EXPLICABILITY OF BALANCE SHEET ITEMS AND CASH FLOW STATEMENTS IN ANTICIPATING THE PROFIT

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Table Title and Results and Discussion missing

ABSTRACT
Profitability assessment for investors is the main incentive for more coordinated researches in the accounting history. Financial accounting standards Board (FASB) claims that even though investing decisions and granting credit reflect investors and creditors expectations about future performance of economic unit, but this expectation is somewhat based upon past experiences of economic entity in other words, the expectation is that’s future performance of economic entity is to some extent predictable and based upon past experiences on this basis, investors and other accounting users apply wider information of the past profits which are beyond the anticipated profits of the past profits and also are part of this wider information in the financial statements. In this research, in this research, it has been tried by the use of balance sheet items and cash flow statements in the form of commitment and pecuniary proportions. The relation of balance sheet items and cash flow statements with net profit has been surveyed, and then their profitability has been determined. This research has been done by the data related to the accepted companies in Tehran’s stock Exchange between the years 1385 and 1390 and for testing the research hypotheses. Regression model with various variables has been used. Consequently the results indicate that although the proportions of working capital to the total assets and debt coverage due on the components of balance sheet, but they have the weak explicability, in net profit, but not in all the items of balance sheet and cash flow statements.

Key words: Items of Financial Statements, Financial Ratios, Profit

INTRODUCTION
Accounting is the process of identifying, measuring, classifying and reporting financial information in order to provide the possibility of intelligent judgment and making logical decisions by financial users. These user have different Exceptions, wants and needs, which are usually indicative (representative) of the information which must be presented in order to be the basis of judgment, evaluation and decision-making.

The ending result is to report financial statements. In fact, each financial statement reflects some information which provides an obvious indication of business entity. Therefore, the major part of theories, accounting standards and researches belongs to financial statements. While the financial statements concern their attention on Informational needs of users. So some definitions, qualitative features and guidelines facilitate achieving to this objective one of the features of accounting Information, usefulness (profitability) in anticipation which are considered as one of the main purposes of financial reports in considering the theoretical principles of accounting. Usefulness (profitability) in anticipation is one of the features related to these information which provide some financial information and helps the users in predicting the current and prospective results of the business entity. Anticipating the profit and its changes have been concerned by investors managers, financial analysts and creditors. This matter results from the use of profit in evaluating stock’s models, payment strength, evaluating the risk, evaluating the performance of an economic entity, consulting managements, and the use of anticipation in profit and evaluating the way of selecting accounting procedures by management in economic, financial and accounting researches. In this research, it has been tried to survey the balance sheet items and cash flow statements and net profit by balance sheet information and cash flow statements in terms of accrual and cash ratios and then to determine their power in anticipating the profit in accepted firms of Tehran’s securities Exchange.
The Importance of the Research

The purpose of accounting information is to provide and present useful information for decision-making. Decisions which are related the future (future decisions) we constantly reach uncertainty, the people are victorious who make sound decisions and anticipations in this field. In accounting like other science, we can use anticipation predicting profitability refers to the potential power in anticipating the profit. According to the American Financial Accounting Standards Board, predictability is part of the feature and is defined as follows: Quality of the information can help financial users to increase the possibility of present and prospective predictions (Dicho and Jang, 2009).

In a report which was issued by American Institute of certified public accountants (CPA) in 1971 and is famous as True Blood report, assigned twelve purposes for financial statements preparation, of which six cases emphasize forecasted utility.

In the proposed text theoretical principle in accounting and financial reporting of Iran and utility in forecast are considered as the objectives of financial reporting and qualitative information. Utility in forecast is part of this related information which means that financial information must be replaced so as to help users in predicting present and prospective results of an economical unit. In utility approach, we clarify that financial reporting should provide enough information in predicting future events which are used in making decisions about economical models and if the value of accounting information be compared with content value, each research which increases accounting potential in determining accounting information, makes an important help in accounting knowledge. Accordingly, utility in forecast is one of the objectives of financial reporting and qualitative features of accounting information.

Regarding this matter that historical profits data, cannot be a proper criterion for evaluating future performance, thus predicting future profits is of utmost importance we can increase the predictability of future profits by reliable information. Studies show that we can use past information of historical profits for predicting future profits of an economical entity (Spiker, 1991).

One of the main resources for predicting the profit, is the financial statements of the companies, therefore, the validity and reliability of these statements is of for greater importance. The purpose of this research is explicability of balance sheet items and cash flow statements in anticipating the profit, so this research can recognize (identity) the quality of financial information in terms of their predictability value. On the other hand, with respect to the various scientific patterns in accounting, this research can provide experimental evidences about the usefulness of information for decision makers.

Review of Related Literature

For surveying the review of related literature, a review been done in some writings related to accounting and financial management which also consist of some books and research periodicals in the field of accounting and educational achievement.

It must be mentioned that up to now significant researches have not been done in this field, but some researches have been done in the field of anticipating profit and financial statement items which are as follows:

Foreign Researches

Dicho and Tang (2009) in a research tried to survey the relationship between volatility and profit predictability.

By surveying the relationship between volatility and profit predictability, they found that this relationship is the result of economic and accounting factors. The results indicated that there is a negative relationship between profit volatility and profit predictability in short and long-term.

Why Hooy and his collaborators (2009) surveyed the effect of conservatism in anticipating the profit. The results indicated that conservative accounting due on as a substitution (replacement) for managerial prediction therefore, it results in reducing asymmetrical information in markets and potential reduction in judicial lawsuits by proper reporting of unpleasant news.
Petro which and his collaborators (2009) surveyed the relationship between profit volatility and future profit the results indicated that there is a negative relationship between profit volatility and future profit. These researches believe that justification of this negative relationship is possible by lower investment, managerial incentive and augmentative tax.

Dichu and Tang (2008) state that accounting factors unlike economical factor under the control of the company. Quality of income matching (conforming), cost, Quality of accrual items and profit smoothing are the effective accounting factors in the relationship between profit volatility and profit predictability weak matching (conforming) acts as a disorder in the economical relationship between income and expenditure.

Kameran Ahmad (2007) has also surveyed the effective factors in error in anticipating the profit of the firms having initial stock in Daka securities Exchange. (Daka is the Capital of Bangladesh)

His sample includes 202 accepted firms in Daka Securities Exchange between the year 1990-2006. It seems that variables of this research be effective in error in anticipating the profit: The ratio of net profit over sale, financial leverage, time dimension in anticipating, the stocks owned by managers, the outstanding shares (issued shares), booms, subscribes validity, auditor’s validity and firm’s lifetime. By the use of multi variable regression analysis, his results indicated that there is an inverse relationship between booms and error in anticipating the profit and there is a positive relationship between firm’s lifetime and error in anticipating the profit.

Other variables surveyed in this research were not meaningful even at the reliability level of 90 percent.

Pen man and Zang (2002) concluded that changes in profit margin and assets flow can not anticipate future output more than one year.

Garoud and Ris (1997) used four fundamental variables in anticipating profit consisting stockholders equity, net profit breaking dividend, and stock price. For this purpose, they selected a sample of business and industrial firms in countries like Germany, France, and England for the years between 1987 and 1995, and then tested these four variables by regression model.

The results indicated that variables have significant effect in explicating (determining) the changes in net profit during two years.

Ababanel and Boushi (1997) in a fundamental analysis. Surveyed future profit, stock price and usefulness of these fundamental variables. The results indicated there is one-year meaningful relationship between stuff inventory gross profit, effective rate of tax, the way of evaluating inventories and efficiency of labor force which anticipated profit, but administrative costs, sale and auditor’s opinion don’t have such an effect.

Ou (1990) anticipated the amount of profit by the use of accounting numericals. His conclusion was that there is a relationship between the additional informational content in accounting with stock price except profit, and it may be due to the ability of these accounting numericals in anticipating except profit can anticipate future profits for the following reasons:

Firstly, These accounting numerical except profit may help in identifying elements of current profit which will fade away (dis appear) in long-term.

Secondly, these information except profit may reflect managerial decisions which affect future profits.

Freeman and his collaborators (1982) surveyed the role of bookkeeping output in anticipating profit changes. The results indicated that there is a strong relationship between book keeping output and profit changes.

The results also indicated that logical (intellectual) investors use wider information in anticipating the profit, and this may include financial statements information except profit. Therefore, reported volatility in profits increases in weak matching (conformity), since the resultant profit is the difference between incomes and costs and any disorder in matching (conformity of) incomes and costs may cause a disorder in the even kell (monotonous) trend of profit.
Internal Researches

Legziyan and his collaborators (1390) surveyed the effect of financial proportions (ratios) in anticipating firm’s profit and stock’s output. They tried by basing fundamental information in financial statements of firms to survey the effectiveness of ten cases of the most important financial proportions in anticipating future output and profit in 252 accepted firm’s in Tehran’s Securities (stock) Exchange during 6 years (between 1380 and 1385). The results indicated that profitability and activity ratios can be a suitable anticipator (determinant) for future stock output in Tehran’s stock Exchange. Nevertheless, there isn’t a meaningful relationship between financial ratios and future profit which likely is the result of profit smoothing in Iran’s firms.

Hashi (1388) surveyed the effect of future financial information, part 340 of auditing standards in the quality of anticipating the profit. The results indicated that enforcing (conducting) this part of auditing standards reduced the anticipating error and does not make a change in stock price. Surveying the review of related literature indicates that necessary researches about the relationship between anticipating error in managerial profit and accrual item have not been considered, and the relationship between this anticipating error and different factors have been tested in most researches.

Sareban and Ashtab (1387), after identifying the effective factors on error in anticipating the profit, tried to survey the relationship between firm’s lifetime, validity of auditing institution, time period in anticipation and the ratio of profitability with error in anticipation, and of all these variables, there was only a meaningful relationship between the ratio of profitability and error in anticipation, and it was a negative relationship.

Salam (1383) in his research by exploiting Abarbanel and Bushi (1997) has surveyed the effectiveness of some specific accounting variables on stock output in Iran. Findings and the results of this research have been done during a time period of 5 years between 1377 and 1381. The results indicates that variables of profitability changes assets variables and kind of auditing report have had meaningful effect on stock output, and explains about 48 percent of unusual output changes of all these variables, variable of profitability changes have had the most coefficient.

Sagafi and Sheiri (1383) in their research as the role of fundamental information in anticipating stock output and also by selecting the stock output for anticipation has sought to empirically test the usefulness of accounting information. Their results were indicative of accounting information. Determinability of variables of assets output, investment output, the growth of sale over the sum of assets, the growth of net profit over the sale, and financial costs over sale have been meaningful in nine variables. In other words, these variables have had major contribution (share) over other variables in anticipate the output. Other variables have not been equal (identical ting) over time in anticipating the profit.

Najafi (1380) has surveyed the effectiveness of some factors like duration of exploitation, the amount of assets proportion (ratio) of total debt over total assets, in making a difference between the amount of anticipated profit and real profit in accepted firms of Tehran’s stock Exchange between the year 1374 and 1376. This sample consisted of 51 firms. The results indicated that among these three factors, duration of exploitation and the amount of firm’s assets have respectively had an important effect in making a difference between the amount of anticipated profit and real profit on the firm, and the ratio of total debt over total assets in making aforementioned differences had no effect (sere useless).

Rahmani (1378) has surveyed the usefulness of financial statements items in anticipating profit except the profit itself in order to get his PH.D degree from Allameh Tabatabie University. In this research the content of additional information of accounting numerical has been surveyed and scrutinized by the process of anticipating the profit. The results indicated that financial statements items have had anticipating value and are useful for anticipating the changes of profit during the next year.
Nezhad (1375) has survey the usefulness of information by explicating and representing financial ratios (proportions) on the basis of cash flow statements in terms of four groups of common financial ratios, and has concluded that cash financial proportions together with accrual ratios are useful in making economical decisions and some decisions about stock purchase.

Sabzvari has also done a research about the necessity of preparing cash flow statements. In this research, after surveying changes in cash flow statements and financial status, and comparing them, the results indicated that cash flow statement information together with profit and loss information can help financial statements users in evaluating future cash flows like anticipating the stock dividend and the ability to pay back the debts.

**Overall Method of the Research**

While the results of this research can be used by Tehran’s stock exchange; The community of formal accountants, investors and accounting students.

From the view point of classifying the researches, this research is a practical one (experimental), form the view of methodology it is done by deductive-descriptive and from the view point of research scheme is post-incident.

**The Hypotheses of the Research**

First main hypothesis: among balance sheet items and cash flow statement with net profit exist significant relation.

Outcome ratios of balance sheet items

On the base of above main hypothesis can reduce following Subsidiary hypotheses:

*Subsidiary Hypothesis 1*: among current ratio and net profit exist Significant relation

*Subsidiary Hypothesis 2*: among quick ratio and net profit exist Significant relation

*Subsidiary Hypothesis 3*: among stuff inventory ratio to total assets and net profit exist significant relation

*Subsidiary Hypothesis 4*: among stuff inventory to working capital and net profit exist significant relation

*Subsidiary Hypothesis 5*: among total debt ratio to total assets and net profit exist Significant relation

*Subsidiary Hypothesis 6*: among debt ratio to special value and net profit exist Significant relation

*Subsidiary Hypothesis 7*: among long term debt ratio and net profit exist Significant relation

*Subsidiary Hypothesis 8*: among debt ratio to equity and net profit exist Significant relation

*Subsidiary Hypothesis 9*: among debt coverage ratio and net profit exist Significant relation

*Subsidiary Hypothesis 10*: among ownership ratio and net profit exist Significant relation

*Subsidiary Hypothesis 11*: among working capital ratio to total assets and net profit exist significant relation

*Subsidiary Hypothesis 12*: among asset turnover ratio and net profit exist Significant relation

**Outcome Ratio of Cash Flow Statement Items**

*Subsidiary Hypothesis 13*: among cash return ratio to special value and net profit exist significant relation

*Subsidiary Hypothesis 14*: among assets cash return ratio and net profit exist Significant relation

*Subsidiary Hypothesis 15*: among cash return ratio to debts and net profit exist Significant relation

*Subsidiary Hypothesis 16*: among cash profit ratio to investment activities and net profit exist significant relation
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Subsidiary Hypothesis 17: among cash profit ratio to financing activities and net profit exist significant relation

Subsidiary Hypothesis 18: among cash profit ratio to operating activities and net profit exist significant relation

Subsidiary Hypothesis 19: among cash debt coverage ratio and net profit exist significant relation

Subsidiary Hypothesis 20: among cash long term debt ratio and net profit exist significant relation

Subsidiary Hypothesis 21: among cash reinvestment ratio and net profit exist significant relation

Subsidiary Hypothesis 22: among adequacy of cash ratio and net profit exist significant relation

Subsidiary Hypothesis 23: among cash investment ratio and net profit exist significant relation

Second Main Hypothesis: balance sheet items and cash flow statement have net profit explain ability.

Statistical Society Properties

Because of statistical society mass span and outcome special difficulties of that and also some Mismatch existence among society members in relation with need information of research.

Following situation placement for statistical society selection and research statistical parable select with systematic deletion way:

a) Chosen companies financial period is be xx / 12 /29 that from this sight exist congruency among companies.

b) Chosen companies selected someway that their activities were production and during period will be the active check use.

c) In check case period, chosen companies will be profitable.

d) Isn’t part of financial companies (investment, Holding, intermediary)

e) Was listed during research time in Tehran stock exchange.

So the companies doesn’t have above conditions or it’s data not accessible, will be out of statistical parable.

After this condition apply research statistical sample consist 40 companies of Tehran stock exchange member.

Field of Research

Local domain of this research in listed companies range in Tehran stock exchange. time domain of this research is in years 1385 up to 1390 and for this work using financial account audited. topical domain of this research about balance sheet item effective and cash flow statement on profit forecast.

Hypothesis Examine

After case companies information assessment from stock exchange organization, calked base balance sheet and cash flow statement ratios using excel software for years of 1385 up to 1390. For main hypothesis examine, explained secondary hypothesis for each one of financial ratios.

From person correlation coefficient used for relation or dis relation of said financial ratios check finally sake assessment of forecast ability of balance sheet items and cash flow statement using multivariate regression.

Hypothesis Examine Result

Research hypothesis express that among balance sheet items and cash flow statement with net profit exist significant relation. According to done check hypothesis examine result acquired following table:

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Table 1: Title Missing

<table>
<thead>
<tr>
<th>Ratio name</th>
<th>Significant level</th>
<th>correlation coefficient</th>
<th>Accept or reject of H1 hypothesis</th>
<th>Resulting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>0.003</td>
<td>-0.212</td>
<td>accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>0.225</td>
<td>-0.086</td>
<td>reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>stuff inventory to total assets ratio</td>
<td>0.006</td>
<td>-0.179</td>
<td>Accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>stuff inventory to working capital ratio</td>
<td>0.49</td>
<td>0.049</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Total debts to total assets ratio</td>
<td>0.44</td>
<td>0.055</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Current debt to special value ratio</td>
<td>0.248</td>
<td>0.082</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Long term debt ratio</td>
<td>0.692</td>
<td>-0.028</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Debt to equity ratio</td>
<td>0.3</td>
<td>0.074</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Debts coverage ratio</td>
<td>0</td>
<td>0.246</td>
<td>Accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>ownership ratio</td>
<td>0.505</td>
<td>-0.047</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Working capital to total assets ratio</td>
<td>0</td>
<td>-0.263</td>
<td>Accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>Asset turnover ratio</td>
<td>0.001</td>
<td>-0.233</td>
<td>Accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>cash return to special value ratio</td>
<td>0.026</td>
<td>0.158</td>
<td>Accept</td>
<td>Exist significant relation</td>
</tr>
<tr>
<td>cash return to assets ratio</td>
<td>0.121</td>
<td>0.11</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash return to debts ratio</td>
<td>0.69</td>
<td>-0.028</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash profit to investment ratio</td>
<td>0.69</td>
<td>-0.028</td>
<td>reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash profit to equity flows ratio</td>
<td>0.687</td>
<td>0.029</td>
<td>reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash profit to operating flows ratio</td>
<td>0.781</td>
<td>-0.02</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Long term debt cash coverage ratio</td>
<td>0.105</td>
<td>0.155</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash reinvestment ratio</td>
<td>0.512</td>
<td>0.407</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>cash adequacy of cash ratio</td>
<td>0.913</td>
<td>0.008</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
<tr>
<td>Investment to equity ratio</td>
<td>0.976</td>
<td>0.002</td>
<td>Reject</td>
<td>Don’t exist significant relation</td>
</tr>
</tbody>
</table>
Testing Result
Correlation coefficient is being used for testing the hypotheses of the research. This means that the relationship between balance sheet items, cash flow statements and net profit has been surveyed by this correlation, with respect to this matter that the main hypothesis surveys the relationship between balance sheet items, cash flow statements with net profit. Therefor 23 subsidiary hypotheses have been put forward for testing the main hypothesis. Eventually, the result indicates that only seven variables out of twenty three variable have a meaningful relationship with net profit which are as follow:

1. Current ratio
2. the ratio of stuff inventory over total assets
3. the ratio of debt coverage
4. working capital over total assets
5. the ratio of working assets
6. cash return over special value
7. cash out put over assets

Other variables of balance sheet and cash flow statements have no meaningful relationship with net profit. According to the above tables and meaningful level obtained(achieved), we notice that there is a meaningful correlation among net profit, variables of current ratio, the ratio of stuff inventory over total assets, the ratio of debt coverage, the ratio of working capital over total assets, the ratio of working assets, the ratio of cash out put over special value, the ratio of cash out put over assets. There is a real and true relationship between correlation of dependent variables and independents variables. Meanwhile, there is a high meaningful relationship among profit, variables of the ratio of debt coverage, the ratio of working capital over total assets, and the ratio of working assets.

According to the above tables and meaningful level obtained, we notice that there is an inverse relationship among net profit, variables of current ratio, the ratio of working capital over total assets, the ratio of working assets.

Regression Analysis
In the second stage, we used multi variables regression and step by step method for determining the power of mentioned variables. the result indicates among meaningful variables, only the variables of working capital over total assets and the ratio of debt coverage have been entered into regression model which are part of balance sheet items. By surveying the amount of R2 and R, it was determined that the explicability of balance sheet items are so weak in anticipate the profit. (the coefficient is approximately 12%) and is not a suitable criterion for anticipate the profit, but are so effective in anticipating the profit over cash flow statements items. it must be mentioned that other variables which had no meaningful effect on net profit, and anticipating it, have not been entered into regression analysis.

The result of table 2 indicates that in the first step, the variable of working capital over total assets has been entered into analysis. Because it has a meaningful effect on independent variables, in the second step, the variables of debt coverage has been entered into analysis, and this matter increase the power of anticipating. one of the principles of regression is that by increasing anticipator or independent variables, the power of anticipating also increases.

Table 2: Title Missing

<table>
<thead>
<tr>
<th>Model</th>
<th>Correlation R</th>
<th>Determination coefficient R2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.263</td>
<td>0.069</td>
</tr>
<tr>
<td>2</td>
<td>0.339</td>
<td>0.115</td>
</tr>
</tbody>
</table>

According to the above tables, in the first model, the correlation coefficient between net profit and ratio of working capital is 0.26 which indicates that assets have relatively low correlation coefficient, and the determinant coefficient also has so weak power and efficiency. While the independent variables explicate only 7% variance of net profit, therefore 93% of it depends upon other factors, but in the second model, by entering the ratio of debt coverage, the correlation coefficient has been increased up to 34%, the determinant coefficient also explicates 11.5% net profit, which also indicates weak power and efficiency in the model.
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Table 3 shows the meaningful level of testing T and F, and according to its meaningful level, only the two variable of working capital over total assets and the ratio of debt coverage have a meaningful effect on profit.

Table 3: Title Missing

<table>
<thead>
<tr>
<th>model</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>14.716</td>
<td>0.000</td>
</tr>
<tr>
<td>2</td>
<td>12.781</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 4 shows the linear regression of the model. The above equation (model) is made up two variables; other variables have been excluded from this model, because they have no meaningful effect on profit.

Table 4:??

<table>
<thead>
<tr>
<th>model</th>
<th>Un standardized Coefficient B</th>
<th>Std. error</th>
<th>Standard Coefficient beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>61040.608</td>
<td>31659.604</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital to total assets</td>
<td>-36589.6</td>
<td>105260.28</td>
<td>-0.235</td>
<td>1.928</td>
<td>0.055</td>
</tr>
<tr>
<td>Debt coverage</td>
<td>16362.938</td>
<td>5132.278</td>
<td>0.261</td>
<td>3.188</td>
<td>0.002</td>
</tr>
</tbody>
</table>

According to the above table, the linear regression of the model is as follows:
Net profit = 61040.6 – 36589.6 (working capital over total assets) +16362.9 (the ratio of debt coverage)
It must be mentioned that other variables which had no meaningful effect on net profit and also had no role in anticipation have not been entered into regression.
According to table 1, there is meaningful relationship among different years in terms of net profit, because the meaningful have of testing is 0.005.

Suggestions for Further Research

1) According to the result of the first hypothesis, we should emphasize and pay attention financial ratios which have higher correlation which net profit.
2) according to the results of second hypothesis, we should not use only balance sheet items and cash flow statements for decision-making.
3) With respect to this matter that accrual ratios of balance sheet, have higher explicability over cash ratios of cash flow statements, so we must pay much attention to them.
4) it must be suggested that we should emphasize ratios of balance sheet items and cash flow statements, and the ratio of working capital over total assets, and the ratio of debt coverage which have the highest explicability in profit.
5) while the basis of much investing decisions, buying or selling stock is upon some nonsense and vain information, so less financial information are being considered. it must be suggested that analysts and investors pay much attention to financial statements.

Footnotes:
1- Financial accounting and reporting standards (FASB)
2- American institute of certified public accountant (AICPA)
3- Trueblood reporting
4- The usefulness of the approach
5- Relationship between volatility and predictability
6- Wai; H; Matsunaga; K and morse; D
7- Petrovic; n manson; s and coackley; j
8- Pen man, zeng (2002)
9- Ababanell, s and brin j, bushee
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