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The Survey of Relationship between Price Stocks with Selected Components of Cash Flow Statement in the Companies Listed in the Tehran Stock Exchange

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ABSTRACT

Obviously, each investor wants to maximize return on investment. Although the information related to liquidity in compare with the information related to profitability which is presented and measured based on the incremental accounting, has less efficacy in viewpoint of its management performance evaluation, but experience shows that profit due to management probability predilections, cannot be a perfect criteria in predicting future condition of company. In present study, we want to answer this question that how much is the rate of relevance, alignment and correlation of cash flow statement items with price stock?

To investigate the relationship between research variables is used from Pearson correlation coefficient test, t student, Fisher statistics, and Durbin Watson statistics. The main idea is that there is a significant relationship between the price stocks with each of the 5 components of Cash flow statement (according to standard of Iran). The results at confidence level of 95% show that there is no significant relationship between return on investment and interest paid for financing and financing activities with price stock but there is significant relationship between operating activities, investing activities, and taxes with price stock.

KEYWORDS: price stock, operating activities, investing activities, financing activities, return on investment and interest paid for financing, income tax.

INTRODUCTION

Accounting is created in order to respond to the human needs. Social, Political and economic conditions of accounting environment has been different each time. As a result, the accounting objectives and policies also have changed proportionate with change in environmental conditions. With passed the time and in parallel to development of economic activities and its increasing complexity, the objectives and methods of accounting has been developed in order to respond to the information needs. Accounting is a descriptive analytical science. Because many managers get information about events and after measuring monetary effects and processing and separating and summarizing these effects, they reduce them to a relatively small number of major and related to each other items, so that if these items are provided in a suitable way, useful information obtain about the condition and performance of economic unit.

Investors and decision makers have the primary role in the capital market, in deciding to purchase securities; they are seeking to find the actual value of the company and its stocks because making a mistake about determining the stock value can lead to the probability of more harmful results for them.

Information about cash flow statement can help in judgment on the amount, timing and amount of confidence from realizing future cash flows for the users of financial statements. The given information indicate how the relationship is between the profitability of the business unit and its ability to creating cash and also specify quality of profits obtain from business unit. So we investigate the relationship between cash flow statement and price stock.

Statement of problem and its importance

In financial markets, individuals and businesses that want to borrow or invest, encountered together. Capital markets lead financial resources into the most productive investment opportunities as additional resources are assigned optimally between manufacturers. In such a market, providing related and timely information has vital role to community economic growth and realizing the highest GDP with a given amount of resources. Securities market which is the collection center of savings and liquidity of private sector in order to finance investment projects, in fact is considered as only the official capital market in where buy and sell of firm stocks or other securities are done

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under certain terms and conditions. Government policies in the context of privatization of state companies also are to absorb private sector capitals so that a large group of people turn to the Tehran Stock Exchange.

Investors invest their cash basically due to achieving to more cash and obtaining more profit in common stock of profit units, so the price stock is one important factor in the selection of investment opportunity. During many researches have been done in the inside and outside of the country, the relationship of cash accounting variables (and of course accrual) about stock returns of companies and also price stocks have been investigated. Such studies that show the probable impact of accounting information on price stocks is called capital market research which its results show the correlation between accounting variables and price stock of companies.

Cash is one of the important and vital sources in every profit unit and creating balance between available cash and cash needs are the most important factor of economic health in every profit unit. Precision decision by individuals, governments and others for appropriate and efficient distribution of resources is essential. Informed decision requires obtaining different information about the topic under decision and the most major type of effective information in most decisions is financial information (Shabahang, 1995).

Power and access of every profit unit to cash is basis of many decisions and judgments about that unit. Information on how to use the company from the cash it has and How to enter and exit the cash is basis of most decision making. Investors and creditors for estimating future cash flows in a profit unit particularly emphasize to the impact of important cycles of operation (normal operation and financing and investing activities) on cash flow (Alivar, 1995). This study is to find a significant relationship between accounting information that is cash flows and price stocks of the companies to determine to what extent investors in predicting the price stock of companies rely on accounting information especially cash flows statement as one of the information sources.

Research objectives

Investors (resource owners) play a vital and pivotal role in capital markets. In order to optimal allocation of resources and economic efflorescence is needed to provide schemes so that by leading stagnant capitals prevent from inappropriate and non-beneficial investments for community and investors also are encouraged to invest in stocks with this idea that subordinate investors also can protect their wealth.

Investors' objective to invest in the capital market generally is to obtain expected profits from their investments and seek different ways to provide their expected returns. whereas the only sources available to investors in recent years is the basic financial statements of companies and one of the basic financial statements which its preparation has been necessary in recent years and most investors do not have enough recognition from it, is cash flow statement, while power and access of every profit unit to cash and the method of usage from these cashes in operational cycles of company and inflow and outflow of cash is the foundation of most operational criteria for company and in efficient markets is the basis of Investors' decisions. Common stock returns is including increase in price stocks, stock bonus, dividends and priority to buy new shares.

To investigate whether there is a significant relationship between the price stocks of companies with components of cash flow statement? We will help investors in correct decisions in achieving maximum efficiency. We're seeking that by analyzing the real data of cash flow statement attempt to extract criteria that investors can compare stocks with each other and buy their share with greater confidence.

To achieve this goal it is necessary to answer the following questions:

Can we predict price stock by the components of cash flow statement so that it approaches to the real price?

LITERATURE AND THEORETICAL FRAMEWORK

Investors as the primary users of financial statements are interested to be aware of their cash return and investment risk. In fact, assessing the amount, the time to obtain and uncertainty relating to acquisition of net cash flows arising from investment is extremely important to them. In this connection, it is usual to perform actions to assess the returns and investment risk. Such assessments and analyzes, only when they are normal that the basic financial statements are evaluated and assessed with each other (Oskou and Lashgari, 2007).

As we know, the price stocks of company reflect the value of the company, in financial theories, Present value of securities is obtained from the calculation of present value of their future incomes. In other words, to determine the value of securities, first should determine the amount of incomes arising from that security along with their receipt time and given that discount rate and expected return rate of investors is the function of risk or uncertainty about future incomes, therefore the used discount rate should be commensurate with their incomes risk. Therefore, to determine the value of shares, first should specify three main elements of value determination; including 1- the amount of future incomes 2- the time of receiving incomes 3- the amount of uncertainty about the realization of the incomes.

Cash flow statement in Anglo-Saxon countries, i.e. America, Australia, Canada and New Zealand (other than England) contains three sections: operating, investing and financing activities. Cash flow statement in the UK includes seven main sections. In addition, according to a conducted study in Iran four-part model is proposed based on deductive reasoning (Tariverdi, 2005). According to the Iranian Standard No. 2, Cash Flow Statement is

including five sections of operating activities, return on investment and interest paid for financing, income tax, investing activities and financing activities (Accounting Standards, 2006).

LITERATURE REVIEW

Epstein and Pava (1992) conducted a research on the amount of profitability of cash flow statement. Also in this study, one of the main objectives was comparison of the results of this study with a similar conducted study in 1983 about profitability of changes statement in the financial condition. Statistical universe of this research is 2359 people who were shareholders of United States of America which have been completed in the 246 questionnaires. The questions were similar of research questions in 1983 and only instead of the word "changes statement in financial condition," is mentioned the word "Statement of Cash Flows". Based on this research, the profitability of main financial statements is the following sequence: Income statement, balance sheet and cash flow statement.

Board and Doy (1989) investigated the information burden of cash flow statement figures and evaluate which of the two variables of accounting earnings and operating cash flows statement can better explain stock returns? They concluded that the impact of earnings in explaining stock returns is more than operating cash flows statement. They explain in this context because people are accustomed to accounting earnings based on historical cost and since it is still available, there is no reason to change their behavior.

Ashiq (1994) investigated the relationship between earnings, working capital from operations and cash flows of the stock return. For this purpose he assumed that between returns and each of the three variables of earnings, working capital and cash flow from operations exist a non-linear relationship. The conducted analyses show that there is a nonlinear relationship between the variables of earnings, working capital and cash flow from operations and each three variables have additional information content.

Haw et al. (2001) conducted studies based on a sample of 1,516 firms in 1995 and 1998 which in this study examines the additional information content of obligations in China's capital market. Regression model was used to test the hypotheses. Simple regression results when price stocks are investigated by earnings show more explaining power than operating cash flows, earnings alone are apologist of 8/5 percent of the annual return changes.

Barochet et al. (2007) investigated the accruals and predicting future cash flows. Independent variables in this study were including flows from current operations, current earnings, total accruals, changes in accounts receivable and accounts payable, changes in inventory, depreciation of assets and dependent variables were including future cash flow and market value of business unit. They were used from a simple regression and multiple regression methods in this study and conclude that in average the prediction error of future cash flows is less when accruals are added as a predictor component than when we use only the cash flow from current operations. Overall research support from the claim of Financial Accounting Standards Board based on this fact that accrual accounting help to cash flow prediction.

Martani et al. (2009) investigated the relationship between debt ratios, leverages and liquidities with operating cash flows in manufacturing business units during the years 2003-2006 in the Indonesian Stock Exchange and determined that above financial ratios have a significant relationship with stock returns and cash flows.

Tariverdi (2005) investigated the effect of how to provide the cash flow statement on judgments and decisions of professional investors. In this research he raised four-part model of Cash Flow Statements along with its arguments for the first time. This research presents the results of a Post- test with multiple group design to determine the effect of cash flow statement on the judgments of professional investors. Moreover, through Cross-sectional survey, the views of various groups on how to provide the cash flow statement are also investigated. The results of Post- test with multiple group design also show that presentation method of cash flow statement has a significant impact on the judgment of professional investors. The results of Cross-sectional survey design also show that five-part model of cash flow statement is better than two models of three and four-part and four-part model is better than three-part model.

Oskou and Lashgari (2007) investigated the relationship between debt ratios and selected components of the cash flow statement. In this study, four hypotheses have been used and the results indicate that in 95% confidence level there is a significant relationship between these ratios with selected components of the cash flow statement.

Research Question and Hypotheses

This study seeks to answer the following question:

How much is the relevance, alignment and correlation of cash flow statement items with price stock?

Based on the research question, the following hypotheses are formulated and tested:

1. There is significant relationship between the cash from (used) operating activities and price stock.
2. There is significant relationship between cash from return on investment and interest paid for financing and price stock.
3. There is significant relationship between the cash from income taxes and price stock.
4. There is significant relationship between the cash from (used) investing activities and price stock.

5. There is significant relationship between the cash from (used) financing activities and price stock.

RESEARCH METHODS

To express the theoretical bases of research subject is used from financial research related to the research subject, as stated in the previous section. To analyze and test the research hypotheses, correlation method was chosen. In a regression analysis to analyze the data and investigate the relationship between the studied variables is used SPSS 16 software and to investigate the significance of the regression equation is used F and t student statistics and significance (p-value) and to autocorrelation test of regression error is used Durbin Watson statistics and the adjusted determination coefficient is used to measure the explanatory power of the regression.
In this study, the following regression model was used to explain hypotheses:

$Y = \alpha + \beta X + \varepsilon$

Where y is dependent variable, β is coefficient, x is independent variable, α is constant, ε is the residual error.

The most important and useful way to classify variables is its division into two independent and dependent types. Independent variable is prior condition or necessary condition before occurrence of an outcome or special result. In this study, the independent variable include the cash from (used) operating activities (OA), return on investment and interest paid for financing (RA), Income taxes (T), investing activities (IA) financing activities (FA). The dependent variable is the variable that is observed and measured to determine the effect of independent variable. In this study, the dependent variable is the price stock (PS).

Also to investigate the normality of errors, the standard values of errors are calculated and data distribution graph and their normal curve are plotted. Then a comparison is done between two graphs. That has been identified as Histogram graph in this study.

Research Area

Time area: The time period of research will be from the year 2005 until the end of the year 2007.

Subject area: price stock, cash from (used) operating, investing, financing activities, cash from return on investment and interest paid for financing and income taxes.
Geographic area: Companies listed in the Stock Exchange of Tehran.

Statistical Universe and How to Collect Data

Statistical universe of this study is "companies listed in Tehran Stock Exchange". In the present study to select the sample, first among the presented companies in research statistical universe, the companies that have not the following conditions were eliminated from the statistical universe.
1- Their names are being included in the catalog of rates of Tehran Stock Exchange until the end of 2005 or before it.
2- For the third consecutive year, the basic information and data required for this research is presented to the Stock Exchange.
3- To eliminate the effects of seasonal fluctuations, their financial period lead up to December 31.
4 - In order to increase the comparability, their activity is manufacturing (They are not banking and insurance activities).
5- Their earnings division was not with bonus shares, stock splits or priority.
6- Their stocks have been traded utmost one month after the holding of the annual general meeting.
It should be noted that the above restrictions of 5 and 6 are enacted in order to neutralize the impact of other factors on price stock changes.
After performing the above restrictions, the number of 340 companies remained. Then was used stratified random sampling to select the sample items (Azar and Momeni, 2002). Based on these criteria, 61sampales were selected.

RESEARCH FINDINGS

Test Hypotheses

The first hypothesis test: Hypothesis: There is significant relationship between the cash from (used) operating activities and price stock. To investigate this hypothesis, the following model is used.

$$PS = \alpha_0 + \beta_1 OA + \varepsilon$$

The value of calculated significant coefficient at the 5% error level shows that the correlation coefficient is significant. Because its amount is 0.010 (Significance <α), therefore at 95% confidence level there is significant relationship(positive and direct) between cash flow from operating activities and price stock, thus in this test cannot be rejected this hypothesis.

As can be seen, Durbin Watson statistics is 1.691, in other words first presuppositions of regression that is independence of errors (lack of correlation between errors) cannot be rejected(the meaning of error is digression between predicted values and real values). Then there is no autocorrelation in the estimation of model, independence test of errors is done via charting. In Durbin Watson test via charting errors in chronological order, this fact is

tested whether the errors obtained from the regression equation are independent. When independence of errors are accepted that Durbin Watson statistics is between 1.5 and 2.5.

To investigate the normality of errors, the standard values of errors should be calculated and data distribution graph and their normal curve should be plotted. Then a comparison is done between two graphs. As it is clear from the histogram graph, the errors have normal distribution that is roughly having mean equal to zero (4.64E-17) and a constant variance (0.997).

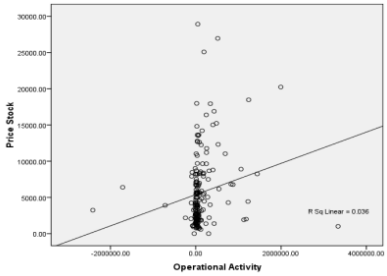

Figure 1: Histogram of the first hypothesis

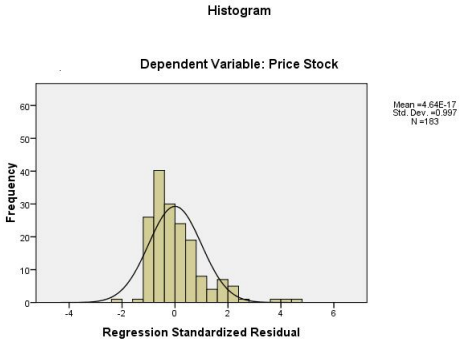

Figure 2: Scatter of variables of the first hypothesis

As it is also clear from figure 1, the value of significant coefficient is less than 0.05. F test results in this model (which test the null hypothesis of coefficients of regression model in one place) based on the significance level presented in the above table shows that at 95% significance level, this hypothesis is rejected that all coefficients of model are equal to zero (cannot be rejected the contrary to null hypothesis of regression coefficient), then the regression coefficients are significant and there is a weak linear relationship between two variables.

Because all presuppositions of regression model are accepted, we can use from output of the regression analysis and at 95% confidence level the results of this model is confirmed that indicating there is a weak but significant relationship (Positive and direct) between cash flows from operating activities and price stock.

The value of determination coefficient is equal to 0.036 and the value of adjusted determination coefficient is equal to 0.031. In addition, it is clear from standard error of estimation (Se), there is a weak but significant relationship between two variables and there is a relatively large scatter around the regression line (about 4963 Rials).
According to figure 1, fitted line of above model is as follows.

$$PS = 5386 + 0.002\ OA + \varepsilon$$

Scatter diagram of cash flow in figure 2 confirm the weak but significant relationship between the two variables.
The second hypothesis test: Hypothesis: There is significant relationship between return on investment and interest paid for financing and price stocks.
To investigate this hypothesis, the following model is used:

$$PS = \alpha_0 + \beta_1\ RA + \varepsilon$$

According to the figure1, the value of significant coefficient is 0.599. Thus, this value is larger than considered error in this study $\alpha = 0.05$ (Significance> α), so the hypothesis is rejected, then it can be said that at 95% confidence level there is no significant correlation between the cash flow from return on investment and interest paid for financing and price stock and cannot be accepted correlation coefficient of -0.39 .

The scatter diagram of cash flow from return on investment and interest paid for financing against price stock is as follows that confirms the lack of relationship between the two variables. In the coefficients table also the computed value for the coefficient α is zero.

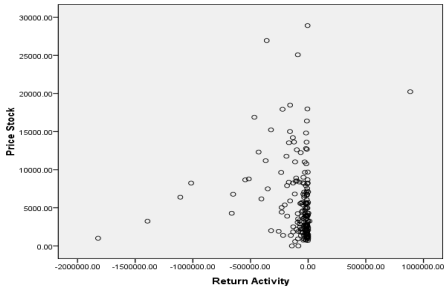

Figure 3: Scatter of variables of the second hypothesis

The third hypothesis test: There is significant relationship between cash from income tax and price stock.
To investigate this hypothesis, the following model is used:

$$PS = \alpha_0 + \beta_1 T + \varepsilon$$

The value of calculated significant coefficient at the 5% error level shows that correlation coefficient is significant. Because its value is equal to 0.000, then at 95% confidence level, there is significant relationship between cash flow from taxes and the price stock. So at 95% confidence level, there is significant relationship (negative and inverse) between cash flow from taxes and price stock, therefore in this test, this hypothesis cannot be rejected.

Now we investigate the linear regression between the two variables.

To ensure the accuracy of the test is investigated the model presuppositions that including normality test of errors and independence test of errors (Autocorrelation of residuals) and if it is correct, regression is significant and test results will be accepted.

According to figure1, Durbin Watson statistics is equal to 1.675, in other words first presupposition of regression that is independence of errors is not rejected. Therefore, the errors obtained from the regression equation are independent and there is no autocorrelation in the estimation model. As it is clear from histogram graph, errors have normal distribution that is roughly have mean equal to zero (9.71E-17) and a constant variance (0.997), so the second presupposition is established.

The value of significant coefficient is less than 0.05. F test results in this model (which test the null hypothesis of coefficients of regression model in one place) based on the significance level presented in the figure1 shows that at 95% significance level, this hypothesis is rejected that all coefficients of model are equal to zero (cannot be rejected the contrary to null hypothesis of regression coefficient), then coefficients from regression are significant and there is a linear relationship between two variables.

Because all presuppositions of regression model are accepted, then we can use from output of the regression analysis and at 95% confidence level the results of this model is confirmed that indicating there is a significant relationship (negative and inverse) between cash flows from taxes and price stock.

The value of determination coefficient is equal to 0.093 and the value of adjusted determination coefficient is equal to 0.088. And it is clear from standard error of estimation (Se), there is a weak relationship between two variables and there is a relatively large scatter around the regression line (about 4816 Rials).

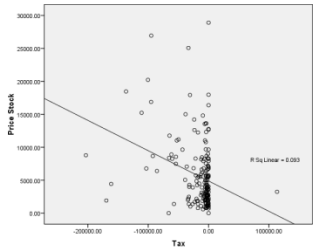

Figure 4: Histogram of third hypothesis

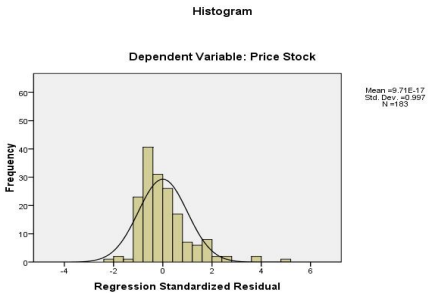

Figure 5: Scatter of Variables of the third hypothesis

According to figure 1, fitted line of above model is as follows.

$$PS = 4876 - 0.046\ T + \varepsilon$$

Scatter diagram of cash flow in figure 5 confirm the weak but significant relationship between the two variables.

The fourth hypothesis test: There is significant relationship between the cash from (used) investing activities and price stock.

To investigate this hypothesis, the following model is used:

$$PS = \alpha_0 + \beta_1\ IA + \varepsilon$$

The value of calculated significant coefficient at 5% error level shows that the correlation coefficient is significant. Because its value is equal to 0.000, so at the 95% confidence level there significant relationship (negative and inverse) between cash flow from investing activities and price stock. Therefore, according to significant coefficient in this test, the fourth hypothesis cannot be rejected.

As can be seen in figure 1, Durbin Watson statistics is equal to 1.645, in other words, first presupposition of regression that is independence of errors cannot be rejected. Thus errors obtained from the regression equation are independent and there is no autocorrelation in the estimation model. It is clear from histogram graph that the errors have a normal distribution that is roughly have mean equal to zero (4.47E-17) and a constant variance (0.997). The value of significant coefficient is less than 0.05. F test results in this model based on significance level show that at 95% significance level, this hypothesis is rejected that all model coefficients are equal to zero. Then regression coefficients are significant and there is a linear relationship between two variables.

Because all presuppositions of regression model are accepted, then we can use from output of the regression analysis and at 95% confidence level the results of this model is confirmed that indicating there is a significant relationship (negative and inverse) between cash flows from investing activity and price stock.

The value of determination coefficient is equal to 0.099 and the value of adjusted determination coefficient is equal to 0.094. As it is clear from standard error of estimation (Se), there is a weak relationship between two variables and there is a relatively large scatter around the regression line (about 4799 Rials) that this fact is confirmed by scatter diagram of cash flow in figure 7.

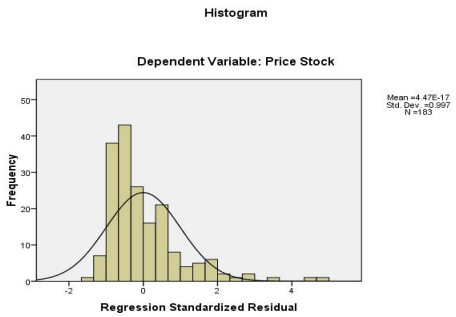

Figure 6: Histogram of the third hypothesis

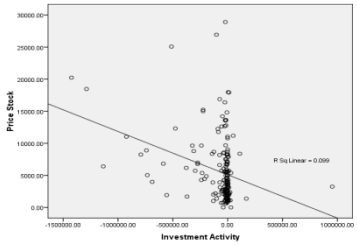

Figure 7: Scatter of Variables of the third hypothesis

According to figure 1, fitted line of above model is as follows.

$$PS = 5090 - 0.007\ IA + \varepsilon$$

The fifth hypothesis test: There is significant relationship between the cash from (used) financing activities and price stocks.

To investigate this hypothesis, the following model is used.

$$PS = \alpha_0 + \beta_1\ FA + \varepsilon$$

The value of calculated significant coefficient at the 5% error level shows that the correlation coefficient is not significant. Because its value is equal to 0.225, thus calculated error is larger than considered error in this study, that is $\alpha = 0.05$ (Significance> α), so the hypothesis is rejected, therefore at 95% confidence level there is no significant

correlation between the cash flow from financing activity and price stock, and correlation coefficient of 0.090 cannot be accepted.

Scatter diagram of cash flow from financing activities against price stock is as follows which confirm that there is no relationship between the two variables.

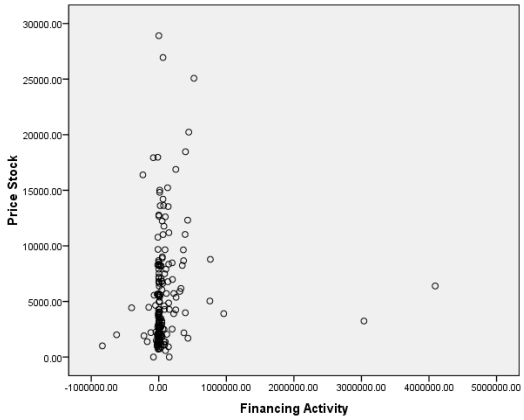

Figure 8: Scatter of variables of the fifth hypothesis

Discussion and interpretation of the test results of research hypotheses: The results from investigating research hypotheses are discussed summarily in the following.

Table 1: Test results of hypotheses in the level of sample companies

Hypothesis	Variables	Coefficient	Constant	Sig.	t-statistics	F-statistics	R^2	Adjusted R^2	Durbin-Watson
1	OA	0.002	5386.154	0.010	2.618	6.85	0.036	0.031	1.691
2	RA	0.000	5579.891	0.599	-	-	-	-	-
3	T	-0.046	4876.928	0.000	-4.302	18.50	0.093	0.088	1.675
4	IA	-0.007	5090.920	0.000	-4.468	19.96	0.099	0.094	1.645
5	FA	0.001	5557.634	0.225	-	-	-	-	-

First hypothesis: The results obtained from testing this hypothesis show that at the 95% confidence level, there is a significant relationship between the cash from (used) operating activities and price stock in the companies listed in Tehran Stock Exchange.

F statistic is equal to 6.85 and the t statistic is equal to 2.618, which implies all variables have no insignificant effect on the dependent variable. β =0.002 indicates that the effect of independent variable on the dependent variable is direct and positive that is by increasing the independent variable, dependent variable increase and by decreasing the independent variable, dependent variable decrease. Durbin Watson statistics is equal to 1.691 which indicates there is no autocorrelation in estimation model and model is specified well.

Second hypothesis: Because Sig. = 0.599, therefore this value is greater than considered error in this study that is α =0.05. Thus it can be said that at the 95% confidence level there is no significant relationship between cash from return on investment and interest paid for financing and price stock in the companies listed in Tehran Stock Exchange.

Third hypothesis: The results obtained from testing this hypothesis show that at the 95% confidence level there is a significant relationship between cash from income tax and price stock in the companies listed in Tehran Stock Exchange.

F statistic is equal to 18.50 and T-statistics is equal to -4.302 which indicate all the variables have no insignificant effect on the dependent variable. β = -0.046 shows that the effect of independent variable on the dependent variable is inverse and negative that is by increasing independent variable, dependent variable decrease and by decreasing independent variable, dependent variable increase. Durbin Watson statistic is 1.675, which indicates that there is no autocorrelation in the estimation model and the model is specified well.

Fourth Hypothesis: The results from testing this hypothesis show that at the 95% confidence level there is significant relationship between the cash from (used) investing activities and price stock in the companies listed in Tehran Stock Exchange.

F statistic is equal to 19.96 and T-statistics is equal to -4.468 which indicate all the variables have no insignificant effect on the dependent variable. β = -0.007 shows that the effect of independent variable on the dependent variable is inverse and negative. Durbin Watson statistic is equal to 1.645, which implies that there is no autocorrelation in estimation model and the model is specified well.

Fifth hypothesis: Because Sig. = 0.225 therefore this value is greater than considered error in this study that is α =0.05. Thus it can be stated that at the 95% confidence level, there is no significant relationship between the cash from financing activity and price stocks in the companies listed in Tehran Stock Exchange.

CONCLUSION

Using the results obtained from the mentioned tests, we can conclude due to lack of familiarity of investors and shareholders with cash flow statement or habit of shareholders to income statement or usage of income statement from historical cost data (which is more creditable), the use of this financial statement while decision making is not so much as other financial statement like balance sheet and income statement and the results of weak correlation between components of cash flow statement and price stock also confirm this fact. However, by comparing the results from individual components of cash flow statement with price stock, we can conclude that investors while decision making do not pay attention to the second and fifth parts of cash flow statement (I.e. return on investment and interest paid for financing and financing activities), the highest correlation between components of cash flow statement with price stock is related to the cash flow from investing activities and then income tax (respectively, with 31% and 30% correlation). Then we conclude that investors have the greatest sensitivity to cash from investing activities and cash from tax, in contrast have no attention to financing activities and return on investment and interest paid for financing.

Table 2: Results of hypotheses test in 95% confidence level

Hypothesis	Sig.	Results
First	0.010	Hypothesis is accepted that indicates there is a significant relationship
Second	0.599	Hypothesis is rejected that indicates there is a significant relationship
Third	0.000	Hypothesis is accepted that indicates there is a significant relationship
Fourth	0.000	Hypothesis is accepted that indicates there is a significant relationship
Fifth	0.225	Hypothesis is rejected that indicates there is a significant relationship

Suggestions based on research results

As we observed in the results of the test hypotheses of this study, it is recommended to shareholders and investors for purchase stocks, which have special attention to the cash flow statement and consider them into their decision-making model. Stock Exchange and the audit organization as reference to the development of accounting standards have more emphasis to investors and shareholders to use of cash flows statement. In the stock exchange, price stock shows sensitivity to changes and various events. In general, each type of investment, particularly investment in stocks has extremely sensitivity to events and issues of their surroundings. This sensitivity also is to the accident and bad news related to the operations of the company and also is to the inside and outside economic, political events of country. The existence of such a problem requires that exist a stable and peaceful environment and without changes and sudden fluctuations in procedures and economic and social policies in the country.

Suggestions for doing future research

Doing any research, opens the way towards a new path and its continue requires doing further research. For this purpose, researches which seem necessary in continue of the results of present research, is suggested as follows:

- Study this research in the level of each various industries.
- In the used model in this study can be used from stock returns, systematic risk in stocks or other properties of stocks instead of price stock.
- Investigation the criteria used by investors when buying stocks of companies listed in the stock exchange and mechanism to pricing
- To investigate the relationship type between the cash flow statement and price stock use from the models and other functions such as trigonometric functions, third degree functions, exponential functions and other so that obtain better and more creditable estimation from this relationships.

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