



The Return on Assets Ratio and Its Effect on Stock Prices of Companies in the Tehran Stock Exchange

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A B S T R A C T

Growth and prosperity of any country depends on investment and proper planning. Proper guidance of cash flows will follow towards production and investment activities; Economic growth, increasing gross domestic product, creating jobs, increasing income and welfare of the public eventually. The basic objective of any investment is the more complete profits and business efficiency. Returns or reward investment, including current income (eg revenue) and increase or decrease the value of assets (profit or asset loss). "Real rate of return an investment in securities, How investments a person show in the past. Stock investors many factors to consider when making an investment. Merton believes that investors willing to take possession of securities that have a greater awareness and know about it or have recently attracted their attention somehow. In this study, the role of the return on assets on the stock price of companies in the Tehran Stock Exchange has been discussed.

Keywords: Return On Assets, Company, Stock Exchange.

INTRODUCTION

One of the purposes is to provide accounting information for investors and analysts to help them predict stock returns of the company (Narayan, Narayan, & Thuraisamy, 2014; Ou & Penman, 1989; Siegel, 2014). If the accounting information useful for explaining efficiency, in the event of changes in accounting data must be due to changes in stock returns of companies (Al-Qenae, Li, & Wearing, 2015; Hameed, Morck, Shen, & Yeung, 2015; Kelly, 2014). Several national and international studies that the relationship between accounting data with stock prices or stock returns (Al-Qenae et al., 2015; Ali & Hwang, 1999; Anthony & Ramesh, 1992; Frankel & Lee, 1998; Narayan, Sharma, & Thuraisamy, 2014; Penman & Zhang, 2002). In this study seeks to answer the questions that a company's stock price on what variables should be searched. Much research has been done on the subject, but what is certain is that still blind spots in this question are very much for this question. This variable includes the independent variables Return on assets, Return on equity and net profit. Investment methods are of great diversity.

Regardless of the type of investment, two factors "investment forecast about revenue sources of investment" and "real benefits from investments" are the most important aspects of financial decision-making. In any investment, investors are looking for returns from investment (Götze,

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The Return on Assets Ratio and Its Effect on Stock Prices of ...

Northcott, & Schuster, 2015; Richmond, Yackovlev, & Yang, 2015). The investor is trying to get information from the Company's future stock price. However, one of the most common methods of analysis of financial data is preparation of financial ratios (Vogel, 2014; Wahlen, Baginski, & Bradshaw, 2014). Financial ratios In fact, companies are summary financial reports that the information content of the offer within the company. What is relevant today is that accounting is to maximize shareholder wealth (Arkan, 2016; Lukason, Laitinen, & Suvas, 2015). The dependent variable in this series is stock prices in this sector to be able to get more favorable results. In this study we are looking to examine whether are there the relationship between stock prices and Ratio of return assets in company stock? And if there is to explain and re-open the issue for decision-making in finance and accounting organizations to prepare the organization to deal with the consequences of assets and net profit and the price companies and the projected ratios and there are earnings power.

Budgeting for next year and other issues influenced in departments of accounting. Knowing the future stock price is always an issue for investors who are able to enter into a stock based their decision making.

METHODOLOGY

The aim of the present study is applied and In terms of procedure, a descriptive and correlational. Applied research aimed at the development of practical knowledge in a particular field. In other words, applied research directed towards the application of scientific knowledge. Research population companies that in the banking or insurance industry that Stocks are traded on the Tehran Stock Exchange. In the study for data analysis used of regression analysis and variables were as follows.

Stock price = p

Return on Investment = ROI

Net profit = NP

Here we have three regressions that must be analyzed as follows:

$$P = \alpha + \beta * ROA + \varepsilon$$

RESULT

Table 1. Descriptive statistics

	N	Mean	SD	Variance	Skewness	Kurtosis
earning	60	1648.58	626.04	391925.28	0.11	-0.36
ROA	60	1.98	0.68	0.46	0.02	-0.38
Price	60	94.55	22.79	519.28	0.36	0.25

Table 2. Summary of model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.77	0.59	0.59	14.64

Table 3. Analysis of variance

	Model	Sum square	DF	Mean square	F	P
1	Regression	18211.07	1	18211.07	85.00	0.00
	Residue	12426.49	58	214.25		
	Total	30637.56	59			

Table 4. Correlation coefficients of model

Model		coefficients		Standardized coefficients	T	P
		B	Std. Error	Beta		
1	Constant coefficients	43.17	5.88		7.34	0.001
	ROA	26.00	2.82	0.77	9.22	0.001

Based on the statistical analysis of variance and Fisher overly critical, it can be said Model is overall significant and the regression cannot be ruled out. As you can see, the F-statistic of 85.00 in the 95% significance level of regression cannot be rejected at this level of significance; the statistical significance of the regression will be accepted. According to Table of coefficients, the t-statistic is equal to 9.22 which mean the relationship between the Ratio of return assets and the stock price is acceptable. Durbin Watson shows the calculated 1.81 that it shows that isn't problem of regression.

CONCLUSION

The main and most important reason for result in this research, excessive dependence Bandar Abbas Oil Refining Company as a private company to company and dissemination of the national refining. Because the price of crude oil and gas condensate and also selling price will be announced through a private company to Bandar Abbas Oil Refining Company. So the preparation of financial statements depends on the refinement and dissemination of information and numbers cultivars by national companies, which in most cases because of a delay in sending information, preparation and presentation of financial statements is delayed.

To avoid this problem, Bandar Abbas Oil Refining Company to reduce its dependence on the national refining company and dissemination and changes in the production process of the special and also with access to authoritative sources such as the publication Plats crude oil prices in the preparation of cost of products sold accelerate.

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The Return on Assets Ratio and Its Effect on Stock Prices of ...

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