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Faculty of Graduate Studies

The Relevance of Accounting Information Issued by Palestinian Listed Companies in Palestine Exchange

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الاهداء

أبدأ بحثي هذا بحمد الله على أن منَ علي بإتمامه، كما وأهدي هذا الانجاز:

إلى شموخ الأرض وعزة الانتماء إلى غصن الزيتون إلى مكان النشأة والبقاء الأبدي وطن أبائي وأجدادي فلسطين الأبية.

إلى المرأة التي تحمل بين يديها دعاء متصلاَ بالسماء إلى من وصلتُ بفضل دعائها وصبرها وحنانها وعطفها الى هذا المكان، رفيقة دربي وصديقتي وكل شيء معلمتي الأولى أمي.

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الإقرار

أنا الموقعة أدناه مقدمة الرسالة التي تحت عنوان:

ملاءمة المعلومات المحاسبية الصادرة عن الشركات الفلسطينية المدرجة في بورصة فلسطين

The Relevance of Accounting Information Issued by Palestinian Listed Companies in Palestine Exchange

أقر بأن ما اشتملت عليه الرسالة إنما هو نتاج جهدي الخاص باستثناء ما تمت الإشارة إليه حيثما ورد وأن هذه الرسالة ككل أو أي جزء منها لم يقدم من قبل لنيل أي درجة علمية أو بحث علمي لدى أي مؤسسة تعليمية أو بحثية أخرى.

Declaration

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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The Relevance of Accounting Information Issued by Palestinian Listed Companies on Palestine Exchange

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Abstract

The main objective of this study was to investigate the value relevance of accounting information (i.e. book value of equity per share, earnings per share, operating cash flow per share and cash dividends per share) to the market value of equity per share and how this relevance affected by the month in which market value is sampled, using Ohlson (1995)'s model. The sample of the study included all companies (15 companies) listed on Al-Quds Index of the Palestine Exchange (PEX) . Two components of the value relevance were examined: confirmatory value measured by coincident relevance and predictive value measured by forecast relevance. The data were collected from PEX website (secondary data), regression is used for analysis (the panel analysis robustness standard errors). Results of the study indicated that a variation in value relevance between accounting information and share prices did exist. Furthermore, the ability of earnings per share and book value of equity per share to affect market value per share was found to be higher than operating cash flow and cash dividends per share. Further, there were forecast and coincident relevance between accounting information and market value of share. However, the forecast relevance was higher than the coincident relevance.

The study recommends that companies give more interest to earnings per share and book value of equity and their disclosures because investors largely depend on them when pricing the shares.

Key words: Value relevance; Coincident relevance; Forecast relevance; Palestine Exchange, Ohlson (1995) model.

Chapter One

Introduction

1.1 Introduction

Financial reporting aims at providing users with useful information for decision-making. The usefulness of the accounting information is determined by the availability of several characteristics, including relevance. According to the conceptual framework for financial reporting, issued by the International Accounting Standards Board (IASB),financial information is relevant when it has predictive value, confirmatory value or both. While predictive value is the ability of accounting information to predict future outcomes, confirmatory value is the ability of financial information to provide feedback on previous estimations (IASB, 2010). Literature on accounting measures confirmatory value by coincident relevance, which is defined as a statistical relationship between accounting information and market value of shares during months before year-end. In contrast, predictive value is measured by forecast relevance, which is defined as the statistical relationship between accounting information and market value of shares during months subsequent to year-end (Holthausen and Watts, 2001).

1.2 Problem of the Study

There is always a time gap between the preparation of the financial statements and their publication. Therefore, accounting information may

not reflect the effect of new information. Accordingly, addressing coincident and forecast relevance of accounting information is worthy particularly in a country such as Palestine. The Palestine Exchange (PEX) is characterized as inefficient due to the weakness of financial disclosure procedures and poor public consciousness / awareness of securities (UNCTAD, 2013).

1.3 Importance of the Study

Value relevance has been addressed by many studies most of them have focused on the properties of accounting information which means how specific event, changing methods or adopting new standards lead to change in value relevance. Unlike the previous studies (e.g. Arc and Mora, 2002; Kargın, 2013; and Ji and Lu, 2014), this study has examined the relevance of accounting information on monthly basis; it showed how the parameters of Ohlson (1995)'s model change when market value is sampled in different months around reporting date. It investigated if confirmatory value and predictive value of accounting information prepared by the Palestinian companies were affected by the month in which the market value of shares is sampled.

1.4 Objectives of the Study

Before investigation of the coincident and forecast relevance of accounting information, this study examine the value relevance of accounting information and market value at the reporting date to show the

relevance of them when accounting information is reported. Accounting information include earnings per share, book value of equity per share, operating cash flow per share and cash dividends per share. The ability of each accounting number that affects the change in market value is also investigated. In other words, the value relevance of accounting information and market value of share is examined at the reporting date, the period before reporting date (coincident relevance), and the period after reporting date (forecast relevance).

1.5 Questions of the Study

Against the background of the previous objectives, this study raised the following questions to investigate the value relevance between accounting information and market value:

1- Is there a relationship between accounting information for the year and market value of equity per shares at the reporting date?

2- Is the coincident relevance affected by the month of market value sampling?

2- Is the forecast relevance affected by the month of market value sampling?

3- Is there a difference in the ability of accounting information to affect the change in market value of equity per share?

Related hypotheses that based on the questions of research are presented in chapter three with literature review.

The rest of this thesis was divided as follows. While chapter two presented the concepts of relevance, while chapter three was a review of the related literature about the value relevance and development of the hypotheses. In chapter four, the researcher discussed the study methodology. Chapter five was devoted to the empirical results of the study. Chapter six covered the conclusions and recommendations.

Chapter Two

Theoretical Framework

2.1 Introduction

This chapter reports on the historical development of relevance. It considers it from the viewpoint of both International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB). This chapter also includes an explanation of the concepts of earnings per share, dividends, operating cash flows and book value of equity.

2.2 Relevance

Given its importance as a major quality of the accounting information, relevance is considered widely by the most prominent accounting standard setters in the world: IASB and FASB

According to the conceptual framework for the financial reporting issued by IASB, the main objective of financial reporting is to provide useful information for decision making. The usefulness of the financial information is enhanced by the availability of fundamental qualitative characteristics. As Figure 1shows, these characteristics include relevance of confirmatory value and predictive value. (IASB,2017)

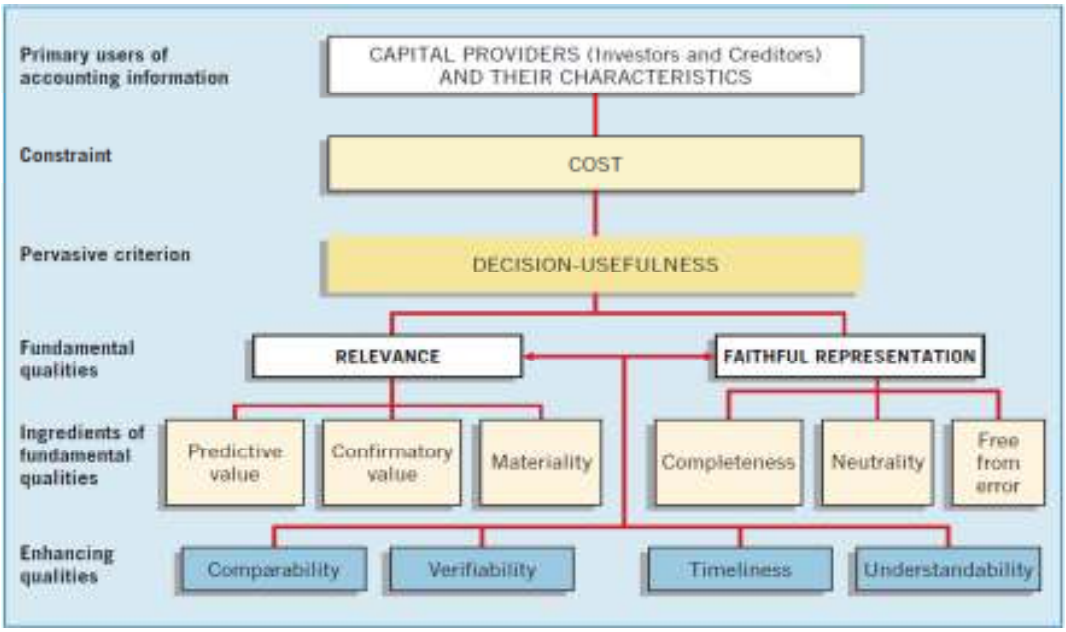

Figure (1): Hierarchy of Accounting Quality.

Source: (Keiso, et. al, 2011).

On the other hand, the FASB (the accounting standard setter in the US), addressed relevance in its 1980's Statement of Financial Accounting Concept (SFAC) No. 2: "Qualitative Characteristics of Accounting Information". This statement details the characteristics that make accounting information useful.

According to SFAC No. 2,"to be relevant, information must be timely and it must has predictive value or feedback value or both" (FASB, 1980, p.2). It also considers timeliness as an ancillary aspect of relevance. It defines timeliness as the availability of information before it loses its ability to affect the user's decisions. Timeliness alone doesn't make information relevant, but the lack of timeliness reduces the relevance of information (FASB, 1980).

FASB and IASB undertook a joint project to improve their conceptual framework. As a result, FASB superseded SFAC No.1 (Objectives of Financial Reporting by Business Enterprises) and SFAC NO.2 (Qualitative Characteristics of Accounting Information) and replaced them by SFAC No.8 (Conceptual Framework for Financial Reporting) in 2010.

According to the two boards, information is relevant if it possesses the following criteria (FASB, 2010 and IASB, 2012):

First, it is capable of making a difference in the decisions made by the capital providers as users of financial information.

Second, it has predictive value or confirmatory value or both.

Third, it is capable of making difference in whether the users use it or not.

Accounting information has a predictive value when it has capability to predict future; this, however, doesn't mean that the information itself should be a prediction. Rather, the information should affect the users' expectations about the future, and it should be used by them to make future decisions (IASB, 2017). Klimczak and Szafranski (2013) used **forecast relevance** to measure predictive value of accounting information. Forecast relevance is a statistical relationship between market value and accounting information in the period subsequent to the reporting date (Holthausen and Watts, 2001). Higher forecast relevance means higher

predictive value of accounting information whereas the lower forecast relevance indicates lower predictive value.

Confirmatory value has the same meaning of feedback value that was mentioned in SFAC No. 2. It arises when the information provides feedback that confirms or changes past or present expectations based on previous evaluations. Information may confirm expectations or it may change them. If it confirms them, it increases the probability that the results will be as previously expected. If it changes them, it changes the perceived probabilities of the previous possible outcomes. Confirmatory value is measured by the **coincident relevance**: the statistical relationship between market value and accounting information in the period preceding the reporting date (Francis and Schipper, 1999).

High coincident relevance means high confirmatory value of accounting information. This usually happens when the users predict accounting information precisely. In contrast, low coincident relevance means low confirmatory value of accounting information.

According to Runsten (1998), there are three types of firm's value: economic value, accounting value and market value. Economic value means that the assets' value equals the future cash flow that can be gained from them while the accounting value refers to the book value of equity which results from accounting procedures. The last type of value is market value; it is the value of the stock price of a firm, which is determined by the investors' beliefs.

Francis and Schipper (1999) classified value relevance studies into the four types based on the used approach: the fundamental analysis approach, prediction approach, information content approach and measurement approach.

The fundemental analysis approach concentrates on the usefullness of accounting information. In this approach, the value relevance is measured by investigating returns achieved by applying trading strategies based on the accounting information. The prediction approach examines the ability of the accounting information to predict future earnings. The information content approach investigates whether the accounting information modifies the investor's percepstions about future cash flows by using returns as a market metric. In this approach, the event study method is used. According to the measurement approach, the accounting information is relevant if it affects the stock price.

Since the early 1990s, the researchers have moved away from information content studies towards measurement studies (Nillson, 2003). In the measurement approach, both price and returns can be used as market metric. According to Runsten (1998), stock prices serve as indicators of market expectations of a firm's future success. The measurement approach mainly applies regression analysis, while the event study method is used in other approaches.

This study is classified as a measurement study because it investigates the relevance of the accounting information to the stock price on a monthly basis.

2.3 Earnings per Share

Users of financial statements, such as investors, analysts and creditors, need an indicator about a company's performance. Earnings per share is a quick performance indicator; it recaps a company's performance in a single number. The use of income statement information by decision makers is worthy. It includes the amount of earnings related to each class of investors. The remaining income after distributing interests of debtors is available for common stockholders, and the amount of earnings available to common stockholders is reported on a per share basis (IASB, 2014, IAS 33)

Earnings per share has been considered as one of the most important and commonly used ratios. Accordingly, the International Accounting Standards Committee (IASC), the antecedent body of the IASB, issued a draft Statement of Principles, Earnings per Share in 1993. The IASC's aim was to determine how to present earnings per share in a way that permits global comparisons (FASB, 1997).

The efforts of the IASB and FASB to achieve accounting harmonization included earnings per share. In 2003, the two standard setters conducted the earnings per share project. The focus of this project

was on determining the denominator of earnings per share. Accordingly, the IASC issued IAS 33: "Earnings per Share", and the FASB issued SFAS No. 128: "Earnings per Share" concurrently. IAS NO. 33 and SFAS No. 128 explain the calculation of two types of earnings per share: basic and diluted. Basic earnings per share is calculated by dividing the net income available to common stockholders (net income less preferred dividends) by the weighted average number of common shares outstanding. Basic earnings per share is historical because it measures what actually occurred during the period. By contrast, there is a wide variety of securities that are issued by the firms and may be converted into common stocks. For example, firms issue stock warrants, stock options and convertible securities which can be converted into common stocks. When these securities are converted into common stocks, the basic EPS either increases or decreases because the increase of common shares might be less than the increase of net income (IASB, 2009).

This section was limited to the basic earnings per share because the companies sampled in this study were accounted only for the basic earnings per share.

"The objective of basic earnings per share is to measure the company's performance over the reporting period from the perspective of common stockholders" (FASB, 1997, SFAS 128, par. 8).

To calculate the basic earnings per share, the numerator shall be the after tax profit or loss less preference dividends. In contrast, the

denominator is the weighted average number of ordinary shares. "The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances" (IASB, 2012, IAS 33, par. 26).

The calculation of basic earnings per share includes ordinary shares that will be issued when the mandatorily convertible instruments are converted. Furthermore, contingently issuable shares are considered as outstanding and are included in the calculation of basic EPS shares only when all conditions are met (IASB, 2012, IAS33).-Accordingly, basic earnings per share is calculated as follows:

$$\frac{\text{Net income} - \text{preferred diviends}}{\text{Weighted average number of common share's outstanding}}$$

2.4 Dividends

Dividend is a portion of a company's earnings that the board of directors decides to distribute to a class of its shareholders. The most common type of dividends is in the form of cash. The board of directors is responsible for dividends decision in line with the company's policies.

When a dividend is declared, it becomes a liability of the firm and cannot be easily cancelled by the company (Ross et al, 2013).

When a company has a regular past dividend payments, and it suddenly reduces or eliminates dividends, it is considered by investors as a signal indicating that a company has a bad performance or it may be in a trouble. Conversely, when the company suddenly increases its dividends, this is deemed to be a positive signal to the market (Ross et al, 2013).

A dividend policy is the policy that is used by a company to decide the amount it will pay to shareholders in the form of dividends (Kolb and Baker, 2009). It is worth mentioning that the accounting literature identifies three types of dividends policies. These policies are as follows:

a. **Stable Dividend Policy:** This policy, the most used and the easiest one, aims for steady and predictable dividends every year. It provides certainty for shareholders about amount and timing of dividends. Investors receive the same dividends regardless of the changes in earnings, up or down, from year to year. The goal is to align the dividends policy with the long-run growth of the company rather than with quarterly earnings fluctuation (Kolb and Baker, 2009).

b. **Constant Dividend Policy**: Under the constant dividend policy, a company pays dividends as a volatile percentage of its earnings every year. In this way, investors get higher dividends when earnings

are up, and they get lower or no dividends when earnings are down. Possibility of not distributing, or decreasing dividends is considered as a primary disadvantage of this policy because there is no certainty about volatile income (Kolb and Baker, 2009).

c. **Residual Dividend Policy:** According to this policy, the priority is for paying capital expenditures and the remaining cash flow is paid for investors. This policy makes the amount of dividends paid to investors more volatile. (Kolb and Baker, 2009).

Kadıoğlu et *al*. (2015) give several theories to explain the impact of dividends on share price. These theories include the information signaling theory and the dividend clientele effect. According to the information signaling theory, when an organization declares increase of dividends, it is a sign it has positive future prospects. In contrast, the dividend clientele effect explains how an organization's stock price will change according to investor's objectives and demands in reaction to the dividends policy. The clientele effect argues that when an investor is attracted by the dividends policy, then this policy changes. The investor changes stock holding which in turn changes stock price up or down.

2.5 Operating Cash Flow

As illustrated in Figure 2, cash flow statement is divided into three sections: cash flow from operating activities, cash flow from investing and

cash flow from financing activities. The result of these three activities is the net increase or decrease in cash (IASB, 2016, IAS 7).

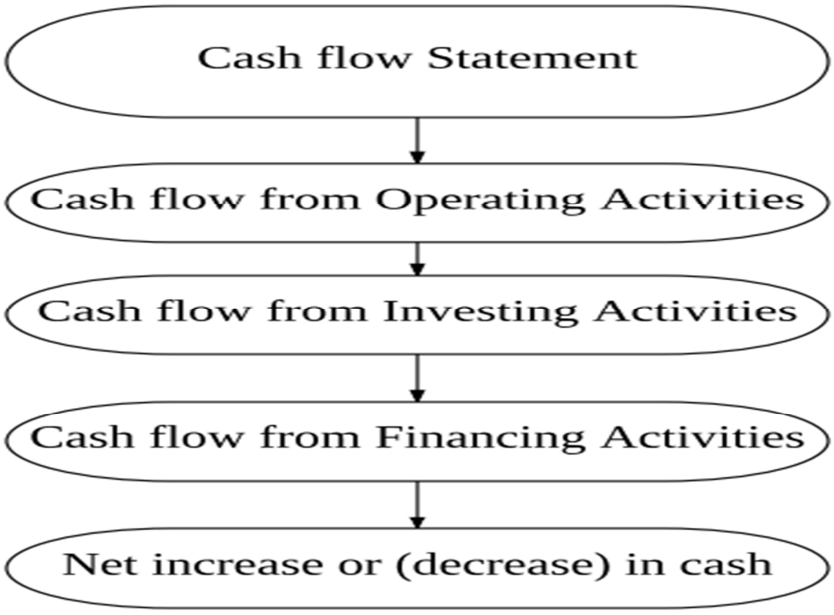

Figure (2): Cash Flow Statements

The first step to determine the change in cash is to find out cash flows from operating activities. These are the cash flows that result from the firm's ordinary activities in producing and selling goods and services. **Operating cash flow** shows whether a firm is able to generate enough positive cash flows to maintain and grow its operations. Otherwise, it requires borrowing from external sources for capital expansion. Operating cash flows focus on cash outflows and inflows related to a company's primary business activities, like providing services and paying salaries, selling and purchasing inventory (IAS 7, par.10).

In order to calculate operating cash flow, two methods are used the direct and indirect. According to the direct method, cash flow from

operations is determined by adding interest and dividends to cash receipts from sale, and deducting cash payment for purchases, operating expenses and interest and income tax (FASB, 2016, SFAS 95). In contrast, indirect method computes cash flow from operations by adding non cash expense to net income and then adding changes in working capital.

Generally accepted accounting principles (GAAP) and IFRS recommend the use of the direct method by public companies. However, the direct method requires more information than the indirect method. Thus, most of the firms use the indirect method.

According to IAS 7 "Statement of Cash Flows", statement of cash flows assists the investors to make rational decisions. IAS 7 attributes that to several reasons. At the point when it is used concurrently with other financial statements, it gives data that empowers investors to make rational decisions and assess changes in assets and financial structure. Moreover, cash flow statement is useful to assess the ability of company to generate cash.

2.6. Book Value of Equity

Book value of equity is a common equity which represents the amount available to be distributed to shareholders (IASB, 2014). According to IAS 1,the owner's equity includes the following items:

2.6.1 Share Capital

This includes the nominal value of ordinary and preferred shares (Schroeder, 2013).

2.6.2 Paid-In Capital

It is the capital received from the contributions of investors when purchasing stocks. It also includes additional paid-in capital which is the excess amount on the issue of shares over their par value. (Schroeder, 2013).

2.6.3 Retained Earnings

Retained earnings is one of book value of equity's elements. It is reported as accumulated amount of prior earnings in financial position at the end of the accounting period. It is the net income from operations available to stockholders after dividends but reinvested back to the company earnings. (Schroeder, 2013).

2.6.4 Other Comprehensive Income

It is income that hasn't been reported as a part of net income on the firm's income statement. It includes the gain or loss from foreign currency transactions and unrealized holding gains or losses on investments that are classified as available for sale (IAS1, par 106).

2.6.5 Treasury Shares

When a company can't deliver the desired and best return, it buys back shares from stockholders. These shares are called treasury shares which appear in balance sheet under stockholder's equity as a contra account for paid-in capital and retained earnings. When a company needs to raise capital, it can reissue these treasury shares to stockholders for purchase. (Schroeder, 2013).

2.6.6 Non-controlling Interests

These interests are the minority interest in the net assets of the subsidiary and are reflected in the preparation of the consolidated financial statements under equity and in a separate line item. (Schroeder, 2013).

2.7 Conclusions Related to Theoretical Framework

Firm value is the overall value of firm's stock, and accounting information is considered relevant if it captures information that affects the value of the firm's stock.

On the basis of the previous literature, the accounting information explained above were used in this study as independent variables. Moreover, these numbers represent all financial statements. Earnings per share represents income statement, book value of equity represents balance sheet, operating cash flow represents cash flow statement, and dividends represent statement of changes in equity.

An extended discussion of these variables is presented in the next chapter. It shows how these variables have been investigated in previous studies.

Chapter Three

Literature Review and Hypotheses Development

3.1 Introduction

A number of previous studies have addressed value relevance, focusing on exploring how specific events, changing methods, or adopting new standards lead to change in value relevance. Other studies have focused on the properties of accounting information and their effects on value relevance. When considering the date of share prices sampling, we can identify three types of studies: studies that neglected the sampling date (value relevance at the reporting date), studies that considered the sampling date (coincident and forecast relevance), and studies that compared between the abilities of the accounting information to explain and predict the market value. Furthermore, some studies compare between the ability of accounting information to affect the market value.

In this chapter, the literature is presented in a sequence, with the study questions, to derive the hypotheses based on the previous studies.

3.2 Value Relevance at the Reporting Date

Most of the previous studies that didn't consider the time of market value sampling addressed the value relvance at the reporting date by measuring it against the accounting information and market value at the reporting date without any lag.

Some of these studies examined **the effect of IFRS adoption on the value relevance** in specific countries**.** For example**,** Boa and Chow (1999) found that earnings and book value of financial statements that were prepared under IFRS were more relevant than the financial statements that prepared under domestic GAAP. Furthermore, the ability of book value and earnings to affect the market value under IFRS increased over time. Similarly, Kargın (2013) found that the value relevance of earnings and book value with share price would increase after IFRS adoption. Tsalavoutas and Dionysiou (2014) found that mandatory disclousers increased the value relevance.Ji and Lu (2014) also found that thevalue relevance of intangible assets increased after IFRS adoption by the Australian companies.Kadri et *al.* (2009) investigated the value relevance of book value and earnings of two different financial reporting systems in Malaysia MASB and IFRS. The findings showed that under MASB system, book value and earnings per share were relevant, but under IFRS system only the book value was found to be relevant.

Other studies have researched into the **effects of the adoption of IFRS on the relevance of accounting information cross countries.** For example, Aharony et *al*. (2010) found that the value relevance increased after adopting IFRS in fourteen European countries. Liao et al (2012)'s findings revealed that the book value and earnings in France and Germany were more comparable after applying IFRS. Escaffre and Sefsaf (2011) reported that the value relevance in countries that applied IFRS was better

than the US GAAP. In addition, their results indicated that the value relevance of information prepared in France was more than in other European countries. Clarkson et *al*. (2011) examined the effect of IFRS adoption on the value relevance of book value of equity and earnings with stock prices.They conducted a comparison between the value relvance in 2004 (before applying IFRS) and 2005 (year of applying IFRS) in Europe and Australia. However, results showed no difference in value relevance after IFRS adoption.

Other studies have explored how the value relevance would be affected when changing specific accounting information. Khurana and Kim (2003) found no differences in the value relevance in the between 1995-1998 using fair value and historical cost. Dimitropoulos and Asteriou (2009) examined the relationship between financial ratios (working capital to assets, sales to total assets, profit to sales, and profit to total assets) and stock return. The results revealed that working capital to assets and profit to sales ratios had a negative effect on stock return. In contrast, sales to total assets and profit to total assets had a positive effect on stock return.

Most of the studies have focused on the value relevance of earnings and book value. For example, Shamy and Kayed (2005) found a relationship between accounting information and market value, but the book value was found to be better able to affect the market value of share than earnings per share. Arca and Mora (2002)'s findings showed that in common law countries, earnings were more relevant to the market value

than to the book value of equity. In code law countries, the book value was more relevant. Papadaki and Siougle (2007) found that relationship between price and earnings was positive for firms that achieved profits. Jamaluddin (2009)'s findings indicated that the book value and earnings were more relevant and assisted investors in evaluating the firm's equity after applying corporate governance. The findings of Bae and Jeong (2007) revealed that agency problem negatively affected the value relevance of earnings and the book value while foreign equity ownership positively affected the value relevance of earnings and book value. Pervan and Vasilj (2009) found that the earnings and the book value of equity were related positively with share price. Franzen and Radhakrishnan (2006) showed that the relevance of book value of equity decreased when research and development were eliminated. Srinivasan and Narasimhan (2012) found a negative relationship between the earnings and the market value of consolidated statements in India. Gamerschlag (2012) revealed that the earnings per share, and book value had a positive relationship with share price.

The relevance between the share price and dividends has been a matter of debate in studies for the last few decades. Notwithstanding, the impact of dividends on price stay is uncertain. On one hand, some studies have indicated that stock prices were still unaffected by the dividends declaration (Alhares et al, 2012). On the other hand, other studies pointed

out that the dividends affected the stock price positively (Gregoriou, 2010 and Habib, 2004) or negatively (Abbas, 2015).

Many studies have also examined **the relevance of cash flow and operating cash flows**. For example, Pouraghajan et *al*. (2012) argued that earnings have more information content than operating cash flow. Similarly, Daraghma (2010) pointed out that earnings have higher information content relative to stock return than operating cash flow. Akbar et *al*. (2011) found that cash flow strongly affected the firm valuation. Moreover, Bepari et *al*. (2013) revealed that the operating cash flow, the book value and earnings had positive relationship with the market value.Cheng et *al*. (1996)'s results showed increase of the incremental power of operating cash flow .Furthermore, Gu (2007) and Sami et *al*. (2013) proved change of the value relevance during a long period of time. All these studies measured the value relevance at the fiscal year end (reporting date).

Based on this review of literature , the researcher has developed the following **hypotheses:**

H1: There is a relationship between accounting information and market value of equity per share at the reporting date.

H1.1: *There is a relationship between earnings per share and market value of equity per share at the reporting date.*

H1.2: *There is a relationship between book value of equity per share and market value of equity per share at the reporting date.*

H1.3: *There is a relationship between operating cash flow per share and market value of equity per at the reporting date.*

H1.4: *There is a relationship between cash dividends per share and market value of equity per share at the reporting date*

3.3 Coincident and Forecast Relevance

Coincident relevance is the ability to predict market values depending on news and information during the period preceding the reporting date. This information should be reflected in accounting information at yearend. Hence, coincident relevance for accounting information decreases when this information isn't reflected in accounting information in the financial statements. High coincident relevance means high confirmatory value of accounting information while low coincident relevance means low confirmatory value of accounting information.

In contrast, forecast relevance embodies the ability of accounting information at the reporting date to predict the market value within the subsequent period. Forecast relevance decreases when there is news and information after yearend that would be reflected in the market value but not in accounting information (Francis and Schipper, 1999). Higher (lower) forecast relevance means higher (lower) predictive value of accounting information.

To examine the coincident and forecast relevance, several studies have considered the date of sampling share prices with different periods to examine the coincident and forecast relevance. Some studies (Alford et *al.*, 1993; Collins et *al*., 1997; Meulen et *al.*, 2007; Rahman and Mohd Saleh, 2008; Dang et *al*., 2011; Pathirawasam, 2013; and Chebaane and Othman,2014) examined the value relevance three months after the reporting date. Other studies (e.g. Harris et *al*., 1994; Hassan et *al*., 2009; and Gregoriou, 2010) examined it by considering the relevance of accounting information six months after reporting date.

Some studies have sampled market value in the period before and after fiscal year end. Bamber (1987), for example, focused on quarterly value relevance by dividing the period to three months preceding the reporting date and three months subsequent to the reporting date. Francis and Schipper (1999) argued that the value relevance of financial statements would decrease over time. His study measured the value relevance in two ways. The first measured the relevance of returns earned from previous knowledge of information of financial statements while the second way measured the ability of accounting information to explain the market value. In contrast, few studies have examined whether the month selection in which market value was sampled had an effect on the regression results. Hellstorm et *al*. (2006) investigated the validity of the value relevance methodology in the Czech Republic by predicting the future market value. If the results of the value relevance tests confirmed the

predicted results, would be considered valid. The study focused on both June and December and conducted sensitivity analysis for those two months. However, Klimczak and Szafranski (2013) examined the effect of time by exploring the effect of each month on the value relevance. The study divided the year into two periods. The six months before reporting date represented the coincident relevance, and the six months after reporting date represented the forecast relevance.

This study used Klimczak and Szafranski (2013) approach; it divided the year into two periods to encompass all months. According to Francis and Schipper (1999)'s definition of forecast and coincident relevance, the first six months represent forecast relevance and the second six months represent coincident relevance. Based on these studies, the following hypotheses were developed:

H2: The coincident relevance of accounting information varies with the month of market value sampling.

H3: The forecast relevance of accounting information varies with the month of market value sampling.

3.4 Differences in Ability of Accounting Information to Affect Market Value

Some related literature has compared between the ability of accounting information to affect the change in market value at the reporting date and during the periods before and after the reporting date. Kargin

(2013) examined the value relevance of book value and earnings per share. The study found that the book value had more explanatory power than earnings after adopting IFRS. Shamy and Kayed (2005) compared between the book value and the earnings per share. Results indicated that earnings had stronger ability in affecting the market value. Gornik-Tomaszewski and Jermakowicz (2001) found that the relevance of book value was more than in earnings. Collins et *al*. (1997) found that while the relevance of earnings declined, the relevance of book value increased. Shamki and Rahman (2012) conducted a comparative analysis between the book value and the earnings individually and in aggregate. The results showed that the earnings and the book value were more relevant individually. In Chebaane and Othman (2014)'s study, it was found that earnings per share was stronger than the book value of equity in affecting the market value. Aleksanyan and Karim (2012) found that earnings was stronger than the book value in firms trade at premium. In contrast, the book value was stronger than earnings in firms trade at discount. According to the results of Anandarajan et *al*. (2006), the book value had a stronger association with stock price than with the earnings. Similarly, King and Langli (1998) found that the book value was stronger than the earnings in affecting the market value. On the basis of the findings of these studies, the following hypotheses were developed:

H4: There are differences between the ability of book value, operating cash flow, earnings per share and cash dividends per share in affecting the market value of share.

3.5. Conclusions Related to Literature and Hypotheses

As the previous review of literature has shown, most of the studies have used earnings or earnings per share beside the book value of equity to investigate the relevance with the market value. These are the main variables in Ohlson model which measures the value relevance of accounting information and the market value. Additionally, it is clear that a lot of previous studies have examined the relevance of operating cash flow and dividends with the market value. Therefore, this study has used the most popular accounting information investigated by prior studies.

Chapter Four

Methodology

4.1 Introduction

This chapter covers results of data collection, the study variables and measurement and the econometrics models used to test the hypotheses.

As stated in chapter two, several approaches were used by previous studies to address the value relevance. This study has used the measurement approach beacause it investigates the relevance of the accounting information to the market value. To be more specific, the study has used the share price as a market metric inconfirmatory with the measurement approach defintion.

The main objective of value relevance studies is to investigate the relationship between accounting information and market value of equity. Value relevance studies are interested in how market value of equity is affected by accounting information. Some may, for instance, examine whether a piece of accounting information is significantly related to the market value of equity. Others may analyze how much accounting information explains the variation in equity values. Such issues are typically tested using regression analysis. The folowing section presents the valuation model used to measure the value relevance.

4.2 Ohlson Model (OM)

The coefficient of determination in regression analysis measures the proportion of variance in the dependent variable explained by the independent variable. R^2 is used as a measure of how much stock prices or returns variation are explained by the accounting information. Therefore, explanatory power is a measure of value relevance (Beisland, 2009).

To examine the association between the accounting information and firm value, a valuation model is required. Recently, the most common valuation model adopted by researchers is the Ohlson (1995). This model relates the market value of a firm to its accounting information (residual income, book value) and other information. This model still continues to be the corner stone for value relevance studies because it directly links accounting information and market value of equity (Isidro et al, 2006).

Following the existing literature (e. g. Arca and Mora, 2002; Shamy and Kayed, 2005; Radhakrishnan, 2006; Bae and Jeong, 2007; Rahman and MohdSaleh, 2008; Jamaluddin, 2009; Pervan and Vasilj, 2009; Gamerschlag, 2012; Kargin, 2013; Bepari et *al*., 2013; and Kadri, 2015), this study has use the Ohlson model (1995) by using earnings per share instead of residual income to explore the relationship between the accounting information and the market value of share.

Ohlson model (1995) mainly compares between regression coefficients of accounting information to find out which is more value

relevant. R-square is used as a statistical test to measure the change of market value in company shares. This change is explained in the literature on book value of equity, earnings per share and operating cash flow per share. In this model, earnings per share represents income statement; book value of equity represents the balance sheet while operating cash flow represents the cash flow statement.

The model takes the following form:

$$MV\ i,\ t = \mathbf{BV}_{it} + E + u_{it}$$

MV is market value, while BVPS is the book value of equity and EPS is earnings per share,.

Based on the Ohlson model, when a firm publishes its financial statements for $year_{t,}$ the market value of equity is expected to adjust to the value of Ohlson model that is determined by end of year book value and earnings and other accounting information (Dechow et *al*., 1999).

The accounting literature indicates that analysis based on traditional approaches, used in accounting research, has found weak linkage between accounting information and changes in the value of equity. Ohlson model reveals high explanatory power (high R^2).The high R^2 that results from analysis, using Ohlson (1995), suggests that little value relevance is related to variables other than earnings and book value of equity (Lo and Lys, 2000).

4.3 Variables Definition

The purpose of this section is to provide background information on the variables used in the regression. In this study, several variables were used to examine the hypotheses. Bellow, these variables are identified.

According to Uo and Ui (2015), most recent value relevance studies focus on the measurement view of value relevance. In addition, many of these studies have investigated the value relevance of book value of equity and earnings. Moreover, following prior literature (e.g. Bepari and Rahman, 2012; Habib and Azim, 2008; Kargin, 2013; Shamy and Kayed, 2005; Bepari and Rahman, 2012; Shamki and Rahman, 2013; Liao et *al*., 2012; Gamerschlag, 2012; Gregoriou, 2010; Habib, 2004; Dang et *al*., 2011; Chebaane and Othman, 2014; Pathirawasam, 2013; and Rahman and Mohd-Saleh, 2008), this study has used Ohlson (1995) model which explores the relationship between accounting information and market value of the firm. Most studies use the following variables to investigate their relationship with the market value.

The rest of this chapter shows variable's definition and the relation between them as it is shown in figure (3)

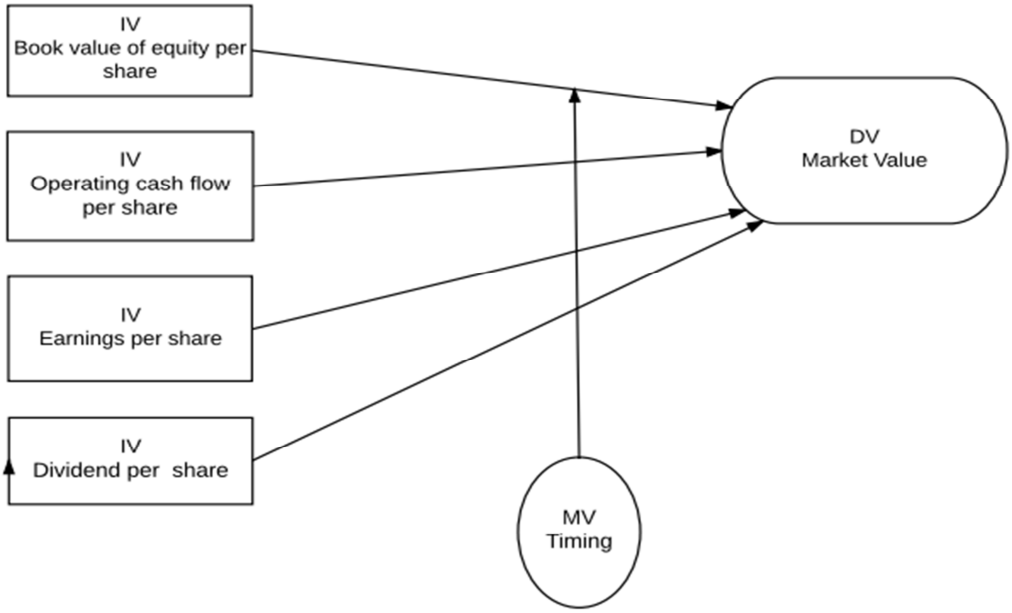

Figure (3): Research model.

4.3.1 Book Value of Equity per Share (independent variable)

According to Staff (2015), the book value per common share measures a stock valuation; it is calculated by dividing common equity value by the number of shares outstanding. Common equity refers to the equity section of the balance sheet of the less preferred stock equity.

4.3.2 Earnings per Share (independent variable):

As mentioned earlier in chapter two, this variable measures the performance of the entity by dividing income, available to common stockholders, by the weighted-average number of common shares outstanding. Income available to common stockholder is computed by deducting dividends declared and accumulated dividends on preferred stock (IASB, 2012, IAS33).

4.3.3 Operating Cash Flow per Share(independent variable)

Operating cash flow per share is the amount of cash generated by a company's normal business operations. Operating cash flow per share is found by dividing operating cash flow on the number of common shares outstanding (IASB, 2010, IAS7).

4.3.4 Dividend per Share(independent variable)

Dividends per share is the dividends declared for every ordinary share outstanding. It is calculated by dividing the sum of dividends declared on the number of ordinary shares outstanding (Ross et al, 2013).

4.3.5 Market Value per Share (dependent variable)

On one hand, the market value in the first hypothesis is sampled with accounting information at the reporting date. It considers the market value only at this date. Hence, market value per share is the current share price. On the other hand, the second and third hypotheses consider the value relevance in each month. Therefore, it is necessary to calculate the average of share prices for each month. (Klimczak and Szafranski, 2013). Accordingly, in the second and third hypotheses, market value is calculated by the following formula:

Average share $price_t$= sum of share $prices_t$/ number of days of $month_t$

Where t denotes the month.

4.4 Research Model

According to Omokhudu and Ibadin (2015) two models are used because dividends and operating cash flow should be seperated to avoid multicollinearity. Both models are analyzed and then their results are compared to show which one is more applicable to the sample.The study models will be as follows:

$$\mathbf{MVPS}_{i,\,tm}=a_{it}+B1\,BVPS_{it}+B_2EPS_{it}+\mathbf{OCFPS}_{it}+u_{it} \quad \text{.....(1)}$$

$$MV\ \mathbf{PS}_{i,\,tm}=a_i+B1\,BVPS_{it}+B_2EPS_{it}++DIVPS_{it}+u_{it} \quad \text{.....(2)}$$

- MVPS is the average share price for each month.
- BVPS is the book value of equity per share at the reporting date.
- EPS is earnings per share at the reporting date.
- OCFPS is operating cash flow per share at the reporting date.
- DIVPS is dividends per share.
- t_m represents timing as a moderating variable, six months before reporting date (from July to December), and six months after reporting date (from January to June).

Changing in the month in which the market value is sampled will change the effect of accounting information on market value. In other words, timing will moderate the relationship between the dependent and independent variables. In this study share dividends were excluded because

most companies don't have share dividends; only cash dividends are considered.

A panel regression analysis was used to test the first hypothesis which addressed the value relevance of market value of share and accounting information at the reporting date using data from 2006 to 2016.Thesecondand third hypotheses investigated the coincident and forecast relevance of accounting information during months preceding and subsequent to the reporting date. These two hypotheses were tested by comparing coefficients of accounting information for each month of the year. The researcher followed Klimczak and Szafranski (2013) approach by dividing the year into two periods. While the first six months of the year measure the forecast relevance the second six months of the year measure the coincident relevance. The two periods were also tested using panel regression of the average market value of share measured in each of the six months preceding thefiscal yearend from July to December, and in each of the six months of the next fiscal year from January to June. Therefore , the market value differs over months while the independent variables (book value of equity per share, earnings per share, operating cash flow per share and dividends per share) remain constant. Later, the regression results of the two periods were compared.

As it was mentioned previously, the fourth hypothesis compares the explanatory power of accounting information at the reporting date and in the periods before and after reporting date. This hypothesis was tested by

comparing the coefficient of the independent variables. The coefficient represents the extent to which each variable contributes to affecting the market value of share. The variable with higher coefficient value has more effect on market value per share.

Table (1): Definition of variables

Definition of variables		
Variables	Definition	Abbreviation
A- Dependent variable Market value of equity per share (Klimczak and Szafranski, 2013)	Average share prices over each month$_t$.	MVPS
B- Independent variable 1- Book value of equity per share (Shamy and Kayed, 2005; Kargin, 2013: and Klimczak and Szafranski, 2013)	Book value at the reporting date.	BVPS
2- Independent variable Earnings per share	Earnings per share at the reporting date.	EPS
3- Independent variable Operating cash flow per share.	Operating cash flow per share at the reporting date	OCFPS
4- Independent variable Cash dividends per share	Dividends per share at the reporting date	DIVPS
C- Moderating variable Timing (Klimczak and Szafranski, 2013)	Six months before reporting date (from July to December) and six months after reporting date (from January to June)	t_m
Error rate		u_{it}

4.5 Data

Data required to test the hypotheses (earnings per share, operating cash flow per share, book value of equity per share and cash

dividends per share) was obtained from the financial statements of the listed Palestinian companies (secondary data). This data was available on the Palestine Exchange website. Following Klimczak and Szafranski (2013), the average of daily close prices during each month was used as a measure of the market value to decline disruption from daily trading. E-Views was used to analyze the value relevance of variables by using regression.

4.6 Sample

4.6.1 The Palestine Exchange (PEX)

PEX is considered the basis for the achievement of economic development in Palestine. Created in 1995 with an aggregate capital US$ 2.8 million, PEX started exchanging in February 1997 with 8 recorded companies. This number increased to 49 companies in 2018. These 49 companies are classified into five sectors: industry, insurance, banking and financial services and investment

The trading currencies in the market are Jordanian dinar and the US dollar. The Al-Quds Index is the indicator for Palestine Exchange; it consists of the most 15 active traded companies which represent all market sectors. Listed companies on PEX are required to prepare audited annual financial statements within a maximum period of 3 months from the end of the financial year and semi-annual financial statements within 45 days from the date of the end of the half of financial year. Palestine securities

exchange (PSE) requires disclosures of financial statements and auditor report within three months after the end of the financial year and their semi-annual financial statements within 45 days after ending of the half of the year. All companies listed on PEX are required to use IFRS standards. (PEX published reports, 2016).

This study was interested in the value relevance in all sectors. Accordingly, all companies listed on PEX from 2006-2016were included if they met the following criteria:

- Company should be listed and traded on PEX.
- Company's required data should be available for at least one year over the period 2006-2016.
- Reporting date is December 31st.
- Company is included in Al- Quds Index.

The number of companies traded in the Al-Quds index was fifteen; all of them were included in the study. Based on the availability of information on Palestine Exchange website, the study covered the period 2006-2016.

Table (2): Sample composition

Sector	Number of firms in each sector	Number of firms that meet the requirements
Investment	10	4
Banking and finance	7	5
Insurance	7	1
Services	11	3
Manufacturing	13	2

Chapter Five

Empirical Results

5 Empirical Results

5.1 Regression Results for Value Relevance at Reporting Date

Table 3 presents the regression results of the Panel Analysis Robustness standard errors. The results show 0.84 value for R^2 which means that the model fitted well and the independent variables (EPS, BVPS OCFPS and DIVPS) explained 0.84 of the dependent variable (market value).This result is consistent with Collins et *al*. (1997), Shamy and Kayed (2005), Klimczak and Szafranski (2013), Escaffre and Sefsaf (2011) and Kadri (2015). Analysis also revealed that the market value was positively and significantly influenced by BVPS and EPS. BVPS and EPS coefficients were 0.43 and 5.46 respectively. This means that they had value relevance to market value at the reporting date. The effect of EPS on MVPS was found to be stronger than BVPS due to having a higher standardized coefficient (68%) in comparison with its counterpart for BVPS (28%). These results support the findings of many previous studies (e.g. Shamy and Alkayed, 2005; Bae and Jeong, 2007; Pervan and Vasilj, 2009; Jamaluddin, 2009; and Gamerschlag, 2012), in contrast, these results are inconsistent with Kargin (2013) and Jermakowicz (2001).

Operating cash flow per share had an insignificant influence on MVPS. This means that OCFPS did not have any value relevance to market

value at the reporting date. This result is consistent with the results of Pouraghajan et *al*. (2012) and Daraghma (2010), but it is inconsistent with Cheng et *al*. (1996) and Akbar et *al*. (2011).

Table 4 shows that EPS had significant value relevance to MVPS at the reporting date. It positively and significantly affected MVPS by 5.41. Moreover, the results show significant and positive relevance of BVPS with MVPS as it affected it by 0.43. By contrast, DIVPS insignificantly affected MVPS by 0.24. The regression results show that the model was highly significant. The results also indicate that EPS, BVPS and DIVPS jointly explained 0.84 of the variation in MVPS at the reporting date. The standardized coefficients revealed that EPS had a higher ability than BVPS and DIVPS to affect MVPS as they were 0.68,0.28, and 0.02 respectively.

Table (3): Regression results at the reporting date for model (1)

Variable	Coefficient	T-Statistic	Standardized coefficient
EPS	5.4632	13.58157***	0.688584
BVPS	0.434876	5.404767***	0.283786
OCPS	0.078945	1.048817	0.034958
C	0.390104	3.219946***	
No. of observations	144		
R-Square	0.842313		
F-Statistics	249.2780***		

Notes: T-Statistic and F-Statistic reveal the significance of coefficient t value is ranked from most to the least significant when t equal 0.01***, 0.05**, 0.1*.

Table (4) Regression results at the reporting date for model (2)

Variable	Coefficient	T-Statistic	Standardized coefficient
EPS	5.4176	11.6945***	0.682838
BVPS	0.4342	5.3308***	0.28337
DIVPS	0.2411	0.5585	0.02652
C	0.3975	3.2627***	
NO. of observations	144		
R-Square	0.84163		
F-Statistics	248.0022***		

Notes: T-Statistic and F- Statistic reveal the significance of coefficient t value is ranked from most to the least significant when t equal 0.01***, 0.05**, 0.1*.

5.2 Coincident and Forecast Relevance Regression Results

Table 5 presents the explanatory power of the model, which varies from 0.59 to 0.81. Thus indicating both coincident and forecast relevance to both accounting information and market value. Although R^2 of the months from July to December (coincident relevance) increased gradually, it was still low when compared with the first six months following December (from January to June). This represented forecast relevance, and it was higher than coincident relevance. The results of this study concurred with the findings of Francis and Schipper (1999), Gregoriou (2010), and Harris et *al*.(1994). Their findings showed that the accounting information had a predictive value. Moreover, they matched with Hellstorm (2006) since coincident relevance was found in the market value and the accounting information.

Regarding the coefficients of the independent variables throughout the months, Table 5 indicates that the value relevance of independent variable's coefficients varied across months. This result is inconsistent with the results of Klimczak and Szafranski (2013). It is clear that EPS affected changes in market value throughout the whole period. While its highest value of coefficient was in March (5.79), July witnessed the lowest coefficient value (4). Furthermore, results showed that the forecast relevance of EPS was higher than its coincident relevance. This means that the market value of share was highly affected by EPS in the first six months (from January to June). The coefficients of BVPS varied between 0.36 and 0.48 in the first six months (January - June period), and 0.49 and 0.57 in the July- December period. Accordingly, its coincident relevance was higher than its forecast relevance. Finally, OCFPS explained market value significantly only in December. It had a weak ability to explain changes in market value.

To compare the ability of independent variables to affect MVPS, standardized coefficients revealed that EPS varied between 0.42 and 0.67. While BVPS ranged from 0.22 to 0.34, OCFPS varied from 0.007 to 0.09 over the period. This indicates that EPS had the strongest effect on MVPS followed by BVPS and OCFPS with an insignificant effect.

As Table 6shows, the explanatory power of the model was between 0.60 and 0.81. In terms of coefficients of independent variables, it was found that EPS had a significant positive effect on MVPS over the months.

It highly and positively affected MVPS in the first six months (January to June) and in March (5.56) in particular. However, it decreased slightly in the second six months (July to December) and in July (3.36) in particular. As a result, the forecast relevance of EPS was higher than its coincident relevance. BVPS also had significant positive effect on MVPS in all the months. While this ability receded in the first six months and it reached the lowest ability in March 0.36,it elevated from July to December and its highest ability was in July 0.58. In consistency with the findings of Gregoriou (2010) and Habib (2004), DIVPS had significant positive effect on market value in July (1.25), August (0.95) and September (0.95). By contrast, in consistency with Al-Hares et *al*. (2012),no relevance was found in the other remaining months between DIVPS and MVPS.

According to the standardized coefficients, EPS has the highest ability to affect MVPS. Its standardized coefficients were between 0.32 and 0.65. BVPS also affected strongly MVPS, but less than EPS. Its standardized coefficients were between 0.22 and 0.34. DIVPS was the least able variable to influence market value since its impact was insignificant; it varied between 0.02 and0.17.

Comparatively, the explanatory power of models1 and 2was high and followed the same trajectory either at the reporting date or throughout months. Both models have revealed that the forecast relevance of EPS was higher than its coincident relevance. In contrast the coincident relevance of BVPS was more than its forecast relevance. Furthermore, the overall

forecast relevance of both models was higher than the coincident relevance. Also both models showed that EPS and BVPS were the basic stone in Ohlson model and had more value relevant to market value of share.

Table (5) : Regression results throughout months for model (1)

Variable	Month					
	7	**8**	**9**	**10**	**11**	**12**
EPS	4.0005	4.6968	4.7336	4.8226	4.6543	4.6403
t-Statistic	5.6644***	7.2597***	7.3808***	8.8782***	9.231***	9.7308***
standardized coefficient	0.421455	0.523601	0.530769	0.552221	0.53237	0.523268
BVPS	0.571543	0.516277	0.504202	0.494684	0.519731	0.525735
t-Statistic	4.5519***	4.2116***	4.2637***	4.3359***	4.7752***	4.9350***
standardized coefficient	0.345554	0.332581	0.329863	0.329113	0.344579	0.348848
OCFPS	0.131256	0.113272	0.092765	0.053846	0.095125	0.167928
t-Statistic	1.0227	1.1031	0.9207	0.6043	1.16808	2.0250***
standardized coefficient	0.036237	0.031665	0.024276	0.007633	0.025295	0.056944
C	0.353948	0.290227	0.304746	0.31095	0.273628	0.267892
t-Statistic	1.7550**	1.7975**	1.9541**	2.0843***	1.8939**	1.8614**
NO. of observation	129	127	128	129	129	129
R-square	0.599436	0.754787	0.757761	0.78932	0.803405	0.81405
F-statistic	62.35338	126.2014	129.2972	154.8565	170.2755	180.9488

Variable	Month					
	1	2	3	4	5	6
EPS	5.1512	5.4844	5.798	5.2774	5.3528	5.23
t-Statistic	7.7905***	7.4203***	7.0278***	8.6665***	9.4881***	9.6975***
standardized coefficient	0.623524	0.641551	0.676473	0.64083	0.670979	0.65943
BVPS	0.48724	0.468083	0.361284	0.469466	0.43801	0.444743
t-Statistic	5.0228***	48820***	4.4682***	4.0879***	4.3116***	4.6748***
standardized coefficient	0.314532	0.292011	0.2248	0.303975	0.29281	0.299315
OCFPS	0.198816	0.217907	0.22408	0.092809	0.03295	0.077027
t-Statistic	1.9346	1.0983	0.5517	0.9178	0.3906	0.8393
standardized coefficient	0.08721	0.092373	0.094743	0.040392	0.014968	0.035081
C	0.296626	0.306422	0.425314	0.332554	0.306422	0.366052
t-Statistic	1.9181**	1.9672***	2.1900***	2.1492***	2.1711***	1.8595***
NO. of observation	128	129	128	128	129	127
R-square	0.806104	0.806661	0.770436	0.791725	0.813999	0.813836
F-statistic	173.2256	173.8445	139.8365	157.1223	182.3469	179.2354

Notes: T-Statistic and F- Statistic reveal the significance of coefficient t value is ranked from most to the least significant when t equal 0.01*, 0.05**, 0.1*.**

Table (6) : Regression results throughout months for model (2)

Variable	Month					
	7	**8**	**9**	**10**	**11**	**12**
EPS	3.360611	4.22714	4.240609	4.386591	4.352427	4.455834
t-Statistic	4.4256***	5.9836***	6.0899***	7.2199***	7.6574***	8.0246***
standardized coefficient	0.321291	0.43409	0.438802	0.463952	0.458845	0.464179
BVPS	0.580244	0.522994	0.510583	0.500253	0.523951	0.52868
t-Statistic	4.7096***	4.3399***	4.39941***	4.4716***	4.8610***	4.9461***
standardized coefficient	0.347867	0.334899	0.331838	0.331259	0.346295	0.349628
OCFPS	1.259646	0.953125	0.959006	0.799857	0.651042	0.585229
t-Statistic	2.3088***	1.8072**	1.8913**	1.5514	1.421811	1.257534
standardized coefficient	0.174648	0.155439	0.156254	0.142119	0.127549	0.120835
C	0.374544	0.306077	0.320557	0.322525	0.286123	0.28471
t-Statistic	1.8918***	1.9537***	2.1241***	2.2204***	2.0108***	1.982064
NO. of observation	129	127	128	128	128	128
R-square	0.607126	0.75917	0.763119	0.79381	0.805008	0.811201
F-statistic	64.3894***	129.2447***	133.1563***	159.1294***	172.0175***	177.5943***

Variable	Month					
	1	2	3	4	5	6
EPS	5.0643	5.253425	5.568101	4.983179	5.256573	5.15831
t-Statistic	8.3659***	8.386080***	7.175192***	7.455983***	8.5722***	8.5796***
standardized coefficient	0.415484	0.614529	0.649648	0.605103	0.658913	0.650387
BVPS	0.489045	0.471811	0.365019	0.473393	0.439364	0.445768
t-Statistic	4.3131***	4.171785***	2.233872***	4.132468***	4.3264***	4.6584***
standardized coefficient	0.416359	0.294337	0.227124	0.306518	0.293715	0.300004
OCFPS	0.480016	0.745793	0.754586	0.212019	0.212019	0.246874
t-Statistic	0.962689	1.539294	1.332779	1.416106	0.496405	-0.541779
standardized coefficient	0.018965	0.079667	0.080397	0.070251	0.024269	0.028433
C	0.314564	0.328122	0.447514	0.345699	0.310625	0.305022
t-Statistic	2.058726***	2.1397***	0.0272***	2.263082***	2.2158***	2.2498***
NO. of observation	128	129	129	128	129	127
R-square	0.800741	0.802504	0.765938	0.793103	0.814137	0.813171
F-statistic	167.4418***	169.3084***	136.3491***	158.4437***	182.5123***	178.4522***

Notes: T-Statistic and F- Statistic reveal the significance of coefficient t value is ranked from most to the least significant when t equal 0.01*, 0.05**, 0.1***

Chapter Six

Conclusions and Recommendations

6.1 Conclusions

This study investigated the value relevance of accounting information (i.e. book value of equity per share, earnings per share, operating cash flow per share and dividends per share) at the reporting date, and how it was affected by the sampling time. It also examined whether the change in the month in which market value was sampled affected regression results of value relevance of accounting information and market value of the share. The overall results indicated that the value relevance of the accounting information varied over the months. This variation could be attributed to the forecast and coincident relevance. The findings have provided evidence supporting the existence of value relevance of accounting information and market value at the reporting date. Furthermore, there are coincident and forecast relevance, but the overall forecast relevance was higher than the coincident relevance. On the other hand, the results indicate that EPS and book value of equity were the most important variables in the study model. These accounting information are used in Ohlson (1995) model as a basic stone. However, there is no clear evidence supporting the existence of value relevance for operating cash flow per share and dividends per share. Furthermore, there is strong

evidence that earnings per share were the dominant determinant for pricing securities in Palestine Exchange.

Nevertheless, this study has its limitations. Mainly, the sample was limited to the companies on Al-Quds index due to the continuous change of their market value. It is unknown how the remaining firms were actually affected by accounting information.

6.2 Recommendations

In the light of the study findings, the study recommends that companies give more interest to earnings per share and book value of equity and their disclosures because investors largely depend on them when pricing the shares. Moreover, the study suggests further research using other accounting information to investigate its value relevance to the market value. This is in addition to examination of the effect of each month of market value sampling before and after adopting new accounting standards or holding a comparison between countries. Finally, the relevance of market value sampling could be estimated using other models and comparing its results with Ohlson (1995) model.

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جامعة النجاح الوطنية
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ملاءمة المعلومات المحاسبية الصادرة عن الشركات الفلسطينية المدرجة في بورصة فلسطين

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قدمت هذه الأطروحة استكمالا لمتطلبات الحصول على درجة الماجستير في المحاسبة بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس، فلسطين.

2018

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الملخص

الهدف الرئيسي من هذه الدراسة هو تحليل مدى تأثر الملاءمة بين المعلومات المحاسبية والقيمة السوقية لحقوق الملكية لكل سهم حسب الشهر الذي يتم أخذ عينات القيمة السوقية. وقد أجريت الدراسة على الشركات المدرجة في بورصة فلسطين والممثلة لعينة مؤشر القدس. يستخدم نموذج Ohlson, 1995 لفحص الملاءمة بين المعلومات المحاسبية (القيمة الدفترية لحقوق الملكية، وعائد السهم الواحد، والتدفق النقدي التشغيلي لكل سهم وتوزيعات الأرباح النقدية لكل سهم) والقيمة السوقية لحقوق الملكية لكل سهم . يتم فحص عنصرين من الملاءمة، الأول هو القيمة التأكيدية التي تقاس بالملاءمة التأكيدية والثانية هي القيمة التنوبية التي تقاس بملاءمة التنبؤ. وقد تم جمع البيانات من القوائم المالية للشركات الممثلة لعينة مؤشر القدس المدرجة في بورصة فلسطين (15 شركة) المتوفرة على الموقع الالكتروني لبورصة فلسطين وتم استخدام تحليل الانحدار في التحليل الاحصائي. وتشير نتائج الدراسة إلى وجود تباين في أهمية القيمة بين المعلومات المحاسبية والقيمة السوقية وفقا للشهر الذي يتم فيه أخذ عينات من القيمة السوقية. وتكون القوة التفسيرية لربح السهم الواحد والقيمة الدفترية لحقوق الملكية أعلى من التدفقات النقدية التشغيلية والتوزيعات النقدية. كما تدعم النتائج وجود ملاءمة تأكيدية وملاءمة تنبؤيه بين المعلومات المحاسبية والقيمة السوقية لحقوق الملكية، ولكن ملاءمة التنبؤ أعلى من الملاءمة التأكيدية. وتوصي الدراسة بأن تهتم الشركات بحقوق الملكية لكل سهم وبحية السهم الواحد وافصاحاتهما، وذلك بسبب اعتماد المستثمرين عليهما بشكل كبير في تسعير السهم.