The larger the ratio, the more profitable distribution and the quality of rural income.	1-10
6	Evaluation of operating profit	Operating profit Buy	This ratio is much larger, Higher earnings quality.	1-10
7	Evaluation of accounts receivable	Percent Change in accounts receivable Percentage change in sales	This ratio is much larger, Earnings quality is rural.	1-10
8	Return on investment	Operating income Of equity	This ratio is much larger, Higher earnings quality.	1-10
9	Reinvestment assets Source	Capital expenditure in the current year Depreciation	This ratio is much larger, Higher earnings quality.	1-10
10	Return on assets	Operating profit Total assets	This ratio is much larger, Higher earnings quality.	1-10

Findings:
The first hypothesis:

In order to investigate the relationship between the dependent variable of price to earnings per share and earnings quality hypothesis independent variable in the regression model during the period 1383-1379 were analyzed.

The results of these models are briefly presented in the following indices:

Index 3 , Summary of article	
Regression model	
Number of observations	89
Coefficient of determination	0.175

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Adjusted coefficient of determination	0.165	
The correlation coefficient	0.418	
Statistics	18.448p-value	
Variable	Slope	Statistics
Quality of Earnings	0.093	4.295
constant	2.128	1.759

The results of testing this hypothesis implies the model is significant. In other words, there is a positive relationship between earnings quality and the ratio of price to earnings per share ratio (P / E) and the role of quality in the form of profit-making P / E ratio. Also, according to the determination coefficient indicates that the relationship between earnings quality and high ratio of price to earnings per share and 5.17% of the variation is not P / E is explained by the quality of earnings determination, therefore, it can be stated in terms of investors in the Tehran Stock Exchange, the concept of earnings quality is not seen as an important criterion.

The second and third hypotheses:

Other hypotheses of this study:

1) The difference between the ratios of price to earnings per share (P / E) in different industries.
2) There was no significant difference between earnings quality in various industries [6].

The results of the above hypothesis is relevant index:

Index 4 summarizes the results of the second and third hypotheses:

Variables evaluated	Significant level	F statistics	Test result
P / E Ratio	0.002	5.627	Null hypothesis that there is no significant difference between different industries is rejected.
Quality of Earnings	0.089	2.291	Null hypothesis that there is no significant difference between different industries cannot be ruled out.

The results of testing this hypothesis shows significant differences between the accepted prices to earnings per share in various industries. While the quality of earnings in the industries listed in Tehran Stock Exchange, there is no significant difference.

Cash flow and income dividends and net name: Earnings, Cash Flow, a concept and a reality:

Pablo believes in the principles of accounting and finance, although it cannot be absolutely correct, but it can be considered as good a view. Just a guess, but the principle is the net cash flow is reality Nowadays a lot of analysis on net income as the main factor and the only factor explaining firms are authentic. Based on this simple approach is to increase the company's net profit, better and worse by reducing working.

In general, it is said, the company that last year's net profit more than firms with lower net profit for its shareholders has created more wealth and prosperity. Also, according to this logic, firms with positive net income increases and decreases shareholder value firms are firms with losses. Of course, all of these theories may be wrong [7,10,12].

In most of the analysis by adding depreciation to net income, cash flow is often a figure is obtained which is called an accounting or cash flow from operations. But the important thing is that a lot of people, though aware of these issues, but consider cash flow rather than net income.

The classic definition of net income:

Revenue minus the cost of revenue during the period studied, this simple concept based on the idea that in the case of education, income and expenses are necessary to identify the revenues to pay for education.

It's not always easy, and often a lot accepted assumptions used to calculate it.

Depreciation is calculated using the actual costs are calculated and provide cost saving product and bad debts, to recognize exemplary efforts to identify the best methods possible loss of revenue. Although this index is accepted and implemented, it can provide enough information about the company's performance, but often the application of a sufficient without having any knowledge net profit of the assumptions abstained it using the calculation confusion the users Financial.

On the other hand, it is possible that the net benefit is limited to certain criteria is used as an objective measure. Cash flow is the difference between incoming and outgoing cash flow there. The exact meaning of this difference is that the money is entered into the company for less than the money that comes out of it. In the case of Cash Flow, two key concepts including cash flow and free cash flow of equity is there. Capital cash flow is also used for polishing and antiquating. Usually words. It is always better to work with companies to improve cash flow and increase the wealth of its shareholders.

Cash flow accounting, cash flow of equity, cash flow and free cash flow of capital: Often in financial literature, the following definition of accounting for cash flow is expressed

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Net profit after tax + depreciation = cash flow accounting

In this paper, three different definitions of cash flow is presented as follows:

1. Equity and cash flow: Cash flow after investments was to meet working capital needs funds to pay the costs of staff and creating a new liability, in the company remains.

Cash flow of equity, the cash flow available to shareholders at the company's dividend or buy back stock shows that it is used. Of equity Cash Flow Cash Flow for each fiscal period simply the difference between incoming and outgoing cash flow at the shows.

Cash flows of input - output of Cash Flows = cash

At the time of the projections, anticipated cash flow of equity in a period of anticipated dividends must also be equal to the redemption of shares in the period.

2. Free cash flow: Cash flow from operations excluding the after-tax cost of debt and the interest of the company. The free cash flow is cash flow after investments and working capital needs and cover liabilities not assumed to be available. In companies without debt or financial leverage, free cash flow is the free cash flow to equity.

Assuming that the company's cash flow of equity not debt. It is often said that the company's free cash flow Cash generated funds needed to shareholders and creditors shows. This claim is not correct because it shows that the capital cash flow Cash generated by company-owned [11,13,15].

Conclusion:

The ratio of price to earnings per share P / E ratio indicates that for every one-unit investor is paid the dividends. When selecting the proposed price is reasonable investor to buy shares of companies expected profits amounted to assess the quantity, the quality of the financial health of the profits to be ignored. Therefore, one would expect a strong positive relationship exists between these two ratios. The results of this study indicate that a direct positive relationship between the ratio of price to earnings per share and earnings quality is there. However, due to the low coefficient of determination of 5.17 percent is not a strong correlation between these two variables.

The Tehran Stock Exchange, investors can be stated in terms of earnings quality is not seen as an important criterion, which can be caused by the visual short-term investments. The results of the second hypothesis showed significant differences between different industries is the ratio of price to earnings per share. It can be caused due to different perceptions of the industry in the Tehran Stock Exchange as investors. In other words, investors are willing to pay different prices for the same profits are from different industries. The results of the third hypothesis suggests a significant difference between earnings quality of listed companies in different industries, there in Tehran Stock Exchange. The result is measured according to the same criteria of earnings quality in the industry is not far-fetched.

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